Credit Update

Investor Presentation
December 2021
Santander Consumer Bank AG
Disclaimer

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Agenda Investor Presentation

1. Executive Summary
2. SCB Germany within Santander Group
3. Business Model and Strategy
4. Financials 2020
5. Risk Management
6. Funding Strategy
Executive Summary
Executive Summary (1/3)

Santander Consumer Bank AG is firmly rooted in Santander Group

Market Leader in consumer finance in Germany with strong financials

Reinforcement of ESG topic

Conservative underwriting policy in order to maintain the above average risk quality of the loan portfolio

Resilient operating performance and strong capital position prove strong credit fundamentals

Santander Consumer Bank is a crisis resistant bank with the goal to become the best open digital platform for financial services
## Executive Summary (2/3)

What do the Rating Agencies say?

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Long Term Rating</th>
<th>Short Term Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Poor’s</td>
<td>A</td>
<td>A-1</td>
<td>Negative</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A2</td>
<td>P-1</td>
<td>Stable</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>A-</td>
<td>F2</td>
<td>Stable</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Pfandbrief Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch Ratings</td>
<td>AAA</td>
<td>Stable</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Aaa</td>
<td>Stable</td>
</tr>
</tbody>
</table>

“We note that the bank has been managing the operating headwinds comparably well through the pandemic-induced 2020 recession, predominantly thanks to the solid performance of the used cars financing subsegment.”

“SCB’s baa2 BCA reflects, and is supported by, the bank’s sound asset quality, solid capitalisation and above-average profitability compared with the German banking sector.”

“SCB AG has consistently been one of the most profitable German banks and a reliable source of strong returns for Santander, with average return on equity of about 14% over the past four years.”

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1) S&P Research Update dated 14th December 2020  
2) Moody’s Research Update dated 27th July 2021; BCA stands for baseline credit assessment  
3) Fitch Ratings dated 21st June 2021; VR stands for viability rating.
Profitability: Resilience even in a pandemic environment

Strong track record of resilient recurring profitability even in unprecedented environment
Slight decrease in PbT due to almost quadrupled risk provisions to reflect effects of pandemic

Capitalisation: Further strengthened

CET1 ratio increased by 145 basis points
Total capital ratio increased by 159 basis points

Risk: Prudent risk management as basis for success

Loan loss provisions conservatively increased to reflect potential weakening economy in 2021
NPL ratio improved in 2020 to 1.7 in line with good asset quality
Risk prudence leading to high quality new business

PbT2020: EUR 393.6 m (EUR 454.2 m in 2019)
RoRWA\textsuperscript{1)} 2020: 1.34\% (vs 1.54\% in 2019)

CET1 ratio: 14.44\% (compared to 12.99\% at the end of 2019)
Total capital ratio: 16.2\% (compared to 14.61\% at the end of 2019)

Net loan loss provisions increased by 273\% to EUR 123.7 m
NPL ratio decreased to 1.7 (2.0 in 2019)

\textsuperscript{1)} Return on risk-weighted assets
SCB Germany within Santander Group
SCB Germany within Santander Group

- Founded in 1957, Santander Consumer Bank AG (SCB) is the largest non-captive and second largest car finance provider in Germany.

- SCB is also a market leader in consumer goods financing in Germany with a fully-fledged retail banking service.

- SCB is wholly owned by Santander Consumer Finance S.A. (SCF), a leader in consumer finance in Europe, which in turn is wholly owned by Banco Santander S.A.

- Grupo Santander is one of the largest banks worldwide serving 148 million customers.

- SCF is represented in Germany by SCB.
Santander Consumer Bank AG has a full banking license since 1967 and conducts banking business subject to the supervision of the ECB according to the uniform European Single Supervisory Mechanism (SSM) and the German Federal Financial Services Authority in co-operation with the German central bank and in accordance with the German Banking Act.

- Santander Consumer Bank’s entire share capital is held by Santander Consumer Holding GmbH, a limited liability company based in Mönchengladbach.

100% of share capital of SCB held by SCF.

Source: Santander Consumer Bank
1) Directly (75%) and indirectly (25%)
Subsidiaries’ model limits possible contagion among the Group’s units thereby reducing systemic risks
In addition, state of the art deposit protection scheme in place to safeguard SCB’s customers

Source: Banco Santander S.A. and Santander Consumer Bank AG
1) Subject to the supervision of the ECB according to the uniform European Single Supervisory Mechanism (SSM)
SCB Germany within Santander Group
Santander's strong Market Share in three Geographic Regions

- **USA**: Loans: 3%, Deposits: 2%
- **Brazil**: Loans: 10%, Deposits: 11%
- **Mexico**: Loans: 13%, Deposits: 8%
- **Argentina**: Loans: 18%, Deposits: 17%
- **Chile**: Loans: 18%, Deposits: 17%
- **Spain**: Loans: 18%, Deposits: 15%
- **UK**: Loans: 10%, Deposits: 8%
- **Portugal**: Loans: 17%, Deposits: 18%
- **Poland**: Loans: 12%, Deposits: 11%
- **SCB Germany**: Loans: 10%, Share SCB assets: 32%
- **SCF Europe**: Loans: 13%

Source: Banco Santander S.A. ; Market share data as of 30th September 2020 or latest available; Note: The UK includes London branch, Poland including SCF business in Poland. The US include all states where Santander operates. Brazil: Deposits including debentures. LCA (agribusiness notes), LCI (real estate credit notes), financial bills (letras financieras) and COE (certificates of structured operations) The three geographic regions include North America, South America and Europe.
SCB Germany within Santander Group

Germany makes up 32% of SCF’s Assets

SCF Portfolio: EUR 117 bn
December 2020

<table>
<thead>
<tr>
<th>SCF Geographies</th>
<th>Portfolio Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>32%</td>
</tr>
<tr>
<td>Nordics</td>
<td>15%</td>
</tr>
<tr>
<td>Spain</td>
<td>13%</td>
</tr>
<tr>
<td>France</td>
<td>13%</td>
</tr>
<tr>
<td>UK</td>
<td>10%</td>
</tr>
<tr>
<td>Italy</td>
<td>8%</td>
</tr>
<tr>
<td>Poland</td>
<td>3%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3%</td>
</tr>
<tr>
<td>Austria</td>
<td>2%</td>
</tr>
<tr>
<td>Portugal and others</td>
<td>1%</td>
</tr>
</tbody>
</table>

- SCF’s portfolio is well spread across 15 European countries and well balanced between car and consumer loans
- SCF has critical mass and TOP 3 positions in all countries
- Germany makes up 32% of SCF’s portfolio

SCF: Management perimeter (i.e. including SCUK, Poland and Canada)
Business Model and Strategy
Business Model and Strategy
Facts and Figures SCB

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Acquisition of Sixt Leasing via Hyundai Capital Bank Europe</td>
</tr>
<tr>
<td>2019</td>
<td>Joint Venture „Hyundai Capital Services Inc.“</td>
</tr>
<tr>
<td>2016</td>
<td>Pfandbrief licence obtained and Joint Venture „PSA Bank Deutschland GmbH“</td>
</tr>
<tr>
<td>2015</td>
<td>Joint Venture „Volvo Car Financial Services GmbH“</td>
</tr>
<tr>
<td>2011</td>
<td>Acquisition of the German Retail Business of „SEB“</td>
</tr>
<tr>
<td>2009</td>
<td>Acquisition of and Merger with „GE Money Bank“</td>
</tr>
<tr>
<td>2008</td>
<td>Acquisition of and Merger with „RBS“</td>
</tr>
<tr>
<td>2006</td>
<td>Change of name into „Santander Consumer Bank“</td>
</tr>
<tr>
<td>2002</td>
<td>Merger of „CC-Bank“ with „AKB Bank“</td>
</tr>
<tr>
<td>1987</td>
<td>Branding into „CC-Bank“ and Acquisition by „Santander“</td>
</tr>
<tr>
<td>1957</td>
<td>Founded as „Curt Briechle KG Absatzfinanzierung“</td>
</tr>
</tbody>
</table>

Source: Santander Consumer Bank
## Business Model and Strategy

Our Customer's Needs are at the Center of our Business Activities

<table>
<thead>
<tr>
<th>Customers</th>
<th>Mobility business</th>
<th>Consumer Financial Services</th>
<th>Direct business</th>
<th>Business and corporate banking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private clients</td>
<td>Private clients</td>
<td>Private clients</td>
<td>Corporate and commercial clients</td>
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<tr>
<td></td>
<td>Dealers</td>
<td>Retailers</td>
<td></td>
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<td></td>
<td>Importers</td>
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<tr>
<td></td>
<td>Manufacturers</td>
<td></td>
<td></td>
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<tr>
<td>Sales</td>
<td>Indirect sales</td>
<td>Indirect sales</td>
<td>Direct sales</td>
<td>Sales reps</td>
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<td>Dealer network</td>
<td>International retailers</td>
<td>Branches</td>
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<tr>
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<td>Sales reps</td>
<td>Sales reps</td>
<td>Remote advice</td>
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<td></td>
<td>Regional HVC</td>
<td></td>
<td>Online activities</td>
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<td></td>
<td>Online activities</td>
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<td>Products</td>
<td>Installment loans</td>
<td>Installment loans</td>
<td>Installment loans</td>
<td>Cash Management</td>
</tr>
<tr>
<td></td>
<td>AutoDispoPlus-Card</td>
<td>ComfortCard plus</td>
<td>Checking accounts</td>
<td>Trade Finance</td>
</tr>
<tr>
<td></td>
<td>Leasing</td>
<td>Factoring</td>
<td>Credit and debit cards</td>
<td>Working Capital Finance</td>
</tr>
<tr>
<td></td>
<td>Factoring</td>
<td>Insurances</td>
<td>Deposits</td>
<td>Growth and Investment</td>
</tr>
<tr>
<td></td>
<td>Stock financing</td>
<td></td>
<td>Investment products</td>
<td>Financing</td>
</tr>
<tr>
<td></td>
<td>Importer financing</td>
<td></td>
<td>Mortgage and</td>
<td>Interest Hedging</td>
</tr>
<tr>
<td></td>
<td>Insurances</td>
<td></td>
<td>Pfandbrief business</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pension schemes</td>
<td>Currency Hedging</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Insurances</td>
<td></td>
</tr>
</tbody>
</table>

Source: Santander Consumer Bank; HVC: Dealer Sales Office (Händler Vertriebs Center)
Business Model and Strategy

Strong Market Position in Consumer Finance

**New Business (EUR m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tickets 2020*</th>
<th>Outstanding (EUR bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>404,000</td>
<td>17.2</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>13,300 active dealer partners</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>7,103</td>
</tr>
</tbody>
</table>

**Distribution**

<table>
<thead>
<tr>
<th>Year</th>
<th>New Business (EUR m)</th>
<th>Consumer Financial Services</th>
<th>Direct business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7,226</td>
<td>988</td>
<td>1,773</td>
</tr>
<tr>
<td>2019</td>
<td>7,426</td>
<td>662</td>
<td>2,180</td>
</tr>
<tr>
<td>2020</td>
<td>7,103</td>
<td>419</td>
<td>2,116</td>
</tr>
</tbody>
</table>

1. Volkswagen Bank
2. **Santander**
3. Mercedes Bank
4. BMW Bank
5. Opel Bank

**Competitors**

1. Targobank (Crédit Mutuel)
2. **Santander**
3. ING Diba
4. TeamBank
5. Deutsche Bank

*Santander among the Top 5 banks in Germany*

Loans granted per working day: ≈ 5,4000 units

Source: Santander Consumer Bank; data as of end of December 2020
1) Incl. Leasing
2) Including extensions and increases of loan size
* Number of loans granted
Business Model and Strategy

Strategic Priorities in our four Business Fields

MOBILITY BUSINESS

- Maintain leadership position with value-adding services for our dealers and innovative solutions for the end customer

DIRECT BUSINESS

- Grow business through comprehensive offering of products and financial services via branch and digital channels

CONSUMER FINANCIAL SERVICES

- Transform business model with e-commerce products and diversified dealer relationships

BUSINESS AND CORPORATE BANKING

- Strengthen business with German mid-sized segment through the strong expertise in Santander's core markets

Source: Santander Consumer Bank
# Responsible Banking Priorities 2021 in Germany: Mapped to ESG

## Business Model and Strategy

### Goals

| Environmental | Contribute to Paris Agreement goals by aligning our portfolios, helping our customers to transition to a low carbon economy and leading by example in our own operations |
| Social        | Have a best in class inclusive proposition that is relevant for our business, support our diverse stakeholders and has an impact in society that is concrete and measurable |
| Governance    | Ensure doing the things the right way by further embedding our culture, having clear and relevant policies, leverage mainstream processes, listen to our stakeholders and ensure oversight by a solid governance |

### Initiatives

<table>
<thead>
<tr>
<th>Net 0 of own operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Carbon neutral since 2020, review further carbon saving activities</td>
</tr>
</tbody>
</table>

**Support reduction of customer footprint**

| • Enable customers to reduce their impact through offsetting initiative with Chooose |
| • Offsetting commitment for 5% of all financed news cars |
| • Increase share of alternative drive technologies (EVs & PHEVs) |

**Foster inclusive & collaborative culture**

| • Ensure comprehensive healthy and wellbeing approach (e.g. Be Healthy program, Covid measures) |
| • Further drive gender equality |

**Leverage Santander Universities**

| • Contribute to education, employability and entrepreneurship through around 1.000 scholarships |

**Drive Corporate Citizenship**

| • Support around 47.000 people through selected community programs |

**Reflect ESG standards & requirements in governance & risk management**

| • Incorporate ESG practices towards suppliers |

**Drive transparency & reporting**

| • Evolve reporting and measurement approach |
Business Model and Strategy
Journey of Banco Santander to be net zero by 2050

- Set the decarbonization targets for other material sectors, including Oil & Gas, Transport, and Mining & Metals
- Remove unnecessary single-use plastics

2020
- Becoming carbon neutral in our own operations

2021
- Align Santander power generation portfolio with the Paris Agreement

2022
- Stop providing financial services to power generation clients with more than 10% of revenues dependent on thermal coal

2025
- Eliminate all exposure to thermal coal mining worldwide
- Using 100% of electricity from renewable sources in all countries

2030
- Raise or facilitate the mobilization of over €120 Billion in green finance since 2019

2050
- Raise or facilitate the mobilization of over €220 Billion in green finance since 2019

= Germany already implemented
Business Model and Strategy

Outlook

Targets

- Maintain solid risk quality

- Increase in profit before tax envisaged; however low visibility on 2021 earnings forecast given the uncertain further development of the pandemic

- Continue to seize growth opportunities by increasing the number of products per customer
<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before Taxes</td>
<td>€393.6 Million Euro</td>
<td>Previous: €454.2 Million Euro</td>
</tr>
<tr>
<td>LCR&lt;sup&gt;1&lt;/sup&gt;</td>
<td>236.6%</td>
<td>Previous: 187.8%</td>
</tr>
<tr>
<td>Common Tier 1 Capital Ratio</td>
<td>14.44%</td>
<td>Previous: 12.99%</td>
</tr>
<tr>
<td>RoRWA&lt;sup&gt;2&lt;/sup&gt;</td>
<td>1.34%</td>
<td>Previous: 1.54%</td>
</tr>
<tr>
<td>Employees&lt;sup&gt;3&lt;/sup&gt;</td>
<td>3,075</td>
<td>Previous: 3,194</td>
</tr>
<tr>
<td>Cost/Income Ratio</td>
<td>62.20%</td>
<td>Previous: 65.43%</td>
</tr>
<tr>
<td>Total Capital Ratio</td>
<td>16.20%</td>
<td>Previous: 14.61%</td>
</tr>
<tr>
<td>Client Accounts</td>
<td>4,788 Thousand</td>
<td>Previous: 5,384 Thousand</td>
</tr>
</tbody>
</table>

Source: https://www.santander.de/ueber-santander/investor-relations/finanzinformation/ ; Santander Consumer Bank Annual Report 2019

1) Liquidity Coverage Ratio
2) Return on Risk Weighted Assets
3) Headcount includes permanent and temporary employees, averaged over year
## Financials 2020

**Strong Track Record of SC Germany**

### Profit before Taxes (in EUR mn.)

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>517</td>
<td>533</td>
<td>463</td>
<td>548</td>
<td>582</td>
<td>500</td>
<td>507</td>
<td>471</td>
<td>506</td>
<td>486</td>
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### Managed Loans (in EUR bn)

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>20.8</td>
<td>29.7</td>
<td>29.4</td>
<td>29.0</td>
<td>29.4</td>
<td>29.4</td>
<td>28.8</td>
<td>27.2</td>
<td>26.8</td>
<td>25.8</td>
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### Cost-Income-Ratio (in %, incl. depreciation)

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</thead>
<tbody>
<tr>
<td>Value</td>
<td>31.4</td>
<td>45.4</td>
<td>54.1</td>
<td>52.8</td>
<td>51.5</td>
<td>52.3</td>
<td>54.3</td>
<td>53.0</td>
<td>54.1</td>
<td>53.5</td>
<td>48.7</td>
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</table>

### Customer Accounts (in thsd.)

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>7,307</td>
<td>9,168</td>
<td>8,524</td>
<td>8,205</td>
<td>7,490</td>
<td>7,252</td>
<td>7,058</td>
<td>6,714</td>
<td>6,077</td>
<td>5,384</td>
<td>4,788</td>
</tr>
</tbody>
</table>

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1) Management View incl. IFRS w/o PSA/VISA; without Leasing
2) Without Leasing;
3) The decline was caused by reassessments of the portfolio during several IT migrations as well as the change in customer preferences due to the low interest rate environment
## Financials 2020

### Strong Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>∆ 20/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash reserve</strong></td>
<td>3,496</td>
<td>5,349</td>
<td>1,853</td>
</tr>
<tr>
<td><strong>Receivables from Banks</strong></td>
<td>2,152</td>
<td>2,860</td>
<td>707</td>
</tr>
<tr>
<td><strong>Receivables from Customers</strong></td>
<td>29,961</td>
<td>29,217</td>
<td>-744</td>
</tr>
<tr>
<td><strong>Debt &amp; other fixed-income securities</strong></td>
<td>9,515</td>
<td>11,435</td>
<td>1,920</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>978</td>
<td>1,266</td>
<td>288</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>46,102</td>
<td>50,127</td>
<td>4,024</td>
</tr>
<tr>
<td><strong>Liabilities to Banks</strong></td>
<td>4,999</td>
<td>7,253</td>
<td>2,254</td>
</tr>
<tr>
<td><strong>Liabilities to Customers</strong></td>
<td>23,170</td>
<td>22,774</td>
<td>-396</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>689</td>
<td>685</td>
<td>-4</td>
</tr>
<tr>
<td><strong>Issuances</strong></td>
<td>13,298</td>
<td>15,218</td>
<td>1,920</td>
</tr>
<tr>
<td><strong>Other liabilities</strong></td>
<td>878</td>
<td>878</td>
<td>1</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>3,068</td>
<td>3,318</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td>46,102</td>
<td>50,127</td>
<td>4,024</td>
</tr>
</tbody>
</table>

- The deviation in cash reserve was mainly caused by changing excess volumes in the minimum reserve account in order to manage the minimum liquidity buffer.
- Receivables from banks increased due to a higher funding to HCBE and SIXT Leasing.
- Decrease in receivables from customers (in addition to installment loans this also relates to commercial loans and mortgages; partly due to Covid-19).
- Debt & other fixed-income securities increased due to the closing of a retained ABS transaction amounting to EUR 3.8 bn and the build up of an HQLA portfolio amounting to EUR 1.5 bn.
- Liabilities to banks increased due to higher TLTRO III drawings in March, June and September than repayment of TLTRO II.
- Liabilities to customers decreased driven by lower wholesale deposits based on liquidity management actions and the reduction in certificate deposits.
- Increase in issuances in 2020 due to the closing of a retained ABS transaction (EUR 3.8 bn) and the closing of a market ABS transaction (EUR 1.8 bn). The increase of volume due to one Pfandbrief issuance amounting to EUR 500 m is compensated by the decrease of commercial paper.
- Equity increased due to a capital injection amounting to EUR 250 m.

Source: Santander Consumer Bank figures according to German GAAP (HGB); 1) Equity excluding subordinated liabilities and profit participation certificates.
In addition to the impact arising from restriction related to Covid-19 the following aspects influenced the development of customer assets:

- Mobility outstanding decreased due to lower new business (-2.8%)
- Return-driven decline in Consumer Financial Services due to ongoing cancellation of unprofitable business
- Higher outstanding in Direct Business mainly due to increasing terms despite of nearly unchanged turnover
- Decreased outstanding in mortgage business driven by higher redemptions

Source: SCB AG figures according to German GAAP (HGB); figures may not add up to 100% due to rounding
In 2020 the average interest rate on customer assets continued to fall. The receivables from customers were slightly lower than in 2019 (-2.5%). Interest expenses were lower than last year mainly driven by lower swap expense.

In contrast to 2019, but as expected, in 2020 no dividend was paid by the joint venture PSA.

Slightly lower commission income (-1.1%) but compensated by even lower commission expense (-2.6%), which led to a net increase in net fees and commissions. Both effects resulted from lower new business in CFS and direct business.

Operating expenses are lower than in 2019 mainly due to lower expenses for personnel adjustment measures, IT & consulting costs and pandemic-related cost savings.

Due to the difficult market environment caused by the pandemic, the increase in LLP was higher than ultimately expected.

Other operating expenses were impacted by de-recognitions which were €16.4 million higher than in 2019. This could be partly compensated via lower expenses for operational risks.

Earnings from profit transfer agreement contain the result of SC Leasing.

| Source: Santander Consumer Bank figures according to German GAAP (HGB); Figures may not add up due to rounding. |
**Financials 2020**

**Key Performance Indicators**

**Net Interest Margin** (in %)

- 2019: 2.5%
- 2020: 2.3%

**Cost-Income-Ratio** (in %)

- 2019: 65%
- 2020: 62%

**Return on Equity**

- 2019: 14.8%
- 2020: 11.9%

**Cost-Income-Ratio** (in %)

- 2019: 2.0%
- 2020: 2.1%

---

1) Profit before taxes (HGB) in % of equity without participation rights and subordinated loans
2) Calculation basis: management result / management view; calculation: Profit after taxes / RWA
Financials 2020
Improving Capitalisation

- All capital ratios are comfortably above the regulatory minimum requirements in December 2020
- Capital increase and RWA optimizations strengthened the capital ratios in the second half of 2020
Risk Management
## Risk Management

Risk Prudence leads to favorable Risk Situation

<table>
<thead>
<tr>
<th>PD Band</th>
<th>Segment</th>
<th>Private Customers</th>
<th>Business Customers</th>
<th>Private Real Estate Financing</th>
<th>Commercial Real Estate Financing</th>
<th>Gross Balance White/Grey Loans (in % and EUR m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1.0%</td>
<td></td>
<td>65.7%</td>
<td>9.8%</td>
<td>9.6%</td>
<td>0.7%</td>
<td>85.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,304.4</td>
<td>2,586.8</td>
<td>2,531.3</td>
<td>180.7</td>
<td>22,603.2</td>
</tr>
<tr>
<td>&gt;= 1.0%</td>
<td></td>
<td>12.7%</td>
<td>1.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>14.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,344.6</td>
<td>315.4</td>
<td>37.1</td>
<td>34.5</td>
<td>3,731.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>78.4%</td>
<td>11.0%</td>
<td>9.8%</td>
<td>0.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20,649.0</td>
<td>2,902.2</td>
<td>2,568.4</td>
<td>215.2</td>
<td>26,334.8</td>
</tr>
</tbody>
</table>

- 86% of loans have a probability of default (PD) of less than 1%
- Broadly diversified private customer loan portfolio

1) White loans: conforming loans; grey loans: credit commitments with current payment problems, payment problems over the last few months or changes to the repayment schedule in the form of extensions or changes to the installment plan
Risk Management
Comprehensive Risk Controlling Processes established

- Experienced Risk Managers
- Expertise in Risk Analytics
- Robust Models and Methods
- Solid Risk Data Infrastructure
- Measurement
- Planning & Limit Setting
- Controlling
- Monitoring & Evaluation
- Governance & Communication

Normative and Economic View

VaR
Scenarios
Ad-hoc
Planning

Risk KPIs
- Risk Report
- LKR Budgeting
- Parameters (PD/LGDs/EL)

Vintage Analysis
- New Business
- ROA, RORWA

Ad-hoc Analysis
- Single Portfolio Evaluation

Risk Identification & Assessment
- Business Strategy
- Risk Strategy
- Risk Manual

ALM Controlling
Risk & Credit Policies + Decision
Limit Management
OpRisk Controlling
Internal Control Unit
Collection Policies

Supervisory Board
Management Board
Risk / Loan Committees
Individual credit authorities

Risk Identification & Assessment
Risk Pro = Worldwide initiative to reinforce a solid and holistic risk culture through the whole entity. With this initiative the awareness that everybody is responsible for risk management, in his day-to-day work, is established.

- **Leadership**
  - Personal commitment of top management (tone from the top)
  - Risk Culture embedded in banks strategic frameworks
  - Responsibility for risk included in leadership principles

- **Talent Selection & Onboarding**
  - Risk aspects considered in recruitment process
  - Risk part of onboarding-process

- **Growth & Development**
  - Continuously ongoing risk and compliance trainings for eligible staff

- **Reward & Recognition**
  - Risk part of bonus/incentives setting
  - Recognition of employees showing exemplary responsibility for risk
  - Sanction of undesired behavior

- **Day-to-Day Work**
  - All employees are responsible for the risks they face in their day-to-day activities
  - 3 Lines of defence model in force

- **Risk Management**
  - Risk Culture embedded in all Employees’ DNA

- **Governance**
- **Measurement**
Risk Management
Non Performing Loans Ratio further improved

- NPL ratio further decreased in 2020 proving good asset quality
- Various effects due to NPL sales
Funding Strategy

Funding Mix

Targets of funding strategy

- Maintain strong retail deposit base
- Strengthen ABS funding via market transactions
- Make efficient use of TLTRO
- Further broadening and diversification of the investor base by issuing
  - Pfandbriefe
  - Senior Unsecured Debt
  - Commercial Paper

Securitisations as an important funding tool

- SCB has a long track record of originating and structuring European ABS deals
- Main features of our structures include
  - Highly granular and well diversified loan portfolio
  - STS¹ true sale loan transaction
  - Credit enhancement: excess spread, subordination, overcollateralization

Intensifying further funding sources

- To establish reputation as a frequent issuer with respect to
  - Pfandbriefe
  - Senior Unsecured Debt
  - Commercial Paper

¹) Simple, transparent and standardised
Funding Strategy
Further Diversification of Funding in 2020

Funding Mix December 2019: EUR 42.1 bn

- Retail Deposits 42.74%
- Covered Bond 1.19%
- MTN 2.38%
- ECB 10.7%
- Securitisations (ABS market or ECB) 25.94%
- Commercial Paper 2.04%
- Promissory Notes 0.28%
- Wholesales Deposits 6.69%
- Equity 8.06%

Funding Mix December 2020: EUR 46.9 bn

- Retail Deposits 38.24%
- Covered Bond 2.1%
- MTN 2.1%
- ECB 14.46%
- Securitisations (ABS market or ECB) 27.04%
- Commercial Paper 1.1%
- Promissory Notes 0.3%
- Wholesales Deposits 4.34%
- Equity 10.33%

• 38% of funding portfolio is provided by retail deposits in 2020
• Pfandbrief issuance in February 2020 has further strengthened the refinancing basis

Source: SCB AG figures according to German GAAP (HGB); figures may not add up to 100% due to rounding; balance sheet view including retained ABS and equity
Credit Update

- Conservative business model and stable market position in Germany
- Strong recurrent earnings generation
- Conservative risk management ensures the high risk quality of the loan portfolio
- Solid capital position
- Further diversification of the funding base
VIELEN DANK.

Unser Anspruch ist, zum Erfolg von Menschen und Unternehmen beizutragen.

Unsere Kultur basiert auf der Überzeugung, dass alles, was wir tun, einfach, persönlich und fair ist:

**Simple Personal Fair**

Santander Consumer Bank AG

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Telefon</th>
<th>Email</th>
</tr>
</thead>
<tbody>
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<td><a href="mailto:andreas.glaser@santander.de">andreas.glaser@santander.de</a></td>
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<td><a href="mailto:holger.grawe@santander.de">holger.grawe@santander.de</a></td>
</tr>
</tbody>
</table>

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