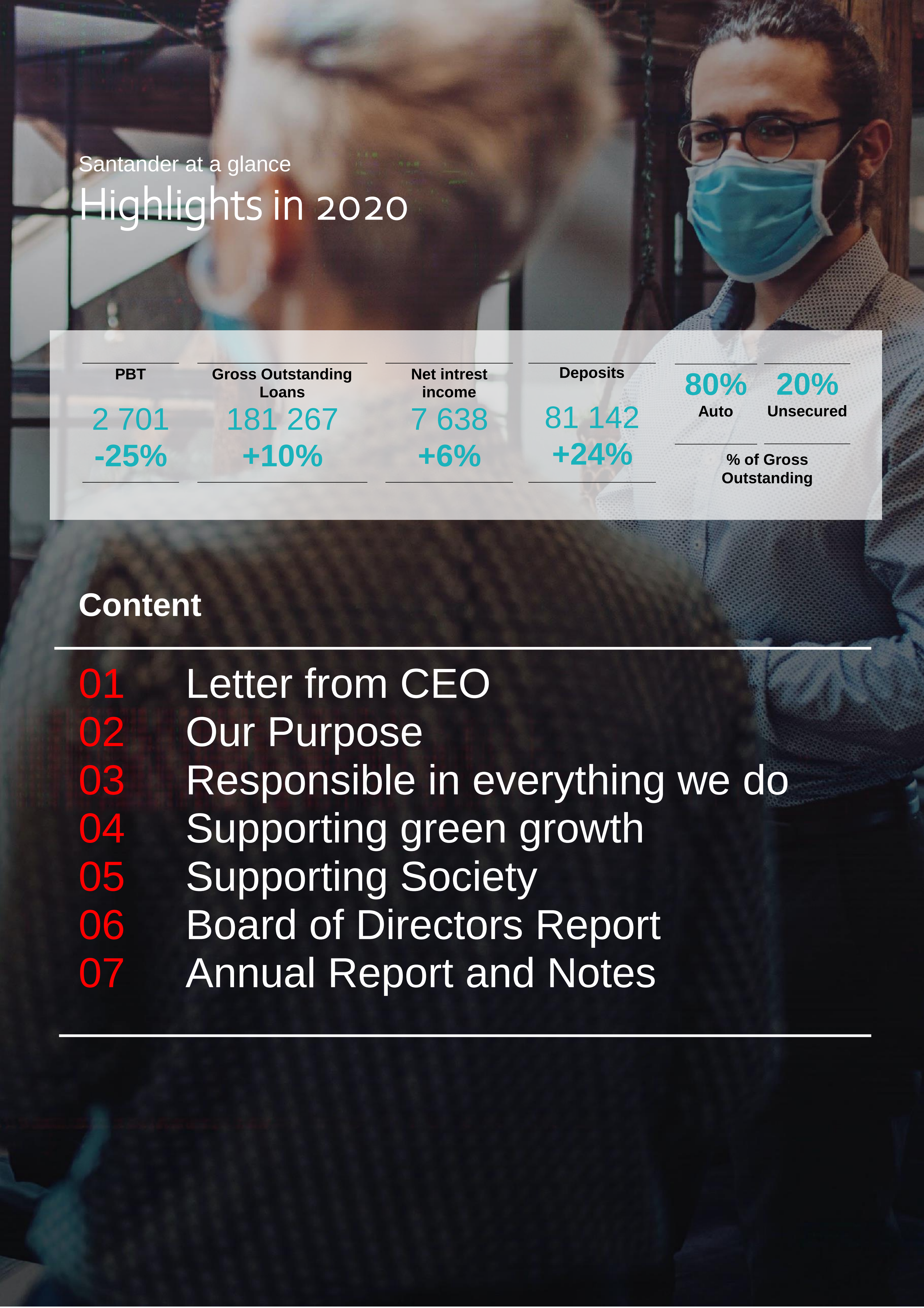
Annual Report
2020



Santander at a glance

Highlights in 2020

PBT	Gross Outstanding Loans	Net intrest income	Deposits
2 701	181 267	7 638	81 142
-25%	**+10%**	**+6%**	**+24%**

80%	**20%**
Auto	Unsecured

% of Gross Outstanding

Content

Letter from CEO

A year of challenge and new possibilities

Every day we proudly serve 1.5 million customers across the four Nordic countries. We follow our principles of being Simple, Personal and Fair, with the purpose of making people and business 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.

2020 has tested our resilience both as a community and indeed as a business. And even though our Nordic region is better equipped than most at handling the economic effects of the pandemic, we are not immune to the challenges. Many of our customers and partners have been hit by the consequences of lockdowns and we see it as our responsibility to help them in a responsible way. We have issued payment holidays when our customers needed it most and distributed government liquidity loans to partners.

Within our own organization we have overnight had to work from remote, while still serving our customers and partners to the full extent. Almost one year into the pandemic, things that just a few months ago was new and unprecedented, now begins to feel normal. We still work remote and we do make it work. Consumer-trends have also changed. Spending categories such as travel and entertainment are down, with an increasing spend for categories such as groceries and furniture. Even though we have a strong year finish for auto financing, there is major variations between the months and countries.

New possibilities

Somethings will hopefully turn back to normal, but there is a new normal, and we as a business must embrace it. When the world and business environment changes around us, we not only have to adapt, but drive that change in how we work. We aspire to be the leading Nordic consumer finance platform. To make that happen we must operate efficiently and achieve that by working collaboratively. In 2020 we have announced a new Nordic structure to simplify our organization and improve synergies across the Nordic markets so that we can continue to be competitive and serve our partners and customers in the best way possible.

What does not come to a halt, even in a pandemic, is the global push for sustainability. At Santander we welcome changes. We acknowledge our own responsibility to contribute to the green shift.

As the Nordic market leader in auto-financing, Santander is already today a major player in financing electrical vehicles. Through our Green Bonds framework we have issued our inaugural senior green bond in 2020 that will be used to finance electric vehicles, linking green funding with green growth.

Going forward, we believe that our business model with strong presence in the local markets combined with being a part of the global Santander Group, makes us well prepared for changing market conditions.

Michael Hvidsten, CEO

Our purpose

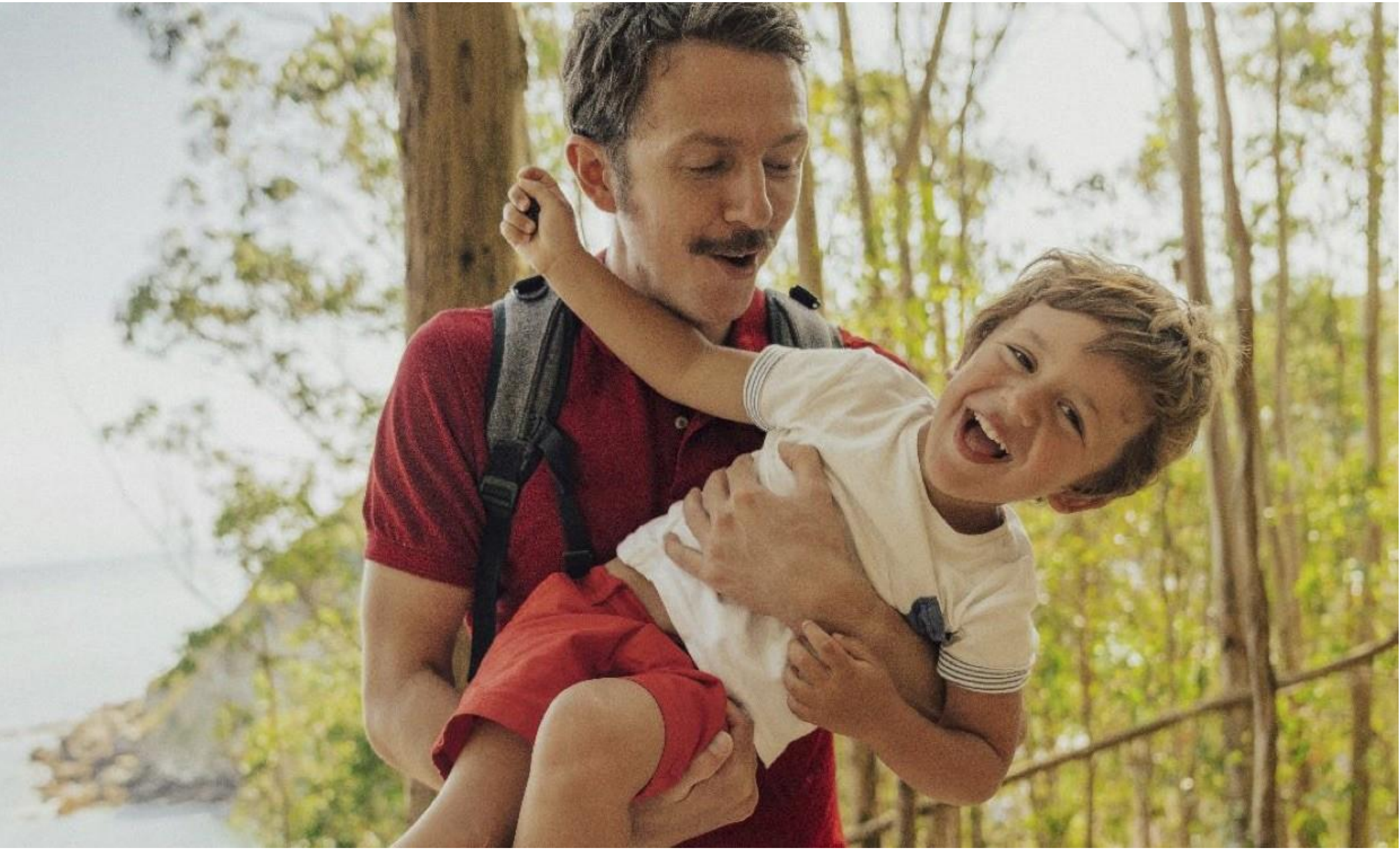
To help people and businesses **prosper**.

Our aim

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

Our how

Everything we do should be **Simple, Personal and Fair**.



Responsible in everything we do

Worldwide and locally, Santander champions the belief that economic and social progress go together. The value created by our business should be shared – to the benefit of all. We follow the Responsible Banking principles outlined by the United Nations Environment Programme Finance Initiative (UNEP FI).

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

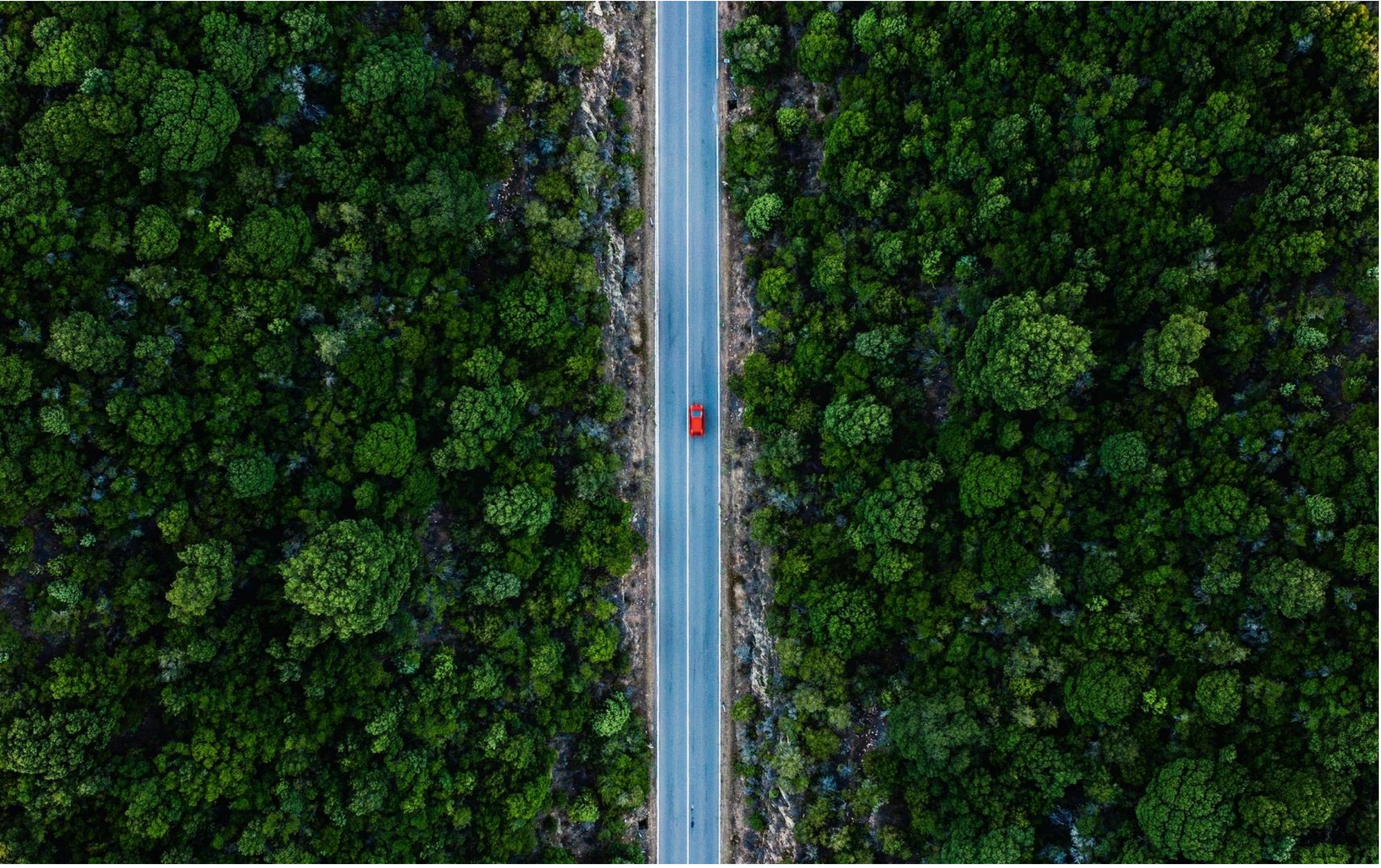
Responsible banking naturally follows from our existing values of being Simple, Personal & Fair – principles that lay the foundation for the way we treat both customers and employees, for how we do our part to combat climate change, and for how we play a role in improving people's lives by supporting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

We believe we have a responsibility to be an active partner within the societies we operate, to help people and business to prosper.

Every day we work hard to comply with our responsibilities towards customers and local and international regulations. We have been a vocal supporter of important regulations, such as the Norwegian Debt-register, to ensure a healthy financial system.

Our responsibility is to balance risk and customer needs in our day to day business. In Santander we have implemented a comprehensive Compliance and Conduct Program to ensure we meet our obligations.

For more information about our focus, please continue on page (Responsible banking/CSR-page (page 23))



Supporting green growth

Santander can play a major role in helping to ensure growth is both inclusive and sustainable. We finance renewable energy and smart and sustainable infrastructure, while taking into account social and environmental risks and opportunities.

As the market leader in auto financing in the Nordics, we believe we have a responsibility to make it easy for customers to make sustainable choices, and to transform our core business in a sustainable direction. Notably Santander's share of EV financing in the Nordics is higher than the overall share of financing new vehicles, reflecting Santander's efforts to support green growth.

Green bonds

In February, Santander Consumer Bank AS successfully issued their inaugural green bond, with SEB as Joint Lead Manager. The issuance proceeds of SEK 1 billion will be used to finance and/or re-finance new and existing retail loan and lease contracts for electric passenger vehicles (EVs only). This follows the implementation of our Green Bonds Framework.

Green energy financing

In 2020, we have increased our focus on the financing of green energy solutions for consumer homeowners – primarily the financing of solar panels and ground water heating systems. We consider this an attractive and growing market segment which fits well with our Responsible Banking agenda. Our Danish and Finnish businesses have established agreements with a range of dealers and anticipate further business growth in this sector.

Carbon compensation

In collaboration with Chooose, we are currently enabling customers our auto customers in Norway and Sweden to offset their vehicle emissions through Chooose's platform. In Norway, we launched carbon compensation to our Auto Direct customers 1st of March and in Sweden we launched carbon compensation within our auto fleet segment in October. Combined this represent more than 17.000 tons of carbon offset in 2020. In Finland, we have entered into an agreement with CO2 Esto in relation to our Green "All-in-One" auto proposition, which similarly allows customers to offset their vehicle emissions. In 2021, we will focus upon extending carbon compensations schemes to a broader cross section of our auto portfolios.

Supporting society

We believe in our responsibility to give something back and help people prosper.

Supporting society

Santander is partnering with a range of organizations in the Nordics. We believe in our responsibility to give something back and help people prosper.

Sports

Santander promotes sport and health through several initiatives.

National football teams and Santander 3v3 League: Santander are proud sponsors of Norway's age-defined male and female national teams (15-21 years). Through its sponsorship, Santander seeks to promote young footballing talent and passion for the game. Through our 3v3 League, we sponsor 3v3 tournament for 6-7 year olds. We believe that "the love of the game starts young".

E-football: Through its collaboration with NFF – Norway's Football Association – Santander sponsors one of the world's top national e-football teams in FIFA and PES. We want to both support the Norwegian e-football team establish itself amongst the world elite but, more generally, to promote football for all, irrespective of gender, age or level.

Svensk Klassiker: Santander has been one of the main sponsors of "The Swedish Classic" since 2016, where our motivation has been to promote exercise and training amongst the Swedish population.

Handball: Santander has been the proud main sponsor since 2016 of the honored Danish cup tournament in handball for both ladies and men, which today is called the Santander Cup.

Education

We are committed to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Right to Play: Santander is proud or our collaboration with Right to Play, an organization which utilizes play and sport to promote education, health and peace. Our collaboration with the organization provides equal opportunities to children, wherever they live, and utilizes play as a vehicle to protect, educate and strengthen children's future opportunities.

Icehearts: Santander supports the Finnish "Icehearts", an organization that uses team sports as a tool for engaging children with social work.

TAT/Sosped: Through collaboration with TAT (Finish High School education Board), Santander has contributed to the development of financial education with the Finnish high school curriculum. Through collaboration with Sosped, and other financial market players, we have developed a series of podcasts, based on real user stories, for how individuals have managed their finances and overcome personal financial challenged during the Covid 19 pandemic

The future of business

Oslo Business Forum: Santander is a proud sponsor of Oslo Business Forum and together we facilitate what we consider to be one of the most impactful annual conference for leaders in Norway. Santander began its partnership with OBF in 2018. The theme of this year's conference was "The New Normal" and we will continue to support OBF in 2021 and the planned "Re-thinking Business" event. Santander, together with its partner Choose, contributed towards the event being the world's first climate-neutral business conference from 2018 onwards.

Global meets local

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

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

1411
Employees, Nordic Region

1,5m
Customers, Nordic Region

39 years
Average age of employees Nordic Region

90
Women in manager positions, Nordic Region

191 189
Employees, Globally

148m
Customers, Globally

7,75 years
Average length of service, Nordic Region

130
Men in manager positions, Nordic Region

Grupo Santander building a more responsible bank

We build loyalty by being responsible towards our environment, our society and in our day-to-day operations.

	2018	2019	H1 20*	2020	2021	2025
Top 10 company to work for[1]	4	5		6		
Women on the board	33%	40%	40%		40%-60%	
Women in senior leadership positions[2]	20%	23%				30%
Equal pay gap[3]	3%	2%				~0%
Financially empowered people[4]		2.0mn	2.8mn			10mn
Green finance raised and facilitated5 (EUR)		19bn	22bn			120bn
Electricity used from renewable energy sources[6]	43%	50%	66%		60%	100%
Becoming carbon neutral in our own operations				0%		
Reduction of unnecessary single use plastic in corporate buildings and branches		75%			100%	
Scholarships, internships and entrepreneurship programmes[7]		69k	110k		200k	
People helped through our community programmes[8]		1.6mn	2.6mn		4mn	

Cumulative target From... to...

1. According to external indexes in each country (Great Place to Work, Top Employer, Merco, etc.).
2. Senior leadership positions represent 1% of the total workforce.
3. Equal pay gap based on same jobs, levels and functions.
4. Unbanked, underbanked or financially vulnerable individuals receive tailored finance solutions and can increase their knowledge and resilience with financial education.
5. Includes Grupo Santander's contribution to green finance: project finance; syndicated loans; green bonds; capital finance; export finance, advisory, structuring and other products, to help customers transition to a low-carbon economy. €220bn committed from 2019 to 2030.
6. In countries where renewable electricity can be confirmed for properties occupied by Grupo Santander.
7. Beneficiaries of Santander Universities (students given a Santander scholarship will do a work placement in an SME or take part in entrepreneurship programmes Grupo Santander endorses).
8. Beneficiaries of our community investment programmes (not including Santander Universities and financial education initiatives).

Annual Report
of the Board of Directors 2020

Key figures Santander Consumer Bank Group

All amounts in millions of NOK	**2020****	**2019**	**2018**
Net interest income	**7 638**	**7 174**	**6 919**
*Growth**	*6%*	*4%*	*5%*
Gross margin	**7 816**	**7 595**	**7 384**
*Growth**	*3%*	*3%*	*1%*
Profit before tax	**2 701**	**3 611**	**4 134**
*Growth**	*-25%*	*-13%*	*3%*
Profit after tax	**2 130**	**2 869**	**3 139**
*Growth**	*-26%*	*-9%*	*3%*
Total assets	**198 892**	**180 941**	**176 108**
*Growth**	*10%*	*3%*	*11%*
Net Loans to customers	**176 263**	**161 392**	**159 284**
*Growth**	*9%*	*1%*	*10%*
Customer deposits	**81 142**	**65 484**	**54 645**
*Growth**	*24%*	*20%*	*8%*

* Year on year
** The 2020 Figures are affected by the acquisition of Forso Nordic AB.

Financial performance

Review of the Annual Accounts

In 2020 the Group[1] have increased outstanding loans to customers which had a positive effect on net interest income with an increase of 6%. The Group's gross margin maintained its profitability relative to lending size and had discipline on the OPEX spending in 2020. Profit before tax for the Group ended at 2 701 MM NOK in 2020, down 25% compared to last year. The main driver of the decrease is higher net impairment losses compared to 2019 were COVID-19 reserves is the main driver.

The Group's outstanding loans to customers were 181.3 Bn NOK at year end 2020, an increase of 10% or 16 Bn NOK compared to year end 2019. The main drivers for the increase are the outstanding Forso portfolio of 5.8 Bn NOK, growth in the portfolios of 4.3 Bn NOK, and the weakening of the NOK increasing the impact of translation of loans in other currencies of 5.9 Bn NOK.

The underlying lending in local currencies is slightly higher in Auto loans and slightly lower in Unsecured loans compared to 2019 excluding any Forso impact.

The Group's financial result for 2020 show an increased net interest income of 6% compared to 2019. The net loans to customer grew with 9%. The delta in the growth rates can be explained by the acquisition of Forso contributing with 5.8 Bn NOK in loans without a full year P&L impact, as well as foregin exchange (FX) impacts and a shift in product mix from high yield unsecured products to secured products.

Net fee and commission income decreased by 104 MM NOK compared to last year. The decrease is caused by higher fees related to securitization in Sweden of 63 MM NOK and higher bank charges of 40 MM NOK compared to 2019. The Gross Margin is also impacted by 92 MM NOK loss versus a gain of 3 MM NOK in 2019 from open fx positions.

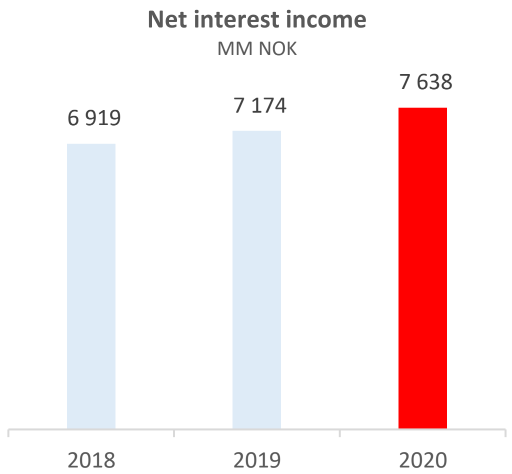
Operating expenses for the year was 3 370 MM NOK, compared to 3 178 MM NOK in 2019. The increase of 192 MM NOK is mainly driven by fx impact of 120 MM NOK due to a weaker NOK in 2020 than in 2019, increased operating expenses of 80 MM NOK from the merger with Forso Nordic AB, on the other side lower depreciation and amortization cost had a positive effect on the operating expenses.

Other income and cost increased with 224 MM NOK due to recognized badwill from the acquisition of Forso AB of 57 MM NOK and a compensation of 196 MM in relation to early termination of an agreement with a partner in Sweden.

Net impairment losses increased with 1 163 MM NOK compared to last year. The Group sold portfolios of non-performing loans and written off loans before the summer, resulting in a net gain of 250 MM NOK. Compared to the sale in 2019 with a net gain of 875 MM NOK, this represents the main driver for the movements in the losses. In addition, the Group has recognized specific reserves related to the COVID-19 pandemic of 409 MM NOK and deterioration of credit quality in some portfolios have created the remaining variance of 130 MM NOK compared to last year.

The Group's profit before tax was 2 701 MM NOK, a decrease of 25% compared to last year due to the reasons explained above.

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



Allocation of profits

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

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

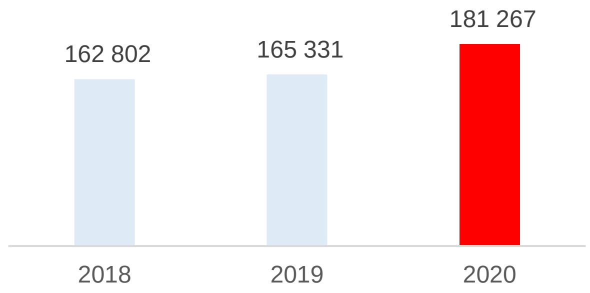
Loans and deposits performance

Loans to Customers

The Group's gross outstanding loans to customers came to 181 267 MM NOK per December 2020. This is an increase of 10% (15 936 MM NOK) compared to December 2019.

Gross loans to customers

MM NOK



10%
increase

Auto financing

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

The pandemic challenges the market

Sales of new cars in 2020 ended at 830.780 units (PC and LCV) in the Nordic markets. Total car sales, new and used, ended at 3.890.869 units, a decrease of 0.3% compared to last year. Used car registration has shown a growth at 4.5%, while new car sales went down significantly, by 15.3%. In total the car sales have shown a negative trend during 2020, but with major variations between the months and countries.

Throughout 2020 the COVID-19 pandemic has had significant impact on the car sales. The demand for used cars has gone up in line with public transport use decreased, demand for new cars reduced as companies are postponing vehicle purchases and replacements and in some cases sales outlets needed to be closed. The increased demand for Hybrid and EV vehicles continues to rise.

Financing the green shift

The demand for Hybrid and electric vehicles (EV) vehicles continues to increase. At the end of the year registrations of zero and low emission cars grew in order to reduce the impact of the new EU regulation of emission targets of sold cars, coming into effect for the first time during 2020. If the average CO_2 emission of a manufacturer's fleet of sold cars exceeds the standard, 95 g/km for PC and 147 g/km for LCV, the manufacturers would have to pay an emissions premium for each car registered. To meet the requirements, manufacturers increased registration of cars with a zero and low CO_2 emission.

There is a strong increase in both supply (new brand and model introductions) and demand for EV cars and hybrids in the Nordic markets. Demand is supported by tax and other incentives which continue to be strengthened especially in Sweden. Norway has taken a strong position in the EV market. In 2020 EV cars reached 54% of total new PC sales, up from 42% in 2019. The same trend is now clear in Sweden with a strong increased demand for more emission-friendly cars.

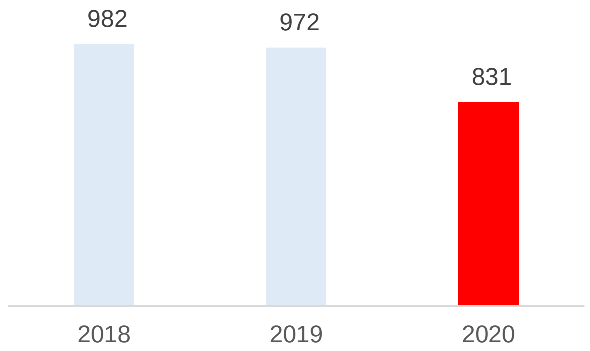
A strong year-finish

The Swedish market, which is the largest in the Nordic shows a growing share of EV and Hybrids, now combined making up 49% of the market (EV 10%) up from 22% during 2019. The total sales were down by 21.0% in new car sales, showing the most significant change in the Nordics. For used car sales the market went up by 2.3%.

In Norway car sales remained strong, despite the impact of COVID-19. Reduced sales in new cars during spring and summer were compensated by strong sales in the last quarter. The new car registration went down by 3.4%. Including used car sales, total car sales grew by 6.8%. The EU regulation caused many manufacturers to increase their efforts in one of Europe's largest EV markets. Furthermore, there are new entrants in the market (mostly Chines), such as MG, which sold 3.500 cars in 2020. In 2021 another 10 new Chinese (EV) brands are expected to enter the Norwegian market.

Sales of new cars (PC and LCV*)

Units in thousands (Market in total)



*Personal cars and Light commercial vehicles

In Denmark sales decreased by 10% for used vehicles and 14.4% for new vehicles. However, the recovery after summer has been rapid and strong. A surge in COVID-19 cases and subsequent implemented restrictions have now decreased demand. Denmark is the only Nordic market where Diesel cars still have a significant presence (23%), despite the increase in EV and Hybrid vehicles from 8% in 2019 to 21% in 2020.

Finland saw a reduction in new car sales of 15.6% in line with the contractions elsewhere, showing a minor growth of 2.4% in used car registration, leaving total car registration in decline. The EV and Hybrid vehicles made up 38% of car registrations in 2020, up from 20% in 2019.

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.

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

The Group continues to pilot a subscription-based mobility model in Norway and Finland, SHFT. SHFT is an “all-inclusive” deal giving flexibility to swap cars based on the customer needs. The concept will enable dealers to secure revenue from their used car stocks and attract new customer segments.

The competition has increased, with market players such as other banks and leasing companies entering car financing in different market segments, causing pressure on the margins.

Nordic market leader

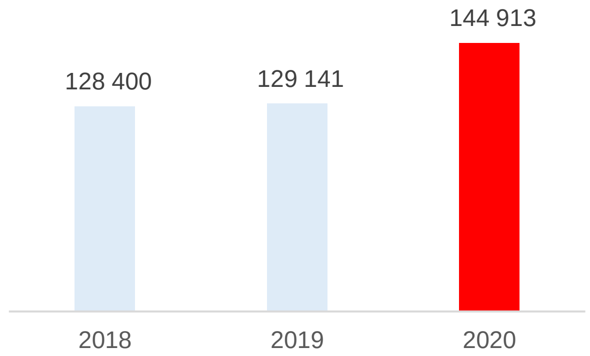
The Group has a strong position as market leader in the Nordic auto finance market. Our main focus is towards partnerships with dealers and importers and Original Equipment Manufacturer (OEM)-owned national sales companies. During 2020 the acquisition of Forso Nordic AB (Ford Credit) was completed. The Group entered a Ford branded retail and wholesale finance partnership with Ford in the Nordic region and a portfolio integration was finalized in November 2020.

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

Total outstanding auto financing is 144.913 MM NOK, an increase of 12% compared to last year.

Gross Auto Financing

MM NOK



2021 expectations

The implementation of the new emission target for car sales in Europe will continue to have substantial impact on the manufacturers. To avoid large penalties, they must reach the average emission target at 95 CO_2g/km. for PC. The manufacturers continue to invest in new technology, consolidate and create partnerships between brands.

The demand for low emission cars will increase in all markets, supported by increased governmental incentives, for example the revised taxation in Denmark being more geared towards low emission vehicles. An exception will be Norway, which continues to phase out tax and other incentives on EV cars.

The impact of COVID-19 on the car industry is significant and combined with the increased regulations, manufacturers will choose to exit from certain markets and sell importership to private importers or exit completely. At the same time the Group see opportunities with regards to more car brands, as we see Chinese brands entering the Nordic market, purely focused on EV cars, Norway leading with approximately 10 new brands planned to enter in 2021.

In car finance, bundled products will continue play an important role going forward. But the mobility solutions growth is delayed as mobility is reduced because the COVID-19 pandemic has changed consumer behavior. In the major metropolitan areas, we anticipate increased focus from the governments on reducing car traffic and providing incentives for other mobility solutions such as car sharing and public transportation, which will pick up again after 2021.

OEMs are expected to grow their online presence enabling customers to order cars and car related services online. The Group will support partners during this transformation and integrate financial solutions into their web platform.

The Group anticipates to further strengthen our position with its existing partnerships and is well positioned to meet the changes foreseen within the auto area, maintain our market leader role in the Nordic.

Consumer

The Group's overall outstanding volume for the Consumer (non-auto) Business portfolio remains flat compared to last year at 36 354 MM NOK.

A challenging market

Consumer loans continues to make up to 80% of the outstanding consumer loans- and credit card volumes and remains the primary product in all the Nordic markets. In the Finnish market, the Group experienced the largest growth in percentage (26%), but in absolute numbers, the Swedish market had the largest growth (1 383 MM NOK) due to the exchange rate of SEK vs NOK (in local currency, we see a slight decrease of 1%). The Norwegian market had the largest decrease in percentage (-21%) and in absolute number (-2 130 MM NOK), partially due to the COVID-19, changes in underwriting, technical set up and the stricter regulations from the FSA.

In terms of sales, the Consumer business portfolio decreased 12% compared to last year landing at 21 217 MMNOK. Consumer loans sales makes up to 49% of the total sales. The only market that was able to increase the sales compared to last year was Finland, due to the successful broker channel strategy implemented in 2019, despite the stricter regulation in place as of middle 2020. COVID-19 has affected all countries across all markets. Furthermore, regulation changes have also affected the markets in Denmark, Norway and Finland.

Consumer Loans

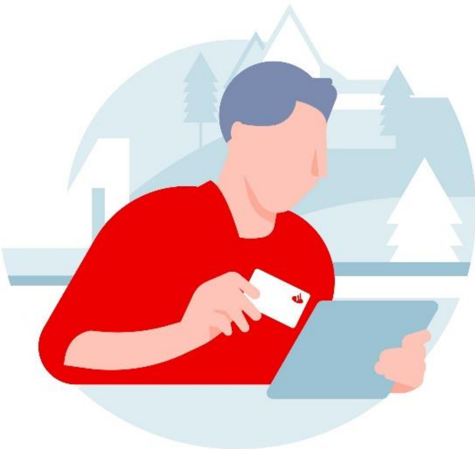
The broker penetration and presence continued to grow in all four Nordic markets. Customer and partner expectations on digital services and customized offers continues to be evident, serving as a guiding principle in the Group's priorities and investments.

The Nordic loan market continue to face increased consumer protection and market regulations, creating new dynamics for flexibility, adjustment and leverage for products and processes. The loan market continues to be crowded with both traditional banks, fin-techs, brokers and other partners competing for customer attention. It is getting harder and more costly to differentiate and consumers are demanding information transparency and good products that meet the customer's needs when the customer wants it. This contributes to a great need for continuous process and price optimizations. Brokers play a significant role in the consumer loan markets in all Nordic countries and during 2020 several brokers have been established in the Danish market. Overall, in the Nordics the share of loan volume deriving from broker cooperation have increased in 2020 compared to 2019.

Sales Finance & Durables

Building on our success

During 2020 the key theme has been centered around the pandemic and its impact on the Group's Sales Finance & Durables business. One key area is that spending categories have shifted, across the Nordic markets DIY (Do it yourself) and Home Electronics retailers have had a stable customer spend. A second key is the significant shift from physical stores to e-commerce where the Group has seen a growth especially the last quarter of the year. In this context, the Group is well positioned with a stable coverage of retailers in the DIY and



Home Electronics segments across the Nordic markets. The consumer trend from physical stores to e-commerce will of course benefit those market players that have such solutions already in place, as Santander has in most of its markets.

In 2020 the Group have managed to further strengthen our position as a leading player in the Sales Financing and Durables space with good merchant base growth across the Nordic markets and significantly the Group has also managed to maintain and extend its important co-operation with Elkjöp in the Norwegian and Danish markets.

Financing the green shift

An important focus area during 2020 has been to grow in Green energy financing, the Group has increased its focus on the financing of green energy solutions for consumer homeowners – primarily the financing of solar panels and ground water heating systems. For the Sales Finance and Durable business, it's considered as an attractive and growing market segment which fits well with Santander's overall Responsible Banking agenda.

Moving into 2021 the Group predicts a continuous increase on e-commerce taking larger share of sales volumes across all Nordic retail segments. In 2021 there has been many interesting development initiatives that will be implemented that will drive growth and further strengthen the Group's position in the region with Pay by Invoice and Renewal programs as examples. All of this adds to a market outlook for 2021 that looks promising for the Sales Finance and Durable business in the Nordics.

Cards & Payments

A shift in customer behavior

Card usage payment behavior has changed over 2020 as a result of COVID- 19. The Group has seen significant drops in spending categories such as travel and entertainment due to the first lockdowns in Q2 2020, with an increasing spend for categories such as groceries and furniture. In Norway, the Group largest market, there has been a major shift in-store to make use of the contactless feature on their cards, and usage of Apple Pay has seen 63% growth from the start of the year, in terms of transactions. While online spending has increased by 28%, in terms of volume since lockdown measures were implemented in April and underlines the need to focus on developing e-commerce capabilities further.

During 2020 the Group have been working to consolidate card payment infrastructure to minimize costs and streamline processes. The Group consolidated the card processing systems in the Swedish operations and are continuing migration to a full card portfolio into Visa. In addition, the Group has improved its mobile payments functionality for customers and cardholders in the Norwegian market to enable instant issuing features on mobile platforms, such as the mobile app MyCards.

Looking ahead in 2021, as the vaccine for COVID-19 has been announced, the Group predicts a more positive trend in spend categories such as travel and restaurants by Q2 2021. In addition, the Group will continue to leverage and build a more streamlined card payment infrastructure and advanced data analytics to provide more commercially oriented campaigns.

Deposits

Customer deposits continues to grow. The COVID-19 situation has led to an increase in deposit flows given reduced consumer spending. At the same time, building deposits balances and improving digital capabilities are strategic priorities for the Group.

24%
increase

Total outstanding volumes for the Group is 81 142 MM NOK per December 2020, representing an increase of 15 657 MM NOK (24%) compared to December 2019. The Group operates deposit platforms in three of its four home markets, including Denmark, Norway and Sweden.

Growth in a challenging market

In 2020, volumes in the Danish platform grew to be the largest amount of deposits of the three markets. Outstanding balances as of year-end 2020 were 29 365 MM NOK, representing a very sizeable increase of 53%, or 10 174 MM NOK. The large increase reflects the dynamics in the Danish deposit market, as the Group was one of the few banks offering positive yields.

The Danish business also 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 Bank also offers its only deposit product with fixed interest rates, with deposits locked for two years.

The Norwegian business currently has only demand products. The customers can choose between a saving account receiving a higher yield when the balance is above 100.000 NOK, and a regular saving account with interest from the first krone. The Norwegian business had an outstanding balance of 27 498 MM NOK per December 2020. Given the needs of the business, the Group targeted a modest volume increase of 1 049 MM NOK, or 4%, compared to December 2019.

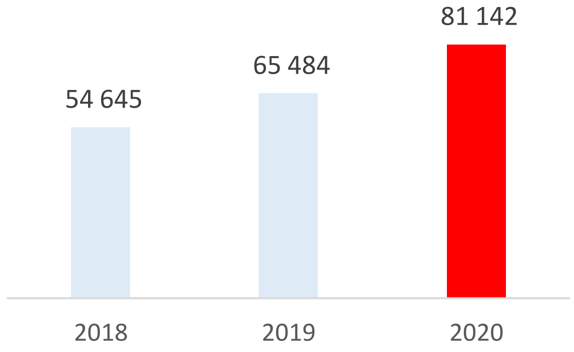
The Swedish business unit has offered two different savings products for the past four years, consisting of the regular demand product and a notification product. In addition, the unit has an ongoing cooperation with a broker. The cooperation expands the number of customer channels, which provides additional flexibility in managing the Swedish deposits portfolio. Outstanding volumes in Sweden stand at 24 278 MM NOK per December 2020, with a significant increase of 4 462 MM NOK, or 23%, compared to December 2019.

Helping people prosper

Customer experience improved in all units in 2020, through the Group's continuous 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 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. During 2021 the bank will look to roll-out similar customer solutions for the Norwegian and Swedish platforms.

The Bank is member of the Norwegian Banks' Guarantee Fund. Customer Deposits are covered according to the local guarantee limits, providing our Deposits customers 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



Risk Management

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

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

Credit Risk

The Group's Credit Risk profile in Q4 2020 remains stable for the total portfolio, in line with business strategy. This year the secured products outstanding saw an increase due to the Forso auto portfolio integration. The consolidated Non-Performing Loans (NPL) Ratio ended at 2.76% (1.38% for Secured and 8.26% for Unsecured portfolios) in Q4 2020, compared to 2.38% in Q4 2019 (1.25% for Secured and 6.93% for Unsecured). The increase in NPL this year affected mostly unsecured products, and is primarily driven by the changes in write-off criterias effective from 2019 and the COVID-19 situation in 2020.

The total loan loss reserves have increased from 3 939 MM NOK per Q4 2019 to 5 050 MM NOK per Q4 2020. The total reserves as of Q4 2020 of 5 050 MM NOK include 5 004 MM NOK related to loans to customers and 46 MM NOK connected to off-balance exposures. On December 2020 a Covid-19 reserve Overlay (on top of the model reserves) of 408 MM NOK has been booked to cover for potential losses derived from the current pandemic. Below is a summary of the overlay booked for each country.

The overlay of 409 MM NOK is distributed in three different categories: macroeconomic scenario deterioration of 166 MM NOK, payment holidays expected of 210 MM NOK loss and sector degradation of 33 MNOK.

Macroeconomic scenario refers to the overall worsening of the macroeconomic indicators that may lead to increased losses. Payment holidays reserves are booked to cover for the potential losses for customers that cannot deliver on upcoming payments after the PH requested are expired, while sector degradation reserves are booked to cover for potential losses due to sectors more heavily affected by COVID-19, i.e. transportation and Rent-a-Car. The Group is continuously reassessing COVID-19 impact and it will continue to adopt new measures as necessary.

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 2020. As of December 2020, the Group's LCR was 239% and the NSFR was 114.4 %. Both metrics are comfortably exceeding the regulatory requirements.

The Group's balance sheet composition is designed to ensure that the interest rate risk is managed at prudent levels and within established limits. The Group is not to actively take on interest rate risk in its operations and continuously monitors the sensitivity of its net interest income and equity value to changes in interest rates. The exposure to interest changes on both metrics are within defined limits per end of December 2020, as approved by the Board. The Group has a credit line with the parent company and can utilized this line to manage short term liquidity needs and to the extent external funding might become unavailable or is considered unfavorable. Backed by solid deposit growth, the liquidity situation of the Group has been healthy and stable throughout 2020 and is well positioned for 2021.

Foreign currency risk

The Group is exposed to currency risks through its activities in Sweden, Denmark and Finland 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 similar currency. The risk is measured through an FX exposure report, covering all significant currency for the Group. When raising funds through international debt markets, any net open currency exposure is managed through derivatives. See Note 3 for foreign currency exposures as of 31.12.2020. The total open currency exposure as of end of Q4 2020 was 2 472 MM NOK equivalent for consolidated SEK, DKK, and EUR exposures, which is comfortably inside the defined FX exposure limits for the Group in 2020.

Operational risk

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

The Group identified incidents during 2020 that were reported to the Norwegian FSA pursuant to applicable requirements and regulations. None of these incidents had a major impact on the overall management of the Bank nor its customers and for all of them, preventive mitigating measures have been implemented. Apart from reacting to incidents, the Bank continuously strives to improve the internal control environment in order to cover the full scope of its activities and implement preventive controls remediating inherent risks. In general, Operational Risk management is at a satisfactory level, and the Group is prepared to continue operating within a medium-low range of operational risk appetite in 2021.

Apart from reacting to incidents, the Bank continuously strives to improve the internal control environment in order to cover full scope of its activities and implement preventive controls remediating inherent risks.

Funding

The Group remains committed to its diversified funding strategy. Diversification has benefitted the Group in the aftermath of COVID-19, with the Group's deposit base and access to parent liquidity staying consistently strong throughout the year. The Group's funding position has been further supported by the recovery in the Capital Markets in the second half of the year.

82%
self-funding

Self-funding ratio

A solid funding platform

Over the past nine years, 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 a Swedish green bond, and securitization transactions with assets from all four Nordic countries. Intragroup funding provides a buffer where critically needed. Historically, the Group has received all of its short-term funding from the parent entity, however, reliance has reduced somewhat in the past two years with the issuance of commercial paper in Norway and Sweden. The Group aims to maintain a consistent self-funding strategy, with variations due to seasonal fluctuations and timing of transactions. Self-funding sources totaled 82% per Q4 2020, with parent company loans providing the remaining 18%.

Customer deposits is the funding source experiencing the most growth year-to-date, with volumes increasing by 24%. The liquidity in the deposits market since COVID-19 began has driven this growth. Deposits comprise 50% of total funding at end-year 2020 and have a total outstanding volume of 81 142 MM NOK across the three Nordic markets where the Group is present.

Conversely, capital markets issuance has been limited throughout 2020 due to elevated spreads in the capital markets since COVID-19. Total outstanding bond and certificate issuance decreased in 2020, standing at 35 528 MM NOK or 22% of total funding per Q4 2020. Senior unsecured issuance and certificates outstanding end year 2020 include 2 000 MM EUR in the Euro market, 7 102 MM SEK in the Swedish market, 1 251 MM DKK in the Danish market and 6 050 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 end-year 2020.

The weighted average remaining term to maturity, excluding certificate issuances, is 1.90 years. This number fluctuates somewhat and typically remains around 2 years.

The Green Bond program

The Group launched its inaugural Green Bond issuance in February 2020, following the publication of the Green Bond Framework in December 2019. The transaction was issued in the Swedish market, with a size of 1 000 MM SEK. Consistent with the Framework, the transaction is supported solely by the sizeable EV portfolio in the Norwegian market. While providing an opportunity to further diversify the Group's funding base, the Green Bond program also forms a key part of the Group's Responsible Banking strategy, and it represents a contribution to the environmental progress of the communities in which the Group operates.

Ratings

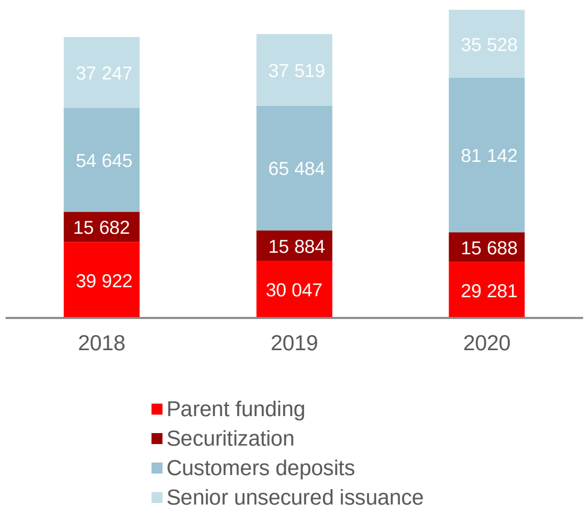
The Group is rated by Fitch (A-/F2/Outlook Negative) and Moody's (A3/P2/Outlook Stable). The rating was first received in 2016 and has been maintained at the same level since then. However, due to challenges presented from the COVID-19 situation, Fitch has placed the Bank on Negative Outlook in April 2020. Fitch has taken a similar action for multiple banks across the sector. The revision of outlook on the rating to Negative from Stable has had no direct impact on the Group and reflects the rating action, which was placed on the Group's ultimate parent bank, Banco Santander S.A. At the same time Fitch upgraded the Group's senior debt from -A to A which indicates financial stability and strong ability to repay senior unsecured debt.

The Group accessed the asset-backed securities market in Q4 2020 with a 650 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 securitisations has decreased since 2016 due to the change in securitisation 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 securitisations currently equals 16 388 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 Securitisation Regulation into Norwegian law. If approved, the legislation will align the Norwegian securitisation legal framework with that under which European financial institutions operate.

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

Funding composition
MM NOK



Solvency and Capital Adequacy

The Group is jointly supervised by the Norwegian FSA and the European Central Bank and has to comply with the capital requirements for banks in Norway both at group level (the Group) and at stand-alone level (SCB AS). During 2020, the bank has experienced substantial changes to its capital requirements, but has had a strong capital position through the year

The year 2020 started with an increase in capital requirements due to both increased Pillar 2 and countercyclical buffer requirements (CCyB). As a result of this increase in capital requirements and the acquisition of Forso AB, no dividend was proposed from the year 2019 in the general meeting in the first quarter. To support the acquisition of Forso AB, the bank also received new equity of 2 Bn NOK by its owner in February 2020.

During 2020, changes in regulatory requirements driven by COVID-19 pandemic have decreased the overall capital requirements for the Group. In March 2020, regulators across Europe reduced the CCyB as a result of COVID-19 outbreak. In Norway the CCyB was reduced from 2.5% to 1%, while in the other countries the CCyB was reduced to 0%.

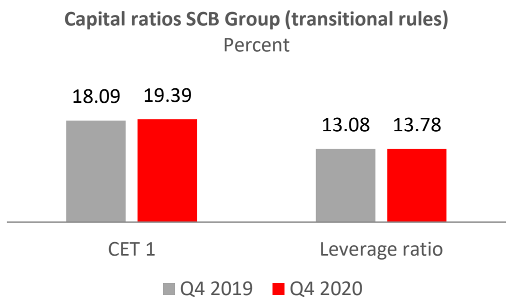
Later in December 2020, the Ministry of Finance in Norway confirmed amendments to the systemic risk buffer (SRB) requirement from 3% to 4.5% from year-end 2020. The changes will, however, allow banks to use the buffer requirements in the jurisdictions where they operate. With operations also in Sweden, Denmark and Finland with an SRB of 0%, the changes have resulted in lower capital requirements for the Group even though the SRB has increased in Norway.

The Group publishes capital ratios on a transitional rules basis (allowing for a reversal of 70% of IFRS 9 capital impact in 2020) and a fully phased-in basis. Transitional capital ratios are the official ratios required to meet the minimum capital requirements set forth by regulatory authorities and are the ones displayed below. For 2021, transitional capital ratios will incorporate a reversal of 50% of the capital impact.

At year-end 2020, the Group had a solid capital adequacy position with a common equity Tier 1 (CET1) ratio of 19.39%, which represents a margin of 6.65%-points above the regulatory requirement. For SCB AS, the CET1-ratio at year-end was 19.78%, 10.29%-points above regulatory requirements.

The leverage ratio for the Group was 13.78% at year-end 2020, while for SCB AS the leverage ratio at year-end 2020 was 15.07%, substabtially above the minimum regulatory leverage requirement of 5%.

Capital ratios SCB Group
Percent



(*) Transitional capital ratios

The Board of Directors has not proposed any dividend distribution in light of the communication by the Ministry of Finance 20th of January 2021, were they urge banks to refrain from dividend payments until 30th of September 2021 due to uncertainty related to the COVID-19 pandemic.

In December 2020, the bank received feedback from the Norwegian FSA on the annual Supervisory Review and Evaluation Process (SREP). In light of the COVID-19 pandemic, the FSA performed a pragmatic assessment and maintained their previous decision communicated in December 2019: Pillar 2 requirement (P2R) of 3.3% and Pillar 2 guidance (P2G) of 1.0% for the Group.

Also in December 2020, the Group called two subordinated loans of 250 MM NOK each and refinanced with a new loan of 500 MM NOK, ensuring Total-Capital ratios are met going forward.

The Group has not received any MREL[2] requirements or issued any MREL debt.

The Group expects to maintain a robust capital adequacy position during 2021.

For further details regarding Capital Adequacy, please see Note 7 "Capital adequacy" for details on capital composition, risk weighted exposure and capital ratios per December 2020.

[2] Minimum requirement for own funds and eligible liabilities

Regulatory Changes

The regulatory framework of the financial sector is constantly changing and the number of initiatives from regulators continues to be high, both on EU level and locally. The Group works continuously to ensure compliance and has frameworks to secure monitoring and implementation of incoming legislation, both from the EU and nationally. In addition, the bank strives to take on an active role in the public debate and in legislative processes, either via its membership in the financial institution's associations, like Finans Norge and Finansieringsselskapenes Forening, or directly.

The pandemic impacts regulatory activities

The Covid-19 situation also dominated the regulatory developments as well as supervisory authorities' activities in EU and in all the Nordic countries during 2020. Various emergency Power Acts and Regulations, Government Guarantee Schemes and Government Crisis Packages were adopted, all seeking to mitigate the negative impacts of the pandemic and the measures implemented to combat the spread of the virus. Regulatory changes that was under development prior to the virus outbreak was set on hold and Norwegian, Nordic and European financial supervisory authorities informed that ordinary supervisory activities was paused and reporting deadlines postponed whilst the Authorities were hands-on on the tackling of the turmoil caused by Covid-19.

Covid-19 to some extent still impact the regulatory developments as well as supervisory authorities' activities even though the paused regular regulatory and supervisory activities picked up throughout the third and fourth quarter.

Dividend restrictions

Although Norwegian banks are profitable and solid capital-wise, the Norwegian Ministry of Finance decided to keep the counter-cyclical capital buffer requirement on 1 % also in Q4 this year.

On 18 December 2020, the European Systemic Risk Board (ESRB) issued a new recommendation on national authorities to request banks and insurers to apply caution in distributing profits in the coming months. On 20 January 2021 the Ministry of Finance communicated that there still is an unusual level of uncertainty due to the pandemic, and banks may as a consequence of this and measures implemented to combat the spread of the virus, over time incur significant credit losses. However, provided that great caution is applied, and certain thresholds not exceeded, well-capitalized banks should be able to distribute some of their profits in the coming months.

Implementation of EU's "Banking Package"

In the spring of 2019, 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 entering into force in the EU from the spring of 2021. The legislation is EEA relevant and expected to be included in the EEA agreement. In February this year the Norwegian Ministry of Finance asked the Financial Supervisory Authority of Norway to establish and take lead on a working group to review the Norwegian implementation. On 9 October the Financial Supervisory Authority of Norway submitted the results of their review as well as proposal for Norwegian implementation to the Ministry of Finance, and on 15 October the Ministry issued the proposal for consultation with deadline early January 2021. The proposal includes the Covid-19 related changes adopted by EU earlier this year.

Implementation of EU's securitization legislation

Another regulatory development key for the bank and its self-funding was the issuance of the proposal for Norwegian implementation of EU's securitization legislation that was presented by the Ministry of Finance 4 December. Although not yet confirmed, it is expected that the proposal will be adopted and enter into force by the summer of 2021. This new Norwegian legislation will enable the bank to once again carry out securitizations in Norway, Denmark and Sweden.

Consumer protection

Consumer protection has also continued to be an area of high focus from European and Nordic regulators and supervisors throughout the 2020 and is expected to be so going forward too.

The fourth quarter closed with the adoption of two key legislative acts in Norway. In April, the Norwegian Ministry of Finance asked the Financial Supervisory Authority of Norway to advice on how bank's lending practices should be regulated when the Mortgage Regulation and the Consumer Loan Regulation expired end 2020.

On 28 September the Financial Supervisory Authority presented its proposal and on 29 September the Ministry issued the proposal for consultation with a deadline of 10 November. The proposal amongst other suggested to expand the scope of lending regulation to include consumer loans secured with a pledge, reduce the requirement on debt to income ratio and removes the flexibility quota for unsecured loans. The sector including the bank provided comments to the proposal through the banking and finance company associations in Norway. In December, a new Lending Regulation was adopted, combining the requirements on mortgages and unsecured credits, previously outlined in two separate regulations, into one regulation, but with full continuation of the current requirements and not i.e. expanding scope to include consumer loans secured with a pledge. The new Lending Regulation was effective 1 January 2021. Also in April, the Norwegian Ministry of Finance issued its proposal for a new Norwegian Financial Contracts Act. The act was adopted just before Christmas, with an implementation date yet to be set. It is expected that the act will enter into force during 2021 or 2022.

The act will considerably impact financial institutions in Norway, including the bank, and further enhance consumer protection withing the finance sector in Norway and implements provisions in several EU legislations such as directives on mortgages, payment services and payment accounts.

EU's second payment services directive's (PSD2) requirements related to strong customer authentication for e-commerce card based payment transactions entered into force on 31 December this year.

The European Banking Authority's (EBA) Guidelines on loan origination and monitoring are deemed vital to strengthen lending standards and asset quality in the future, including improving finance institution's credit worthiness assessments. The guidelines bring together prudential standards and consumer protection obligations along with anti money laundering and environmental, social and governance. Norwegian, Swedish, Danish and Finnish Financial Supervisory Authorities have all informed that the guidelines will apply in their respective countries from their effective date 30 June 2021. The Danish Supervisory Authorities has in addition proposed local requirements which to a large degree is stricter than the EBA Guidelines on loan origination. The Danish requirements are currently out on hearing and it is not yet known how or when the final requirements will be adopted.

Although credit worthiness assessments has been and is a focus from all Nordic and European supervisors and regulators the Danish market somewhat stands out with the high number of Consumer Ombudsman cases related to the topic.

Further, both Danish and Finnish authorities this summer introduced credit cost caps and marketing restriction requirements relevant for some of the products that the bank offer in these countries. The requirements in Finland are related to the Covid-19 situation and are of somewhat temporary character as they as a starting point apply from 1 July until first 31 December 2020 but prolonged to 30 September 2021, whilst the requirements in Demark is more of permanent character.

The combat against money laundering and terror financing continues

In May, EU issued a new draft action plan on anti money laundering which sets out concrete measures that the EU Commission will take over the next 12 months to better enforce, supervise and coordinate the EU rules on combating money laundering and terrorist financing. The action plan was on hearing until end July and will be implemented in EU's fifth AML directive and national legislations. In Norway, the Ministry of Finance issued a proposal for changes in Norwegian anti money laundering legislation end 2019 with consultation deadline end March 2020. In Denmark the Financial Supervisory Authority has issued several changes in Danish anti money laundering legislation during 2020 e.g strengthening FSA supervision and reporting requirements for financial companies. The Swedish anti money laundering act and the AML- regulations issued by the Swedish Financial Supervisory Authority have been amended during 2020 to cater for that Sweden complies with EU's fifth AML directive.

Data privacy

Looking at Data Privacy, in July 2020, the Court of Justice of the EU (CJEU) delivered a ruling in the Schrems II case whereby the court declared the European Commission's Privacy Shield Decision invalid on account of invasive U.S surveillance programmes, thereby making transfers of personal data on the basis of the Privacy Shield Decision to the U.S illegal. Further, CJEU found that organizations exporting personal data to recipients outside the European Economic Area (EEA) are responsible for verifying that they are able to comply with the requirements for international data transfers under European law. Thus, standard contractual clauses (SCCs), which is an alternative transfer mechanism, may not be sufficient and supplementary measures may have to be put in place. The same applies to bindings corporate rules (BCRs).

Sustainable finance

Sustainable finance is also high on the agenda of EU and Norwegian and Nordic regulators and supervisors. In November the Norwegian Ministry of Finance issued a proposal for a new Norwegian law on sustainability reporting, implementing EU legislation within the area.

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 bank has branches in Sweden and in Denmark, and a wholly owned subsidiary in Finland. The bank is fully owned by Santander Consumer Finance S.A which in turn is owned by Banco Santander S.A.

The bank and the Group has solid corporate governance, based on its strong culture and values, and a robust control of risks, all of which ensure that management is aligned with the interests of our shareholders, investors, employees, suppliers, customers and other stakeholders. Pursuant to section 2-2 of the bank'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 bank 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 bank'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 2020, the Board met nine times in addition to handle 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, where two are elected by and among the employees of the bank and its subsidiary. The Board of Directors consists of three women and five men. 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. Three of the remaining members are employed by the Shareholder, and three are external. The chair and deputy chair of the Board are elected among the board members. The general meeting elects remaining members. The election of board members, deputies and observers is prepared by an election committee. The elected members of the Board serve for two years. If a board member retires before his period of office has expired, a replacement for the remaining period is elected.The 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. As the Board's 2019 self-assessment was thoroughly facilitated by a third party, the Board's 2020-annual self-evaluation was facilitated internally. The Group has a Board and Directors insurance also including the CEO and senior management.

The committees

The Group has an audit committee consisting of three 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. The committee carries out the tasks set forth in section 8-19 of the Norwegian Financial Undertakings Act (Finansforetaksloven). The 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 internal control, risk governance framework, financial management and reporting, and to follow up on the internal and external audit of the bank including its operations via branches and subsidiaries.
The Group has a risk committee, consisting of three members chosen by and among board members, currently two of the Board's external directors and one internal director. They carry out the tasks set forth in section 13-6 of the Norwegian Financial Undertakings Act (Finansforetaksloven). Among other functions, the risk committee advises the Board on the Groups overall current and future risk appetite and strategy and assists the Board in the overseeing the implementation of the Groups risk strategy. The Group has a remuneration committee, consisting of five members chosen by and among board members, currently three of the board's external directors and two internal directors, whereas one is employee representative. They carry out the tasks set forth in section 15-3 of the Norwegian Regulation on Financial Undertakings (Finansforetaksforskriften). The remuneration committee, among other functions, is to be a preparatory and advisory committee for the Board with respect to the bank's 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 five board members, currently three of the board's external directors and two internal directors, whereas one is employee representative. The objective of the Nomination Committee is to be a preparatory and advisory committee with respect to suitability assessments, selections and nominations of candidates to the Board and the bank's CEO as well as succession planning, including senior management succession planning.

Day-to-day management

The Board has delegated the day-to-day management to the Bank'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; Commercial, Financial Control, Financial Management, Technology and Operations, Operating Office, Compliance and Risk, currently two women and six 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 relies on a risk management and control model based on three lines of defense: the first is located at the different business and support functions; the second is exercised by the Risks and Compliance & Conduct functions; while the third is wielded by Internal Audit.

The Group has a process for the review, approval and implementation of internal regulations such as policies and procedures, outlined in a governing document approved by the Board. Further, the Group has an internal governance office established pursuant to a governance project carried out in 2018 and 2019, continuing the focus 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 bank and the Group. The banks strives to take an active role in the public debate and in legislative processes, either via its membership in the financial institution's 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 is overall responsible for the organization and administration of the subsidiary's affairs, including internal governance and control structure. However, it is the board of the Group's responsibility to ensure sound and proper communication with the Board of SCF OY, including ensuring that the Board of SCF OY receives relevant information, with regards to resolutions that may concern them, in a timely manner and prior to any related resolution being made by the Board of SCF OY. The Board consists of two members and one 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 risk taxonomies; 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 1st and 2nd line of defence 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.

During 2020 the Compliance & Conduct function has enhanced and further developed the Compliance and Conduct program within all compliance risk taxonomy areas, especially related to anti money laundering and data privacy. The Compliance & Conduct function reports quarterly to the management, the Board Risk Committee and the Board of Directors.

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

The Group has high focus on ensuring that they are not being used for any illegal activities and that the Group is complying with, and have focus on, all applicable financial crime regulations and mitigating actions. During 2020, the Group has initiated several measures to reduce the financial crime risk and further develop a robust financial crime prevention program with supporting IT systems. The "Financial Crime Prevention Unit" was established to secure clear mandates, roles and responsibilities and to ensure that sufficient resources are allocated to 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 two whistleblowing channels, one for internal purposes, and one for its third parties. Reporting should be made on improper conduct that is believed illegal or which violates the Group's Code of Conduct and 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 and Corporate Social Responsibility

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

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

As a member of the Banco Santander family, the Group is committed to realising these global ambitions and those of society at large.

In order to fully support these endeavours, it is imperative that the Group maintains the requisite culture, skills, governance and business practices to meet stakeholder's expectations. Furthermore, the need to secure robust compliance, conduct and internal control processes has never been greater and has been a key strategic priority during 2020.

The Group has now established a Responsible Banking team that will focus on driving associated activities in a coordinated and ambitious manner.

UN's Sustainability Development Goals

To help tackle climate change, the Group has a responsibility to reduce its emissions and environmental footprint. Furthermore, support must be given to help customers transition to the green economy.

Reducing environmental footprint

In March 2020, the Group expanded its existing strategic partnership with Chooose, a Norwegian technology platform that facilitates corporates and individuals to offset their carbon footprint, to a pan-Nordic agreement. Through this collaboration, the Group has been able to offset the carbon footprint of c. 700 employees (c. 52% of total workforce), representing 8,750 carbon credits. As a result, the Group achieved a climate positive footprint in 2020.

The Group is committed to reducing its environmental footprint and, by the end of 2020, 100% of the energy supplied to the Group's offices came from renewal energy sources.

In November 2020, the Group established a Sustainability Policy, orientated towards creating long-term value and managing social and environmental risks.
To continue to build on the progress made with respect to environmental footprint, the Group aims to take initial steps to develop climate accounting infrastructure in 2021.

Supporting green initiatives in the Nordic region

A leader in the Nordic auto finance market with a strategic commitment to sustainability, the Group supported its auto partner network by financing the growth in the EV market. In 2020, the Group financed c. 15,000 purchases of new EVs, representing c. 12% of the total market. In Norway, the most developed EV market in Europe, the Group financed more than 11,000, representing almost 15% of the total Norwegian market.

Through its collaboration with Chooose in Norway and Sweden and CO2 Esto in Finland, segments of the Group's auto finance customers are afforded the opportunity to offset their vehicle emissions. The solution facilitated carbon offsetting of more than 16,000 vehicles, representing c. 17,000 tonnes of CO2 in 2020. Efforts in 2021 will be focused on broadening the solution to cover a greater portion of the Group's auto portfolio.
In 2020, the Group increased its focus on providing finance for green home energy solutions. In Denmark and Finland, the Group has established agreements with a broad range of merchants. In alignment with Group strategy, the intention is to

expand throughout the Nordic region, becoming a key market player in the financing of green energy solutions.

Building on the Green Bond Framework that was established in December 2019, the Group issued its inaugural Green Bond in February 2020. The issuance provided SEK 1 billion of funding that will be used solely to finance new, and existing, passenger electric vehicles. Following the success of the green bond issue, the Group will assess the potential to issue a second green bond in 2021.

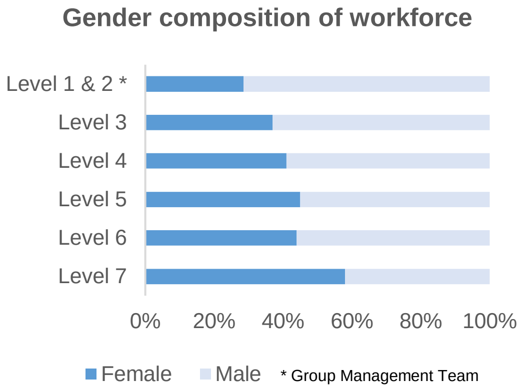
The Group is a proud sponsor of Oslo Business Forum, an annual conference focused on leadership, strategy and innovation. Together with Chooose, the Group offsets the carbon footprint of all participants and support workers, helping the event to become the world's first climate neutral business conference.

A diverse and inclusive workforce, reflective of wider society, is of critical importance. In this context, the Group is committed to ensuring fair and transparent employment and remuneration.

Workforce gender composition

One of the Group's equality objectives is to have a good gender balance across management positions, encapsulated by the target for women to represent 45% of the Executive Management Team (Level 1& 2) by 2022.

At the end of 2020, approximately one third of the Group's top 3 management levels were held by women.



Addressing the gender pay gap

The gender pay gap is an important structural challenge and the Group strives to be a driving force for equality. In 2020, the Group's gender pay gap was c. 20%[3].

During 2020, ongoing initiatives were actioned that focused on fostering female talent and development including strengthening roadmaps to address the gender pay gap and revisiting HR practices, including talent acquisition, talent development and compensation processes.

Increasing the representation of women at management level and closing the gender pay gap is of paramount importance. These fundamental equality measures are a priority, ensuring the Group becomes a more responsible bank.

Education is the foundation of a fair society and strong economy and the Group is committed to helping people prosper by using educational to empower and promote financial resilience.

Promoting financial education

The Group established a partnership with the Finnish organization Talous ja nuoret ("TAT") whose mission is to help young people develop their skills in economics, working life and learn about entrepreneurship. The Group contributes to the partnership by collaborating with TAT (and other financial institutions) to develop financial education content for high school syllabuses.

The SOSPED foundation is focused on the growth and development of individuals within social communities. The Group supports the foundation through their "*Feeniks*" project, which relates to developing a support model for middle-aged men to return to the workforce after having become unemployed. To contribute to that model, the Group has contributed to the development of a series of podcasts exploring how relevant individuals have managed their financial situation through different stages of their lives.

Education through sports

The Group enjoys a strategic partnership with international not-for-profit organization Right to Play, whose mission is to protect, educate and empower children to rise above adversity using the power of play. The Group's contribution goes beyond finance; employees and commercial partners actively participate in activities supporting their mission. The Group is participating in programmes run in Ethiopia, Tanzania and Lebanon and contributes to the development of schools, water projects and the education of teachers.

[3] The gender pay gap is a simple average of the earnings of all male and female employees across the organization

The onset of the COVID-19 pandemic has reiterated the importance of ensuring good health and well-being of the wider society. The Group has been, and continues to be, a strong promoter of social health and well-being.

Promoting well-being in response to COVID-19

At the start of the COVID-19 pandemic, the Group supported "*Hele Norge Trener*", a campaign encouraging employees to train for at least 30 minutes each day and post a picture on the intranet. In return, the Group would donate NOK 100 per picture to its partner charity, Right to Play. The campaign raised NOK 40,800 in two weeks.

Significant importance has been placed on ensuring the well-being of the Group's employees, particularly as the COVID-19 pandemic has necessitated many to work remotely. The Group has emphasised the importance of leaders remaining close and receptive to the psychological impacts remote working might have. To support the transition, management committed to frequent, open and objective communication about changes in both governmental and corporate policy relating to COVID-19.

Other initiatives rolled out include digital materials promoting physical training, stress training programmes and podcasts in which employees share their remote working experiences. Furthermore, the accelerated roll out of digital collaboration tools has allowed a remote, more dispersed workforce to remain close to one another.

Supporting activities in Nordic communities and beyond

The Group is a strong advocate of sport as an enabler of good health and well-being. In addition, sport is a strong social tool that ensures inclusivity by bringing together people from different backgrounds and instils positive values. The Group believes that its commitment to supporting sport across the region is aligned with several of the UN's sustainability development goals. Accordingly, the Group has established numerous partnerships with major sporting teams, events and charities across the region and, internationally.

International: The Group enjoys a strategic partnership with international not-for-profit organization Right to Play, whose mission is to protect, educate and empower children to rise above adversity using the power of play.

The Group's contribution goes beyond finance; employees and commercial partners actively participate in activities supporting their mission.

Norway: Through a collaboration with the Norwegian Football Association (NFF), the Group is a proud sponsor of the Norwegian age-defined (15-21 years) male and female national football teams and the Norwegian national e-football team.

Sweden: Since 2016, the Group has been one of the main sponsors of the Svensk Klassiker, a multi-disciplined sporting competition.

Denmark: Since 2016, the Group has been the main sponsor of the Danish Cup handball tournament, branded the "Santander Cup". In addition, the Group is a proud sponsor of the Dansk Golf Union since 2015 and provides a financial contribution to promising up and coming Danish golf talents.

Finland: The Group is a strong supporter of Icehearts, an organization that uses team sports as a tool for engaging vulnerable children.

In 2019, the Group actively joined the fight against cancer through its support of the Danish Cancer Association.

Commitment to Responsible Lending

The aim of the Group's lending activity is to meet customers' credit needs without conflicting the responsibility to contribute to a fair and sustainable society. Whilst the Group has made good progress towards laying strong foundations, the ambition going forward is to further integrate responsible lending principles and practices into the Group's daily operations. With respect to 2020, key steps were taken towards meeting those ambitions:

Denmark: implemented the credit worthiness assessment, a Danish regulatory requirement prescribing that banks must develop deeper insight into customers' private economy before providing finance.

Norway: launched responsible shopping campaign ("handle ansvarlig") aimed at promoting more conscious and responsible consumption, thereby contributing towards a more sustainable environment.

The Group will, in accordance with its overall corporate strategy, apply focus and resources to further supporting its responsible lending ambitions in 2021, through a selection of targeted initiatives.

People and culture

At year-end 2020, the Group had 1 355 employees (excluding temporary hired employees), of which 320 worked in Sweden, 228 in Denmark, 178 in Finland and 629 in Norway.

At year-end 2020, the Group had 1 355 employees (excluding temporary hired employees), of which 320 worked in Sweden, 228 in Denmark, 178 in Finland and 629 in Norway.

In 2020 the sick leave rate was 3,6%. The numbers are not comparable to 2019 as most of our people have been working from home.
There have been no personal injuries in the workplace in 2020.

The working environment in the Group is considered good and is being assessed on an annual basis through the employee opinion surveys.
The stress level has increased because of new ways of working in combination with the transformation program. The overall result in the Nordic countries declined, still with strong and stable results within the dimensions of executed leadership, wellbeing and equality.

Prime focus areas within people and culture in 2020 has been to take care of our people facing the Covid-19 situation, hereby avoiding any of our employees getting infected at work. The overall strategy has been to enable our employees to assess and carry their risks in daily life, as we considered this being the best long-term and sustainable strategy. Instead of implementing restrictions, we have provided information, scenarios and guidelines within the frames of governmental communication.

Self-lead and Remote leadership have been key elements in the training, especially emphasizing the emotional impact and how to deal with stress. We have continued the focus from 2018 and 2019 and provided digital training on meditation and stress releasing exercises, as well as encouraged and campaigning physical training. Traditional Performance Management processes have been replaced by employees deciding and following up on weekly goals suiting the private situation and taking care of children. We have paid an extra attention to those employees being isolated or having risk of being alone for a longer time during lockdowns and social restriction.

→ 97% are handling their working situation “ok” or better
→ 95% are positive to how Santander has introduced flexibility and new ways of working
→ 92% state that their leaders are providing information even though not having physical meetings

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, even though we have not been able to keep the normal rhythm of meetings at all our locations. As new regulations and new expectations reach the banking industry, we need to make sure that all employees across the Nordics understand their responsibilities. We frequently conduct trainings for employees connected to regulatory requirements like AML, Compliance and cybersecurity. In 2020 we are compliant on mandatory training.

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

The Group has also investigated the learnings from 2020 to enable a new flexibility policy and specific arrangements for our employees to meet expectations in terms of new working situations and ways of living. 2/3 prefer being at work at the office for 1-3 days a week, and by then focusing on collaboration, teambuilding and creative processes.

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

Strategic priorities to stay in the lead

The banking sector landscape

Prior to the onset of COVID-19 in March, the macroeconomic environment was characterised by low growth and low interest rates, conditions not overly supportive of traditional bank business models. The COVID-19 pandemic has reinforced those pre-existing conditions whilst adding some additional challenges – increased unemployment and increased credit risk. The combination of these factors has served to assert additional pressure on bank sector profitability.

On a relative basis, the Nordic region has held up well and remains an economically strong and stable region. In 2020, it is estimated that Nordic GDP contracted by c. 3.5% compared to c. 8.8% in the Euro area and c. 5.5% in the US. Looking ahead, forecasts of 2021 GDP point to growth of 3.4% in Norway, 4.2% in Sweden, 5.0% in Denmark and 3.2% in Finland.

The continued trend of new banking sector entrants and other competitors targeting specific parts of the bank value chains, is increasing competition and contestability within financial products and services. Whilst a threat, the advancements in technology and regulation does enable banks to develop new business and operational models that can leverage existing strengths to support future growth.

The UN's sustainable development goals, established in 2015, set forth a global plan to end poverty, tackle inequality and limit climate change. More so than ever, 2020 reflected the increased acknowledgement of the importance of sustainability, gaining greater focus and attention both amongst institutional investors, corporates and consumers. There exist significant opportunities for banks that make the requisite commitment to sustainability to build new propositions underpinned by these principles.

Corporate strategy

The Group's overarching commitment is to do business in a responsible and sustainable way. This is reinforced by the 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 shareholder, Banco Santander. Within this context, the Group also strives to generate value for a broader group of stakeholders including employees, customers, partners and society at large.

As part of the Group corporate strategy, four long-term primary measures were determined that reflects the commitment to delivering long term stakeholder value.

→ No. 1 customer and partner satisfaction in core markets

→ Employee satisfaction greater than 90%

→ Cost to income below 35%

→ RoRWA (Return on Risk Weighted Assets) greater than 2%

To support and guide strategic execution in pursuit of these measures, the following three strategic pillars have been defined:

→ Grow selectively – Continue to build on the Group's strengths, focusing on extracting greater value from existing business and, taking a disciplined approach to new business opportunities.

→ Operate efficiently – Deliver a modern infrastructure platform, simplify and standardise processes and products and, optimise the allocation of resources to enhance productivity and performance.

→ Work collaboratively – Embrace the full potential of collaboration, both internally and externally, in order to deliver a value proposition that customers and partners desire, in a cost effective, seamless and timely manner.

Strategic focus areas

Despite the challenges faced in 2020, the Group was able to take significant strides forward towards future proofing the business. Leveraging the full extent of digital collaboration tools, a new corporate strategy was developed and communicated, providing the Group with clear strategic direction.

In addition, good progress has been made with respect to the Group's One Bank transformation programme, aimed at simplifying the organizational structure and the underlying information technology platform.

From a commercial perspective, the launch of Prosper PFM (Personal Financial Management) tool in Denmark displayed the Group's ability to leverage PSD2 related "Open Banking" opportunities to develop innovative customer solutions.

Looking ahead, the Group corporate strategy will focus attention upon the following key business opportunities:

Continued support of the transition to electrification of mobility.
As a market leader in auto finance across the Nordic region, a 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. In 2020, the Group financed 15 000 new electric vehicles ("EVs"), representing 12% of all EVs purchased in the Nordic region. Through continued collaboration with strategic partners and capability investments, the Group will continue to support the transition to more sustainable mobility solutions.

Continue to deliver competitive and fair consumer propositions
The Group embraces increased regulation in Nordic unsecured lending space as it aligns with the values platform of simple, personal and fair and, commitment to responsible lending. Regulations targeting debt to income levels, the fair marketing of loans and credits and affordability are to the benefit of all stakeholders. The Group will continue to focus on delivering consumer propositions based on underlying customer needs at a competitive price and, in a seamless manner.

Expand deposit solutions
The depth of the customer base affords the Group with the opportunity to expand its deposit solutions offering. By doing so, the Group can provide a broadened customer value proposition and further improve the depth and stability of its funding profile.

Diversify source of income
The current macroeconomic environment combined with capital regulations makes it ever more pertinent to develop alternative sources of revenue. Margins on traditional credit lending are increasingly pressured and therefore, there is a need to expand fee-based propositions. Today, through a strategic partnership, the Group possesses a strong insurance franchise and the aim is to further leverage the opportunities that exist.

Build out robust responsible banking strategy aligned with corporate strategy
As highlighted in the UN sustainability index, the Nordic countries are the most developed of all UN member states from a sustainability perspective. The Group fully embraces the principles of sustainability and are focused on delivering on a robust and targeted responsible banking strategy.

Accelerate digital capabilities to realise efficiencies
Following the progress made in 2020, continued focus will be on accelerating digital capabilities. The transformation is critical in providing the Group with a modern technology platform to power products and services and, delivering required cost efficiencies to meet established profitability targets, as well as, delivering seamless experiences to customers and partners.

Within this, the security of the Group's customers and partners information is critical and of high strategic importance. Supported by advanced technologies and a highly skilled team of cyber security professionals, the Group is heavily invested in advancing its cyber security capabilities to ensure that the digital platforms can be trusted. Not just today, but in the

Lysaker, 19th February 2021

The Board of Directors of Santander Consumer Bank

Henning Strøm Chair	Bruno Montalvo Wilmot Deputy Chair	Javier Anton
Federico Ysart	Niels Christian Aall	Tina Stiegler
Arja Pynnönen Employee Representative	Tone Bergsaker Strømsnes Employee Representative	Michael Hvidsten Chief Executive Officer

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Profit and Loss - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2020	2019
Total interest income*		9 008	8 596
Total interest expenses		-1 369	-1 422
Net interest income	11	**7 638**	**7 174**
Fee and commission income		553	574
Fee and commission expenses		-291	-208
Value change and gain/loss on foreign exchange and securities		-92	3
Other operating income	12	310	270
Other operating expenses	12	-302	-217
Gross margin		**7 816**	**7 595**
Salaries and personnel expenses	29, 30	-1 439	-1 274
Administrative expenses		-1 735	-1 647
Depreciation and amortisation	23, 24	-196	-257
Net operating income**		**4 446**	**4 418**
Other income and costs		237	13
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-1 983	-820
Profit before tax		**2 701**	**3 611**
Income tax expense	13	-571	-742
Profit after tax		**2 130**	**2 869**
Allocation of profit after tax			
Transferred to other earned equity		1 994	2 729
Transferred to additional Tier 1 capital	33	136	141
Total allocations		**2 130**	**2 869**

Profit after tax		**2 130**	**2 869**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		-4	-16
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		208	-16
Measured at FVTOCI		7	5
Cash flow hedge	20	-	9
Net investment hedge	13, 20	-141	9
Other comprehensive income for the period net of tax		**71**	**-9**
Total comprehensive income for the period		**2 201**	**2 860**

** Total interest income calculated using the effective interest method*
*** Net operating income before impairment losses on loans*

Balance Sheet - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2020	2019
Assets			
Cash and receivables on central banks	17	3 363	66
Deposits with and receivables on financial institutions	17	7 238	3 968
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	176 263	161 392
Commercial papers and bonds	4, 17, 18	6 813	11 536
Financial derivatives	17, 19	18	37
Repossessed assets	26	16	11
Other ownership interests	17, 19	38	31
Intangible assets	24	1 315	1 093
Fixed assets	23	1 247	1 214
Other assets		2 581	1 594
Total assets		**198 892**	**180 941**
Liabilities			
Debt to credit institutions	17, 32	29 363	30 174
Deposits from customers	17	81 142	65 484
Debt established by issuing securities	17, 18	51 216	53 403
Financial derivatives	17, 19	25	22
Tax payable	13	221	134
Other financial liabilities	17, 28	490	517
Deferred tax	13	1 166	697
Pension liabilities	29	147	140
Other liabilities		3 129	2 858
Subordinated loan capital	17, 32	2 821	2 421
Total liabilities		**169 720**	**155 851**
Equity			
Share capital		10 618	9 652
Share capital premium		1 926	891
Additional Tier 1 capital		2 250	2 250
Other equity		14 253	12 242
OCI items		125	54
Total equity	9	**29 172**	**25 090**
Total liabilities and equity		**198 892**	**180 941**

Cash Flow - Santander Consumer Bank Nordic Group

All amounts in millions of NOK	Note	2020	2019
Cash flow from operations			
Profit before tax		2 701	3 611
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		350	381
- Net interest income	12, 23, 24	-7 638	-7 174
- Value change and gain/loss on foreign exchange and securities		92	-3
- Dividends on financial assets at FVOCI		-	-
Changes in:			
- Loans to customers	14	-7 841	-3 827
- Operational lease	23	-99	-219
- Repossessed assets	26	-5	1
- Other assets		-987	-66
- Deposits from customers		12 435	11 332
- Other liabilities and provisions		808	1 798
Interests received		9 057	8 671
Dividends received		-17	4
Interests paid		-1 365	-1 370
Net income taxes paid		-782	-870
Net cash flow from operations		**6 708**	**12 268**
Cash flow from investments			
Purchase of bonds		-10 161	-15 698
Proceeds from matured bonds		15 607	14 262
Acquisition of Forso	36	-369	-
Purchase of fixed and intangible assets		-286	-225
Proceeds from sale of fixed and intangible assets		8	6
Net cash flow from investments		**4 799**	**-1 655**
Cash flow from financing			
Proceeds from issued securities	18, 27	13 972	21 078
Repayments of issued securities	18, 27	-15 995	-20 712
Change in loans and deposits from credit institutions	27	-3 293	-9 499
Proceeds from issue of subordinated loans	27, 32	500	1 416
Repayment of subordinated loans	27, 32	-250	-708
Dividend payments		-	-1 000
Interest payments on additional Tier 1 capital	33	-136	-140
Net cash flow from financing		**-5 201**	**-9 565**
Exchange gains / (losses) on cash and cash equivalents		261	-31
Net change in cash and cash equivalents		6 306	1 018
Cash and cash equivalents at the beginning of the period		4 034	3 047
Cash and cash equivalents at the end of the period		**10 601**	**4 034**

Statement of changes in equity - Santander Consumer Bank Nordic Group

2020

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 2020	**9 652**	**891**	**2 250**	**12 242**	**209**	**31**	**-11**	**-52**	**-122**	**25 090**
Profit for the period	-	-	136	1 994	-	-	-	-	-	2 130
Equity from merger with Forso	-	-	-	17	-	-			-	17
OCI movements (net of tax)	-	-	-	-	208	7	-	-141	-4	70
Interest payments additional Tier 1 capital	-	-	-136	-	-	-	-	-	-	-136
Capital increase	965	1 035	-	-	-	-			-	2 000
Share dividend	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**10 618**	**1 926**	**2 250**	**14 253**	**418**	**38**	**-11**	**-193**	**-126**	**29 172**

Total shares registered as at December 31, 2020, was 965 241 842, each with a par value of 11 NOK

Restricted capital as at December 31, 2020, 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.

2019

All amounts in millions of NOK	Share Capital	Share Capital Premium	Additional Tier 1 Capital	Other Equity	Translation differences from foreign currencies	Measured at FVTOCI	Cash flow hedge	Net investment hedge	Actuarial gain/loss	Total
Balance at 1 January 2019	**9 652**	**891**	**2 250**	**10 478**	**225**	**26**	**-20**	**-61**	**-106**	**23 335**
Profit for the period	-	-	141	2 729	-	-	-	-	-	2 869
OCI movements (net of tax)	-	-	-	-	-16	5	9	9	-16	-9
Interest payments additional Tier 1 capital	-	-	-141	-	-	-	-	-	-	-141
Tax on interest payment additional Tier 1 capital	-	-	-	35	-	-	-	-	-	35
Share dividend	-	-	-	-1 000	-	-	-	-	-	-1 000
Balance at 31 December 2019	**9 652**	**891**	**2 250**	**12 242**	**209**	**31**	**-11**	**-52**	**-122**	**25 090**

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

Restricted capital as at December 31, 2019, was 9 652 MM NOK. The split between restricted and unrestricted capital is in accordance with the Norwegian limited companies act.

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

Profit and Loss - Santander Consumer Bank AS

All amounts in millions of NOK	**Note**	**2020**	**2019**
Total interest income*		7 618	7 466
Total interest expenses		-1 288	-1 352
Net interest income	11	**6 330**	**6 114**
Fee and commission income		487	528
Fee and commission expenses		-267	-184
Value change and gain/loss on foreign exchange and securities		-74	-1
Other operating income	12	173	656
Other operating expenses	12	-167	-108
Gross margin		**6 481**	**7 005**
Salaries and personnel expenses	29, 30	-1 252	-1 150
Administrative expenses		-1 351	-1 280
Depreciation and amortisation	23, 24	-169	-228
Net operating income**		**3 710**	**4 348**
Other income and costs		195	15
Impairment losses on loan, guarantees etc.	2, 4, 5, 15	-1 686	-765
Profit before tax		**2 219**	**3 597**
Income tax expense	13	-493	-638
Profit after tax		**1 726**	**2 959**

Allocation of profit after tax			
Transferred to other earned equity		1 591	2 818
Transferred to additional Tier 1 capital	33	136	141
Total allocations		**1 726**	**2 959**

Profit after tax		**1 726**	**2 959**
Items not to be recycled to profit and loss			
Actuarial gain/loss on post-employment benefit obligations		-4	-16
Items to be recycled to profit and loss			
Net exchange differences on translating foreign operations		75	-4
Measured at FVTOCI		7	5
Cash flow hedge	20	-1	-
Net investment hedge	13, 20	22	-
Other comprehensive income for the period net of tax		**99**	**-14**
Total comprehensive income for the period		**1 825**	**2 944**

** Total interest income calculated using the effective interest method*
*** Net operating income before impairment losses on loans*

Balance Sheet - Santander Consumer Bank AS

All amounts in millions of NOK	**Note**	**2020**	**2019**
Assets			
Cash and receivables on central banks	17	3 363	66
Deposits with and receivables on financial institutions	17	5 261	2 434
Loans to customers	2, 4, 6, 14, 15, 16, 17, 25	137 157	126 098
Commercial papers and bonds	4, 17, 18	6 094	9 526
Financial derivatives	17, 19	-	7
Repossessed assets	26	-3	6
Loans to subsidiaries and SPV's	17	14 163	12 412
Investments in subsidiaries	17, 19, 31	1 733	1 281
Other ownership interests	17, 19	38	31
Intangible assets	24	876	672
Fixed assets	23	714	741
Other assets		2 531	1 518
Total assets		**171 927**	**154 792**
Liabilities			
Debt to credit institutions	17, 32	20 428	21 808
Deposits from customers	17	81 142	65 484
Debt established by issuing securities	17, 18	35 528	37 519
Financial derivatives	17, 19	8	0
Tax payable	13	199	134
Other financial liabilities	17, 28	477	500
Deferred tax	13	1 462	893
Pension liabilities	29	147	140
Other liabilities		2 577	2 444
Subordinated loan capital	17, 32	2 821	2 421
Total liabilities		**144 789**	**131 344**
Equity			
Share capital		10 618	9 652
Share capital premium		1 926	891
Additional Tier 1 capital		2 250	2 250
Other equity		12 364	10 774
OCI items		-20	-119
Total equity	9	**27 138**	**23 448**
Total liabilities and equity		**171 927**	**154 792**

Cash Flow - Santander Consumer Bank AS

All amounts in millions of NOK	**Note**	**2020**	**2019**
Cash flow from operations			
Profit before tax		2 219	3 597
Adjustments for:			
- Depreciation, amortisation and impairment on fixed and intangible assets		209	244
- Net interest income	12, 23, 24	-6 330	-6 114
- Value change and gain/loss on foreign exchange and securities		74	1
- Dividends on financial assets at FVOCI		-	-
Changes in:			
- Loans to customers	14	-8 324	-2 184
- Operational lease	23	-34	-191
- Repossessed assets	26	9	-
- Other assets		-1 013	-203
- Deposits from customers		12 668	11 332
- Other liabilities and provisions		863	1 375
Interests received		7 664	7 540
Dividends received		-17	509
Interests paid		-1 363	-1 363
Net income taxes paid		-703	-784
Net cash flow from operations		**5 921**	**13 758**
Cash flow from investments			
Purchase of bonds		-7 852	-10 626
Proceeds from matured bonds		11 262	9 330
Acquisition of Forso AB	36	-1 020	-
Merge Forso AB	36	1 043	-
Purchase of fixed and intangible assets		-281	-202
Proceeds from sale of fixed and intangible assets		4	4
Net cash flow from investments		**3 157**	**-1 494**
Cash flow from financing			
Proceeds from issued securities	18, 27	6 933	9 565
Repayments of issued securities	18, 27	-8 488	-14 466
Change in loans to and deposits from credit institutions	27	-1 730	-5 674
Proceeds from issue of subordinated loans	27, 32	500	1 416
Repayment of subordinated loans	27, 32	-250	-708
Dividend payments		-	-1 000
Interest payments on additional Tier 1 capital	33	-136	-140
Net cash flow from financing		**-3 171**	**-11 007**
Exchange gains / (losses) on cash and cash equivalents		109	-20
Net change in cash and cash equivalents		6 016	1 238
Cash and cash equivalents at the beginning of the period		2 499	1 281
Cash and cash equivalents at the end of the period		**8 624**	**2 499**

Statement of changes in equity - Santander Consumer Bank AS

2020

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 2020	**9 652**	**891**	**2 250**	**10 774**	**-13**	**31**	**-15**	**-**	**-122**	**23 448**
Profit for the period	-	-	136	1 591	-	-	-	-	-	1 726
OCI movements (net of tax)	-	-	-	-	75	7	-1	22	-4	99
Interest payments additional Tier 1 capital	-	-	-136	-	-	-	-	-	-	-136
Capital increase	965	1 035	-	-	-	-	-	-	-	2 000
Share dividend	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**10 618**	**1 926**	**2 250**	**12 364**	**62**	**38**	**-16**	**22**	**-126**	**27 138**

Total shares registered as at December 31, 2020, was 965 241 842, each with a par value of 11 NOK

Restricted capital as at December 31, 2020, 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.

2019

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

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

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Lysaker, 19th February 2021

The Board of Directors of Santander Consumer Bank

Henning Strøm Chair	Bruno Montalvo Wilmot Deputy Chair	Javier Anton
Federico Ysart	Niels Christian Aall	Tina Stiegler
Arja Pynnönen Employee Representative	Tone Bergsaker Strømsnes Employee Representative	Michael Hvidsten Chief Executive Officer

Accounting Principles

1. General information about Santander Consumer Bank AS

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

The financial statements show the activities of the Company in Norway, Sweden and Denmark. The Group accounts include the Finnish subsidiary Santander Consumer Finance OY (SCF OY) and the Special Purpose Vehicles ("SPV") as listed in note 33 for the Company.

The 2020 consolidated financial statements of the Group and financial statements of the Company cover the period 01.01.2020 to 31.12.2020 and was approved by the Board of Directors and general assembly on 19.02.2021.

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

There are no new or amended IFRS and interpretations have been applied or have had a significant effect on the Group's financial position, results or disclosures for the financial year beginning on 1 January 2020.

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 2020.

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 Group's 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 2020.

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.

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

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information, however the macroeconomic situation this year has been fully affected by the current COVID-19 pandemic, and as a result the forecast of the macroeconomic variables (GDP, unemployment rate, house prices) divided by scenarios has been changed in order to better reflect the impact of the macroeconomic situation, which is uncertain and fully dependent on the future evolution of the pandemic, see note 1.

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

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

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

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

2.9.2. Santander Consumer Bank as lessee

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

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

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

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

2.10.3. Property, plant and equipment

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

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

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

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

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

2.11. Intangible assets

2.11.1. Goodwill

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

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

2.11.2. Computer software and IT-systems

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

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

2.12. 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.

2.13. Current and deferred income tax

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

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

2.14. Cash and cash equivalents

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

2.15. Segment reporting

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

2.16. Dividends

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

3. Critical accounting estimates

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

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

- Impairment of loans requires judgment in determining future cash flows for individual and grouping of loans.
- Loan loss provision is based on estimates on the expected loss on identified non-performing loans, as well as estimates on the portfolio as a total.
- COVID Reserves Overlay is based on drivers that are subjected to judgements based on the current state of the COVID-19 pandemic. See note 4.
- 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

Santander Consumer Bank Nordic Group

Note 1 - Risk Management

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

COVID 19

The spread of COVID-19, which has led to a worldwide health crisis of unprecedented scale, has had a very significant impact during this half-year on both economic activity globally and the financial sector. Since December 2019, a new strain of coronavirus, or COVID-19, has gradually spread across the globe, beginning in Asia and subsequently expanding into Europe, the United States and Latin America, among others. The outbreak has been declared a public health emergency internationally, with the World Health Organization having declared it a global pandemic.

Countries all around the world have responded to the COVID-19 pandemic by adopting a variety of measures in an attempt to curb its expansion and impact, including mass quarantining, other containment measures, travel restrictions, restrictions on public gatherings, and the temporary suspension of a great many economic activities. These measures have given rise to a considerable decline in the level of economic activity globally, with falls in production and in demand. As a result, the largest countries have seen significant decreases in GDP, increased unemployment, sharp drops and high volatility in securities markets, volatility in exchange rates, etc.

These measures have had an adverse impact on businesses, market participants, our counterparties and customers, and may continue to do so in the coming quarters.

Many governments and regulatory authorities, including central banks, have taken steps to ease the pandemic's impact on the economy and counteract the disruption caused in the market. Fiscal and monetary stimulus measures have been adopted, interest rates have been cut, and steps have taken to favour the partial or total deferral (grace periods) of payments of principal and/or interest due on loans. At the same time, there has been a flexibilization of certain regulatory requirements applicable to financial institutions in relation to their capital, liquidity and risks.

At this point in time, it is difficult to predict how effective these and other measures adopted to mitigate the economic effects of the pandemic will be. Within this global context, the current COVID-19 pandemic has impacted our business. Any future outbreak of the disease could have a material adverse impact on our activity, financial position, liquidity and results.

From the outset of the crisis and with some foresight, we have implemented, specific measures aimed at our employees, customers, shareholders and investors, to protect health and mitigate the economic and social impact of COVID-19.

The outbreak of the COVID-19 pandemic has resulted in a rapid crisis that is considered temporary. Global consensus is that once the health crisis is resolved, economic activity could generally return to normal levels.

In order to minimize the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, public and private institutions have implemented a broad range of support measures, in many cases materialized through Payment Holidays on payments towards credit obligations or guaranteed lines, with the aim of supporting the operational and liquidity challenges faced by borrowers.

Potential financial difficulties facing some of our customers are also temporary, and they can be expected to disappear shortly after the end of the health crisis. Additionally, the temporary impact on the activity of our customers should be mitigated by the measures implemented by governments and those that financial institutions are taking on their own initiative.

Numerous international organizations and Supervisors have underlined the importance of responsibly adapting and applying their accounting and prudential policies to containment measures of a temporary and exceptional nature. Supervisors like The Basel Committee, The European Banking Authority (EBA), The European Central Bank (ECB), Financial Supervisory Authority of Norway (NFSA) and The Bank of Spain have implemented measures to reflect the impact of COVID-19.

As stated by The International Accounting Standards Board (IASB), entities should not continue to apply their existing ECL methodology mechanically and that the assessment of SICR and measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort, applying a certain degree of judgement.

Given that the effects related to the COVID-19 situation have not yet materialized in the risk indicators and expected loss models, post-model overlays have been used by the Group in its accounting estimates for expected loss. Post Model COVID 19 overlays include prospective Macroeconomic Scenario Deterioration which includes the future effects of changes in variables to which the models are sensitive (e.g. GDP, house prices, unemployment rate), reserves for credit risk uncertainties related to Payment Holidays and reserves related to Sector Degradation for those sectors more significantly impacted by COVID.

Macroeconomic Scenario Deterioration has followed the recommendations of the supervisory and regulatory bodies mentioned above, giving greater weight to medium- and long-term projections to avoid the undesired effects of volatility and procyclicality. These medium- and long-term macroeconomic forecasts include different scenarios for economic recovery both in terms of the recovery of activity prior to the pandemic (complete or incomplete recovery) and the time period in which this recovery takes place (periods of between 1 and 3 years).

To address the temporary liquidity shocks of the Group's customer, payment holidays were granted by responding reactively to updated customer requests and with a selective approach for customers in arrears. According to EBA's indications, procedures such as the granting of payment holidays, should not automatically result in all those customers/loans being moved to Stage 2 of IFRS9 or Stage 3.

Although payment holidays were mainly granted to customers with a performing loan status, i.e. not in arrears, due to the nature of providing elevated levels of payment holidays to support customers, increased credit risk uncertainty is introduced. For the duration of the period that customers are granted payment holidays, the Group is unable to monitor payments due, which leads to increased uncertainty in the development of the credit risk of these customers. The Group has applied an estimate to capture expected credit loss related to development in the portfolios impacted by payment holidays – see Note 4.

Sector Degradation reserves are booked to cover for increased credit risk due to sectors more heavily affected by COVID-19, i.e. Transportation and Rent-a-Car.

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 a credit limit, or else are classified as stock finance. Non-Standardized credits are handled individually and are granted according to delegated credit authorities in accordance with current credit policy.

The assessment of customers or transactions using rating or scoring systems constitutes a 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, which is related to existing guarantees and other characteristics of the transaction: type of product, term, etc. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price.

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

Market risk

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

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

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

Interest rate risk

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

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

Currency risk

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

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

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

Other price risk

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

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

Liquidity risk

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

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

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

Capital risk

Capital Risk is the risk that the Group does not have an adequate amount or quality of capital to meet the risks it is exposed to and consequently is not able to meet strategic objectives and regulatory requirements. The adequacy of capital is assessed in the internal capital adequacy assessment process (ICAAP) which is conducted at least annually. The main metrics that are monitored to ensure regulatory compliance are the CET1, Tier1, Tier2 and Leverage ratios.

Operational risk

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

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

Note 2 - Risk classification

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

	Gross outstanding		Loss reserves	
All amounts in millions of NOK	**2020**	**2019**	**2020**	**2019**
Current - not past due date	169 789	152 372	-1 846	-1 083
Current - past due date	6 518	8 635	-379	-506
Total impaired loans	4 960	4 324	-2 825	-2 350
Total gross loans to customers - submitted	**181 267**	**165 331**	**-5 050**	**-3 939**

Ageing of past due but not impaired loans	**2020**	**2019**	**2020**	**2019**
1 - 29 days	4 948	6 792	-127	-199
30 - 59 days	1 115	1 312	-164	-181
60 - 89 days	455	531	-87	-126
Total loans due but not impaired	**6 518**	**8 635**	**-378**	**-506**

	Gross outstanding		Loss reserves	
Ageing of impaired loans	**2020**	**2019**	**2020**	**2019**
90 - 119 days	302	359	-140	-167
120 - 149 days	240	289	-115	-138
150 - 179 days	180	233	-91	-114
180 + days	2 213	1 773	-1 379	-1 035
Economic doubtful*	2 025	1 670	-1 100	-896
Total impaired loans	**4 960**	**4 324**	**-2 825**	**-2 350**

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

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
2020	**Asset**	**Debt**	**In NOK**	**in foreign currency**	**5% Appreciation**	**5% Depreciation**
SEK	53 690	53 655	35	34	2	-2
DKK	49 128	48 685	443	315	16	-16
EUR	50 692	48 698	1 994	190	10	-10
Total	**153 510**	**151 038**	**2 472**			

All amounts in millions of NOK	Balance		Net positions		Effect on OCI from change in foreign currency against NOK	
2019	**Asset**	**Debt**	**In NOK**	**in foreign currency**	**5% Appreciation**	**5% Depreciation**
SEK	43 054	45 525	70	74	4	-4
DKK	43 457	43 328	129	98	5	-5
EUR	49 171	47 907	1 264	128	6	-6
Total	**135 682**	**136 760**	**1 463**			

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 SCB AS'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.

	2020				2019			
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	29 770	1 648	-	**31 418**	30 297	682	-	**30 979**
Standard monitoring	770	894	-	**1 664**	1 055	1 370	-	**2 425**
Special monitoring	-	261	-	**261**	-	176	-	**176**
Default	-	-	3 011	**3 011**	-	-	2 610	**2 610**
Gross carrying amount	**30 540**	**2 803**	**3 011**	**36 354**	**31 352**	**2 228**	**2 610**	**36 190**
Loss allowance	-712	-452	-1 838	**-3 002**	-476	-355	-1 515	**-2 346**
Carrying amount	**29 828**	**2 351**	**1 173**	**33 352**	**30 876**	**1 873**	**1 095**	**33 844**
Loss allowance (off balance exposures)	-21	-7	-18	**-46**	**-46**	**-14**	**-22**	**-82**
Loss allowance (%)				**8,26%**				**6,93%**

	2020				2019			
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	135 552	2 129	-	**137 681**	118 484	2 495	-	**120 979**
Standard monitoring	3 414	1 440	-	**4 854**	4 099	2 075	-	**6 174**
Special monitoring	-	428	-	**428**	6	268	33	**307**
Default	-	-	1 950	**1 950**	-	-	1 681	**1 681**
Gross carrying amount	**138 966**	**3 997**	**1 950**	**144 913**	**122 589**	**4 838**	**1 714**	**129 141**
Loss allowance	-794	-240	-968	**-2 002**	-538	-220	-835	**-1 593**
Carrying amount	**138 172**	**3 757**	**982**	**142 911**	**122 051**	**4 618**	**879**	**127 548**
Loss allowance (%)				**1,38%**				**1,25%**

	2020				2019			
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	6 814	-	-	**6 814**	11 537	-	-	**11 537**
Standard monitoring	-	-	-	**-**	-	-	-	**-**
Special monitoring	-	-	-	**-**	-	-	-	**-**
Default	-	-	-	**-**	-	-	-	**-**
Gross carrying amount	**6 814**	**-**	**-**	**6 814**	**11 537**	**-**	**-**	**11 537**
Loss allowance	-	-	-	**-**	-1	-	-	**-1**
Carrying amount	**6 814**	**-**	**-**	**6 814**	**11 536**	**-**	**-**	**11 536**
Loss allowance (%)				**0,00%**				**0,01%**

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

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

Maximum exposure to credit risk	**2020**	**2019**
Financial derivatives Assets	18	-
Financial derivatives Liabilities	25	22

The macroeconomic situation this year has been fully affected by the current COVID-19 pandemic, and as a result the forecast of the macroeconomic variables (GDP, unemployment rate, house prices) divided by scenarios has been changed in order to better reflect the impact of the macroeconomic situation, which is uncertain and fully dependent on the future evolution of the pandemic.

In relation with the current situation, a COVID Reserves Overlay of 408 million NOK has been booked as at December 31, 2020. The overlay is distributed across three different drivers: Macroeconomic Scenario Deterioration, Payment Holidays expected loss and Sector Degradation. Macroeconomic Scenario Deterioration refers to the overall worsening of the macroeconomic indicators that is expected to lead to increased losses. Payment holidays reserves are booked to cover for the potential losses for customers that cannot deliver on upcoming payments after the PH requested have expired, while Sector Degradation reserves are booked to cover for potential losses due to sectors more heavily affected by COVID-19, i.e. Transportation and Rent-a-Car. Santander will review these estimates in future periods and determine whether additional adjustments are required to update them with new internal or external information that is available and reliable. The outcome of the pandemic is uncertain and it is not known how long the adverse conditions associated with it will last and what the final impact will be.

Macroeconomic Scenario Deterioration:
This part of the overlay has been calculated by using the long run macro scenario used in the forecast for 2020 and stressing it with COVID-19 worsened macro variables (GDP, house prices and unemployment rates). The result of this stress are updated PDs for all the models which make a total amount of 165.7 million NOK as Macroeconomic Deterioration in the overlay. The IFRS9 data used in the stress test (PDs, LGDs, EADs) is from September 2020.

Payment Holidays:
A large number of customers have requested payment holidays during this year, which have been offered both as market practice and as a standard option in the contractual terms already in place. All contracts requesting payment holidays during initial COVID period (March to September 2020), were observed for performance after payment holiday expiration. Expected losses were extrapolated based on observed poor performance by multiplying the portfolios' associated exposure by PDs related to historic forborne exposures and average default LGD for the portfolio. The total amount of Overlay related to Payment Holidays totaled 210.5 million NOK as at December 31, 2020.

Sector Degradation:
An analysis has been made on corporate customers affected by the pandemic restrictions, which comprises mostly Auto corporate clients. The quantity booked for the potential losses for the sector degradation part of the overlay is 32.7 million NOK.

	COVID Overlay by Category			
	Macro Scenario Deterioration	**Payment Holidays**	**Sector Degradation**	**TOTAL**
Norway	43,0	141,1	26,6	**210,7**
Finland	7,3	22,0	3,5	**32,8**
Denmark	107,1	22,4	0,8	**130,3**
Sweden	8,3	25,0	1,8	**35,1**
Total	**165,7**	**210,5**	**32,7**	**408,9**

	COVID Overlay by Stage			
	Stage 1	Stage 2	Stage 3	**TOTAL**
Norway	151,3	59,4	-	**210,7**
Finland	23,7	9,1	-	**32,8**
Denmark	109,1	21,2	-	**130,3**
Sweden	8,1	27,0	-	**35,1**
Total	**292,2**	**116,7**	**-**	**408,9**

A sensitivity analysis has been performed in order to see how future variations in the macro indicators (GDP, unemployment rates, house prices) will affect the macroeconomic part of the overlay. 2 different scenarios have been assessed, one with positive outcomes and another with negative outcomes.

- Positive Scenario: A variation of +1% on GPD and house prices, while reducing 1% the unemployment rates.
- Negative Scenario: A variation of -1% on GPD and house prices, while increasing 1% the unemployment rates.

	Macro Scenario Deterioration - Sensitivity Analysis		
	Macro Scenario Deterioration - Sensitivity Analysis	**Positive Scenario Var.**	**Negative Scenario Var.**
Norway	**43,0**	**-0,81%**	**0,82%**
Unsecured	11,3	-0,81%	0,82%
Secured	31,7	-0,81%	0,81%
Finland	**7,3**	**-8,28%**	**8,32%**
Unsecured	2,5	-13,71%	13,79%
Secured	4,9	-0,09%	0,09%
Denmark	**107,1**	**-2,13%**	**2,17%**
Unsecured	65,0	-0,08%	0,08%
Secured	42,1	-5,48%	5,58%
Sweden	**8,3**	**-5,21%**	**5,26%**
Unsecured	5,9	-0,11%	0,11%
Secured	2,3	-18,41%	18,57%
Total	**165,7**		

A sensitivity analysis has been performed in order to see how performance impacts the Payment Holidays. 2 different scenarios have been assessed, one with positive outcomes, i.e. reduced negative performance and another with negative outcomes, increased negative performance.
'- Positive Scenario: A variation of +1% on the performance rates.
'- Negative Scenario: A variation of -1% on the performance rates.

	Payment Holiday - Sensitivity Analysis - Performance		
	Payment Holiday Overlay Base	**Positive Scenario Var.**	**Negative Scenario Var.**
Norway	**141,1**	**-0,69%**	**0,69%**
Unsecured	18,0	-0,76%	0,76%
Secured	123,1	-0,68%	0,68%
Finland	**22,0**	**-0,62%**	**0,62%**
Unsecured	6,9	-0,90%	0,90%
Secured	15,1	-0,49%	0,49%
Denmark	**22,4**	**-0,76%**	**0,76%**
Unsecured	12,8	-0,77%	0,77%
Secured	9,6	-0,75%	0,75%
Sweden	**25,1**	**-0,68%**	**0,68%**
Unsecured	19,2	-0,67%	0,67%
Secured	5,8	-0,70%	0,70%
Total	**210,5**		

ECL Forward Looking Scenario Weights:

Scenario weights applied in the ECL estimates for the period ended 31 December 2020 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	1,69%	3,55%	-1,26%	-2,19%
Sweden	1,59%	2,97%	-0,71%	-1,33%
Denmark	4,73%	10,03%	-2,31%	-4,28%
Finland	1,15%	1,94%	-0,45%	-1,39%
Nordic	2,47%	5,06%	-1,32%	-2,46%

Below is a calculation of forward looking scenario impact for period ending 31 December 2020. For the period ending 31 December 2020, forward looking ECL parameters had resulted in additional reserves of 0,6 MM NOK for the Group.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	-7,4	1,0000	-7,4
Sweden	-4,7	1,0443	-4,9
Denmark	8,9	1,4072	12,6
Finland	-0,1	10,4712	-0,9
Total Group			-0,6

Note 5 - Loss allowance

All amounts in millions of NOK

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

Unsecured loans	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**476**	**355**	**1 515**	**2 346**	**505**	**310**	**1 205**	**2 020**
Transfers:								
Transfer from Stage 1 to Stage 2	-182	1 208	-	**1 026**	-222	1 112	-	**890**
Transfer from Stage 1 to Stage 3	-8	-	170	**162**	-9	-	149	**140**
Transfer from Stage 2 to Stage 3	-	-745	1 169	**424**	-	-759	1 186	**427**
Transfer from Stage 2 to Stage 1	84	-722	-	**-638**	90	-677	-	**-587**
Transfer from Stage 3 to Stage 2	-	71	-282	**-211**	-	45	-238	**-193**
Transfer from Stage 3 to Stage 1	-	-	-2	**-2**	-	-	-	**-**
Assets remaining in same Stage	156	232	244	**632**	89	328	-80	**337**
Methodological changes	-	-	-	**-**	-21	59	-81	**-43**
Financial assets derecognised that are not write-offs	-66	-21	-675	**-762**	-79	-65	-120	**-264**
of which 'account that have closed in the period'	*-66*	*-21*	*-675*	**-762**	*-79*	*-65*	*-120*	**-264**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-374	**-374**	-	-	-496	**-496**
New financial assets originated or purchased	135	-	-	**135**	143	-	-	**143**
Changes in PDs/LGDs/EADs	69	59	-16	**112**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	48	15	89	**152**	-20	2	-10	**-28**
Loss allowance as at 31 December	**712**	**452**	**1 838**	**3 002**	**476**	**355**	**1 515**	**2 346**

Secured loans	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**538**	**220**	**835**	**1 593**	**535**	**281**	**683**	**1 499**
Transfers:								
Transfer from Stage 1 to Stage 2	-99	604	-	**505**	-148	544	-	**396**
Transfer from Stage 1 to Stage 3	-20	-	319	**299**	-18	-	278	**260**
Transfer from Stage 2 to Stage 3	-	-270	735	**465**	-	-246	646	**400**
Transfer from Stage 2 to Stage 1	96	-480	-	**-384**	58	-334	-	**-276**
Transfer from Stage 3 to Stage 2	-	78	-482	**-404**	-	46	-309	**-263**
Transfer from Stage 3 to Stage 1	-	-	-25	**-25**	-	-	-1	**-1**
Assets remaining in same Stage	-1	161	223	**383**	-52	82	108	**138**
Methodological changes	-	-	-	**-**	7	-100	9	**-84**
Financial assets derecognised that are not write-offs	-132	-53	-170	**-355**	-154	-53	-140	**-347**
of which 'account that have closed in the period'	*-132*	*-53*	*-170*	***-355***	*-154*	*-53*	*-140*	***-347***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-464	**-464**	-	-	-438	**-438**
New financial assets originated or purchased	338	-	-	**338**	315	-	-	**315**
Changes in PDs/LGDs/EADs	77	-35	-30	**12**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-3	15	27	**39**	-5	-	-1	**-6**
Loss allowance as at 31 December	**794**	**240**	**968**	**2 002**	**538**	**220**	**835**	**1 593**

Commercial papers and bonds	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**1**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
Transfers:								
Transfer from Stage 1 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Assets remaining in same Stage	-	-	-	**-**	1	-	-	**1**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-	-	-	**-**	-	-	-	**-**
of which 'account that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-1	-	-	**-1**	-	-	-	**-**
Loss allowance as at 31 December	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**

Off balance exposure*	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**46**	**15**	**22**	**83**	**82**	**14**	**27**	**123**
Transfers:								
Transfer from Stage 1 to Stage 2	-5	36	-	**31**	-9	48	-	**39**
Transfer from Stage 1 to Stage 3	-	-	14	**14**	-	-	11	**11**
Transfer from Stage 2 to Stage 3	-	-5	13	**8**	-	-8	17	**9**
Transfer from Stage 2 to Stage 1	5	-44	-	**-39**	7	-48	-	**-41**
Transfer from Stage 3 to Stage 2	-	4	-15	**-11**	-	5	-23	**-18**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Assets remaining in same Stage	-18	3	6	**-9**	6	9	15	**30**
Methodological changes	-	-	-	**-**	-38	1	-5	**-42**
Financial assets derecognised that are not write-offs	-13	-2	-20	**-35**	-23	-6	-15	**-44**
of which 'account that have closed in the period'	-13	-2	-20	**-35**	*-23*	*-6*	*-15*	***-44***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1	**-1**	-	-	-5	**-5**
New financial assets originated or purchased	5	-	-	**5**	23	-	-	**23**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	1	-	-1	**-**	-2	-	-	**-2**
Loss allowance as at 31 December	**21**	**7**	**18**	**46**	**46**	**15**	**22**	**83**

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

Write off under management was 2 055 MM NOK per 31.12.2020, and 1 971 MM NOK per 31.12.2019.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2020 the Outstanding distribution by stages and the resulting ECL has been impacted mostly by three factors:

1. The new methodology and parameter update in September 2020 that includes the following points:
   - New PD models, LGD models and Credit Conversion Factors (CCF) in order to measure more accurately the losses.
   - New Behaviour Score models and modification of the initial score, moving from an Admission Score to the first Behaviour Score available for a contract.
   - New Significant Increase in Credit Risk (SICR) thresholds and recalibration based on new Behaviour Score at initial recognition and new PD models.
   - Use of updated data for the models up to March 2019 instead of December 2017.

2. FORSO portfolio was acquired on Q1 2020 and merged into AS/OY Santander entities on Q3 2020. Entire FORSO portfolio belongs to the Secured/Auto products.
   The total size of the FORSO migrated portfolio exposure by Country as of Q4 2020 is as follows:
   - Norway: 1.8 billion NOK exposure
   - Sweden: 747 million NOK exposure
   - Denmark: 1.67 billion NOK exposure
   - Finland: 1.65 billion NOK exposure

3. COVID-19 pandemic reduced the new business volume in Unsecured products. Reduced number of Credit Cards and Consumer Loans contracts were given this year, and the amortization on existing contracts made the Unsecured exposures to decrease in Norway, Sweden and Denmark.

Other events that had minor impact on exposures this year:
- COVID-19 pandemic had effects on Stage 2 exposure increasing due to Unsecured products requesting Payment Holidays during COVID-19 period being reclassified as Forbearance in Norway.
- Behaviour Score degradation on Sweden Consumer Loans portfolio led to a increase on Stage 2 exposures coming from Stage 1 on December 2020 (~300 million NOK).

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

• Norway:
Performing buckets (2.3 billion NOK increase in Secured portfolios and 2 billion NOK decrease in Unsecured portfolios):
- Up to date: 3 billion NOK increase in Secured portfolios and 1.4 billion NOK decrease in Unsecured portfolios
- 1-30 days past due: 613.3 million NOK decrease in Secured portfolios and 405.3 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 43.3 million NOK decrease in Secured portfolios and 139.5 million NOK decrease in Unsecured portfolios
- 61-90 days past due: 20.1 million NOK decrease in Secured portfolios and 58.8 million NOK decrease in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 103.4 million NOK increase in Secured portfolios and 68.5 million NOK decrease in Unsecured portfolios.

• Sweden:
Performing buckets (3.7 billion NOK increase in Secured portfolios and 240.4 million NOK decrease in Unsecured portfolios):
- Up to date: 3.7 billion NOK increase in Secured portfolios and 200.6 million NOK decrease in Unsecured portfolios
- 1-30 days past due: 16.9 million NOK decrease in Secured portfolios and 45.2 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 3.1 million NOK increase in in Secured portfolios and 2.8 million NOK decrease in Unsecured portfolios
- 61-90 days past due: 9.1 million NOK increase in Secured portfolios and 8.3 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 5.2 million NOK increase in Secured portfolios and 140.1 million NOK increase in Unsecured portfolios.

• Finland:
Performing buckets (1.16 billion NOK increase in Secured portfolios and 540.5 million NOK increase in Unsecured portfolios):
- Up to date: 2 billion NOK increase in Secured portfolios and 636.7 million NOK increase in Unsecured portfolios
- 1-30 days past due: 823.3 million NOK decrease in Secured portfolios and 94.2 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 9.9 million NOK decrease in Secured portfolios and 4.1 million NOK decrease in Unsecured portfolios
- 61-90 days past due: 7.5 million NOK decrease in Secured portfolios and 1.9 million NOK increase in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 16.4 million NOK increase in Secured portfolios and 140.3 million NOK increase in Unsecured portfolios.

• Denmark:
Performing buckets (2.3 billion NOK increase in Secured portfolios and 680 million NOK decrease in Unsecured portfolios):
- Up to date: 2.33 million NOK increase in Secured portfolios and 596.5 million NOK decrease in Unsecured portfolios
- 1-30 days past due: 16.5 million NOK decrease in Secured portfolios and 39.3 million NOK decrease in Unsecured portfolios.
- 31-60 days past due: 3.3 million NOK decrease in in Secured portfolios and 26.1 million NOK decrease in Unsecured portfolios.
- 61-90 days past due: 9.1 million NOK decrease in Secured portfolios and 18 million NOK decrease in Unsecured portfolios.

Non-performing buckets:
- 90+ days past due: 62.8 million NOK increase in Secured portfolios and 67.2 million NOK increase in Unsecured portfolios.

The implementation of the new 720 DPD write-off policy in 2019 has continued increasing NPL exposures during the first half of the year, while the BDS executed in June 2020 on Sweden and Norway made the NPL balances decrease on these 2 countries.

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

	2020				2019			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**31 355**	**2 227**	**2 608**	**36 190**	**29 788**	**2 726**	**1 888**	**34 402**
Transfers:								
Transfer from Stage 1 to Stage 2	-7 687	7 687	-	**-**	-7 622	7 622	-	**-**
Transfer from Stage 1 to Stage 3	-314	-	314	**-**	-286	-	286	**-**
Transfer from Stage 2 to Stage 3	-	-2 191	2 191	**-**	-	-2 247	2 247	**-**
Transfer from Stage 2 to Stage 1	5 131	-5 131	-	**-**	5 688	-5 688	-	**-**
Transfer from Stage 3 to Stage 2	-	533	-533	**-**	-	437	-437	**-**
Transfer from Stage 3 to Stage 1	3	-	-3	**-**	1	-	-1	**-**
Financial assets derecognised excl. write-offs	-3 824	-123	-1 120	**-5 067**	-5 575	-539	-210	**-6 324**
of which 'account that have closed in the period'	-3 824	-123	-1 120	**-5 067**	*-5 575*	*-539*	*-210*	***-6 324***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1 073	**-1 073**	-	-	-1 125	**-1 125**
New financial assets originated or purchased	7 937	-	-	**7 937**	9 213	-	-	**9 213**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-2 061	-199	627	**-1 633**	148	-84	-40	**24**
Gross carrying amount as at 31 December	**30 540**	**2 803**	**3 011**	**36 354**	**31 355**	**2 227**	**2 608**	**36 190**

	2020				2019			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**122 588**	**4 839**	**1 713**	**129 140**	**117 148**	**9 817**	**1 435**	**128 400**
Transfers:								
Transfer from Stage 1 to Stage 2	-12 305	12 305	-	**-**	-11 468	11 468	-	**-**
Transfer from Stage 1 to Stage 3	-1 223	-	1 223	**-**	-911	-	911	**-**
Transfer from Stage 2 to Stage 3	-	-2 297	2 297	**-**	-	-1 958	1 958	**-**
Transfer from Stage 2 to Stage 1	10 068	-10 068	-	**-**	12 483	-12 483	-	**-**
Transfer from Stage 3 to Stage 2	-	1 255	-1 255	**-**	-	839	-839	**-**
Transfer from Stage 3 to Stage 1	92	-	-92	**-**	3	-	-3	**-**
Financial assets derecognised excl. write-offs	-30 776	-1 215	-399	**-32 390**	-27 076	-1 367	-327	**-28 770**
of which 'account that have closed in the period'	-30 776	-1 215	-399	**-32 390**	*-27 076*	*-1 367*	*-327*	***-28 770***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-549	**-549**	-	-	-605	**-605**
New financial assets originated or purchased	65 350	-	-	**65 350**	60 462	-	-	**60 462**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-14 828	-822	-989	**-16 639**	-28 053	-1 477	-817	**-30 347**
Gross carrying amount as at 31 December	**138 966**	**3 997**	**1 950**	**144 913**	**122 588**	**4 839**	**1 713**	**129 140**

	2020				2019			
Commercial papers and bonds	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**11 536**	**-**	**-**	**11 536**	**10 363**	**-**	**-**	**10 363**
Transfers:								
Transfer from Stage 1 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised excl. write-offs	-14 262	-	-	**-14 262**	-14 262	-	-	**-14 262**
of which 'account that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	*-14 262*	-	-	**-14 262**	*-14 262*	-	-	***-14 262***
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	*15 698*	-	-	**15 698**	*15 698*	-	-	**15 698**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-6 158	-	-	**-6 158**	-263	-	-	-
Gross carrying amount as at 31 December	**6 814**	**-**	**-**	**6 814**	**11 536**	**-**	**-**	**11 536**

	2020				2019			
Off balance exposure	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**25 904**	**621**	**203**	**26 728**	**18 824**	**192**	**133**	**19 149**
Transfers:								
Transfer from Stage 1 to Stage 2	-1 499	1 499	-	**-**	-1 608	1 608	-	**-**
Transfer from Stage 1 to Stage 3	-107	-	107	**-**	-89	-	89	**-**
Transfer from Stage 2 to Stage 3	-	-114	114	**-**	-	-128	128	**-**
Transfer from Stage 2 to Stage 1	1 759	-1 759	-	**-**	1 288	-1 288	-	**-**
Transfer from Stage 3 to Stage 2	-	93	-93	**-**	-	155	-155	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised excl. write-offs	-7 204	-108	-159	**-7 471**	-8 055	-210	-107	**-8 372**
of which 'account that have closed in the period'	*-7 204*	*-108*	*-159*	***-7 471***	*-8 055*	*-210*	*-107*	***-8 372***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	2 392	-	-	**2 392**	2 426	-	-	**2 426**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	7 540	93	7	**7 640**	13 118	292	115	**13 525**
Gross carrying amount as at 31 December	**28 785**	**325**	**179**	**29 289**	**25 904**	**621**	**203**	**26 728**

*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.

All amounts in millions of NOK

2020	***=< 1 months***	***1 - 3 months***	***3 - 12 months***	***1 - 5 years***	**>5 years**	**With no specific maturity**	**Total**
Cash and receivables on central banks	3 363	-	-	-	-	-	3 363
Deposits with and receivables on financial institutions	4 717	2 309	105	107	-	-	7 238
Loans to customers	3 649	7 215	38 112	105 422	21 865	-	176 263
Commercial papers and bonds	1 999	2 416	1 893	505	-	-	6 813
Financial derivatives	-	18	-	-	-	-	18
Other financial assets	33	-	-	-	-	5 164	5 197
Total cash from assets	**13 761**	**11 958**	**40 110**	**106 034**	**21 865**	**5 164**	**198 892**
Debt to credit institutions	4 586	11 773	12 572	432	-	-	29 363
Deposits from customers	6 897	6 194	21 841	39 997	6 212	-	81 142
Debt established by issuing securities	-	758	4 548	45 909	-	-	51 216
Financial derivatives	-	25	-	-	-	-	25
Other financial liabilities	28	30	-	215	-	4 881	5 154
Subordinated loan capital	-	-	-	-	2 821	-	2 821
Total cash from debt	**11 512**	**18 780**	**38 961**	**86 553**	**9 033**	**4 881**	**169 720**
Net cash flow	**2 249**	**-6 822**	**1 149**	**19 481**	**12 832**		

All amounts in millions of NOK

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

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

Liquidity coverage ratio

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

Liquidity Coverage Ratio (LCR) %	**2020**	**2019**
Liquidity Coverage Ratio (LCR) Total	237	187
Liquidity Coverage Ratio (LCR) NOK	130	98
Liquidity Coverage Ratio (LCR) SEK	175	184
Liquidity Coverage Ratio (LCR) DKK	1 097	245
Liquidity Coverage Ratio (LCR) EUR	283	412

Note 8 - Interest rate risk

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

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

2020	**0 - 1 months**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**> 5 years**	**Non-Interest Bearing**	**Total**
Cash and receivables on central banks	3 363	-	-	-	-	-	3 363
Deposits with and receivables on financial institutions	7 238	-	-	-	-	-	7 238
Loans to customers	10 836	122 290	17 912	24 841	384	-	176 263
Commercial papers and bonds	1 370	3 370	2 073	-	-	-	6 813
Financial derivatives	18	-	-	-	-	-	18
Other non interest bearing assets	-	-	-	-	-	5 197	5 197
Total assets	22 825	125 660	19 985	24 841	384	5 197	198 892
Debt to credit institutions	7 156	17 356	4 851	-	-	-	29 363
Deposits from customers	16 244	63 631	957	310	-	-	81 142
Debt established by issuing securities	6 587	12 703	4 028	27 898	-	-	51 216
Financial derivatives	25	-	-	-	-	-	25
Subordinated loan capital	250	2 570	-	-	-	-	2 820
Other non-interest bearing liabilities	-	-	-	-	-	5 154	5 154
Equity	2 250	-	-	-	-	26 922	29 172
Total liabilities and equity	32 512	96 260	9 836	28 208	-	32 076	198 892
Net interest risk exposure	-9 687	29 400	10 149	-3 367	384	-26 879	

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

Santander Consumer Bank Nordic Group

All amounts in millions of NOK

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

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

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 053	52 113	4 927	2 794	46	2 300	64 232
Liabilities	6 092	30 510	-	-	-	27 630	64 232
Net balance	**-4 039**	**21 603**	**4 927**	**2 794**	**46**	**-25 331**	**-**
Repricing gap	-4 039	21 603	4 927	2 794	46	-25 331	-
Cumulative gap	-4 039	17 564	22 491	25 285	25 331	-	-

A +1,00 % parallel increase in market rates will result in a 150,74 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

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

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

Santander Consumer Bank AS Norway
All amounts in millions of EUR

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	70	40	-	-	-	130	240
Liabilities	26	106	94	-	-	14	240
Net balance	**44**	**-66**	**-94**	**-**	**-**	**116**	**-**
Repricing gap	44	-66	-94	-	-	116	-
Cumulative gap	44	-22	-116	-116	-116	-	-

A +1,00 % parallel increase in market rates will result in a 0,66 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Norway
All amounts in millions of EUR

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

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

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	6 438	40 649	530	214	10	3 543	51 384
Liabilities	14 555	34 014	-	-	-	2 814	51 384
Net balance	**-8 118**	**6 635**	**530**	**214**	**10**	**729**	**-**
Repricing gap	-8 118	6 635	530	214	10	729	-
Cumulative gap	-8 118	-1 483	-953	-739	-729	-	-

A +1,00 % parallel increase in market rates will result in a 50,88 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

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

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

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 746	21 497	2 124	2 250	-	1 876	30 493
Liabilities	7 062	16 113	678	5 068	-	1 573	30 493
Net balance	**-4 316**	**5 384**	**1 447**	**-2 817**	**-**	**303**	**-**
Repricing gap	-4 316	5 384	1 447	-2 817	-	303	-
Cumulative gap	-4 316	1 068	2 515	-303	-303	-	-

A +1,00 % parallel increase in market rates will result in a 7,59 million DKK decrease in profit in Denmark

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

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

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

Santander Consumer Finance OY
All amounts in millions of EUR

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	865	330	1 099	1 783	31	8	4 117
Liabilities	233	538	810	2 154	-	383	4 117
Net balance	**633**	**-208**	**289**	**-371**	**31**	**-374**	**-**
Repricing gap	633	-208	289	-371	31	-374	-
Cumulative gap	633	425	714	343	374	-	-

A +1,00 % parallel increase in market rates will result in a 0,22 million EUR increase in profit in Finland.

Santander Consumer Finance OY
All amounts in millions of EUR

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

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

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2020**	**2019**
Paid in equity	10 618	9 652
Share premium	1 926	891
Other equity	14 253	12 242
Tier 1 Capital	2 250	2 250
Other reserves	125	54
Total Equity	**29 172**	**25 090**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-	-
Cash-flow hedge adjustment	-	-
IRB Expected Loss - Reserves	-410	-459
Goodwill	-834	-698
Other intangible assets	-482	-310
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-6	-12
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**25 191**	**21 361**
Capital adjustment according to IFRS9 Transitional rules	320	389
Total common Equity Tier 1 Capital with IFRS9 transitional rules)	**25 511**	**21 750**

Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**27 441**	**23 611**
Total Tier 1 Capital (with IFRS9 transitional rules)	**27 761**	**24 000**

Total Capital		
Paid up subordinated loans	2 816	2 416
Subordinated loans not eligible	-23	-
Total Capital (with full IFRS9 impact)	**30 234**	**26 028**
Total Capital (with IFRS9 transitional rules)	**30 554**	**26 416**

Risk exposure on Standard Approach		
Regional governments or local authorities	73	64
Institutions	988	694
Corporates	11 180	8 713
Retail Standard Approach	59 065	54 028
Exposures in default SA	1 209	1 496
Covered bonds	100	385
Other Exposures	4 030	3 763
Total Risk exposure amount on Standard Approach	**76 645**	**69 143**

Risk exposure on Internal Rating Based Approach		
Retail Other	37 864	35 494
Total Risk exposure amount on Internal Rating Based Approach	**37 864**	**35 495**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**114 509**	**104 638**

Foreign exchange (zero if under threshold)	2 472	1 463
Risk exposure amount for position, foreign exchange and commodities risks	**2 472**	**1 463**

Basic indicator approach	14 247	13 730
Risk exposure amount for operational risk	**14 247**	**13 730**

Standardized method	46	30
Risk exposure amount for credit valuation adjustment	**46**	**30**
Total risk exposure amount (with full IFRS9 impact)	**131 275**	**119 861**
Risk Exposure adjustment according to IFRS9 Transitional rules	280	340
Total risk exposure amount (with IFRS9 transitional rules)	**131 555**	**120 201**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	518	315
Off-balance sheet items with 10% CCF	3 012	2 784
Off-balance sheet items with 20% CCF	323	211
Off-balance sheet items with 50% CCF	38	37
Adjusted On balance sheet exposure	197 161	179 626
Total exposure for Leverage Ratio (with full IFRS9 impact)	**201 052**	**182 973**
Exposure adjustment according to IFRS9 Transitional rules	421	511
Total exposure for Leverage Ratio (after IFRS9 transitional rules)	**201 473**	**183 484**

Minimum Regulatory Capital		
Minimum Core Equity	4,50 %	4,50 %
Pillar 2 Requirement	3,30 %	3,30 %
Pillar 2 Guidance	1,00 %	1,00 %
Countercyclical Buffer (combined)	0,26 %	1,60 %
Conservation Buffer	2,50 %	2,50 %
Systemic Risk Buffer	1,18 %	3,00 %
Minimum Regulatory Capital ratio (CET1)	**12,74 %**	**15,90 %**
Minimum Regulatory Capital		
Minimum Core Equity	5 907	5 394
Pillar 2 Requirement	4 332	4 000
Pillar 2 Guidance	1 313	1 199
Countercyclical Buffer (combined)	341	1 918
Conservation Buffer	3 282	2 997
Systemic Risk Buffer (combined)	1 549	3 596
Minimum Regulatory Capital amount (full IFRS9 impact)	**16 724**	**19 103**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	8 466	2 259
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**16 760**	**19 112**
Surplus of Core Equity Tier 1 capital (with IFRS9 transitional rules)	8 751	2 638
Common equity tier 1 capital ratio (full IFRS9 impact)	**19,19 %**	**17,82 %**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	**19,39 %**	**18,09 %**
CET1 regulatory requirements	12,74 %	15,90 %
Tier 1 capital ratio (full IFRS9 impact)	**20,90 %**	**19,70 %**
Tier 1 capital ratio (with IFRS9 transitional rules)	**21,10 %**	**19,97 %**
Tire 1 regulatory requirements	14,24 %	17,40 %
Total capital ratio (full IFRS9 impact)	**23,03 %**	**21,71 %**
Total capital ratio (with IFRS9 transitional rules)	**23,23 %**	**21,98 %**
Total capital regulatory requirements	16,24 %	19,40 %
Leverage ratio (full IFRS9 impact)	**13,65 %**	**12,90 %**
Leverage ratio (with IFRS9 transitional rules)	**13,78 %**	**13,08 %**
LR regulatory requirements	5,00 %	5,00 %

Specification of IFRS Transition rules (based on initial impact)		
IFRS 9 Increase in Loss Reserves	-601	-601
- whereof Internal Rating Based	-	-
Tax impact from increased loss reserves	144	144
Deferred tax assets impact on capital	-	-
Initial IFRS9 net impact on capital	-457	-457
Base amount for IFRS9 transitional rule on capital	457	457
Transition %	70 %	85 %
Capital adjustment due to Transitional rule	**320**	**389**
Std Approach value adjustments Spec Reserves	-601	-601
- whereof Retail (75%RW)	-600	-600
- whereof Covered Bonds (10%RW)	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *	20	20
Initial IFRS9 net impact on Risk Exposure Amount	-400	-400
Base amount for IFRS9 transitional rule on Risk Exposure Amount	400	400
Transition %	70 %	85 %
Risk Exposure adjustment due to Transitional rule	**280**	**340**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,20 %	0,27%

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

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

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

Product segmentation per country (gross lending before expected losses)

2020

	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	8 190	38 615	11 800	-	**58 605**
Sweden	16 625	20 266	9 214	-	**46 105**
Denmark	6 892	26 644	3 240	460	**37 236**
Finland	4 647	32 191	2 943	533	**40 314**
Total	**36 354**	**117 716**	**27 197**	**993**	**182 260**

2019

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

Profit and Loss per Country - 2020	**Norway**	**Sweden**	**Denmark**	**Finland**	**Eliminations**	**Total Group**
Total interest income	3 711	2 107	2 021	2 128	-960	9 007
Total interest expenses	-878	-427	-115	-907	958	-1 369
Net interest income	**2 833**	**1 680**	**1 906**	**1 221**	**-2**	**7 638**
Fee and commission income	173	197	120	141	-78	553
Fee and commission expenses	-135	-115	-36	-83	78	-291
Value change and gain/loss on foreign exchange and securities	-87	9	3	-18	1	-92
Other operating income	47	30	113	137	-17	310
Other operating expenses	-52	-33	-82	-135	-	-302
Gross margin	**2 779**	**1 768**	**2 024**	**1 263**	**-18**	**7 816**
Salaries and personnel expenses	-615	-326	-324	-173	-1	-1 439
Administrative expenses	-502	-529	-378	-387	61	-1 735
Depreciation and amortisation	-103	-47	-21	-25	-	-196
Net operating income	**1 559**	**867**	**1 301**	**678**	**42**	**4 446**
Other income and costs	1	200	-5	-3	45	238
Impairment losses on loan, guarantees etc.	-457	-506	-760	-312	52	-1 983
Profit before taxes	**1 103**	**560**	**536**	**363**	**139**	**2 701**
Income tax expense	-304	-122	-70	-75	-	-571
Profit after tax	**799**	**438**	**466**	**288**	**139**	**2 130**

Balance Sheet per Country - 2020	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Cash and receivables on central banks	66	3 297	-	-	-	3 363
Deposits with and receivables on financial institutions	935	1 259	3 200	1 844	-	7 238
Total gross loans to customers	58 604	46 105	36 777	39 781	-	181 267
Write-downs	-1 726	-1 220	-1 383	-675	-	-5 004
Commercial papers and bonds	3 092	1 012	1 988	1 906	-1 185	6 813
Financial derivatives	-	-	-	18	-	18
Investments in subsidiaries	1 733	-	-	-	-1 733	-
Other assets	24 763	817	1 732	24 592	-46 707	5 197
Total assets	**87 467**	**51 270**	**42 314**	**67 466**	**-49 625**	**198 892**
Debt to credit institutions	3 470	13 817	9 839	25 225	-22 988	29 363
Deposits from customers	27 498	24 278	29 365	-	-	81 142
Debt established by issuing securities	26 291	9 646	1 814	14 651	-1 186	51 216
Financial derivatives	8	-	-	17	-	25
Other liabilities	3 550	3 494	844	24 273	-24 186	7 975
Equity	26 650	35	452	3 299	-1 265	29 172
Total liabilities and equity	**87 467**	**51 270**	**42 314**	**67 466**	**-49 625**	**198 892**

Profit and Loss per Country - 2019	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Total interest income	4 096	1 805	1 829	1 950	-1 084	8 596
Total interest expenses	-1 038	-399	-149	-931	1 095	-1 422
Net interest income	**3 058**	**1 406**	**1 680**	**1 019**	**11**	**7 174**
Fee and commission income	189	187	156	131	-90	574
Fee and commission expenses	-134	-53	-27	-78	84	-208
Value change and gain/loss on foreign exchange and securities	4	1	-5	4	-	3
Other operating income	550	9	97	119	-506	270
Other operating expenses	-30	-25	-53	-108	-	-217
Gross margin	**3 637**	**1 525**	**1 848**	**1 087**	**-501**	**7 595**
Salaries and personnel expenses	-599	-292	-258	-118	-7	-1 274
Administrative expenses	-471	-438	-371	-366	-1	-1 647
Depreciation and amortisation	-100	-59	-69	-29	-	-257
Net operating income	**2 467**	**735**	**1 150**	**574**	**-509**	**4 418**
Other income and costs	27	-2	-10	-1	-	13
Impairment losses on loan, guarantees etc.	-416	-141	-211	-54	2	-820
Profit before taxes	**2 077**	**592**	**929**	**519**	**-506**	**3 611**
Income tax expense	-276	-137	-226	-104	-	-742
Profit after tax	**1 802**	**456**	**703**	**415**	**-506**	**2 869**

Balance Sheet per Country - 2019	Norway	Sweden	Denmark	Finland	Eliminations	Total Group
Cash and receivables on central banks	66	-	-	-	-	66
Deposits with and receivables on financial institutions	1 250	1 313	150	1 254	-	3 968
Total gross loans to customers	58 267	38 438	32 843	35 783	-	165 331
Write-downs	-1 594	-957	-899	-489	-	-3 939
Commercial papers and bonds	3 425	3 810	2 292	4 360	-2 351	11 536
Financial derivatives	7	-	-	30	-	37
Investments in subsidiaries	1 281	-	-	-	-1 281	-
Other assets	20 713	484	1 658	16 872	-35 785	3 942
Total assets	**83 413**	**43 087**	**36 045**	**57 811**	**-39 416**	**180 941**
Debt to credit institutions	2 392	8 075	14 330	25 157	-19 781	30 174
Deposits from customers	26 477	19 816	19 191	-	-	65 484
Debt established by issuing securities	28 508	11 965	1 675	13 606	-2 351	53 403
Financial derivatives	-	-	-	22	-	22
Other liabilities	2 784	3 128	755	16 528	-16 428	6 767
Equity	23 252	103	93	2 498	-857	25 090
Total liabilities and equity	**83 413**	**43 087**	**36 045**	**57 811**	**-39 416**	**180 941**

Note 11 - Net interest income

Amounts in millions of NOK

	2020	2019
Interest and similar income on loans to and receivables from credit institutions	87	48
Interest and similar income on loans to and receivables from customers	8 900	8 490
Interest and similar income on comm. paper, bonds and other securities	21	58
Total interest income	**9 008**	**8 596**
Interest and similar expenses on debt to credit institutions	-153	-166
Interest and similar expenses on deposits from and debt to customers	-759	-788
Interest and similar expenses on issued securities	-376	-408
Interest on subordinated loan capital	-67	-54
Other interest expenses and similar expenses	-14	-6
Total interest expense	**-1 369**	**-1 422**
Net interest income	**7 638**	**7 174**

The table 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	**2020**	**2019**
Interest expenses	-153	-166
Average loan	29 768	35 214
Average nominal interest rate	**0,52%**	**0,47 %**

To customers	**2020**	**2019**
Interest expenses	-759	-788
Average deposit	73 313	60 065
Average nominal interest rate	**1,04%**	**1,31 %**

To bondholders	**2020**	**2019**
Interest expenses	-376	-408
Average issued notes and bonds	52 309	53 166
Average nominal interest rate	**0,72%**	**0,77 %**

Subordinated loan capital	**2020**	**2019**
Interest expenses	-67	-54
Average subordinated loan capital	2 621	2 076
Average nominal interest rate	**2,56%**	**2,58 %**

Total of tables above	**2020**	**2019**
Interest expenses	-1 356	-1 416
Loan	158 012	150 521
Average nominal interest rate	**0,86%**	**0,94 %**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2020	2019
Operational leasing income	247	214
Dividends from investments	17	4
Other	45	52
Total other operating income	**310**	**270**
Ordinary depreciation operational leasing	-154	-124
Fee to The Norwegian Banks' Guarantee Fund	-85	-65
Other	-63	-28
Total other operating expenses	**-302**	**-217**

Note 13 - Tax

All amounts in millions of NOK

Income tax	**2020**	**2019**
Tax payable	-337	-717
Adjustments in respect of prior years	-7	113
Currency effects foreign tax credits	-	-
Total current tax	**-344**	**-605**
Change in temporary differences	-227	-138
Currency effects	-	-
Adjustments in respect of prior years	-	-
Total change in deferred tax	**-227**	**-138**
Income tax expense	**-571**	**-742**

	2020	2019
Profit before tax	2 701	3 611
Estimated income tax at nominal tax rate 25%	-675	-903
Tax effects of:		
- Income not subject to tax	73	-
- Non-deductible expenses	31	-4
Impact of lower tax rate in subsidiary	19	26
Adjustments in respect of prior years*	-18	139
Tax charge	**-571**	**-742**

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

	2020		
	Before tax	**Total tax charge**	**After tax**
Actuarial assumption related to pension	168	42	126
Cash flow hedges	238	34	203
Net investment hedge	-	-	-
Currency translation differences	-424	-6	-418
Shares in VN Norge AS - value adjustment	-38	-	-38
Other comprehensive income	**-56**	**70**	**-125**
Tax payable		-6	
Deferred tax		76	
Tax in OCI		**70**	

Deferred tax in the balance sheet	2020	2019
Deferred tax assets/deferred taxes as at 1 January	697	259
Changes recognized in income statement	225	138
Changes recognized in OCI	-13	12
Currency adjustment	6	-1
Adjustments in respect of prior years**	250	289
Net Deferred tax assets/deferred taxes at 31 December	**1 166**	**697**

Deferred taxes related to the following temporary differences	2020	2019
Fixed assets	5 251	3 481
Net pension commitments	-147	-140
Financial instruments	-134	-85
Net other taxable temporary differences	-348	-683
Total deferred tax position	**4 621**	**2 573**
Fixed assets	1 326	883
Net pension commitments	-37	-35
Financial instruments	-34	-21
Net other taxable temporary differences	-90	-130
Net Deferred tax assets/deferred taxes at 31 December	**1 166**	**697**

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 a settle of dispute with the Norwegian tax authorities.

** The Bank have reclassified MNOK 122 from tax payable to deferred tax in the balance sheet, the reclassification did not affect recognized income tax in the statement of profit and loss. The remaining MNOK 127 consists of deferred tax from Forso.

Note 14 - Loans to customers

All amounts in millions of NOK	2020	2019
Credit Card	6 055	7 016
Unsecured loans	30 299	29 174
Auto loans	144 913	129 141
- Instalment loans	*117 716*	*108 198*
- Financial leasing	*27 197*	*20 943*
Total gross loans to customers	**181 267**	**165 331**
- Loan loss allowance - Stage 1	-1 506	-1 014
- Loan loss allowance - Stage 2	-692	-575
- Loan loss allowance - Stage 3	-2 806	-2 350
Total net loans to customers	**176 263**	**161 392**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2020	2019
Change in loss allowance - Unsecured loans	-510	-360
Change in loss allowance - Secured loans	-297	-102
Change in loss allowance - Commercial papers and bonds	-	-
+/- FX rate adjustment opening balance	-	-
+ Total realized losses	-1 634	-1 403
- Recoveries on previously realized losses	234	288
- Gain on sold portfolios	224	757
Impairment losses on loan, guarantees etc.	**-1 983**	**-820**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

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

2020	Gross carrying amount	Accumulated impairment	Total
Private individuals	148 551	-4 523	144 028
Wholesale and retail trade	13 709	-130	13 579
Construction	8 349	-148	8 201
Transport and storage	2 505	-67	2 438
Other financial corporations	14	-	14
Manufacturing	1 860	-27	1 833
Professional, scientific and technical activities	1 844	-27	1 817
Real estate activities	810	-20	790
Other services	706	-13	693
Information and communication	716	-15	701
Accommodation and food service activities	653	-12	641
Human health services and social work activities	529	-8	521
Governments	374	-4	370
Education	282	-7	275
Agriculture, forestry and fishing	262	-2	260
Electricity, gas, steam and air conditioning supply	58	-1	57
Mining and quarrying	39	-	39
Public administration and defence, compulsory social security	6	-	6
Total	**181 267**	**-5 004**	**176 263**

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

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2020	Financial assets fair value at through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	3 363	3 363
Deposits with and receivables on financial institutions	-	-	7 238	7 238
Loans to customers	-	-	176 263	176 263
Commercial papers and bonds	-	-	6 813	6 813
Financial derivatives	18	-	-	18
Other ownership interests	-	38	-	38
Total financial assets	**18**	**38**	**193 677**	**193 733**
	Non-financial assets			5 159
	Total assets			**198 892**

Classification of financial liabilities 31 December 2020	Financial liabilities fair value at through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	29 363	29 363
Deposits from customers	-	-	81 142	81 142
Debt established by issuing securities	-	-	51 216	51 216
Financial derivatives	25	-	-	25
Other financial liabilities	-	-	490	490
Subordinated loan capital	-	-	2 821	2 821
Total financial liabilities	**25**	**-**	**165 032**	**165 057**
	Non-financial liabilities and equity			33 835
	Total liabilities and equity			**198 892**

Classification of financial assets 31 December 2019	Financial assets fair value at through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	66	66
Deposits with and receivables on financial institutions	-	-	3 968	3 968
Loans to customers	-	-	161 392	161 392
Commercial papers and bonds	-	-	11 536	11 536
Financial derivatives	37	-	-	37
Other ownership interests	-	31	-	31
Total financial assets	**37**	**31**	**176 962**	**177 030**
		Non-financial assets		3 911
		Total assets		**180 941**

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

Note 18 - Issued securities

All amounts in millions of NOK

	2020	2019
Issued certificates	-	1 999
Senior unsecured issued securities	35 528	35 520
Asset backed issued securities	15 688	15 884
Total issued securities	**51 216**	**53 403**

	Book value 31.12.2019	New issues/ repurchase	payments and at maturity	Book value 31.12.2020
Issued certificates	1 999	1 232	-3 230	-
Senior unsecured issued securities	35 520	6 204	-6 196	35 528
Asset backed issued securities	15 884	6 806	-7 003	15 688
Total issued securities	**53 403**	**14 242**	**-16 429**	**51 216**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2020
Certificates					
Totals issued certificates					**-**

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2020
Senior unsecured issued securities					
Santander Consumer Bank AS	501	DKK	Floating	2021-09-20	705
Santander Consumer Bank AS	750	DKK	Floating	2022-04-04	1 056
Santander Consumer Bank AS	500	SEK	Floating	2022-09-19	522
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	523
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	523
Santander Consumer Bank AS	999	SEK	Floating	2023-05-12	1 044
Santander Consumer Bank AS	500	SEK	Floating	2022-09-19	522
Santander Consumer Bank AS	250	SEK	Floating	2021-10-18	261
Santander Consumer Bank AS	500	SEK	Floating	2021-10-18	523
Santander Consumer Bank AS	105	SEK	Floating	2022-05-11	110
Santander Consumer Bank AS	249	SEK	Floating	2023-08-14	261
Santander Consumer Bank AS	500	SEK	Floating	2023-08-14	522
Santander Consumer Bank AS	500	SEK	Floating	2022-05-11	522
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	523
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	523
Santander Consumer Bank AS	500	SEK	Floating	2021-06-14	523
Santander Consumer Bank AS	500	SEK	Floating	2021-06-14	522
Santander Consumer Bank AS	700	NOK	Floating	2022-01-17	702
Santander Consumer Bank AS	200	NOK	Floating	2022-01-17	201
Santander Consumer Bank AS	150	NOK	Floating	2022-01-17	151
Santander Consumer Bank AS	50	NOK	Floating	2022-01-17	50
Santander Consumer Bank AS	1000	NOK	Floating	2022-02-07	1 002
Santander Consumer Bank AS	498	EUR	Fixed	2023-03-01	5 293
Santander Consumer Bank AS	499	EUR	Fixed	2022-01-21	5 278
Santander Consumer Bank AS	499	EUR	Fixed	2024-09-11	5 218
Santander Consumer Bank AS	497	EUR	Fixed	2025-02-25	5 224
Santander Consumer Bank AS	800	NOK	Floating	2022-11-21	801
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	4
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	618
Santander Consumer Bank AS	801	NOK	Floating	2024-03-14	801
Santander Consumer Bank AS	499	NOK	Floating	2024-11-13	500
Santander Consumer Bank AS	500	NOK	Floating	2025-09-15	500
Totals issued bonds					**35 528**

Asset backed issued securities

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2020
Asset backed issued securities					
SAF WH 1	1 663	SEK	Floating	2029-06-09	1 736
SCF Rahoituspalvelut KIMI VI DAC	22	EUR	Floating	2026-11-25	234
SCF Rahoituspalvelut VII DAC	204	EUR	Floating	2027-11-25	2 133
SCF Rahoituspalvelut VIII DAC	456	EUR	Floating	2029-10-25	4 777
SCF Rahoituspalvelut IX DAC	650	EUR	Floating	2030-10-25	6 808
Total asset backed issued securities					**15 688**

The Group has not had any defaults of principal or interest or other breaches with respect to its issued securities during the year ended 31 December 2020 and 2019.

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

2020

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**				
KIMI6 Pass Through	Interest Rate Swap	MM EUR 22	-	-	-	-
KIMI7 Pass Through	Interest Rate Swap	MM EUR 170	-	4	-	4
KIMI8A Pass Trough	Interest Rate Swap	MM EUR 382	-	5	-	5
KIMI8B Pass Trough	Interest Rate Swap	MM EUR 42	-	1	-	1
KIMI9A Pass Trough	Interest Rate Swap	MM EUR 592	-	8	-	8
KIMI9B Pass Trough	Interest Rate Swap	MM EUR 31	-	1	-	1
Total financial trading derivatives			**-**	**18**	**-**	**18**
Name	**Type**					
VN Norge	Equity		-	38	-	38
Total other ownership interests			**-**	**38**	**-**	**38**
Total Assets			**-**	**56**	**-**	**56**
Financial liabilities						
Name	**Type**	**Notional**				
KIMI6 Fixed	Interest Rate Swap	MM EUR 32	-	-	-	-
KIMI7 Fixed	Interest Rate Swap	MM EUR 165	-	6	-	6
KIMI8A Fixed	Interest Rate Swap	MM EUR 366	-	2	-	2
KIMI8B Fixed	Interest Rate Swap	MM EUR 42	-	-	-	-
KIMI9A Fixed	Interest Rate Swap	MM EUR 592	-	8	-	8
KIMI9B Fixed	Interest Rate Swap	MM EUR 31	-	-	-	-
FX Swap NOK/SEK	Cross Currency Swap	MM EUR 191		8		8
Total financial derivatives			**-**	**25**	**-**	**25**
Total Liabilities			**-**	**25**	**-**	**25**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	49	-	49
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	10	-	10
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	3	-	3
Total derivatives designated for hedging - assets*			**-**	**62**	**-**	**62**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	13	-	13
KIMI6	Interest Rate Swap	MM EUR 22	-	-	-	-
KIMI7	Interest Rate Swap	MM EUR 170	-	4	-	4
KIMI8A	Interest Rate Swap	MM EUR 382		5		5
KIMI8B	Interest Rate Swap	MM EUR 42		1		1
KIMI9A	Interest Rate Swap	MM EUR 592		9		9
KIMI9B	Interest Rate Swap	MM EUR 31		-		-
Total derivatives designated for hedging - liabilities*			**-**	**32**	**-**	**32**

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

2019

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

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

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

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

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

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

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

The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:
- derivatives
- sale-and-repurchase, and reverse sale-and-repurchase agreements

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

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the below tables have been measured in the statement of financial position on the following bases:
- derivative assets and liabilities – fair value
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements – amortised cost

All amounts in millions of NOK

				Related amounts not offset in the statement of financial position		
2020	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	80	-	80	-	75	5
Reverse repurchase arrangements	3 466	-	3 466	3 466	-	-
Financial liabilities						
Derivatives	51	-	51	-	48	3
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK

				Related amounts not offset in the statement of financial position		
2019	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	143	-	143	-	127	16
Reverse repurchase arrangements	1071	-	1071	1071	-	-
Financial liabilities						
Derivatives	65		65	-	29	36
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

Fair Value Hedge

Fair value hedges are used to protect the Group against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR. The Group uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all 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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	6 814	-29	-	7 346	-14
Hedge instruments (Cross currency swaps)	66	8	30	61	33	10
Fair value hedge adjustment	-	53	-	-	22	-
Nominal of hedging instruments	-	6 814	-	-	7 346	-
Net exposure over P&L			**1**			**-4**

	2020	2019
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	1	-4

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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Bonds)	-	20 160	-	-	18 736	-
Hedge instruments (Cross currency interest rate swaps)	3	13	21	37	-	19
Hedge instruments (Interest rate swaps)	-	19	-7	11	14	-5
Nominal of hedging instruments	-	20 160	-	-	18 736	-
Net exposure over P&L			**14**			**14**

	2020	2019
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	19	1

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

	2020			2019		
All amounts in millions of NOK	< 1 year	1-5 years	Over 5 years	< 1 year	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	4 738	15 423	-	7 980	10 757	-
Net cash flows	**4 738**	**15 423**	**-**	**7 980**	**10 757**	**-**

Reclass from OCI to profit and loss:	2020	2019
Reclassified amount	-1	-11

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

Loans from external parties nominated in EUR is designated as hedging instruments and designated into the hedging relationship when all 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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Net assets in foreign subsidiary)	1 372	-	80	1 292	-	-11
Hedge instrument (EUR-loan)	-	-1 372	-80	-	-1 292	11
Hedged item (Net investment Sweden)	486		-30			
Hedge instrument (SEK-loan)		-486	30			
Net exposure over OCI	-	-	**-**	-	-	**-**

	2020	2019
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)	13 347	2023-02-08

Cross currency swaps	**Nominal amount**	**Average maturity**
EURIBOR EUR (3 months) to CIBOR DKK (3 months)	6 814	2023-10-07
Total	**20 160**	

Note 21 - Financial instruments measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

All amounts in millions of NOK	Fair value level	2020 Book value	2020 Fair value	2019 Book value	2019 Fair value
Financial assets					
Type					
Loans and advances to credit institutions	Level 3	10 601	10 601	4 198	4 198
Loans to customers	Level 3	176 263	169 692	161 392	162 546
Commercial papers and bonds	Level 1	6 813	6 819	11 536	11 535
Total financial assets		**193 677**	**187 111**	**177 126**	**178 279**
Financial liabilities					
Type					
Loans and deposits from financial institutions	Level 3	29 363	29 363	30 174	30 174
Deposits from customers	Level 3	81 142	81 142	65 484	65 484
Issued securities	Level 1 and 3	51 216	50 696	53 567	53 067
Subordinated loan capital	Level 3	2 821	2 821	2 422	2 422
Total financial liabilities		**164 541**	**164 021**	**151 647**	**151 147**

Note 22 - Securitization

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

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

Note 23 - Fixed assets

2020 *All amounts in millions of NOK*	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	348	154	1 078	1 580
Rate difference opening balance	-	-	-1	-1
Acquisition cost 1.1 rate 31.12	**348**	**154**	**1 077**	**1 579**
Additions during the year	23	31	644	698
Disposals during the year	-	-14	-485	-499
Impairment	-	-		-
Rate difference year's acquisition cost	-	-8	1	-7
Acquisition cost 31.12	**371**	**163**	**1 237**	**1 771**
				-
Acc. ordinary depreciation 1.1	-56	-81	-230	-367
Rate difference 01.01	-	1	-	1
Acc. ordinary depreciation 1.1 rate 31.12	**-56**	**-80**	**-230**	**-366**
Year's ordinary depreciation*	-68	-38	-228	-334
Impairment	-	3	-7	-4
Rate difference year's depreciation average rate	-	-	1	1
Reversed depreciation on disposals	-	5	174	179
Acc. depreciation 31.12	**-124**	**-110**	**-290**	**-524**
Accrued fees and provisions	-			-
Booked value in balance 31.12	**247**	**52**	**948**	**1 247**

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

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

As at 31 December 2020, Buildings includes right-of-use assets of 247 MM NOK related to leased office premises.

2019 *All amounts in millions of NOK*	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	309	118	836	1 263
Rate difference opening balance	-		-7	-7
Acquisition cost 1.1 rate 31.12	309	118	829	1 257
Additions during the year	38	44	518	601
Disposals during the year	-	-8	-262	-270
Impairment	-	-	-	-
Rate difference year's acquisition cost	-	26	-7	18
Acquisition cost 31.12	**348**	**154**	**1 078**	**1 580**
				-
Acc. ordinary depreciation 1.1	-	-57	-178	-235
Rate difference 01.01	-		1	1
Acc. ordinary depreciation 1.1 rate 31.12	-	-57	-177	-234
Year's ordinary depreciation*	-56	-29	-124	-209
Impairment	-	-	-26	-26
Rate difference year's depreciation average rate	-	-	-7	-7
Reversed depreciation on disposals	-	6	104	110
Acc. depreciation 31.12	**-56**	**-81**	**-230**	**-367**
Accrued fees and provisions	**-**		**-**	**-**
Booked value in balance 31.12	**291**	**74**	**849**	**1 214**

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

Note 24 - Intangible assets

2020

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	688	783	1 471
Rate difference opening balance	-	-	-
Acquisition cost 1.1 rate 31.12	688	783	1 471
Additions during the year	281	-	281
Disposals during the year	-14	-	-14
Impairment	-	-	-
Rate difference year's acquisition cost	14	51	65
Acquisition cost 31.12	969	834	1 803
Acc. ordinary depreciation 1.1	-379	-	-379
Rate difference 01.01	-	-	-
Acc. ordinary amortization 1.1 rate 31.12	-379	-	-379
Year's ordinary depreciation*	-99	-	-99
Impairment	-12	-	-12
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	1	-	1
Acc. amortization 31.12	-488	-	-488
	-	-	-
Book value in the balance sheet 31.12	481	834	1 315

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

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

2019

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

Note 25 - Leasing

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

All amounts in millions of NOK	**2020**	**2019**
Gross investment in the lease:	-	-
Due in less than 1 year	10 451	5 639
Due in 2 - 5 years	16 689	15 247
Due later than 5 years	57	57
Total gross investment in the lease	**27 197**	**20 943**
Present value of minimum lease payments receivable:		
Due in less than 1 year	10 064	5 445
Due in 1 - 5 years	15 649	8 097
Due later than 5 years	44	45
Total present value of minimum lease payments receivable	**25 757**	**13 587**
Unearned finance income	**1 440**	**7 356**

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

All amounts in millions of NOK	2020	2019
Future minimum lease payments under non-cancellable operating leases	-	-
Due in less than 1 year	337	253
Due in 1 - 5 years	656	587
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**993**	**840**

Financial leases (as lessee):
Right-of-use assets

2020

All amounts in millions of NOK	Buildings	Machines, fittings, equipment	Total
Costs			
At 01 January 2020	348	22	370
Additions during the year	23	-	23
At 31 December 2020	**371**	**22**	**393**
Accumulated depreciation			
At 01 January 2020	-56	-7	-64
Charge for the year	-68	-7	-74
At 31 December 2020	**-124**	**-14**	**-138**
Carrying Amount			
At 31 December 2020	247	8	**254**
At 31 December 2019	291	14	**306**

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

	2020	2019
Amounts recognised in profit and loss		
Depreciation expenses and right-of-use assets	62	57
Interest expense on lease liabilities	4	4
Expense relating to short-term leases	23	41
Expense relating to leases of low value assets	3	4

At 31 December 2020, the Group is committed to 23 MNOK for short-term leases.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2020	2019
Vehicles	16	11
Net	**16**	**11**

Note 27 - Changes in liabilities arising from financing activities

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

2020

All amounts in millions of NOK

Liability	2019	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes	2020
Debt to credit institutions	**30 174**	-3 293	2 482	-	-	**29 363**
Debt established by issuing securities	**53 403**	-2 023	-165	-	-	**51 216**
Subordinated loan capital	**2 421**	250	150	-	-	**2 821**

2019

All amounts in millions of NOK

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

Note 28 - Leasing liabilities

Maturity analysis:

	2020	2019
All amounts in millions of NOK		
Less than a year	58	50
From 1 year to 3 years	110	100
From 3 year to 5 years	81	87
More than 5 years	0	64
Total of leasing liabilities	**249**	**301**

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

Note 29 - Pension expenses and provisions

All amounts in millions of NOK

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

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

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

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

Pension expenses for defined benefit plans	**2020**	**2019**
Present value of year's pension earnings	-17	-14
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-8	-9
Interest income on plan assets	18	7
Allowance for taxes	-	-2
Net Pension expenses	**-7**	**-18**

Pension expenses for defined contribution plans	**2020**	**2019**
Total expenses	125	110

Pension liabilities in balance sheet	**2020**	**2019**
Pension funds at market value	357	304
Estimated pension liability	-504	-444
Net pension liability	**-147**	**-140**

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

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2020	**-444**	**304**	**-140**
Current service cost	-17	-	-17
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-8	18	10
	-25	**18**	**-6**
Remeasurements:			
- Return on plan assets	-	-3	-3
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-	-	-
- Gain/(Loss) from plan experience	-	-	-
- Change in asset ceiling	-	-	-
	-	**-3**	**-3**
Exchange rate differences	-48	20	-28
Contributions:	-	-	-
- Employer	-	29	29
- Plan participants	-	-	-
Payments from plans:	-	-	-
- Benefit payments	12	-12	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	-36	**38**	**2**
At 31 December 2020	**-504**	**357**	**-147**

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

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

	2020			**2019**		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-12	-492	-504	-13	-431	-444
Fair value of plan assets	-	357	357	-	304	304
Total	**-12**	**-135**	**-147**	**-13**	**-127**	**-140**

The following assumptions have been used calculating future pensions:

	2020		**2019**	
	Norway	**Sweden**	**Norway**	**Sweden**
Discount rate	1,50%	1,50%	1,80%	1,60%
Inflation	1,50%	1,75%	N/A	1,75%
Salary growth rate	2,00%	3,25%	2,25%	3,25%
Pension growth rate	1,75%	1,75%	2,00%	1,75%
Rate of social security increases	1,75%	1,60%	2,00%	1,60%

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:

	2020		2019	
	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	-	23
- Female	-	26	-	25

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.

*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

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

		Impact on defined benefit obligation - Norway	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 6,06%	Increase by 6,54%
Salary growth rate	1,00%	Increase by 0,89%	Decrease by 0,87%

		Impact on defined benefit obligation - Sweden	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 31,56%	Increase by 26,84%
Salary growth rate	1,00%	Increase by 1,23%	Decrease by 1,23%

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 29 870 TNOK.

The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 29.1 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2020	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Total**
Pension benefit payments	12	6	20	50	**88**

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 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 intend 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 payed 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: Principles for Bonus Schemes: Principles for Bonus Schemes:

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

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

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

Norway

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

Sweden

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

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

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

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

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

The pension is normally paid from the age of 65.

Denmark

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

Finland

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

Key management compensation:

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

	Salary	Bonus	Pension	Other benefits	Total 2020	Total 2019
Michael Hvidsten, Chief Executive Officer	4 539	1 500	166	987	7 192	5 977
Knut Øvernes, Chief Commercial Officer	2 320	512	154	589	3 575	3 487
Peter Sjöberg, Chief Operating Officer	2 512	476	-	251	3 239	3 203
Juan Calvera, Nordic IT & OPS Director (Until 15.02.2020)	1 887	461	38	87	2 473	2 905
Martin Brage, Managing Director Sweden (Until 01.09.2020)	2 691	313	1 031	136	4 171	3 398
Anders Bruun-Olsen, Chief Financial Officer	1 917	358	152	374	2 801	2 888
Trond Debes, Nordic Legal, HR & Internal Comminication Director (until 31.08.2020)	1 215	266	24	187	1 692	2 416
Tina Krogsrud Fjeld, Chief T&O Officer	1 597	480	146	283	2 506	-
Espen Hovland, Chief Controlling Officer	1 580	205	142	268	2 195	2 204
Andres Diez, Chief Risk Officer	1 865	450	144	351	2 810	2 289
Marion Bout, Chief Compliance Officer*	1 180	335	-	227	1 742 -	
Total	**23 303**	**5 356**	**1 997**	**3 740**	**34 396**	**28 767**

*Salary net of tax

Bonus shares (part of CBS program 2020)	Number of shares earned in 2020	Total Number of shares earned, but not issued per 31/12/2020	Value of the shares earned, but not issued per (thousand NOK) 31/12/2020
Michael Hvidsten, Chief Executive Officer	25 929	38 179	1 081
Knut Øvernes, Chief Commercial Officer	11 748	14 880	421
Peter Sjöberg, Chief Operating Officer	10 875	16 217	459
Juan Calvera, Nordic IT & OPS Director (Until 15.02.2020)	-	5 035	-
Martin Brage, Managing Director Sweden (Until 01.09.2020)	-	2 697	-
Anders Bruun-Olsen, Chief Financial Officer	9 592	14 606	413
Trond Debes, Nordic Legal, HR & Internal Comminication Director (until 31.08.2020)	-	3 347	94
Tina Krogsrud Fjeld, Chief T&O Officer	3 177	3 177	89
Espen Hovland, Chief Controlling Officer	3 619	5 032	142
Andres Diez, Chief Risk Officer	8 221	11 535	326
Rocío Sánchez Aragonés, Nordic Internal Audit Director	6 090	6 090	8 959
Marion Bout, Chief Compliance Officer (as of 01.08.2020)	1 234	1 234	1 234
Total	**80 485**	**124 898**	**3 530**

Defined share value	2020	2019	2018
Share value - Banco Santander (EUR) *	3	4	4
Share value - Banco Santander (NOK) *	28	36	42

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

Board of Directors		2020	2019
Henning Strøm	Chair of the Board	550	450
Niels Christian Aall	Director/ Board Member External	450	450
Tina Stiegler	Director/ Board Member External	450	-
Arja Pynnönen	Director / Employee Representative	200	10
Øyvind Ertzaas	Director / Employee Representative	200	
Tone Bergsaker Strømsnes	Deputy Director/ Employee Representative	88	
Sara Norberg	Deputy Director/ Employee Representative	25	
Jim Grøtner	Employee Representative / Observer	25	200
Erik Kongelf (Until 31.12.2019)	Chairman		550
Mette Kjærsund (Until 31.12.2019)	Deputy Director/ Employee Representative		25
Berndt Ola Tillberg (Until 31.12.2019)	Observer		25
Sigrid Dale (Until 31.12.2019)	Employee Representative		200
Federico Ysart Alvarez De Toledo	Director/ Board Member External		-
Bruno Wilmot Montalvo	Deputy Chair/ Board Memeber External		-
Francisco Javier Anton San Pablo	Director/ Board Member External		
Total		**1 988**	**1 910**

	2020		2019	
Staff *(permanent employees only)*	Number of employees as of 31.12	FTE year as of 31.12.2020	Number of employees as of 31.12	FTE year as of 31.12.2019
Norway	629	577	578	522
Sweden	320	301	312	296
Denmark	228	247	217	215
Finland	178	178	165	159
Total	**1 355**	**1 303**	**1 272**	**1 192**

Audit services and advisory services (without VAT)	2020	2019
Audit services	19 282	18 601
Other attestation services	211	194
Total*	**19 493**	**18 795**

*All amounts in thousands of NOK

Advokatfirmaet PwC has performed TAX services at 811 thousand NOK in 2020.

The numbers are not included in the overview of Audit services and advisory services.

Note 31 - Ownership interests in group companies

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

Interests in unconsolidated entities

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

Company name	2020 **Assets***	**Liabilities***	2019 **Assets***	**Liabilities***
Svensk Autofinans Syn I DAC	768	768	768	768

**Figures in millions of SEK*

Note 32 - Receivables and liabilities to related parties

Debt to related parties:

Amounts in millions of NOK	**2020**	**Accrued interest 2020**	**2019**	**Accrued interest 2019**
Santander Consumer Finance S.A.	29 278	3	30 042	5
Total	**29 278**	**3**	**30 042**	**5**

Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	-	-	250	-
MNOK 250, maturity July 2025, 3 months NIBOR + 3.135% (Santander Consumer Finance S.A)	250	1	250	3
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)	783	1	708	1
MSEK 750, maturity December 2030, 3 months STIBOR + 2.29% (Santander Consumer Finance S.A)	783	-	708	-
MNOK 500, maturity June 2031, 2,62% (Santander Consumer Finance S.A)	500	1	-	-
Total	**2 816**	**4**	**2 416**	**5**

*Subordinated loan at MNOK 250 with maturity March 2025 was redeemed by exercising the call option in December 2020

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 is considered related parties.

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

The following transactions were carried out with related parties:

	2020	2019
Interest income	7	16
Interest expenses	-133	-130
Interest payments additional Tier 1 capital	-136	-141
Fees	-	-
Other	-18	-23
Net transactions	**-280**	**-277**

Santander Consumer Bank Group had transactions with the following related parties per 31 December 2020:

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

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2020	2019
Contingent liabilities*	76	74
Commitments (Granted undrawn credits)	28 166	28 960

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

Note 35 - Result over total assets

All amounts in millions of NOK

	2020	2019
Profit after tax (PAT)	2 130	2 869
Total assets (Assets)	198 892	180 941
PAT over Assets	1,07%	1,59%

Note 36 - Business combination

All amounts in millions of NOK

February 28th, 2020 the Group acquired 100 % of the shares in Forso Nordic AB, a captive finance operation. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The acquisition is fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

Purchase consideration

	Shares acquired	
Total purchase price	100%	1 020

The amount recognised in respect of the identifiable assets and liabilities acquired are as set out in the table below:

Effect on Balance Sheet	
Cash and receivables on central banks	651
Loans to customers	11 127
Fixed assets	26
Other assets	1 073
Debt to credit institutions	-11 505
Other financial liabilities	-124
Deferred tax	-
Other liabilities	-172
Net identifiable assets acquired	**1 077**
Less: Bargain Purchase	-57
Net assets acquired	**1 020**

The net cash flow effect of the purchase is MNOK 369. The net cash flow effect is calculated by the total purchase price at MNOK 1 020 deducted for recognised cash and receivables on central banks at MNOK 651. Cash flow not expected to be collected is loan loss reserves of MNOK 420.

On July 1st the merger of Santander Consumer Bank AS and Forso Nordic AB was completed. Statement of net transferred assets is found in the Group's notes.

For accounting purposes the merger has been booked at full continuity. Profit after tax for Forso Nordic AB and Forso Finance OY was included in the Group's result.

For tax purposes the merger has been implemented with continuity in Norway, Sweden and Denmark. The merger has been given taxable effect from 9 September 2020. Due to the change of headquarter from Sweden to Norway, all business and assets allocated to Forso Nordic AB's Norwegian and Danish branch have been taken out of Swedish tax jurisdiction, and therefore subject to exit taxation in Sweden. Further all business and assets related to Forso Nordic AB's business in Sweden and Denmark are taken into Norwegian tax jurisdiction by the merger.

In Finland the merger has been booked at full continuity for both tax and accounting purposes, from 1 November 2020.

Profit after tax:	Total
Forso Nordic AB, 1 January - 30 June	37
Forso Finance OY, 1 January - 31 October	18

Profit after tax include:	
Restructuring provision	57,2

A net badwill effect of MNOK 57 as of 28.02.2020 have been booked towards the Group's result, due to difference between purchase price and fair value of net assets acquired.

Notes

Santander Consumer Bank AS

Note 1 - Risk Management

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

COVID 19

The spread of COVID-19, which has led to a worldwide health crisis of unprecedented scale, has had a very significant impact during this half-year on both economic activity globally and the financial sector. Since December 2019, a new strain of coronavirus, or COVID-19, has gradually spread across the globe, beginning in Asia and subsequently expanding into Europe, the United States and Latin America, among others. The outbreak has been declared a public health emergency internationally, with the World Health Organization having declared it a global pandemic.

Countries all around the world have responded to the COVID-19 pandemic by adopting a variety of measures in an attempt to curb its expansion and impact, including mass quarantining, other containment measures, travel restrictions, restrictions on public gatherings, and the temporary suspension of a great many economic activities. These measures have given rise to a considerable decline in the level of economic activity globally, with falls in production and in demand. As a result, the largest countries have seen significant decreases in GDP, increased unemployment, sharp drops and high volatility in securities markets, volatility in exchange rates, etc.

These measures have had an adverse impact on businesses, market participants, our counterparties and customers, and may continue to do so in the coming quarters.

Many governments and regulatory authorities, including central banks, have taken steps to ease the pandemic's impact on the economy and counteract the disruption caused in the market. Fiscal and monetary stimulus measures have been adopted, interest rates have been cut, and steps have taken to favour the partial or total deferral (grace periods) of payments of principal and/or interest due on loans. At the same time, there has been a flexibilization of certain regulatory requirements applicable to financial institutions in relation to their capital, liquidity and risks.

At this point in time, it is difficult to predict how effective these and other measures adopted to mitigate the economic effects of the pandemic will be. Within this global context, the current COVID-19 pandemic has impacted our business. Any future outbreak of the disease, could have a material adverse impact on our activity, financial position, liquidity and results.

From the outset of the crisis and with some foresight, we have implemented, specific measures aimed at our employees, customers, shareholders and investors, to protect health and mitigate the economic and social impact of COVID-19.

The outbreak of the COVID-19 pandemic has resulted in a rapid crisis that is considered temporary. Global consensus is that once the health crisis is resolved, economic activity could generally return to normal levels.

In order to minimize the medium- and long-term economic impacts of the efforts taken to contain the COVID-19 pandemic, public and private institutions have implemented a broad range of support measures, in many cases materialized through Payment Holidays on payments towards credit obligations or guaranteed lines, with the aim of supporting the operational and liquidity challenges faced by borrowers.

Potential financial difficulties facing some of our customers are also temporary, and they can be expected to disappear shortly after the end of the health crisis. Additionally, the temporary impact on the activity of our customers should be mitigated by the measures implemented by governments and those that financial institutions are taking on their own initiative.

Numerous international organizations and Supervisors have underlined the importance of responsibly adapting and applying their accounting and prudential policies to containment measures of a temporary and exceptional nature. Supervisors like The Basel Committee, The European Banking Authority (EBA), The European Central Bank (ECB), Financial Supervisory Authority of Norway (NFSA) and The Bank of Spain have implemented measures to reflect the impact of COVID-19.

As stated by The International Accounting Standards Board (IASB), entities should not continue to apply their existing ECL methodology mechanically and that the assessment of SICR and measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort, using the flexibility inherent in IFRS 9.

Given that the effects related to the COVID-19 situation have not yet materialized in the risk indicators and expected loss models, post-model overlays have been used by the Bank in its accounting estimates for expected loss. Post Model COVID 19 overlays include prospective Macroeconomic Scenario Deterioration which includes the future effects of changes in variables to which the models are sensitive (e.g. GDP, house prices, unemployment rate), reserves for credit risk uncertainties related to Payment Holidays and reserves related to Sector Degradation for those sectors more significantly impacted by COVID.

Macroeconomic Scenario Deterioration has followed the recommendations of the supervisory and regulatory bodies mentioned above, giving greater weight to medium- and long-term projections to avoid the undesired effects of volatility and procyclicality. These medium- and long-term macroeconomic forecasts include different scenarios for economic recovery both in terms of the recovery of activity prior to the pandemic (complete or incomplete recovery) and the time period in which this recovery takes place (periods of between 1 and 3 years).

To address the temporary liquidity shocks of the Banks customer, payment holidays were granted by responding reactively to updated customer requests and with a selective approach for customers in arrears. According to EBA's indications, procedures such as the granting of payment holidays, should not automatically result in all those customers/loans being moved to Stage 2 of IFRS9 or Stage 3.

Although payment holidays were mainly granted to customers with a performing loan status, i.e. not in arrears, due to the nature of providing elevated levels of payment holidays to support customers, increased credit risk uncertainty is introduced. For the duration of the period that customers are granted payment holidays, the Bank is unable to monitor payments due, which leads to increased uncertainty in the development of the credit risk of these customers. The Bank has applied an estimate to capture potential credit loss related to development in the portfolios impacted by payment holidays – see Note 4.

Sector Degradation reserves are booked to cover for increased credit risk due to sectors more heavily affected by COVID-19, i.e. Transportation and Rent-a-Car.

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 a credit limit, or else are classified as stock finance. Non-Standardized credits are handled individually and are granted according to delegated credit authorities in accordance with current credit policy.

The assessment of customers or transactions using rating or scoring systems constitutes a 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, which is related to existing guarantees and other characteristics of the transaction: type of product, term, etc. These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price.

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

Market risk

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

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

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

Interest rate risk

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

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

Currency risk

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

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

The bank's currency risk is connected to currency positions as a result of operations in Sweden and Denmark and from funding activities in EUR markets. Limits are set for each currency net open exposure as well as the total exposure. Routines that 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 is the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The Bank also conducts liquidity stress testing on a monthly basis. The Bank controls liquidity risk through limits for LCR, NSFR and the minimum stress test survival horizon (please refer to Note 7 for further information).

Capital risk

Capital Risk is the risk that the Bank does not have an adequate amount or quality of capital to meet the risks it is exposed to and consequently is not able to meet strategic objectives and regulatory requirements. The adequacy of capital is assessed in the internal capital adequacy assessment process (ICAAP) which is conducted at least annually. The main metrics that are monitored to ensure regulatory compliance are the CET1, Tier1, Tier2 and Leverage ratios.

Operational risk

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

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

Note 2 - Risk classification

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

All amounts in millions of NOK	Gross outstanding 2020	Gross outstanding 2019	Loss reserves 2020	Loss reserves 2019
Current - not past due date	132 900	120 043	-1 545	-874
Current - past due date	4 299	5 668	-309	-433
Total impaired loans	4 287	3 837	-2 522	-2 142
Total gross loans to customers - submitted	**141 486**	**129 548**	**-4 376**	**-3 450**

Ageing of past due but not impaired loans	2020	2019	2020	2019
1 - 29 days	3 154	4 238	-100	-173
30 - 59 days	802	1 009	-134	-152
60 - 89 days	343	421	-75	-108
Total loans due but not impaired	**4 299**	**5 668**	**-309**	**-433**

Ageing of impaired loans	Gross outstanding 2020	Gross outstanding 2019	Loss reserves 2020	Loss reserves 2019
90 - 119 days	246	309	-120	-153
120 - 149 days	203	261	-102	-130
150 - 179 days	156	211	-82	-106
180 + days	2 002	1 682	-1 269	-993
Economic doubtful*	1 680	1 374	-949	-761
Total impaired loans	**4 287**	**3 837**	**-2 522**	**-2 142**

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

Note 3 - Net foreign currency position

All amounts in millions of NOK	Balance			Net positions	Effect in fx against NOK on OCI	
2020	**Asset**	**Debt**	**In NOK**	**in foreign currency**	**5% Appreciation**	**5% Depreciation**
SEK	53 690	53 655	35	34	2	-2
DKK	49 128	48 685	443	315	16	-16
EUR	23 745	23 303	442	42	2	-2
Total	**126 562**	**125 642**	**920**			

All amounts in millions of NOK	Balance			Net positions	Effect in fx against NOK on OCI	
2019	**Asset**	**Debt**	**In NOK**	**in foreign currency**	**5% Appreciation**	**5% Depreciation**
SEK	43 054	42 984	70	74	4	-4
DKK	43 457	43 328	129	98	5	-5
EUR	21 966	21 814	152	15	1	-1
Total	**108 478**	**108 127**	**351**			

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 SCB AS'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.

	2020				2019			
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	25 781	1 616	-	**27 397**	27 149	671	-	**27 820**
Standard monitoring	559	789	-	**1 348**	746	1 290	-	**2 036**
Special monitoring	-	249	-	**249**	-	172	-	**172**
Default	-	-	2 713	**2 713**	-	-	2 461	**2 461**
Gross carrying amount	**26 340**	**2 654**	**2 713**	**31 707**	**27 895**	**2 133**	**2 461**	**32 489**
Loss allowance	-608	-421	-1 687	**-2 716**	-431	-329	-1 449	**-2 209**
Carrying amount	**25 732**	**2 233**	**1 026**	**28 991**	**27 464**	**1 804**	**1 012**	**30 280**
Loss allowance (off balance exposures)	**-21**	**-7**	**-18**	**-46**	**-46**	**-14**	**-22**	**-82**
Loss allowance (%)				**8,57%**				**6,80%**

	2020				2019			
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	103 312	1 539	-	**104 851**	90 532	1 312	-	**91 844**
Standard monitoring	2 013	938	-	**2 951**	2 295	1 306	-	**3 601**
Special monitoring	-	402	-	**402**	5	233	23	**261**
Default	-	-	1 575	**1 575**	-	-	1 353	**1 353**
Gross carrying amount	**105 325**	**2 879**	**1 575**	**109 779**	**92 832**	**2 851**	**1 376**	**97 059**
Loss allowance	-599	-197	-817	**-1 613**	-388	-160	-693	**-1 241**
Carrying amount	**104 726**	**2 682**	**758**	**108 166**	**92 444**	**2 691**	**683**	**95 818**
Loss allowance (%)				**1,47%**				**1,28%**

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

	2020				2019			
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	6 094	-	-	**6 094**	9 527	-	-	**9 527**
Standard monitoring	-	-	-	**-**	-	-	-	**-**
Special monitoring	-	-	-	**-**	-	-	-	**-**
Default	-	-	-	**-**	-	-	-	**-**
Gross carrying amount	**6 094**	**-**	**-**	**6 094**	**9 527**	**-**	**-**	**9 527**
Loss allowance	-	-	-	**-**	-1	-	-	**-1**
Carrying amount	**6 094**	**-**	**-**	**6 094**	**9 526**	**-**	**-**	**9 526**
Loss allowance (%)				**-**				**0,01%**

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

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

Maximum exposure to credit risk	**2020**	**2019**
Financial derivatives Assets	-	-
Financial derivatives Liabilities	8	-

The macroeconomic situation this year has been fully affected by the current COVID-19 pandemic, and as a result the forecast of the macroeconomic variables (GDP, unemployment rate, house prices) divided by scenarios has been changed in order to better reflect the impact of the macroeconomic situation, which is uncertain and fully dependent on the future evolution of the pandemic.

In relation with the current situation, a COVID Reserves Overlay of 376,1 million NOK has been booked as at December 31, 2020. The overlay is distributed across three different drivers: Macroeconomic Scenario Deterioration, Payment Holidays expected loss and Sector Degradation. Macroeconomic Scenario Deterioration refers to the overall worsening of the macroeconomic indicators that will lead to increased losses. Payment holidays reserves are booked to cover for the potential losses for customers that cannot deliver on upcoming payments after the PH requested have expired, while Sector Degradation reserves are booked to cover for potential losses due to sectors more heavily affected by COVID-19, i.e. Transportation and Rent-a-Car. Santander will review these estimates in future periods and determine whether additional adjustments are required to update them with new internal or external information that is available and reliable. The outcome of the pandemic is uncertain and it is not known how long the adverse conditions associated with it will last and what the final impact will be.

Macroeconomic Scenario Deterioration:
This part of the overlay has been calculated by using the long run macro scenario used in the forecast for 2020 and stressing it with COVID-19 worsened macro variables (GDP, house prices and unemployment rates). The result of this stress are updated PDs for all the models which make a total amount of 158,4 million NOK as Macroeconomic Deterioration in the overlay. The IFRS9 data used in the stress test (PDs, LGDs, EADs) is from September 2020.

Payment Holidays:
A large number of customers have requested payment holidays during this year, which have been offered both as market practice and as a standard option in the contractual terms already in place. All contracts requesting payment holidays during initial COVID period (March to September 2020), were observed for performance after payment holiday expiration. Expected losses were extrapolated based on observed poor performance by multiplying the portfolios' associated exposure by PDs related to historic forborne exposures and average default LGD for the portfolio. The total amount of Overlay related to Payment Holidays totalled 188,5 million NOK as at December 31, 2020.

Sector Degradation:
An analysis has been made on corporate customers affected by the pandemic restrictions, , which comprises mostly Auto corporate clients. The quantity booked for the potential losses for the sector degradation part of the overlay is 29,1 million NOK.

	COVID Overlay by Category			
	Macro Scenario Deterioration	**Payment Holidays**	**Sector Degradation**	**TOTAL**
Norway	43,03	141,10	26,58	**210,72**
Denmark	107,12	22,39	0,78	**130,29**
Sweden	8,27	25,05	1,78	**35,09**
Total	**158,42**	**188,54**	**29,14**	**376,10**

	COVID Overlay by Stage			
	Stage 1	Stage 2	Stage 3	**TOTAL**
Norway	151,29	59,43	-	**210,72**
Denmark	109,11	21,18	-	**130,29**
Sweden	8,13	26,96	-	**35,09**
Total	**268,53**	**107,57**	**-**	**376,10**

A sensitivity analysis has been performed in order to see how future variations in the macro indicators (GDP, unemployment rates, house prices) will affect the macroeconomic part of the overlay. 2 different scenarios have been assessed, one with positive outcomes and another with negative outcomes.

- Positive Scenario: A variation of +1% on GPD and house prices, while reducing 1% the unemployment rates.
- Negative Scenario: A variation of -1% on GPD and house prices, while increasing 1% the unemployment rates.

	Macro Scenario Deterioration - Sensitivity Analysis		
	Macro Scenario Deterioration - Sensitivity Analysis	**Positive Scenario Var.**	**Negative Scenario Var.**
Norway	**43,0**	**-0,81%**	**0,82%**
Unsecured	11,3	-0,81%	0,82%
Secured	31,7	-0,81%	0,81%
Denmark	**107,1**	**-2,13%**	**2,17%**
Unsecured	65,0	-0,08%	0,08%
Secured	42,1	-5,48%	5,58%
Sweden	**8,3**	**-5,21%**	**5,26%**
Unsecured	5,9	-0,11%	0,11%
Secured	2,3	-18,41%	18,57%
Total	**158,4**		

A sensitivity analysis has been performed in order to see how performance impacts the Payment Holidays. 2 different scenarios have been assessed, one with positive outcomes, i.e. reduced negative performance and another with negative outcomes, increased negative performance.
'- Positive Scenario: A variation of +1% on the performance rates.
'- Negative Scenario: A variation of -1% on the performance rates.

	Payment Holiday - Sensitivity Analysis - Performance		
	Payment Holiday Overlay Base	**Positive Scenario Var.**	**Negative Scenario Var.**
Norway	**141,1**	**-0,69%**	**0,69%**
Unsecured	18,0	-0,76%	0,76%
Secured	123,1	-0,68%	0,68%
Denmark	**22,4**	**-0,76%**	**0,76%**
Unsecured	12,8	-0,77%	0,77%
Secured	9,6	-0,75%	0,75%
Sweden	**25,1**	**-0,68%**	**0,68%**
Unsecured	19,2	-0,67%	0,67%
Secured	5,8	-0,70%	0,70%
Total	**188,5**		

ECL Forward Looking Scenario Weights:

Scenario weights applied in the ECL estimates for the period ended 31 December 2020 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	1,69%	3,55%	-1,26%	-2,19%
Sweden	1,59%	2,97%	-0,71%	-1,33%
Denmark	4,73%	10,03%	-2,31%	-4,28%

Below is a calculation of forward looking scenario impact for period ending 31 December 2020. For the period ending 31 December 2020, forward looking ECL parameters had resulted in additional reserves of 0,3 MM NOK for AS.

Forward looking impact	Local currency	Exchange rate	NOK
Norway	-7,4	1,0000	-7,4
Sweden	-4,7	1,0443	-4,9
Denmark	8,9	1,4072	12,6
Total			0,3

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:

	2020				2019			
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 as at 1 January	**431**	**329**	**1 449**	**2 209**	**469**	**240**	**1 161**	**1 870**
Transfers:								
Transfer from Stage 1 to Stage 2	-165	1 088	-	**923**	-209	1 022	-	**813**
Transfer from Stage 1 to Stage 3	-8	-	165	**157**	-8	-	145	**137**
Transfer from Stage 2 to Stage 3	-	-672	1 091	**419**	-	-697	1 125	**428**
Transfer from Stage 2 to Stage 1	74	-659	-	**-585**	84	-633	-	**-549**
Transfer from Stage 3 to Stage 2	-	65	-266	**-201**	-	41	-229	**-188**
Transfer from Stage 3 to Stage 1	-	-	-2	**-2**	-	-	-	**-**
Assets remaining in same Stage	155	221	209	**585**	98	314	-98	**314**
Methodological changes	-	-	-	**-**	-43	100	-67	**-10**
Financial assets derecognised that are not write-offs	-55	-19	-674	**-748**	-72	-61	-119	**-252**
of which 'account that have closed in the period'	-55	-19	-674	**-748**	-72	-61	-119	**-252**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-359	**-359**	-	-	-460	**-460**
New financial assets originated or purchased	100	-	-	**100**	118	-	-	**118**
Changes in PDs/LGDs/EADs	45	60	-9	**96**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	31	8	83	**122**	-6	3	-9	**-12**
Loss allowance as at 31 December	**608**	**421**	**1 687**	**2 716**	**431**	**329**	**1 449**	**2 209**

	2020				2019			
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 as at 1 January	**388**	**160**	**693**	**1 241**	**345**	**198**	**578**	**1 121**
Transfers:								
Transfer from Stage 1 to Stage 2	-79	495	-	**416**	-110	423	-	**313**
Transfer from Stage 1 to Stage 3	-15	-	272	**257**	-12	-	228	**216**
Transfer from Stage 2 to Stage 3	-	-223	574	**351**	-	-202	517	**315**
Transfer from Stage 2 to Stage 1	66	-386	-	**-320**	50	-280	-	**-230**
Transfer from Stage 3 to Stage 2	-	65	-388	**-323**	-	38	-258	**-220**
Transfer from Stage 3 to Stage 1	-	-	-24	**-24**	-	-	-1	**-1**
Assets remaining in same Stage	21	100	141	**262**	-9	81	56	**128**
Methodological changes	-	-	-	**-**	22	-62	25	**-15**
Financial assets derecognised that are not write-offs	-89	-39	-122	**-250**	-116	-37	-103	**-256**
of which 'account that have closed in the period'	-89	-39	-122	**-250**	*-116*	*-37*	*-103*	***-256***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-327	**-327**	-	-	-348	**-348**
New financial assets originated or purchased	236	-	-	**236**	222	-	-	**222**
Changes in PDs/LGDs/EADs	60	-17	-22	**21**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	11	42	20	**73**	-3	-	-1	**-4**
Loss allowance as at 31 December	**599**	**197**	**817**	**1 613**	**388**	**160**	**693**	**1 241**

Commercial papers and bonds	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**1**	**-**	**-**	**1**	**1**	**-**	**-**	**1**
Transfers:								
Transfer from Stage 1 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Assets remaining in same Stage	-	-	-	**-**	1	-	-	**1**
Methodological changes	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised that are not write-offs	-	-	-	**-**	-	-	-	**-**
of which 'account that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-1	-	-	**-1**	-	-	-	**-**
Loss allowance as at 31 December	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**1**

Off balance exposure*	2020 Stage 1 12-month ECL	2020 Stage 2 Lifetime ECL	2020 Stage 3 Lifetime ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 Lifetime ECL	2019 Stage 3 Lifetime ECL	2019 Total
Loss allowance as at 1 January	**46**	**15**	**22**	**83**	**82**	**14**	**27**	**123**
Transfers:								
Transfer from Stage 1 to Stage 2	-5	36	-	**31**	-9	48	-	**39**
Transfer from Stage 1 to Stage 3	-	-	14	**14**	-	-	11	**11**
Transfer from Stage 2 to Stage 3	-	-5	13	**8**	-	-8	17	**9**
Transfer from Stage 2 to Stage 1	5	-44	-	**-39**	7	-48	-	**-41**
Transfer from Stage 3 to Stage 2	-	4	-15	**-11**	-	5	-23	**-18**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Assets remaining in same Stage	-18	3	6	**-9**	6	9	15	**30**
Methodological changes	-	-	-	**-**	-38	1	-5	**-42**
Financial assets derecognised that are not write-offs	-13	-2	-20	**-35**	-23	-6	-15	**-44**
of which 'account that have closed in the period'	-13	-2	-20	**-35**	*-23*	*-6*	*-15*	**-44**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1	**-1**	-	-	-5	**-5**
New financial assets originated or purchased	5	-	-	**5**	23	-	-	**23**
Changes in PDs/LGDs/EADs	-	-	-	**-**	-	-	-	**-**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	1	-	-1	**-**	-2	-	-	**-2**
Loss allowance as at 31 December	**21**	**7**	**18**	**46**	**46**	**15**	**22**	**83**

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

Write off under management was 1 788 MM NOK per 31.12.2020, and 1 897 MM NOK per 31.12.2019.

Note 6 - Gross carrying amount

All amounts in millions of NOK

During 2020 the Outstanding distribution by stages and the resulting ECL has been impacted mostly by three factors:

1. The new methodology and parameter update in September 2020 that includes the following points:
   - New PD models, LGD models and Credit Conversion Factors (CCF) in order to measure more accurately the losses.
   - New Behaviour Score models and modification of the initial score, moving from an Admission Score to the first Behaviour Score available for a contract.
   - New Significant Increase in Credit Risk (SICR) thresholds and recalibration based on new Behaviour Score at initial recognition and new PD models.
   - Use of updated data for the models up to March 2019 instead of December 2017.

2. FORSO portfolio was acquired on Q1 2020, and merged into AS/OY Santander entities on Q3 2020. Entire FORSO portfolio belongs to the Secured/Auto products.
   The total size of the FORSO run-off portfolio exposure by Country as of Q4 2020 is as follows:
   - Norway: 1.8 billion NOK exposure
   - Sweden: 747 million NOK exposure
   - Denmark: 1.67 billion NOK exposure

3. COVID-19 pandemic reduced the new business volume in Unsecured products. Reduced number of Credit Cards and Consumer Loans contracts were given this year, and the amortization on existing contracts made the Unsecured exposures to decrease in Norway, Sweden and Denmark.

Other events that had minor impact on exposures this year:
- COVID-19 pandemic had effects on Stage 2 exposure increasing due to Unsecured products requesting Payment Holidays during COVID-19 period being reclassified as Forbearance in Norway.
- Behaviour Score degradation on Sweden Consumer Loans portfolio led to a big increase on Stage 2 exposures coming from Stage 1 on December 2020 (~300 million NOK).

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

• Norway:

Performing buckets (2.3 billion NOK increase in Secured portfolios and 2 billion NOK decrease in Unsecured portfolios):
   - Up to date: 3 billion NOK increase in Secured portfolios and 1.4 billion NOK decrease in Unsecured portfolios
   - 1-30 days past due: 613.3 million NOK decrease in Secured portfolios and 405.3 million NOK decrease in Unsecured portfolios.
   - 31-60 days past due: 43.3 million NOK decrease in Secured portfolios and 139.5 million NOK decrease in Unsecured portfolios
   - 61-90 days past due: 20.1 million NOK decrease in Secured portfolios and 58.8 million NOK decrease in Unsecured portfolios.

Non-performing buckets:
   - 90+ days past due: 103.4 million NOK increase in Secured portfolios and 68.5 million NOK decrease in Unsecured portfolios.

• Sweden:

Performing buckets (3.7 billion NOK increase in Secured portfolios and 240.4 million NOK decrease in Unsecured portfolios):
   - Up to date: 3.7 billion NOK increase in Secured portfolios and 200.6 million NOK decrease in Unsecured portfolios
   - 1-30 days past due: 16.9 million NOK decrease in Secured portfolios and 45.2 million NOK decrease in Unsecured portfolios.
   - 31-60 days past due: 3.1 million NOK increase in in Secured portfolios and 2.8 million NOK decrease in Unsecured portfolios
   - 61-90 days past due: 9.1 million NOK increase in Secured portfolios and 8.3 million NOK increase in Unsecured portfolios.

Non-performing buckets:
   - 90+ days past due: 5.2 million NOK increase in Secured portfolios and 140.1 million NOK increase in Unsecured portfolios.

• Denmark:

Performing buckets (2.3 billion NOK increase in Secured portfolios and 680 million NOK decrease in Unsecured portfolios):
   - Up to date: 2.33 million NOK increase in Secured portfolios and 596.5 million NOK decrease in Unsecured portfolios
   - 1-30 days past due: 16.5 million NOK decrease in Secured portfolios and 39.3 million NOK decrease in Unsecured portfolios.
   - 31-60 days past due: 3.3 million NOK decrease in in Secured portfolios and 26.1 million NOK decrease in Unsecured portfolios.
   - 61-90 days past due: 9.1 million NOK decrease in Secured portfolios and 18 million NOK decrease in Unsecured portfolios.

Non-performing buckets:
   - 90+ days past due: 62.8 million NOK increase in Secured portfolios and 67.2 million NOK increase in Unsecured portfolios.

The implementation of the new 720 DPD write-off policy in 2019 has continued increasing NPL exposures during the first half of the year, while the BDS executed in June 2020 on Sweden and Norway made the NPL balances decrease on these 2 countries.

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

	2020				2019			
Unsecured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**27 895**	**2 133**	**2 461**	**32 489**	**27 737**	**2 112**	**1 802**	**31 651**
Transfers:								
Transfer from Stage 1 to Stage 2	-7 169	7 169	-	**-**	-7 214	7 214	-	**-**
Transfer from Stage 1 to Stage 3	-301	-	301	**-**	-276	-	276	**-**
Transfer from Stage 2 to Stage 3	-	-1 982	1 982	**-**	-	-2 087	2 087	**-**
Transfer from Stage 2 to Stage 1	4 862	-4 862	-	**-**	4 970	-4 970	-	**-**
Transfer from Stage 3 to Stage 2	-	497	-497	**-**	-	418	-418	**-**
Transfer from Stage 3 to Stage 1	3	-	-3	**-**	1	-	-1	**-**
Financial assets derecognised excl. write-offs	-3 236	-117	-1 119	**-4 472**	-5 102	-511	-208	**-5 821**
of which 'account that have closed in the period'	*-3 236*	*-117*	*-1 119*	***-4 472***	*-5 102*	*-511*	*-208*	***-5 821***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-1 048	**-1 048**	-	-	-1 045	**-1 045**
New financial assets originated or purchased	5 827	-	-	**5 827**	7 668	-	-	**7 668**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-1 541	-184	636	**-1 089**	111	-43	-32	**35**
Gross carrying amount as at 31 December	**26 340**	**2 654**	**2 713**	**31 707**	**27 895**	**2 133**	**2 461**	**32 489**

	2020				2019			
Secured loans	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**	**Stage 1 12-month ECL**	**Stage 2 12-month ECL**	**Stage 3 12-month ECL**	**Total**
Gross carrying amount as at 1 January	**92 832**	**2 851**	**1 376**	**97 059**	**88 118**	**7 637**	**1 209**	**96 964**
Transfers:								
Transfer from Stage 1 to Stage 2	-8 506	8 506	-	**-**	-7 929	7 929	-	**-**
Transfer from Stage 1 to Stage 3	-1 007	-	1 007	**-**	-721	-	721	**-**
Transfer from Stage 2 to Stage 3	-	-1 706	1 706	**-**	-	-1 500	1 500	**-**
Transfer from Stage 2 to Stage 1	6 558	-6 558	-	**-**	10 115	-10 115	-	**-**
Transfer from Stage 3 to Stage 2	-	980	-980	**-**	-	675	-675	**-**
Transfer from Stage 3 to Stage 1	89	-	-89	**-**	3	-	-3	**-**
Financial assets derecognised excl. write-offs	-22 334	-689	-282	**-23 305**	-19 719	-792	-225	**-20 736**
of which 'account that have closed in the period'	*-22 334*	*-689*	*-282*	***-23 305***	*-19 719*	*-792*	*-225*	***-20 736***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-407	**-407**	-	-	-497	**-497**
New financial assets originated or purchased	48 942	-	-	**48 942**	43 614	-	-	**43 614**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-11 249	-505	-756	**-12 510**	-20 649	-983	-654	**-22 286**
Gross carrying amount as at 31 December	**105 325**	**2 879**	**1 575**	**109 779**	**92 832**	**2 851**	**1 376**	**97 059**

Commercial papers and bonds	2020 Stage 1 12-month ECL	2020 Stage 2 12-month ECL	2020 Stage 3 12-month ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 12-month ECL	2019 Stage 3 12-month ECL	2019 Total
Gross carrying amount as at 1 January	**9 526**	**-**	**-**	**9 526**	**8 025**	**-**	**-**	**8 025**
Transfers:								
Transfer from Stage 1 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 2 to Stage 1	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 2	-	-	-	**-**	-	-	-	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised excl. write-offs	-9 330	-	-	**-9 330**	-9 330	-	-	**-9 330**
of which 'account that have closed in the period'	-	-	-	**-**	-	-	-	**-**
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	*-9 330*	-	-	***-9 330***	*-9 330*	-	-	***-9 330***
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	10 626	-	-	**10 626**	10 626	-	-	**10 626**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	-4 728	-	-	**-4 728**	205	-	-	**205**
Gross carrying amount as at 31 December	**6 094**	**-**	**-**	**6 094**	**9 526**	**-**	**-**	**9 526**

Off balance exposure	2020 Stage 1 12-month ECL	2020 Stage 2 12-month ECL	2020 Stage 3 12-month ECL	2020 Total	2019 Stage 1 12-month ECL	2019 Stage 2 12-month ECL	2019 Stage 3 12-month ECL	2019 Total
Gross carrying amount as at 1 January 2019	**24 809**	**556**	**164**	**25 529**	**18 828**	**192**	**128**	**19 148**
Transfers:								
Transfer from Stage 1 to Stage 2	-1 477	1 477	-	**-**	-1 608	1 608	-	**-**
Transfer from Stage 1 to Stage 3	-104	-	104	**-**	-89	-	89	**-**
Transfer from Stage 2 to Stage 3	-	-114	114	**-**	-	-128	128	**-**
Transfer from Stage 2 to Stage 1	1 659	-1 659	-	**-**	1 288	-1 288	-	**-**
Transfer from Stage 3 to Stage 2	-	91	-91	**-**	-	155	-155	**-**
Transfer from Stage 3 to Stage 1	-	-	-	**-**	-	-	-	**-**
Financial assets derecognised excl. write-offs	-7 027	-105	-146	**-7 278**	-8 055	-210	-107	**-8 372**
of which 'account that have closed in the period'	*-7 027*	*-105*	*-146*	***-7 278***	*-8 055*	*-210*	*-107*	***-8 372***
of which 'foreclosed'	-	-	-	**-**	-	-	-	**-**
of which 'sold'	-	-	-	**-**	-	-	-	**-**
of which 'change of perimeter'	-	-	-	**-**	-	-	-	**-**
Write-offs	-	-	-	**-**	-	-	-	**-**
New financial assets originated or purchased	2 271	-	-	**2 271**	2 426	-	-	**2 426**
Modification of contractual cash flows of financial assets	-	-	-	**-**	-	-	-	**-**
FX and other movements	6 532	73	-7	**6 598**	12 019	226	82	**12 327**
Gross carrying amount as at 31 December	**26 663**	**319**	**138**	**27 120**	**24 809**	**556**	**164**	**25 529**

*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.

All amounts in millions of NOK

2020	*=< 1 months*	*1 - 3 months*	*3 - 12 months*	*1 - 5 years*	>5 years	With no specific maturity	Total
Cash and receivables on central banks	3 363	-	-	-	-	-	3 363
Deposits with and receivables on financial institutions	2 836	2 296	79	50	-	-	5 261
Loans to customers	2 841	5 545	30 572	78 687	19 512	-	137 157
Commercial papers and bonds	1 999	2 060	1 530	505	-	-	6 094
Financial derivatives	-	-	-	-	-	-	-
Loans to subsidiaries and SPV's	-	-	-	14 163	-	-	14 163
Investment in subsidiaries	-	-	-	-	-	1 733	1 733
Other financial assets	37	-	-	-	-	4 119	4 156
Total cash from assets	**11 076**	**9 901**	**32 181**	**93 405**	**19 512**	**5 852**	**171 927**
Debt to credit institutions	2 668	9 029	8 264	467	-	-	20 428
Deposits from customers	6 898	6 194	21 841	39 997	6 212	-	81 142
Debt established by issuing securities	-	875	5 247	29 406	-	-	35 528
Financial derivatives	-	8	-	-	-	-	8
Other financial liabilities	28	30	119	218	-	4 467	4 862
Subordinated loan capital	-	-	-	-	2 821	-	2 821
Total cash from debt	**9 594**	**16 136**	**35 471**	**70 088**	**9 033**	**4 467**	**144 789**
Net liquidity risk	**1 482**	**-6 235**	**-3 290**	**23 317**	**10 480**		

All amounts in millions of NOK

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

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

Liquidity coverage ratio

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

Liquidity Coverage Ratio (LCR) %	2020	2019
Liquidity Coverage Ratio (LCR) Total	252	156
Liquidity Coverage Ratio (LCR) NOK	130	96
Liquidity Coverage Ratio (LCR) SEK	190	181
Liquidity Coverage Ratio (LCR) DKK	1 097	245
Liquidity Coverage Ratio (LCR) EUR	2 484	332

Note 8 - Interest rate risk

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

Santander Consumer Bank AS

All amounts in millions of NOK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non-Interest Bearing	Total
Cash and receivables on central banks	3 363	-	-	-	-	-	3 363
Deposits with and receivables on financial institutions	5 261	-	-	-	-	-	5 261
Loans to customers	3 529	120 315	7 031	6 225	57	-	137 157
Commercial papers and bonds	1 491	2 978	1 625	-	-	-	6 094
Financial derivatives	-	-	-	-	-	-	-
Other non-interest bearing assets	-1	2 833	-	11 330	-	5 890	20 052
Total assets	13 643	126 126	8 656	17 555	57	5 890	171 927
Debt to credit institutions	5 678	13 777	973	-	-	-	20 428
Deposits from customers	16 244	63 631	957	310	-	-	81 142
Debt established by issuing securities	8 914	17 246	-	9 368	-	-	35 528
Financial Derivatives	8	-	-	-	-	-	8
Subordinated loan capital	251	2 570	-	-	-	-	2 821
Other non-interest bearing liabilities	-	-	-	-	-	4 862	4 862
Equity	2 250	-	-	-	-	24 888	27 138
Total liabilities and equity	33 345	97 224	1 930	9 678	-	29 750	171 927
Net interest risk exposure	-19 702	28 902	6 726	7 877	57	-23 860	

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

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

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

Santander Consumer Bank AS Norway

All amounts in millions of NOK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 053	52 113	4 927	2 794	46	2 300	64 232
Liabilities	6 092	30 510	-	-	-	27 630	64 232
Net balance	**-4 039**	**21 603**	**4 927**	**2 794**	**46**	**-25 331**	**-**
Repricing gap	-4 039	21 603	4 927	2 794	46	-25 331	-
Cumulative gap	-4 039	17 564	22 491	25 285	25 331	-	-

A +1,00 % parallel increase in market rates will result in a 150,74 million NOK increase in profit in Norway.

Santander Consumer Bank AS Norway

All amounts in millions of NOK

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

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

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)
All amounts in millions of EUR

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	70	40	-	-	-	130	240
Liabilities	26	106	94	-	-	14	240
Net balance	**44**	**-66**	**-94**	**-**	**-**	**116**	**-**
Repricing gap	44	-66	-94	-	-	116	-
Cumulative gap	44	-22	-116	-116	-116	-	-

A +1,00 % parallel increase in market rates will result in a 0,66 million EUR decrease in profit in Norway.

Santander Consumer Bank AS Norway (Balance sheet items nominated in EUR)
All amounts in millions of EUR

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

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

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	6 438	40 649	530	214	10	3 543	51 384
Liabilities	14 555	34 014	-	-	-	2 814	51 384
Net balance	**-8 118**	**6 635**	**530**	**214**	**10**	**729**	**-**
Repricing gap	-8 118	6 635	530	214	10	729	-
Cumulative gap	-8 118	-1 483	-953	-739	-729	-	-

A +1,00 % parallel increase in market rates will result in a 50,88 million SEK decrease in profit in Sweden.

Santander Consumer Bank AS Sweden
All amounts in millions of SEK

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

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

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

2020	0 - 1 months	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Non Interest Bearing	Total
Assets	2 746	21 497	2 124	2 250	-	1 876	30 493
Liabilities	7 062	16 113	678	5 068	-	1 573	30 493
Net balance	**-4 316**	**5 384**	**1 447**	**-2 817**	**-**	**303**	**-**
Repricing gap	-4 316	5 384	1 447	-2 817	-	303	-
Cumulative gap	-4 316	1 068	2 515	-303	-303	-	-

A +1,00 % parallel increase in market rates will result in a 7,59 million DKK decrease in profit in Denmark

Santander Consumer Bank AS Denmark
All amounts in millions of DKK

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

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

Note 9 - Capital adequacy

All amounts in millions of NOK

Balance sheet equity	**2020**	**2019**
Paid in equity	10 618	9 652
Share premium	1 926	891
Other equity	12 364	10 774
Tier 1 Capital	2 250	2 250
Other reserves	-20	-119
Total Equity	**27 138**	**23 448**

Common Equity Tier 1 Capital		
(-) Profit not eligible as capital	-	-
Cash-flow hedge adjustment	-6	-
IRB Expected Loss - Reserves	-159	-249
Goodwill	-401	-291
Other intangible assets	-475	-297
Deferred tax assets	-	-
Adjustment Prudent Valuation (AVA)	-5	-8
Tier 1 Capital	-2 250	-2 250
Total common Equity Tier 1 Capital (with full IFRS9 impact)	**23 841**	**20 353**
Capital adjustment according to IFRS9 Transitional rules	262	318
Total common Equity Tier 1 Capital (with IFRS9 transitional rules)	**24 103**	**20 671**

Tier 1 Capital		
Paid in Tier 1 capital instruments	2 250	2 250
Total Tier 1 Capital (with full IFRS9 impact)	**26 091**	**22 603**
Total Tier 1 Capital (with IFRS9 transitional rules)	**26 353**	**22 921**

Total Capital		
Paid up subordinated loans	2 816	2 416
Subordinated loans not eligible	-23	-
Total Capital (with full IFRS9 impact)	**28 884**	**25 020**
Total Capital (with IFRS9 transitional rules)	**29 146**	**25 337**

Risk exposure on Standard Approach		
Regional governments or local authorities	67	64
Institutions	593	363
Corporates	10 969	8 725
Retail Standard Approach	50 845	47 832
Exposures in default SA	1 134	1 324
Covered bonds	100	385
Other Exposures	19 635	15 129
Total Risk exposure amount on Standard Approach	**83 343**	**73 821**

Risk exposure on Internal Rating Based Approach		
Retail Other	24 942	22 923
Total Risk exposure amount on Internal Rating Based Approach	**24 942**	**22 923**
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**108 285**	**96 745**

Foreign exchange (zero if under threshold)	920	-
Risk exposure amount for position, foreign exchange and commodities risks	920	-

Basic indicator approach	12 354	11 892
Risk exposure amount for operational risk	**12 354**	**11 892**
Standardized method	**55**	**52**
Risk exposure amount for credit valuation adjustment	**55**	**52**
Total risk exposure amount (with full IFRS9 impact)	**121 614**	**108 689**
Risk Exposure adjustment according to IFRS9 Transitional rules	261	316
Total risk exposure amount (with IFRS9 transitional rules)	**121 874**	**109 006**
Total exposure for Leverage Ratio		
Derivatives: Add-on under market-to-market method	366	177
Off-balance sheet items with 10% CCF	2 828	2 700
Off-balance sheet items with 20% CCF	310	202
Off-balance sheet items with 50% CCF	38	37
Adjusted On balance sheet exposure	**170 994**	**153 947**
Total exposure for Leverage Ratio (with full IFRS9 impact)	**174 535**	**157 063**
Exposure adjustment according to IFRS9 Transitional rules	348	423
Total exposure for Leverage Ratio (with IFRS9 transitional rules)	**174 884**	**157 486**
Minimum Regulatory Capital		
Minimum Core Equity	4,50%	4,50%
Pillar 2 Requirement	0,00%	3,30%
Pillar 2 Guidance	0,00%	1,00%
Countercyclical Buffer (combined)	0,45%	2,10%
Conservation Buffer	2,50%	2,50%
Systemic Risk Buffer	2,04%	3,00%
Minimum Regulatory Capital ratio (CET1)	**9,49%**	**16,40%**
Minimum Regulatory Capital		
Minimum Core Equity	5 473	4 891
Pillar 2 Requirement	-	4 000
Pillar 2 Guidance	-	1 087
Countercyclical Buffer (combined)	547	2 282
Conservation Buffer	3 040	2 717
Systemic Risk Buffer	**2 475**	**3 261**
Minimum Regulatory Capital amount (full IFRS9 impact)	**11 535**	**18 238**
Surplus of Core Equity Tier 1 capital (full IFRS9 impact)	12 306	2 115
Minimum Regulatory Capital amount (with IFRS9 transitional rules)	**11 560**	**17 877**
Surplus of Core Equity Tier 1 capital (with IFRS9 transitional rules)	12 543	2 794
Common equity tier 1 capital ratio (full IFRS9 impact)	**19,60%**	**18,73%**
Common equity tier 1 capital ratio (with IFRS9 transitional rules)	**19,78%**	**18,96%**
CET1 regulatory requirements	9,49%	16,40%
Tier 1 capital ratio (full IFRS9 impact)	**21,45%**	**20,80%**
Tier 1 capital ratio (with IFRS9 transitional rules)	**21,62%**	**21,03%**
Tire 1 regulatory requirements	15,29%	17,90%
Total capital ratio (full IFRS9 impact)	**23,75%**	**23,02%**
Total capital ratio (with IFRS9 transitional rules)	**23,91%**	**23,24%**
Total capital regulatory requirements	17,29%	19,90%
Leverage ratio (full IFRS9 impact)	**14,95%**	**14,39%**

Leverage ratio (with IFRS9 transitional rules)	**15,07%**	**14,55%**
LR regulatory requirements	5,00%	5,00%

Specification of IFRS Transition rules (based on initial impact)		
IFRS 9 Increase in Loss Reserves	-498	-498
- whereof Internal Rating Based	-	-
Tax impact from increased loss reserves	124	124
Deferred tax assets impact on capital	-	-
Initial IFRS9 net impact on capital	-374	-374
Base amount for IFRS9 transitional rule on capital	374	374
Transition %	70%	85%
Capital adjustment due to Transitional rule	**262**	**318**
Std Approach value adjustments Spec Reserves	-498	-498
- whereof Retail (75%RW)	-496	-496
- whereof Covered Bonds (10%RW)	-2	-2
Deferred tax assets impact on Risk Exposure Amount (250%RW) *)	-	-
Initial IFRS9 net impact on Risk Exposure Amount	-372	-372
Base amount for IFRS9 transitional rule on Risk Exposure Amount	372	372
Transition %	70%	85%
Risk Exposure adjustment due to Transitional rule	**261**	**316**
Impact from Transitional rules on capital ratios (same impact for Tier 1 and 2)	0,17 %	0,24 %

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

Financial information in accordance with the capital requirement regulation is published at www.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 Santander is oriented towards the various geographical markets. Monitoring of the overall profitability of the geographic areas are important dimensions of the strategic priorities and allocation of resources in the SCB Bank. Reported figures for the various segments reflect the SCB 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 SCB Bank management. SCB 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 Santander's governance model and the SCB 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 SCB Bank's governance model. All the SCB 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 SCB Bank treasury at market conditions. Surplus liquidity is transferred to the SCB 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)

2020

	Unsecured loans	Secured loans	Financial lease	Operational lease	Total
Norway	8 190	38 615	11 800	-	**58 605**
Sweden	16 625	20 266	9 214	-	**46 105**
Denmark	6 892	26 644	3 240	460	**37 236**
Total	**31 707**	**85 525**	**24 254**	**460**	**141 946**

2019

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

Profit and Loss per Country 2020	Norway	Sweden	Denmark	Eliminations	Total AS
Total interest income	3 666	1 946	1 988	18	7 618
Total interest expenses	-856	-299	-115	-18	-1 288
Net interest income	**2 810**	**1 647**	**1 873**	**-**	**6 330**
Fee and commission income	172	194	120	-	486
Fee and commission expenses	-135	-97	-35	-	-267
Value change and gain/loss on foreign exchange and securities	-87	10	3	-	-74
Other operating income	47	13	113	-	173
Other operating expenses	-52	-33	-82	-	-167
Gross margin	**2 755**	**1 734**	**1 992**	**-**	**6 481**
Salaries and personnel expenses	-612	-321	-318	-	-1 251
Administrative expenses	-483	-510	-358	-	-1 351
Depreciation and amortisation	-102	-46	-21	-	-169
Net operating income	**1 558**	**857**	**1 295**	**-**	**3 710**
Other income and costs	-0	200	-5	-	195
Impairment losses on loan, guarantees etc.	-447	-495	-744	-	-1 686
Profit before taxes	**1 111**	**562**	**546**	**-**	**2 219**
Income tax expense	-300	-126	-67	-	-493
Profit after tax	**811**	**436**	**479**	**-**	**1 726**

Balance Sheet per Country – 2020	Norway	Sweden	Denmark	Eliminations	Total AS
Cash and receivables on central banks	64	3 299	-	-	3 363
Deposits with and receivables on financial institutions	935	1 126	3 200	-	5 261
Total gross loans to customers	58 605	43 978	36 777	2 126	141 486
Write-downs	-1 726	-1 220	-1 383	-	-4 329
Commercial papers and bonds	3 093	1 013	1 988	-	6 094
Financial derivatives	-	-	-	-	-
Investments in subsidiaries	1 733	-	-	-	1 733
Other assets	24 763	817	1 732	-8 993	18 319
Total assets	**87 467**	**49 013**	**42 314**	**-6 867**	**171 927**
Debt to credit institutions	3 469	13 818	9 839	-6 698	20 428
Deposits from customers	27 498	24 279	29 365	-	81 142
Debt established by issuing securities	26 291	7 423	1 814	-	35 528
Financial derivatives	8	-	-	-	8
Other liabilities	3 550	3 458	844	-169	7 683
Equity	26 651	35	452	-	27 138
Total liabilities and equity	**87 467**	**49 013**	**42 314**	**-6 867**	**171 927**

Profit and Loss per Country - 2019	Norway	Sweden	Denmark	Eliminations	Total AS
Total interest income	4 029	1 608	1 829	-	7 466
Total interest expenses	-975	-228	-149	-	-1 352
Net interest income	**3 054**	**1 380**	**1 680**	**-**	**6 114**
Fee and commission income	188	184	156	-	528
Fee and commission expenses	-128	-29	-27	-	-184
Value change and gain/loss on foreign exchange and securities	4	1	-5	-	-1
Other operating income	550	8	97	-	656
Other operating expenses	-30	-25	-53	-	-108
Gross margin	**3 638**	**1 520**	**1 848**	**-**	**7 005**
Salaries and personnel expenses	-599	-292	-258	-	-1 149
Administrative expenses	-471	-438	-371	-	-1 280
Depreciation and amortisation	-100	-59	-69	-	-228
Net operating income	**2 467**	**730**	**1 150**	**-**	**4 348**
Other income and costs	27	-2	-10	-	15
Impairment losses on loan, guarantees etc.	-418	-137	-211	-	-766
Profit before taxes	**2 076**	**591**	**929**	**-**	**3 596**
Income tax expense	-276	-137	-226	-	-638
Profit after tax	**1 801**	**455**	**703**	**-**	**2 959**

Balance Sheet per Country - 2019					
Cash and receivables on central banks	66	-	-	-	66
Deposits with and receivables on financial institutions	1 217	1 066	150	-	2 434
Total gross loans to customers	57 665	34 612	32 843	4 427	129 548
Write-downs	-1 594	-957	-899	-	-3 450
Commercial papers and bonds	3 425	3 810	2 292	-	9 526
Financial derivatives	7	-	-	-	7
Investments in subsidiaries	1 281	-	-	-	1 281
Other assets	20 700	484	1 658	-7 461	15 381
Total assets	**82 767**	**39 014**	**36 044**	**-3 034**	**154 792**
Debt to credit institutions	2 392	8 075	14 330	-2 990	21 808
Deposits from customers	26 477	19 816	19 191	-	65 484
Debt established by issuing securities	27 886	7 958	1 675	-	37 519
Financial derivatives	-	-	-	-	-
Other liabilities	2 760	3 062	755	-44	6 533
Equity	23 252	103	93	-	23 448
Total liabilities and equity	**82 767**	**39 014**	**36 044**	**-3 034**	**154 792**

Note 11 - Net interest income

Amounts in millions of NOK

	2020	2019
Interest and similar income on loans to and receivables from credit institutions	305	359
Interest and similar income on loans to and receivables from customers	7 289	7 048
Interest and similar income on comm. paper, bonds and other securities	24	59
Total interest income	**7 618**	**7 466**
Interest and similar expenses on debt to credit institutions	-153	-159
Interest and similar expenses on deposits from and debt to customers	-759	-788
Interest and similar expenses on issued securities	-297	-346
Interest on subordinated loan capital	-67	-54
Other interest expenses and similar expenses	-12	-6
Total interest expense	**-1 288**	**-1 352**
Net interest income	**6 330**	**6 114**

The table 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	**2020**	**2019**
Interest expenses	-153	-159
Average loan	21 118	25 538
Average nominal interest rate	**0,72%**	**0,62 %**

To customers	**2020**	**2019**
Interest expenses	-759	-788
Average deposit	73 313	60 065
Average nominal interest rate	**1,04%**	**1,31 %**

To bondholders	**2020**	**2019**
Interest expenses	-297	-346
Average issued notes and bonds	36 523	37 383
Average nominal interest rate	**0,81%**	**0,92 %**

Subordinated loan capital	**2020**	**2019**
Interest expenses	-67	-54
Average subordinated loan capital	2 621	2 076
Average nominal interest rate	**2,56%**	**2,58 %**

Total of tables above	**2020**	**2019**
Interest expenses	-1 276	-1 346
Loan	133 575	125 062
Average nominal interest rate	**0,96%**	**1,08 %**

Note 12 - Other operating income and expenses

Amounts in millions of NOK

	2020	2019
Operational leasing income	111	95
Dividends from investments	18	509
Other	45	51
Total other operating income	**173**	**656**
Ordinary depreciation operational leasing	-39	-24
Fee to The Norwegian Banks' Guarantee Fund	-85	-64
Other	-44	-20
Total other operating expenses	**-167**	**-108**

Note 13 - Tax

All amounts in millions of NOK

Income tax	**2020**	**2019**
Tax payable	-188	-619
Adjustments in respect of prior years	-7	113
Currency effects foreign tax credits	-	-
Total current tax	**-196**	**-506**
Change in temporary differences	-297	-132
Currency effects	-	-
Adjustments in respect of prior years	-	-
Total change in deferred tax	**-297**	**-132**
Income tax expense	**-493**	**-638**

	2020	2019
Profit before tax	2 219	3 597
Estimated income tax at nominal tax rate 25%	-555	-899
Tax effects of:		
- Income not subject to tax*	38	126
- Non-deductible expenses	28	-4
Adjustments in respect of prior years*	-4	139
Tax charge	**-493**	**-638**

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

		2020	
	Before tax	**Total tax charge**	**After tax**
Actuarial assumption related to pension	168	42	126
Cash flow hedges	-8	-2	-6
Currency translation differences	-67	-6	-62
Shares in VN Norge AS - value adjustment	-38	-	-38
Other comprehensive income	**54**	**34**	**20**
Tax payable	-	-6	-
Deferred tax	-	40	-
Tax in OCI	**-**	**34**	**-**

Deferred tax in the balance sheet	2020	2019
Deferred tax assets/deferred taxes as at 1 January	893	468
Changes recognized in income statement	297	132
Changes recognized in OCI	7	7
Currency adjustment	17	-3
Adjustments in respect of prior years**	248	289
Net Deferred tax assets/deferred taxes at 31 December	**1 462**	**893**

Deferred taxes related to the following temporary differences	2020	2019
Fixed assets	5 251	3 481
Net pension commitments	-147	-140
Financial instruments	8	-20
Net other taxable temporary differences	953	216
Total deferred tax position	**6 064**	**3 537**
Fixed assets	1 326	883
Net pension commitments	-37	-35
Financial instruments	2	-5
Net other taxable temporary differences	171	50
Net Deferred tax assets/deferred taxes at 31 December	**1 462**	**893**

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.

* The Bank have received dividends of MNOK 152 which is not taxable income.

** The Bank have reclassified MNOK 122 from tax payable to deferred tax in the balance sheet, the reclassification did not affect recognized income tax in the statement of profit and loss. The remaining MNOK 127 consists of deferred tax from Forso.

Note 14 - Loans to customers

All amounts in millions of NOK	2020	2019
Credit Card	6 055	7 016
Unsecured loans	25 652	25 473
Auto loans	109 779	97 059
- Instalment loans	*85 525*	*78 661*
- Financial leasing	*24 254*	*18 398*
Total gross loans to customers	**141 486**	**129 548**
- Loan loss allowance - Stage 1	-1 207	-819
- Loan loss allowance - Stage 2	-618	-489
- Loan loss allowance - Stage 3	-2 504	-2 142
Total net loans to customers	**137 157**	**126 098**

Note 15 - Impairment losses on loan, guarantees etc.

All amounts in millions of NOK

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

	2020	2019
Change in loss allowance - Unsecured loans	-384	-353
Change in loss allowance - Secured loans	-292	-127
Change in loss allowance - Commercial papers and bonds	-	-
+/- FX rate adjustment opening balance	-	-
+ Total realized losses	-1 448	-1 247
- Recoveries on previously realized losses	213	260
- Gain on sold portfolios	224	702
Impairment losses on loan, guarantees etc.	**-1 686**	**-765**

Note 16 - Loans and impairment by main sectors

All amounts in millions of NOK

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

2020	Gross carrying amount	Accumulated impairment	Total
Private individuals	117 533	-3 946	113 587
Wholesale and retail trade	10 814	-118	10 696
Construction	6 306	-119	6 187
Other financial corporations	11	-	11
Transport and storage	1 658	-53	1 605
Professional, scientific and technical activities	1 135	-17	1 118
Manufacturing	1 148	-18	1 130
Real estate activities	594	-17	577
Accommodation and food service activities	407	-9	398
Governments	343	-4	339
Other services	466	-9	457
Information and communication	401	-9	392
Human health services and social work activities	260	-3	257
Education	218	-6	212
Agriculture, forestry and fishing	149	-1	148
Electricity, gas, steam and air conditioning supply	29	-	29
Mining and quarrying	13	-	13
Public administration and defence, compulsory social security	1	-	1
Total	**141 486**	**-4 329**	**137 157**

2019	Gross carrying amount	Accumulated impairment	Total
Private individuals	108 476	-3 152	105 324
Wholesale and retail trade	8 562	-128	8 434
Construction	4 687	-75	4 612
Other financial corporations	2 160	-	2 160
Transport and storage	1 535	-31	1 504
Professional, scientific and technical activities	907	-11	896
Manufacturing	889	-13	876
Real estate activities	510	-12	498
Accommodation and food service activities	328	-6	322
Governments	324	-3	321
Other services	319	-8	311
Information and communication	288	-6	282
Human health services and social work activities	222	-2	220
Education	197	-2	195
Agriculture, forestry and fishing	113	-1	112
Electricity, gas, steam and air conditioning supply	25	-	25
Mining and quarrying	5	-	5
Public administration and defence, compulsory social security	1	-	1
Total	**129 548**	**-3 450**	**126 098**

Note 17 - Classification of financial instruments

All amounts in millions of NOK

Classification of financial assets 31 December 2020	Financial assets fair value at through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	3 363	3 363
Deposits with and receivables on financial institutions	-	-	5 261	5 261
Loans to customers	-	-	137 157	137 157
Commercial papers and bonds	-	-	6 094	6 094
Financial derivatives	-	-	-	-
Loans to subsidiaries and SPV's	-	-	14 163	14 163
Other ownership interests	-	38	-	38
Total financial assets	**-**	**38**	**166 038**	**166 076**
		Non-financial assets		5 851
		Total assets		**171 927**

Classification of financial liabilities 31 December 2020	Financial liabilities fair value at through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	20 428	20 428
Deposits from customers	-	-	81 142	81 142
Debt established by issuing securities	-	-	35 528	35 528
Financial derivatives	8	-	-	8
Other financial liabilities	-	-	477	477
Subordinated loan capital	-	-	2 821	2 821
Total financial liabilities	**8**	**-**	**140 396**	**140 404**
		Non-financial liabilities and equity		31 523
		Total liabilities and equity		**171 927**

Classification of financial assets 31 December 2019	Financial assets fair value at through P&L	Financial assets at fair value through OCI	Amortized cost	Book value
Cash and receivables on central banks	-	-	66	66
Deposits with and receivables on financial institutions	-	-	2 434	2 434
Loans to customers	-	-	126 098	126 098
Commercial papers and bonds	-	-	9 526	9 526
Financial derivatives	7	-	-	7
Loans to subsidiaries and SPV's	-	-	12 412	12 412
Other ownership interests	-	31	-	31
Total financial assets	**7**	**31**	**150 536**	**150 574**
		Non-financial assets		4 218
		Total assets		**154 792**

Classification of financial liabilities 31 December 2019	Financial liabilities fair value at through P&L	Financial liabilities at fair value through OCI	Amortized cost	Book value
Debt to credit institutions	-	-	21 808	21 808
Deposits from customers	-	-	65 484	65 484
Debt established by issuing securities	-	-	37 519	37 519
Financial derivatives	-	-	-	-
Other financial liabilities	-	-	500	500
Subordinated loan capital	-	-	2 421	2 421
Total financial liabilities	**-**	**-**	**127 732**	**127 732**
		Non financial-liabilities and equity		27 060
		Total liabilities and equity		**154 792**

Note 18 - Issued securities

All amounts in millions of NOK

	2020	2019
Issued certificates	-	1 999
Senior unsecured issued securities	35 528	35 520
Total issued securities	**35 528**	**37 519**

Changes in liability issued securities	Book value 31.12.2019	New issues/ repurchase	Monthly payments and at maturity	Book value 31.12.2020
Issued certificates	1 999	1 232	-3 230	-
Senior unsecured issued securities	35 520	6 204	-6 196	35 528
Total issued securities	**37 519**	**7 436**	**-9 426**	**35 528**

Certificates

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2020
Totals issued certificates		-	-		**-**

Bonds

Issuer	Net nominal value	Currency	Interest	Call date	Book value 31.12.2020
Senior unsecured issued securities					
Santander Consumer Bank AS	501	DKK	Floating	2021-09-20	705
Santander Consumer Bank AS	750	DKK	Floating	2022-04-04	1 056
Santander Consumer Bank AS	500	SEK	Floating	2022-09-19	522
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	523
Santander Consumer Bank AS	500	SEK	Floating	2025-01-15	523
Santander Consumer Bank AS	999	SEK	Floating	2023-05-12	1 044
Santander Consumer Bank AS	500	SEK	Floating	2022-09-19	522
Santander Consumer Bank AS	250	SEK	Floating	2021-10-18	261
Santander Consumer Bank AS	500	SEK	Floating	2021-10-18	523
Santander Consumer Bank AS	105	SEK	Floating	2022-05-11	110
Santander Consumer Bank AS	249	SEK	Floating	2023-08-14	261
Santander Consumer Bank AS	500	SEK	Floating	2023-08-14	522
Santander Consumer Bank AS	500	SEK	Floating	2022-05-11	522
Santander Consumer Bank AS	500	SEK	Floating	2021-03-22	523
Santander Consumer Bank AS	500	SEK	Floating	2023-01-18	523
Santander Consumer Bank AS	500	SEK	Floating	2021-06-14	523
Santander Consumer Bank AS	500	SEK	Floating	2021-06-14	522
Santander Consumer Bank AS	700	NOK	Floating	2022-01-17	702
Santander Consumer Bank AS	200	NOK	Floating	2022-01-17	201
Santander Consumer Bank AS	150	NOK	Floating	2022-01-17	151
Santander Consumer Bank AS	50	NOK	Floating	2022-01-17	50
Santander Consumer Bank AS	1 000	NOK	Floating	2022-02-07	1 002
Santander Consumer Bank AS	498	EUR	Fixed	2023-03-01	5 293
Santander Consumer Bank AS	499	EUR	Fixed	2022-01-21	5 278
Santander Consumer Bank AS	499	EUR	Fixed	2024-09-11	5 218
Santander Consumer Bank AS	497	EUR	Fixed	2025-02-25	5 224
Santander Consumer Bank AS	800	NOK	Floating	2022-11-21	801
Santander Consumer Bank AS	650	NOK	Floating	2021-02-26	4
Santander Consumer Bank AS	700	NOK	Floating	2021-08-27	618
Santander Consumer Bank AS	801	NOK	Floating	2024-03-14	801
Santander Consumer Bank AS	499	NOK	Floating	2024-11-13	500
Santander Consumer Bank AS	500	NOK	Floating	2025-09-15	500
Totals issued bonds	**-**				**35 528**

Note 19 - Valuation Hierarchy

All amounts in millions of NOK

2020

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		-	38	-	38
Total other ownership interests			**-**	**38**	**-**	**38**
Total Assets			**-**	**38**	**-**	**38**
Financial liabilities						
Name	**Type**	**Notional**				
FX Swap NOK/SEK	Cross Currency Swap	MM EUR 191	-	8	-	8
Total financial trading derivatives			**-**	**8**	**-**	**8**
Total Liabilities				**8**		**8**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	49	-	49
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	10	-	10
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	3	-	3
Total derivatives designated for hedging - assets**			**-**	**62**	**-**	**62**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	13	-	13
Total derivatives designated for hedging - liabilities*			**-**	**13**	**-**	**13**

* 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.

2019

Financial instruments measured at fair value			Quoted market price Level 1	Using Observable inputs Level 2	With significant unobservable inputs Level 3	Total
Financial assets						
Name	**Type**	**Notional**				
Bilkreditt 7 Fixed	Cross Currency Swap	MM EUR 12	-	7	-	7
Total financial trading derivatives			**-**	**7**	**-**	**7**
Name	**Type**					
VN Norge	Equity		-	31	-	31
Total other ownership interests			**-**	**31**	**-**	**31**
Total Assets			**-**	**38**	**-**	**38**
Derivatives designated for hedge accounting - assets						
Name	**Type**	**Notional**				
DK EMTN MEUR 250	Cross Currency Swap	MM EUR 250	-	19	-	19
DK EMTN MEUR 200	Cross Currency Swap	MM EUR 200	-	58	-	58
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	17	-	17
Total derivatives designated for hedging - assets**			**-**	**94**	**-**	**94**
Derivatives designated for hedge accounting - liabilities						
Name	**Type**	**Notional**				
DK EMTN MEUR 150	Cross Currency Swap	MM EUR 150	-	29	-	29
Total derivatives designated for hedging - liabilities*			**-**	**29**	**-**	**29**

* Government bonds are included in the balance sheet line "commercial papers and bonds". The balance sheet line also include B and C tranche bonds from the SPVs that are not booked at fair value. See note 18.

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

Level 1:
Instruments at this level obtain fair value from quoted prices in active markets for identical assets or liabilities that the entity has access by the reporting date. Examples of instruments at Level 1 are listed government bonds.
Level 2:
Instruments at this level is not considered to have an active market. Fair value is obtained from relevant observable market data. This includes prices based on identical instruments, as well as prices based on similar assets and price indicators that are observable for the asset or liability. Examples of instruments at Level 2 are securities priced out of interest rate paths. The fair value at level 2 is calculated by discounting future cash flows. The cash flows are known from contractual conditions, in addition to a marked regulated interest rate element (e.g. EURIBOR).
Level 3:
Instruments at Level 3 have no observable market inputs, or they traded on markets that are considered inactive. The price is based mainly on calculations based on internal data and the best information available given the circumstances.

Offsetting of financial assets and financial liabilities
The disclosure in the table below include financial assets and financial liabilities that are subject to enforceable master netting arrangements or similar arrangements. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.
The Group receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

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

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

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the below tables have been measured in the statement of financial position on the following bases:
• derivative assets and liabilities – fair value
• assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements – amortised cost

All amounts in millions of NOK

2020	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	62	-	62	-	62	-
Reverse repurchase arrangements	3 466	-	3 466	3 466	-	-
Financial liabilities						
Derivatives	21	-	21	-	34	-13
Repurchase arrangements	-	-	-	-	-	-

All amounts in millions of NOK

2019	Gross amounts	Amounts offset in the statement of financial position	Net amount presented in the financial statements	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Collateral	Net amount after possible netting
Financial assets						
Derivatives	101	-	101	-	109	-8
Reverse repurchase arrangements	1 071	-	1 071	1 071	-	-
Financial liabilities						
Derivatives	29	-	29	-	23	6
Repurchase arrangements	-	-	-	-	-	-

Note 20 - Hedging

Fair Value Hedge
Fair value hedges are used to protect the Bank against exposures to changes in the market prices of recognized fixed interest-notes issued in EUR. The Bank uses cross currency interest rate swaps and interest rate swaps that qualify as hedging instruments, and designates these to the hedge relationship at time of inception if all 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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Gains (losses) recognized in P&L	Assets	Liabilities	Gains (losses) recognized in P&L
Hedged item (Issued Bonds)	-	6 814	-29	-	7 346	-14
Hedge instruments (Cross currency swaps)	66	8	30	61	33	10
Fair value hedge item adjustment	-	53	-	-	22	-
Nominal of hedging instruments	-	6 814	-	-	7 346	-
Net exposure over P&L			**1**			**-4**

	2020	2019
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Fair value hedging ineffectiveness	1	-4

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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in OCI	Assets	Liabilities	Amount recognized in OCI
Hedged item (Bonds)	-	6 814	-	-	7 346	-
Hedge instruments (Cross currency interest rate swaps)	3	13	21	37	-	20
Hedge instruments (Interest rate swaps)	-	-	-	-	-	-
Nominal of hedging instruments	-	6 814	-	-	7 346	-
Net exposure over P&L			21			**20**

	2020	2019
Inefficiency	Ineffectiveness recognized in P&L	Ineffectiveness recognized in P&L
Cash flow hedging ineffectiveness	-	2

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

	2020			2019		
	< 1 year	1-5 years	Over 5 years	< 1 year	1-5 years	Over 5 years
Cash inflows (assets)	-	-	-	-	-	-
Cash outflows (liabilities)	-	6 814	-	2 458	4 888	-
Net cash flows	**-**	**6 814**	**-**	**2 458**	**4 888**	**-**

Reclass from OCI to profit and loss:	2020	2019
Reclassified amount	-	-

Fair value hedge of shares in subsidiary

The Bank's shares in Santander Consumer Finance OY is denominated in EUR, as the Group'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:

	2020			2019		
All amounts in millions of NOK	Assets	Liabilities	Amount recognized in P&L	Assets	Liabilities	Amount recognized in P&L
Hedged item (Shares in SCF OY)	1 359	-	80	1 281	-	-11
Hedge instrument (EUR-loan)	-	-1 372	-80	-	-1 292	11
Hedged item (Net investment Sweden)	486		-30			
Hedge instrument (SEK-loan)		-486	30			
Net exposure over OCI			**-**			**-**

	2020	2019
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.

Cross currency swaps	**Nominal amount**	**Average maturity**
EURIBOR EUR (3 months) to CIBOR DKK (3 months)	6 814	2023-10-07
Total	**6 814**	

Note 21 - Financial instruments measured at amortized cost

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

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

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

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

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

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

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

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

The Bank also issue commercial papers (bonds with maturity less than one year), these securities are almost not traded among investors and reliable bid/ask prices are therefore not available for an assessment of fair value. As the securities have such short time to maturity it is assessed that the book value reflects the fair value most accurately.
Level in fair value hierarchy: Level 1 for securities with quoted market prices and level 3 for remaining.

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

Investment in notes issued by SPV's:
The bank have invested in issued securities by SPV's. These securities is a part of the SPVs underlying structure for securitization and issuance of ABS'. These notes are generally fixed rate notes, as the notes are generally very illiquid, it is difficult to find observable, representative market data, for that reason it is assumed that the book value is the best estimate for the fair value.
Level in fair value hierarchy: Level 3

All amounts in millions of NOK	Fair value level	2020 Book value	2020 Fair value	2019 Book value	2019 Fair value
Financial assets					
Type					
Loans and advances to credit institutions	Level 3	8 624	8 624	2 500	2 500
Loans to customers	Level 3	137 157	131 974	126 098	124 414
Commercial papers and bonds	Level 1	6 094	6 099	9 526	9 526
Investment in securities issued by SPVs	Level 3	14 163	14 163	12 412	12 412
Total financial assets		**166 037**	**160 859**	**150 536**	**148 852**
Financial liabilities					
Type					
Loans and deposits from financial institutions	Level 3	20 428	20 428	21 808	21 808
Deposits from customers	Level 3	81 142	81 142	65 484	65 484
Issued securities	Level 1 and 3	35 528	35 008	37 519	37 019
Subordinated loan capital	Level 3	2 821	2 821	2 422	2 422
Total financial liabilities		**139 918**	**139 398**	**127 233**	**126 733**

Note 22 - Securitization

The Bank securitizes auto loan to customers by selling the loans to a special purpose company, which funds the purchase by issuing bonds with security in the assets. The portfolio of auto loans consists of financing of motor vehicles (including but not limited to cars, light commercial vehicles, motor homes and motorcycles) and the related collateral. At 31.12.2020, Santander Consumer Bank AS has sold auto loan portfolio to one SPV. (See note 33 for a list of SPVs)

According to IFRS 9, no derecognition of these sold assets is done in the company, as the company retains basically all the risk and reward of the transferred assets. The risk is retained through the company's ownership in the most subordinated tranche of the issued notes. Through the priority of payments, these notes take on all the losses before the prioritized notes. The reward is retained as SCB AS receive the margin between car loan costumer payments and payments to bondholders.

As the company continues to recognize the transferred assets on the balance sheet, a liability to transfer the future cash flows from the customers arises. This liability is initially booked at the consideration received.

The table below shows the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities as of 31.12.2020.

All amounts in millions of NOK	**2020**	**2019**
Carrying amount of assets (Portfolio of auto loans)	2 127	4 427
Carrying amount of associated liabilities	2 127	4 427

Note 23 - Fixed assets

2020

All amounts in millions of NOK	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	331	126	454	911
Rate difference opening balance	-	-	-2	-2
Acquisition cost 1.1 rate 31.12	331	126	452	909
Additions during the year	13	26	203	242
Disposals during the year	-	-8	-144	-152
Impairment	-	-	-	-
Rate difference year's acquisition cost	-	-12	-	-12
Acquisition cost 31.12	**344**	**132**	**511**	**987**
Acc. ordinary depreciation 1.1	-49	-67	-54	-170
Rate difference 01.01	-	-	-	-
Acc. ordinary depreciation 1.1 rate 31.12	-49	-67	-54	-170
Year's ordinary depreciation*	-56	-32	-43	-131
Impairment	-	4	-3	1
Rate difference year's depreciation average rate	-	-	-	-
Reversed depreciation on disposals	-	4	22	26
Acc. depreciation 31.12	**-105**	**-92**	**-78**	**-275**
Accrued fees and provisions				
Booked value in balance 31.12	**240**	**40**	**434**	**713**

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

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

As at 31 December 2020, Buildings includes right-of-use assets of 240 MM NOK related to leased office premises.

2019

All amounts in millions of NOK	**Buildings**	**Machines, fittings, equipment**	**Leasing portfolio (operational)**	**Total**
Acquisition cost 1.1	293	112	269	674
Rate difference opening balance	-	-	-3	-3
Acquisition cost 1.1 rate 31.12	293	112	266	671
Additions during the year	38	22	261	321
Disposals during the year	-	-8	-75	-83
Impairment	-	-	-	-
Rate difference year's acquisition cost	-	-	2	2
Acquisition cost 31.12	**331**	**126**	**454**	**911**
				-
Acc. ordinary depreciation 1.1	-	-48	-33	-82
Rate difference 01.01	-	-	1	1
Acc. ordinary depreciation 1.1 rate 31.12	-	-48	-32	-80
Year's ordinary depreciation*	-49	-23	-24	-96
Impairment	-	-	-9	-9
Rate difference year's depreciation average rate	-	-	-	-
Reversed depreciation on disposals	-	4	13	17
Acc. depreciation 31.12	-49	-67	-54	-170
Accrued fees and provisions	-			-
Booked value in balance 31.12	**282**	**59**	**400**	**741**

Note 24 - Intangible assets

2020

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	666	375	1 041
Rate difference opening balance	-	-	-
Acquisition cost 1.1 rate 31.12	666	375	1 041
Additions during the year	276	-	276
Disposals during the year	-14	-	-14
Impairment	-	-	-
Rate difference year's acquisition cost	18	26	43
Acquisition cost 31.12	**946**	**401**	**1 346**
Acc. ordinary depreciation 1.1	-369	-	-369
Rate difference 01.01	-0	-	-0
Acc. ordinary amortization 1.1 rate 31.12	-369	-	-369
Year's ordinary depreciation*	-91	-	-91
Impairment	-12	-	-12
Rate difference year's depreciation average rate	-	-	-
Reversed depreciation on disposals	1	-	1
Acc. amortization 31.12	**-471**	**-**	**-471**
	-	-	-
Book value in the balance sheet 31.12	**475**	**401**	**876**
Method on measurement	Acquisition cost	Acquisition cost	
Amortization method	Linear	Linear	
Plan of amortization and useful life	3 – 7 years	-	
Average useful life	5 years	-	

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

2019

All amounts in millions of NOK	**Intangible assets (software)**	**Goodwill**	**Total**
Acquisition cost 1.1	626	379	1 005
Rate difference opening balance	-	-4	-4
Acquisition cost 1.1 rate 31.12	626	375	1 001
Additions during the year	182	-	182
Disposals during the year	-	-	-
Impairment	-134	-	-134
Rate difference year's acquisition cost	-8	-	-8
Acquisition cost 31.12	**666**	**375**	**1 041**
Acc. ordinary depreciation 1.1	-352	-	-352
Rate difference 01.01	-	-	-
Acc. ordinary amortization 1.1 rate 31.12	-352	-	-352
Year's ordinary depreciation*	-64	-	-64
Impairment	45	-	45
Rate difference year's depreciation average rate	2	-	2
Reversed depreciation on disposals	-	-	-
Acc. amortization 31.12	**-369**	**-**	**-369**
Book value in the balance sheet 31.12	**297**	**375**	**672**

Note 25 - Leasing

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

All amounts in millions of NOK	**2020**	**2019**
Gross investment in the lease:		
Due in less than 1 year	9 333	4 716
Due in 1 - 5 years	14 871	13 633
Due later than 5 years	50	49
Total gross investment in the lease	**24 254**	**18 398**
Present value of minimum lease payments receivable:		
Due in less than 1 year	8 976	4 545
Due in 1 - 5 years	13 829	6 480
Due later than 5 years	38	37
Total present value of minimum lease payments receivable	**22 843**	**11 062**
Unearned finance income	**1 411**	**7 336**

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

All amounts in millions of NOK	**2020**	**2019**
Future minimum lease payments under non-cancellable operating leases		
Due in less than 1 year	158	129
Due in 1 - 5 years	302	329
Due later than 5 years	-	-
Total future minimum lease payments under non-cancellable operating leases	**460**	**458**

Financial leases (as lessee):

Right-of-use assets

2020

All amounts in millions of NOK	**Buildings**	**Machines, fittings, equipment**	**Total**
Costs			
At 01 January 2020	331	22	**352**
Additions during the year	13	-	**13**
At 31 December 2020	**344**	**22**	**365**
Accumulated depreciation			
At 01 January 2020	-49	-7	**-56**
Charge for the year	-56	-7	**-63**
At 31 December 2020	**-105**	**-14**	**-119**
Carrying Amount			
At 31 December 2020	240	8	**248**
At 31 December 2019	282	14	**297**

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, we have calculated the probability for extension. This is the basis for lease term in the calculation.

	2020	**2019**
Amounts recognised in profit and loss		
Depreciation expenses and right-of-use assets	62	56
Interest expense on lease liabilities	4	4
Expense relating to short-term leases	23	41
Expense relating to leases of low value assets	3	4

At 31 December 2020, SCB AS is committed to 23 MNOK for short-term leases.

Note 26 - Repossessed Assets

All amounts in millions of NOK

	2020	2019
Vehicles	-3	6
Net	**-3**	**6**

Note 27 - Changes in liabilities arising from financing activities

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

2020

All amounts in millions of NOK

Liability	2019	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes*	2020
Debt to credit institutions	**21 808**	-1 730	2 650	-	-2 300	**20 428**
Debt established by issuing securities	**37 519**	-1 555	-436	**-**		**35 528**
Subordinated loan capital	**2 421**	250	150	-	-	**2 821**

*Other changes represents the change in portfolios outstanding in the SPVs through the year that is included in the Debt to credit institutions.

2019

All amounts in millions of NOK

Liability	2018	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	Other changes*	2019
Debt to credit institutions	**29 269**	-5 674	-394	-	-1 394	**21 808**
Debt established by issuing securities	**37 247**	-265	537	-		**37 519**
Subordinated loan capital	**1 731**	708	-18	-	-	**2 421**

*Other changes represents the change in portfolios outstanding in the SPVs through the year that is included in the Debt to credit institutions.

Note 28 - Leasing liabilities

Maturity analysis:

	2020	2019
All amounts in millions of NOK		
Less than a year	56	46
From 1 year to 3 years	110	95
From 3 year to 5 years	81	87
More than 5 years	0	64
Total of leasing liabilities	**247**	**291**

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

Note 29 - Pension expenses and provisions

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

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

Pension expenses for defined benefit plans	**2020**	**2019**
Present value of year's pension earnings	-17	-14
Curtailment (gain) / loss	-	-
Settlement (gain) / loss	-	-
Interest cost on accrued liability	-8	-9
Interest income on plan assets	18	7
Allowance for taxes	-	-2
Net Pension expenses	**-7**	**-18**

Pension expenses for defined contribution plans	**2020**	**2019**
Total expenses	99	90

Pension liabilities in balance sheet	**2020**	**2019**
Pension funds at market value	357	304
Estimated pension liability	-504	-444
Net pension liability	**-147**	**-140**

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

	Present value of obligation	Fair value of plan assets	Net pension liability
At 1 January 2020	**-444**	**304**	**-140**
Current service cost	-17	-	-17
Curtailment gain / (loss)	-	-	-
Settlement gain / (loss)	-	-	-
Interest expense / Income	-8	18	10
	-25	**18**	**-6**
Remeasurements:			
- Return on plan assets	-	-3	-3
- Gain/(Loss) from change in demographic assumptions	-	-	-
- Gain/(Loss) from change in financial assumptions	-	-	-
- Gain/(Loss) from plan experience	-	-	-
- Change in asset ceiling	-	-	-
	-	**-3**	**-3**
Exchange rate differences	-48	20	-28
Contributions:			
- Employer	-	29	29
- Plan participants	-	-	-
Payments from plans:			
- Benefit payments	12	-12	-
Acquired in a business combination	-	-	-
Settlement	-	-	-
Others	-	-	-
	-36	**38**	**2**
At 31 December 2020	**-504**	**357**	**-147**

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

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

	2020			**2019**		
	Norway	**Sweden**	**Total**	**Norway**	**Sweden**	**Total**
Present value of obligation	-12	-492	-504	-13	-431	-444
Fair value of plan assets	-	357	357	-	304	304
Total	**-12**	**-135**	**-147**	**-13**	**-127**	**-140**

The following assumptions have been used calculating future pensions:

	2020		2019	
	Norway	**Sweden**	**Norway**	**Sweden**
Discount rate	1,50%	1,50%	1,80%	1,60%
Inflation	1,50%	1,75%	N/A	1,75%
Salary growth rate	2,00%	3,25%	2,25%	3,25%
Pension growth rate	1,75%	1,75%	2,00%	1,75%
Rate of social security increases	1,75%	1,60%	2,00%	1,60%

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:

	2020		2019	
	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	-	23
- Female	-	26	-	25

The Mortality table K2013 is used for Norway and DUS14 (White collar) for Sweden.

*The Norwegian defined benefit schemes were terminated in 2017 and the table show remaining members.

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

		Impact on defined benefit obligation - Norway	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 6,06%	Increase by 6,54%
Salary growth rate	1,00%	Increase by 0,89%	Decrease by 0,87%

		Impact on defined benefit obligation - Sweden	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1,00%	Decrease by 31,56%	Increase by 26,84%
Salary growth rate	1,00%	Increase by 1,23%	Decrease by 1,23%

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 29 870 TNOK.

The weighted average duration of the defined benefit obligation is 7.2 years in Norway and 29.1 years in Sweden.

Expected maturity analysis of undiscounted pension benefit payments:

At 31 December 2020	**Less than 1 year**	**Between 1 - 2 years**	**Between 2 - 5 years**	**Between 5 - 10 years**	**Total**
Pension benefit payments	12	6	20	50	**88**

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 intend 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 payed 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) unrestricted shares subject to 1 year of holding, 3) cash bonus subject to 1 year of holding with three years deferral and 4) shares subject to 1 year of holding with three years deferral. Based on this 50% of the CBS bonus is awarded in shares and 50% of the bonus is deferred.

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

Norway

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

Sweden

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

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

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

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

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

The pension is normally paid from the age of 65.

Denmark

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

Key management compensation:

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

	Salary	Bonus	Pension	Other benefits	Total 2020	Total 2019
Michael Hvidsten, Chief Executive Officer	4 539	1 500	166	987	7 192	5 977
Knut Øvernes, Chief Commercial Officer	2 320	512	154	589	3 575	3 487
Peter Sjöberg, Chief Operating Officer	2 512	476	-	251	3 239	3 203
Juan Calvera, Nordic IT & OPS Director (Until 15.02.2020)	1 887	461	38	87	2 473	2 905
Martin Brage, Managing Director Sweden (Until 01.09.2020)	2 691	313	1 031	136	4 171	3 398
Anders Bruun-Olsen, Chief Financial Officer	1 917	358	152	374	2 801	2 888
Trond Debes, Nordic Legal, HR & Internal Comminication Director (until 31.08.2020)	1 215	266	24	187	1 692	2 416
Tina Krogsrud Fjeld, Chief T&O Officer	1 597	480	146	283	2 506	-
Espen Hovland, Chief Controlling Officer	1 580	205	142	268	2 195	2 204
Andres Diez, Chief Risk Officer	1 865	450	144	351	2 810	2 289
Marion Bout, Chief Compliance Officer*	1 180	335	-	227	1 742	-
Total	**23 303**	**5 356**	**1 997**	**3 740**	**34 396**	**28 767**

*Salary net of tax

Bonus shares (part of CBS program 2020)	Number of shares earned in 2020	Total Number of shares earned, but not issued per 31/12/2020	Value of the shares earned, but not issued per (thousand NOK) 31/12/2020
Michael Hvidsten, Chief Executive Officer	25 929	38 179	1 081
Knut Øvernes, Chief Commercial Officer	11 748	14 880	421
Peter Sjöberg, Chief Operating Officer	10 875	16 217	459
Juan Calvera, Nordic IT & OPS Director (Until 15.02.2020)	-	5 035	-
Martin Brage, Managing Director Sweden (Until 01.09.2020)	-	2 697	-
Anders Bruun-Olsen, Chief Financial Officer	9 592	14 606	413
Trond Debes, Nordic Legal, HR & Internal Comminication Director (until 31.08.2020)	-	3 347	94
Tina Krogsrud Fjeld, Chief T&O Officer	3 177	3 177	89
Espen Hovland, Chief Controlling Officer	3 619	5 032	142
Andres Diez, Chief Risk Officer	8 221	11 535	326
Rocío Sánchez Aragonés, Nordic Internal Audit Director	6 090	8 959	6 090
Marion Bout, Chief Compliance Officer (as of 01.08.2020)	1 234	1 234	1 234
Total	**82 505**	**124 898**	**3 530**

Defined share value	2020	2019	2018
Share value - Banco Santander (EUR) *	3	4	4
Share value - Banco Santander (NOK) *	28	36	42

*Value of shares is an estimate based on the Santander S.A. share price from BME Stock Exchange as of 31.12.2020, and the exchange rate as of 31.12.2020.

Board of Directors		2020	2019
Henning Strøm	Chair of the Board	550	450
Niels Christian Aall	Director/ Board Member External	450	450
Tina Stiegler	Director/ Board Member External	450	-
Arja Pynnönen	Director / Employee Representative	200	10
Øyvind Ertzaas	Director / Employee Representative	200	-
Tone Bergsaker Strømsnes	Deputy Director/ Employee Representative	88	-
Sara Norberg	Deputy Director/ Employee Representative	25	-
Jim Grøtner	Employee Representative / Observer	25	200
Erik Kongelf (Until 31.12.2019)	Chairman	-	550
Mette Kjærsund (Until 31.12.2019)	Deputy Director/ Employee Representative	-	25
Berndt Ola Tillberg (Until 31.12.2019)	Observer	-	25
Sigrid Dale (Until 31.12.2019)	Employee Representative	-	200
Federico Ysart Alvarez De Toledo	Director/ Board Member External	-	-
Bruno Wilmot Montalvo	Deputy Chair/ Board Memeber External	-	-
Francisco Javier Anton San Pablo	Director/ Board Member External	-	-
Total		**1 988**	**1 910**

	2020		2019	
Staff (permanent employees only)	Number of employees as of 31.12	FTE year as of 31.12.2020	Number of employees as of 31.12	FTE year as of 31.12.2019
Norway	629	577	578	522
Sweden	320	301	312	296
Denmark	228	247	217	215
Total	**1 177**	**1 125**	**1 107**	**1 033**

Audit services and advisory services (without VAT)	2020	2019
Audit services	18 875	16 970
Other attestation services	211	194
Total*	**19 086**	**17 164**

*All amounts in thousands of NOK

Advokatfirmaet PwC has performed TAX services at 811 thousand NOK in 2020.

The numbers are not included in the overview of Audit services and advisory services.

Note 31 - Ownership interests in group companies

All amounts in millions of NOK

Santander Consumer Bank AS owns 100% of the shares in Santander Consumer Finance OY. The address is Risto Rytin tie 33, 00570 Helsinki, Finland.

Santander Consumer Finance own all shares in Santander Consumer Finance OY. Book value of investment in Finland is revaluated due to a hedging of the investment. See note 20 for further details.

	2020	**2019**
Number of Shares owned	600 000	600 000
Book value	1 291	1 281

Company name	**Equity**	**Total Assets**	**Result 2020**	**Result 2019**
Santander Consumer Finance OY	2 988	42 844	301	416

Interests in unconsolidated entities

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

	2020		**2019**	
Company name	**Assets***	**Liabilities***	**Assets***	**Liabilities***
Svensk Autofinans Syn I DAC	768	768	768	768

**Figures in millions of SEK*

Note 32 - Receivables and liabilities to related parties

Debt to related parties:

Amounts in millions of NOK	**2020**	**Accrued interest 2020**	**2019**	**Accrued interest 2019**
Santander Consumer Finance S.A.	18 231	1	17 268	3
Debt to SPV on future cash flow of securitized loans	2 127		4 427	-
Total	**20 358**	**1**	**21 696**	**3**

Balance sheet line: "Subordinated loan capital" - Bonds				
MNOK 250, maturity March 2025, 3 months NIBOR + 2.2575% (Santander Consumer Finance S.A)	-	-	250	-
MNOK 250, maturity July 2025, 3 months NIBOR + 3.135% (Santander Consumer Finance S.A)	250	1	250	3
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)	783	1	708	1
MSEK 750, maturity December 2030, 3 months STIBOR + 2.29% (Santander Consumer Finance S.A)	783	-	708	-
MNOK 500, maturity June 2031, 2,62% (Santander Consumer Finance S.A)	500	1		-
Total	**2 816**	**4**	**2 416**	**5**

*Subordinated loan at MNOK 250 with maturity March 2025 was redeemed by exercising the call option in December 2020

Receivables on related parties:	**2020**	**Accrued interest 2020**	**2019**	**Accrued interest 2019**
Balance sheet line: "Commercial papers and bonds"				
B and C notes issued by SPVs	486		1 062	-
Balance sheet line :"Loans to subsidiaries and SPV's"				
Loan to subsidiary (Santander Consumer Bank OY)	14 093	70	12 295	68
Subordinated loan to SPVs			48	-

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 is considered related parties. In addition, the SPV (securitization of car loans) are also considered as related parties.

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

The following transactions were carried out with related parties:

	2020	**2019**
Interest income	217	312
Interest expenses	-122	-125
Interest payments additional Tier 1 capital	-136	-141
Fees	16	28
Other	6	-2
Net transactions	**-19**	**73**

Santander Consumer Bank AS had transactions with the following related parties per 31 December 2020:

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

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

Note 34 - Contingent liabilities & commitments and provisions

All amounts in millions of NOK

	2020	**2019**
Contingent liabilities*	76	74
Commitments (Granted undrawn credits)	27 952	28 749

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

Note 35 - Result over total assets

All amounts in millions of NOK

	2020	**2019**
Profit after tax (PAT)	1 726	2 959
Total assets (Assets)	171 927	154 792
PAT over Assets	1,00%	1,91%

Note 36 - Business combination

All amounts in millions of NOK

February 28th, 2020 the Group acquired 100 % of the shares in Forso Nordic AB, a captive finance operation. Forso Nordic AB is headquartered in Sweden, Gothenburg, with a subsidiary in Finland and branches in Norway and Denmark. The acquisition is fully financed through an intra group loan from the parent company of Santander Consumer Bank AS. The agreement also includes a long term partnership offering financial services to Ford dealers and customers in the Nordic region.

Statement of the acquisition appears in the Group notes.

Forso Nordic AB was integrated with Santander Consumer Bank AS by a legal merge 9 September 2020. However, for accounting purposes the merger was implemented from 1 July 2020. All assets and liabilities were transferred to the Bank measured at book value according to IFRS.

The table below summarizes the assets and liabilities recognized in the balance sheet of the Bank at the date of the merger.

	1 July 2020
Total deposits with and loans to financial institutions	1 043
Loans to customers	5 646
Repossessed assets	8
Investments in subsidiaries	351
Intangible assets	2
Fixed assets	8
Other assets	85
Total assets	**7 143**
Debt to credit institutions	-5 269
Tax payable	-15
Other financial liabilities	-4
Deferred tax	-133
Other liabilities	-592
Total liabilities	**-6 013**
Net assets transferred to SCB AS	**1 130**

For accounting purposes the merger has been booked at full continuity. Profit after tax for Forso Nordic AB for the period 1 March 2020 to 30 June 2020 was transferred to equity for the Bank. Profit after tax for the period 1 July 2020 to 31 December was included in the Banks result.

For tax purposes the merger has been implemented with continuity in all three countries. The merger has been given taxable effect from 9 September 2020. Due to the change of headquarter from Sweden to Norway, all business and assets allocated to Forso Nordic AB's Norwegian and Danish branch have been taken out of Swedish tax jurisdiction, and therefore subject to exit taxation in Sweden. Further all business and assets related to Forso Nordic AB's business in Sweden and Denmark are taken into Norwegian tax jurisdiction by the merger.

Profit after tax Forso Nordic AB:	**Total**
01 January - 30 June	37

Santander
Consumer Bank

To the General Meeting of Santander Consumer Bank AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santander Consumer Bank AS, which comprise:

- The financial statements of the parent company Santander Consumer Bank AS (the Company), which comprise the balance sheet as at 31 December 2020, statements of profit and loss, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Santander Consumer Bank AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, statements of profit and loss, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2020 financial statements.

Key Audit Matter	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 management judgement. The impact of Covid-19 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. During the financial year the Group acquired 100 % of the shares in Forso Nordic AB. The acquisition contributed 11 Bn NOK in loans to customers. These loans were migrated into the Groups systems during 2020. 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 estimate of the impact of Covid-19 on the expected credit losses on a collective basis. The Group's business is concentrated on consumer finance. In this context, the	Our work in the area of impairment of loans to customers includes analyzing, assessing and verifying the control environment as well as performing tests of details with respect to the estimated provisions. As for the internal control environment, we obtained a detailed understanding of the processes and tested controls associated with: • the calculation, recalibration and back-testing of methodologies used by Management, • whether the Management-approved internal models worked as intended, • the reliability of the sources of data used for calculation purposes, • the appropriateness of the models, • the process for periodically reviewing contracts for stage classification and measurement. Our testing of internal controls did not indicate material errors in the use of models or reliability of data. We tested the migration of loans from Forso to Group's systems without finding errors of any significance. For the main models, we carried out tests of details related to 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 properly classified and that 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 criteria used by management in the current environment of uncertainty, such as appropriate flagging and staging of contracts. Any differences encountered as part of our detailed testing fell within a reasonable range. We note however, the high level of uncertainty in the current situation caused by Covid-19. We evaluated the appropriateness of the related disclosures in the notes and found that they satisfied the requirements in IFRS.

Group has developed a general risk management framework which takes into account the specific characteristics of each of its geographical markets and products. Its internal models are mainly designed to enable the Group to estimate impairment provisions collectively. In order to cover increased risk due to macroeconomic risks related to the current market conditions management has in addition 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

IT systems supporting processes over financial reporting

The Group's financial accounting and reporting processes are dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively

For important IT-systems supporting financial reporting, the audit team performed a combination of test of controls and test of detail of relevant reports, automated controls, and IT general control. 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.

Our work gave us sufficient evidence to enable us to rely on the operation of the group's IT systems deemed relevant for our audit.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 19 February 2021

PricewaterhouseCoopers AS

Stig Arild Lund

State Authorized Public Accountant

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Lund, Stig Arild	BANKID_MOBILE	2021-02-19 14:25