Santander
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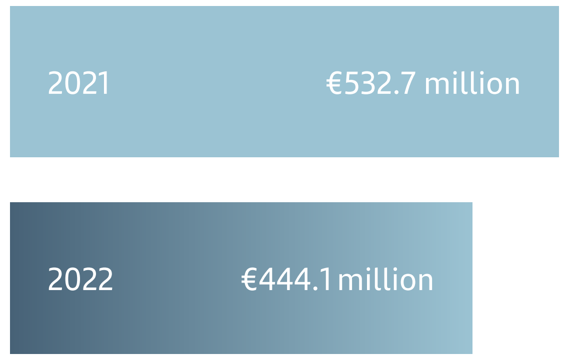
Annual Report 2022

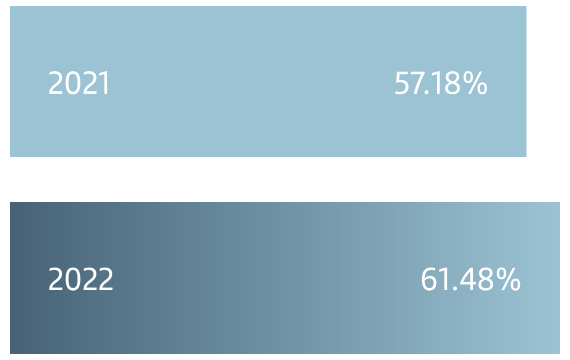
Snapshot of Success Numbers

Profit and Loss Figures Santander Consumer Bank AG

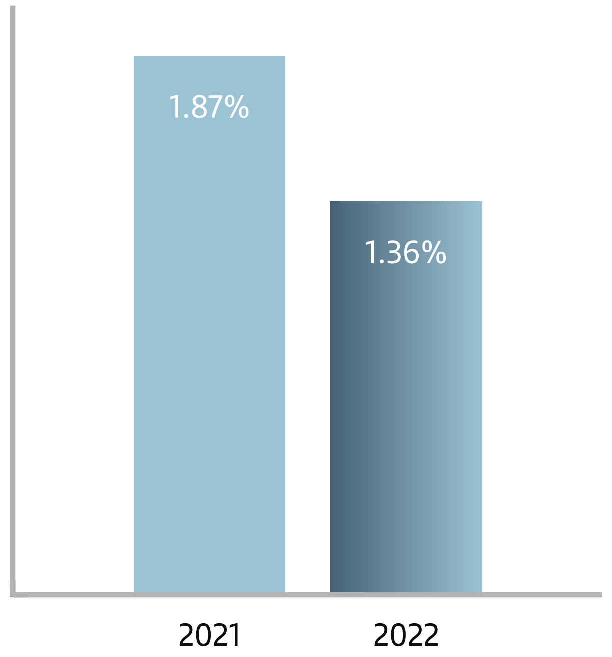
Profit for the Year



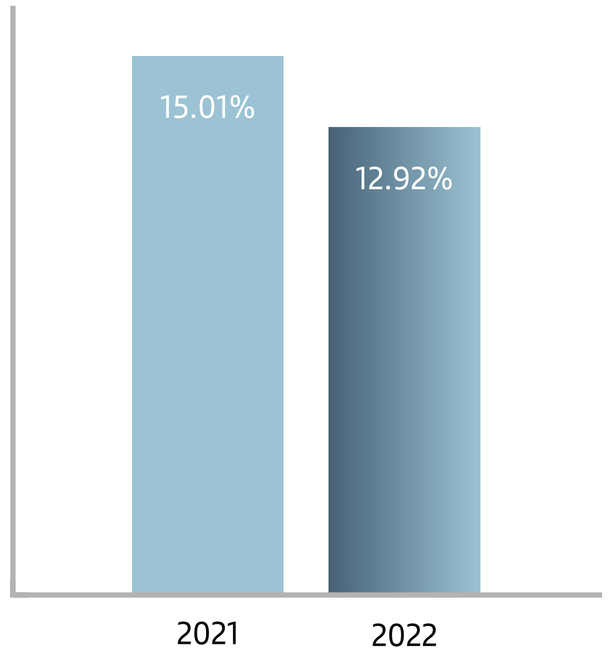
Cost-Income Ratio



Return on Risk Weighted Assets



CET 1



German GAAP (HGB)	01/01/–31/12/2022 (in € million)	01/01/–31/12/2021 (in € million)	Change (in %)
Net Interest Income	1,014.7	1,045.5	–2.9
Net Fees and Commissions	163.3	182.0	–10.3
Income from Capital Instruments	38.8	25.3	53.5
Gross Margin	**1,216.8**	**1,252.8**	**–2.9**
Personell Expenses	295.8	270.3	9.5
General Expenses	379.1	373.3	1.5
Amortizations	73.2	72.7	0.6
Other Operating Income and Expenses	23.0	48.4	–52.4
Operating Income	**491.7**	**584.9**	**–15.9**
Net Loan Loss Provisions	112.4	134.3	–16.3
Depreciation and valuation allowances to investments, shares in associated companies and securities held as fixed assets	28.5	26.5	7.7
Earnings from Profit Transfer Agreements	93.3	108.7	–14.1
Profit for the Year	**444.1**	**532.7**	**–16.6**

Ratios	01/01/–31/12/2022 (in %)	01/01/–31/12/2021 (in %)	Change (in percentage points)
Cost-Income Ratio	61.48	57.18	430
Return on Risk Weighted Assets	1.36	1.87	–51
NPL Ratio	1.76	1.5	26

Banking Regulatory Ratios	31/12/2022 (in %)	31/12/2021 (in %)	Change (in percentage points)
Common Equity Tier 1 Ratio (CET 1)	12.92	15.01	–209
Total Capital Ratio	14.73	17.08	–235
Leverage Ratio	6.74	6.70	4

Balance Sheet Figures	31/12/2022 (in € billion)	31/12/2021 (in € billion)	Change (in %)
Balance Sheet Total	53,635	55,623	–3.6
Liabilities to Costumers	25,250	23,390	8
Receivables from Customers	32,044	28,856	11
Equity *	3,318	3,318	0

Ratings **	Long Term	Short Term	Outlook
Moody's	A2	P1	Stable
Standard & Poor's	A	A–1	Stable
Fitch Ratings	A–	F2	Stable

Pfandbrief Ratings	Rating	Outlook
Moody's	Aaa	Stable
Fitch Ratings	AAA	Stable

* Equity excluding subordinated liabilities and profit participation certificates
** Ratings as of day of preparation of annual report

Figures may not add up due to rounding.

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Dear reader,

2022 was a year that often left us deeply concerned about political, social, and economic events. In this challenging fiscal year, marked by geopolitical uncertainties, disrupted supply chains, and high inflation, we once again demonstrated our strong financial position and resilience thanks to tailor-made services and products, an outstanding team, and high cost focus.

Growth engine 'new lending' with double-digit growth rates

At €18.772 billion, we increased our new credit volume by 12.7% year-on-year. This is an excellent result to which all four business units contributed with double-digit growth rates.

+12.7%
Increase in new credit volume

In **Mobility**, new credit volume increased by 14.8% year-on-year to €6.011 billion (excluding dealer purchase financing), thus exceeding our expectations. New car business grew to €1.435 billion and used car business with end customers increased by 14.6% to €4.577 billion in the year under review. In addition to the traditional automotive financing business, strategic growth initiatives such as our white label solutions for selected car dealers, cooperations and equity investments, and the expansion of digital sales channels contributed to the positive result. In addition, new credit volume in dealer purchase financing also increased by 9.8% to a total of €7.125 billion. In November 2022, we announced the acquisition of MCE Bank[1]. We expect the acquisition to further expand our existing captive business in Germany and contribute to the profitable growth of our automotive business.

As in the previous year, **Consumer Financial Services** recorded growth in new business in 2021. Durables new credit volume increased by 12% to €559 million despite the fact that the overall e-commerce market declined. The main growth drivers here were the traditional new credit business at the point of sale thanks to new partners, as well as the increase in new credit volume in e-commerce and the expansion of our "purchase on account" factoring product.

61.48
Cost-Income Ratio
(+430 Basis Points above the Previous Year)

In **Direct Business**, new business again grew at a double-digit rate of 13.3% to €2.858 billion in the year under review, slightly exceeding our expectations despite the difficult market conditions. The figures underscore the success of long-standing growth initiatives such as the consistent implementation of our omnichannel strategy and the brand campaign launched in 2021, which has played a key role in strengthening our profile in the German market since its launch.

New lending business in **Business & Corporate Banking** also made a leap forward. On a comparable basis (adjusted for prolongations), it increased from €1.296 billion to €1.525 billion (+17.7%) compared to 2021. A significant success factor is Santander Group's international corporate customer network, which greatly benefits our customers. As part of the internationally active banking groups, we are in a position to optimally accompany export-oriented companies into markets where the Group already has a strong presence.

1.76%
Non-Performing Loans Ratio

[1] The execution is subject to the official approvals, which had not yet been issued at the time the annual accounts were prepared.

Thanks to our successful and resilient business model, we again achieved a **good profit for the year of €444.1 million** in a challenging and volatile market environment. However, due to the sharp increase in commission and interest expenses, particularly as a result of the higher capital market-induced interest expense from customer and non-customer business, our result fell short of our original planning.

€444.1 million
Profit for the Year

Trust-based cooperation with investors and rating agency

Our refinancing activities are based on a trustful cooperation with investors and rating agencies. Our good ratings – awarded by the market-leading agencies – were confirmed again in fiscal 2022 with a continued stable outlook. Particularly in the context of the current difficult economic and market environment, this once again demonstrates how future-proof our bank is positioned in the market.

In a capital market environment characterised by high volatility and risk aversion, we succeeded in executing another full stack transaction in the fiscal year. The successful placement of the "SC Germany Consumer 2022-1" consumer credit ABS in the amount of one billion euros contributed to strengthening our capital base in addition to the positive liquidity effect.

I would like to sincerely thank all employees for their valuable contribution in 2022. I would also like to thank our business partners and customers for their trust.

In 2023, we will continue to work on helping people and businesses prosper. We aim to become the best open platform for financial services and are actively driving this transformation. In doing so, our dedicated employees, our consistent customer focus, a strong financial position and international orientation form a solid foundation for our sustainable growth.

Kind regards,

Vito Volpe
Chief Executive Officer
Santander Consumer Bank AG

from left to right:

Thomas Hanswillemenke
Chief Officer Mobility & CFS

Vito Volpe
Chief Executive Officer

Walter Donat
Chief Accounting Officer

Jochen Klöpper
Chief Risk Officer

Fernando Silva
Chief Officer Retail and Corporates

Financial Management in the 2022 Financial Year

In addition to the important retail deposit business, the Financial Management Division is responsible for the Bank's financial market-oriented refinancing. Santander manages its funding profile on the basis of regular, forward-looking structural analyses of assets and liabilities.

Our refinancing mix primarily includes deposits from private clients and institutional investors. Placements on the money and capital markets as well as the origination of ABS, in which we securitise customer receivables and subsequently place them on the capital markets, are further pillars of refinancing. We use the range of short-term and long-term refinancing instruments at our disposal as needed. This includes withdrawals under our commercial paper programme as well as issuing unsecured and secured bonds. The Bank will gradually reduce the targeted longer-term refinancing operations (TLTRO) by the ECB, which have been used opportunistically up to now, and replace them with the above refinancing sources.

In this way, we strive for an even broader diversification of the liabilities side. With a balanced refinancing mix, we were able to raise the necessary funds efficiently and cost-effectively at all times during the financial year.

The basis of our refinancing efforts is the trust-based cooperation with our investors and the rating agencies. Our ratings, awarded by market-leading agencies, were confirmed in the business year. The outlook is stable. In particular in view of the current difficult economic and market environment, this proves once again how future-proof and stable the market positioning of the Santander Consumer is.

You can find our current ratings with the agencies' publications as well as current investor presentations on the Bank's Investor Relations portal at **https://www.santander.de/ueber-santander/investor-relations/ratings/**

The Financial Management Department implemented numerous projects in the financial year, the successes of which we would like to highlight below using the origination and structuring of ABS as examples.

Santander has a twenty-five-year history of securitisation activity. Since then, we have been originating ABS on different platforms for various asset classes. Over the last three years, consumer credit ABS has become increasingly important. The renowned research company Global Capital has already awarded the bank several awards for its ABS transactions.

In a capital market environment characterised by high volatility and risk aversion, we succeeded in completing another so-called full stack transaction in the financial year. In this third transaction since 2020 transaction, all or nearly all of the issued securities are sold to external investors. This consumer credit ABS "SC Germany Consumer 2022-1" had a volume of €1 billion, divided into seven tranches with different risk profiles. 21 international investors were successfully allocated in the order book. In addition to the liquidity injection, the equity-relieving effect benefited us. In the future, ABS transactions will remain an important strategic instrument for managing our capital and liquidity.

"Supported by a trustful cooperation with our international investors, ABS transactions will remain an important strategic instrument for managing the capital and liquidity of our Bank in the future"

Andreas Glaser
CFO Santander Consumer Bank AG

Report of the Supervisory Board on the Financial Year 2022

The year 2022 was a special year for Santander Consumer Bank AG with exceptional conditions.

The Supervisory Board would like to thank the Management Board and all employees for their great personal commitment, without which the further development of the business would not have been possible in 2022. The Supervisory Board wishes all those involved a lucky hand and every success in meeting the challenges ahead.

In the 2022 financial year, the Supervisory Board performed the duties incumbent upon it under the law and the Articles of Association.

At four regular Supervisory Board meetings, the Managing Board provided us with detailed and comprehensive information on corporate management and planning, business development and the risk situation, as well as on other transactions and events of considerable importance to the Bank. We advised and monitored the Management Board in its activities and satisfied ourselves that its management was in order. Between meetings, we were informed in writing of important events. Necessary resolutions were passed during these periods by written circulation.

In addition, the Chairwoman of the Supervisory Board was in constant contact with the Board of Managing Directors. She was informed by the Chairman of the Board of Managing Directors at regular meetings about business developments and significant business transactions.

Five meetings of the Audit Committee were held in the 2022 financial year. The auditor attended three meetings. The Members of the Audit Committee discussed the audit of the annual financial statements of Santander Consumer Bank AG and the audit reports.

The Remuneration Control Committee met four times in 2022 to discuss the Bank's remuneration system and other statutory issues.

The Nomination Committee met three times in 2022 and dealt in particular with personnel matters relating to the Management Board.

The Risk Committee met four times in 2022 and dealt in particular with the Bank's risk appetite as well as other statutory issues.

At the beginning of the year, the due process of electing the members of the Supervisory Board took place.

Until the end of the Shareholders' Meeting in February 2022 the Supervisory Board was newly constituted.

The employee representatives were elected, according to the specifications of the German Co-determination Act by universal suffrage. The shareholder representatives were reelected during the Shareholder's Meeting. Ms. Paloma Esteban was appointed by court in accordance to §§ 104 II, III AktG and § 6 II MitbestG as representative of the executive employees to the Supervisory Board.

Since the constituent meeting of the Supervisory Board, which took place after the Shareholders' Meeting on 24th of February 2022, the Supervisory Board is composed as follows:
Ms. Mónica López-Monís Gallego as Chairwoman, Ms. Patricia Benito, Mr. Dirk Marzluf, Mr. Rafael Moral Salarich, Ms. Adelheid Sailer-Schuster, Ms. Cristina San José as shareholder representatives; Ms. Martina Liebich as deputy Chairwoman; Mr. Peter Blümel, Ms. Paloma Esteban, Ms. Deniz Kuyubasi, Mr. Robert Neumann, Mr. Thomas Schützelt as employee representatives.

We welcome all members in the Supervisory Board of Santander Consumer Bank. We are looking forward to the cooperation.

To take this opportunity we wish all resigned Supervisory Board members all the best for the future and want to thank them for the good cooperation.

The annual financial statements and the management report for the 2022 financial year were audited by Pricewaterhouse-Coopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, who were appointed as auditors by the Annual General Meeting, and included in the accounts, and received an unqualified audit opinion. The documents relating to the annual financial statements, the Management Board's management report and the auditor's reports were made available to the Audit Committee prior to the Audit Committee meeting and to all Members of the Supervisory Board prior to the balance sheet meeting. The auditor reported to the Supervisory Board on the main results of his audit and was available to answer questions. The Supervisory Board acknowledged and approved the results of the audit. After the final result of the examination of the annual financial statements, the management report and the proposal for the appropriation of profits by the Supervisory Board, no objections were raised.

The Supervisory Board approved the annual financial statements prepared by the Management Board. These are thus adopted. The Supervisory Board agrees with the proposal for the appropriation of the net profit.

Mönchengladbach, February 28th, 2023

The Supervisory Board

Mónica López-Monís Gallego
Chairwoman

COMPOSITION OF THE SUPERVISORY BOARD IN 2022

Shareholder Representatives

Mónica López-Monís Gallego
(Chairwoman)

Patricia Benito

Dirk Marzluf

Rafael Moral-Salarich

Adelheid Sailer-Schuster

Cristina San José

Employee Representatives

Martina Liebich
(Dpt. Chairwoman)

Peter Blümel

Stefan Eck
(until February 24th, 2022)

Paloma Esteban

Uwe Foullong
(until February 24th, 2022)

Deniz Kuyubasi
(since February 24th, 2022)

Robert Neumann
(since February 24th, 2022)

Thomas Schützelt

MANAGEMENT REPORT

In the management report we explain in detail the development of Santander in the last financial year 2022 as well as the macroeconomic and industry-spedific framework conditions and their impact on the performance of the bank. In addition, we give an outlook on the expected development of Santander in the current year 2023 as well as the expected framework conditions.

Management Report 2022

FUNDAMENTALS OF THE COMPANY

Santander Consumer Bank AG, hereinafter also referred to as the "Bank", "Institute" or "Santander", is one of the largest private banks in Germany, with around 3.5 million retail customers. We offer our customers[1] a wide range of financial services: from current accounts and credit cards to consultation for investment-oriented customers. Measured by lending volume, we are the largest manufacturer-independent financer of mobility in Germany. When it comes to granting loans for consumer goods, we are among the leading providers according to the same criterion. In consumer lending, we work in the areas of Mobility, Consumer Financial Services (CFS), and Direct Business. Financial services for corporate clients and mortgage lending round off our product range.

€3.5 million
Retail Customers

To improve customer service and increase efficiency by standardising processes and exploiting economies of scale, we have outsourced IT processes and various back-office activities. These services are now provided by our subsidiaries, among others.

In selected areas (e.g. mobility, structuring of ABS transactions) we also offer services for other banks: so-called "Banking as a Service" (BaaS).

We are consistently developing our omni-channel market presence with our uniform distribution network and product range: The customer decides how he or she wishes to use the services of and communicate with our bank. In addition to the nationwide branch network, the online channels via the Santander Mobile Banking App, video consulting, and the call centre are available as distribution channels that complement each other.

In the **Mobility** sector, we have been the largest manufacturer-independent financing partner (so-called non-captive sector) in the car, motorcycle, and (motorised) caravan sectors in Germany for many years. In addition, our institute acts as exclusive financing partner for selected car brands (so-called captive sector), in particular Mazda and Volvo. With regard to the manufacturer banks, we are among the largest market participants in Germany. We also cooperate with manufacturers of motorbikes and recreational vehicles. To increase market penetration, we are expanding the cooperation with our dealer partners. Our mobility segment is divided into financing of used and new cars as well as dealer purchase financing. We are also active in the leasing business through our subsidiary Santander Consumer Leasing GmbH.

MAIN SEGMENTS

Mobility	Consumer Financial Services
Direct Business	Business & Corporate Banking

Since 2019, our bank has held a 51% stake in Hyundai Capital Bank Europe GmbH (HCBE), which in turn holds a 92.07% equity stake in Allane SE (formerly SIXT Leasing SE). As of the balance sheet date 2022, PSA Bank Deutschland GmbH is also part of our Group. All three banks mentioned are active in motor vehicle financing. MCE Bank GmbH will also join us, subject to the relevant regulatory approvals in 2023.

Our **Consumer Financial Services (CFS)** division largely comprises the furniture, consumer electronics/computer, DIY, and e-commerce retail sectors. We work with some of the top-selling furniture and electronics retailers in Germany.

[1] For reasons of better readability, we use the generic masculine in the following. All personal designations apply equally to women, men, and non-binary people.

In contrast to the Mobility and Consumer Financial Services segments, we do not approach customers in our retail banking segment via our dealer partners (indirect business), but rather (directly) via our branches, our call centre, and our video consulting service.

In **Direct Business**, our bank offers cash loans, current accounts, cards, and standardised deposit products through its nationwide branch network. We also sell other products via our website, in particular online loans. We complement this offer with investment advice geared to individual client needs, especially in the securities and pension areas. We are also active in the property financing business. To round off the product range for private customers, our branches offer insurance and home savings solutions from cooperation partners. For example, Santander is active in the brokerage of residual debt insurance. Santander had a nationwide network of 189 branches as of 31.12.2022 (189 in the previous year).

189 branches

The **Business & Corporate Banking** division bundles business with corporate clients. The target groups are German SMEs and international companies with turnovers in the range of €25 million to 1 billion.

A core element of the management of the international banking subsidiaries in our Banco Santander S.A. Group is the so-called subsidiary model: The Group's subsidiaries act as autonomous local banks. Santander Consumer Bank AG is subject to German legislation; it is supervised both by the local (national) supervisory authority and, since November 2014, by the European Central Bank (ECB) under the Single Supervisory Mechanism (SSM). Our customer deposits are not only protected by the statutory deposit guarantee, but also by our bank's membership in the private deposit guarantee scheme.

The shares in the Bank's share capital are held by Santander Consumer Holding GmbH, whose parent company is the Spanish Santander Consumer Finance S.A. as a subgroup (with its own consolidated financial statements); this in turn is included in the consolidated financial statements of Banco Santander S.A., Madrid. Santander Consumer Finance S.A. is reported in the Digital Consumer Bank segment of Banco Santander S.A.'s financial statements.

ECONOMIC REPORT

Macroeconomic and sector-related framework conditions

The global economy lost noticeable momentum again in 2022 overall. The extensive withdrawal of measures taken to combat the corona pandemic supported the economy, especially in the industrialised countries. However, the continuing supply bottlenecks had a dampening effect on the economy, which only gradually improved due to China's zero-covid policy, which was only moderately eased at the end of 2022. The outbreak of the war in Ukraine in February 2022 led to a noticeable increase in the price of energy and food, which resulted in an intensification of supply chain problems. This development burdened the emerging and developing countries even more than the economies in Europe. In the second half of 2022, the ECB responded by tightening its previously expansionary monetary policy more rapidly and in the following months it stepped up the pace of key interest rate hikes due to high inflation. After the Governing Council had raised the ECB's three key interest rates twice by 75 basis points at the previous two meetings, this was followed by a 50 basis point rate hike in December 2022.

Looking ahead to 2022 as a whole, the German economy initially continued to recover in the first six months and by the middle of the year had returned to the level it had before the outbreak of the corona pandemic. So far, Germany has coped well with the economic consequences of the war in Ukraine. There have been no acute energy shortages, nor have companies had to shut down production across the board or make people redundant.

The inflation rate in Germany rose to 7.9% in 2022, the highest level since the mid-1970s, triggered by the above-mentioned upheavals as a result of the war in Ukraine and the termination of gas supplies by Russia. These developments primarily led to the share of consumer spending in disposable income declining because, in addition to energy prices, food prices in particular rose disproportionately. As the share of expenditure on food in disposable income is high, households with relatively low incomes were particularly burdened. The high inflation and the assessment that it will remain above the target value of 2% in the medium term for a longer period of time prompted the ECB to continue tightening its monetary policy. The scaling back of monetary policy expansion aims at reducing support to demand and preventing the risk of inflation expectations remaining permanently at a high level not in line with the target.

Despite strong price increases and global uncertainties, domestic demand increased year-on-year, especially private consumer spending. One reason for this is likely people's wish to catch up after the end of many of the restrictions imposed by the corona pandemic: Expenditure on accommodation, restaurant, and transport services grew strongly towards the end of the year. In contrast, less was again spent on durable goods than in the previous year; this is probably due to the general uncertainty caused by the sharp price increases. Government consumption expenditure increased by 1.1% compared to 2021 due to the continued costs of central vaccine procurement, higher spending on refugees, and funding to combat the energy crisis. The increase was slowed by the withdrawal of various Corona measures, including the phasing out of payments for vacant beds at hospitals and the decline in the number of Corona vaccinations and rapid tests carried out.

The picture is mixed when it comes to investments: In price-adjusted terms, more was invested in equipment than a year earlier (plus 2.5%). The order situation seems to remain good despite high prices and persisting supply bottlenecks. On the other hand, increased construction prices, the growing shortage of skilled workers and continued disrupted supply chains throughout 2022 led to declining expenditures, especially in the finishing trade.

In contrast, trade with foreign countries increased towards the end of the reporting year, although strong price growth continued throughout the year: For example, export prices rose by a good 15.3% compared to 2021. Price-adjusted exports nevertheless increased by 3.2%. Positive impulses came from the automotive and electronic equipment sectors, among others. On the import side, prices rose by 25% compared to the previous year, reflecting significantly higher energy prices. Nevertheless, price-adjusted imports increased by 6.7% compared to 2021, partly due to significant growth in travel.

In view of the unexpected and extraordinary rise in inflation, the Governing Council decided in October 2022 to change the terms of the third series of targeted longer-term refinancing operations (TLTRO III). The Council also adjusted the interest rate on the minimum reserves held by credit institutions in the Euro system to bring them more in line with money market conditions.

The German passenger car market developed unexpectedly heterogeneously in 2022. According to the Federal Motor Transport Authority, new registrations rose by 1.1% to 2.651 million vehicles. The number of private new vehicle registrations included in this figure increased by 4.9% to 0.951 million units. However, the number of private registrations fell by 15.8% to 5.641 million. This opposite development resulted from the rapid increase in registrations of state-subsidised electric and hybrid vehicles in the last months of 2022, as this subsidy was cut from 2023 onwards; in addition, the backlog in passenger car deliveries was cleared thanks to the successive elimination of delivery bottlenecks, which progressed more slowly than originally assumed due to the war in Ukraine.

BUSINESS PERFORMANCE

In the management report, we would like to address important financial and performance indicators. These include net income and RoRWA.

Within the passenger car market described above, our bank's loan volume (new lending business) in the **mobility** sector increased more than expected compared to 2021: by 14.8% to €6.011 billion (excluding dealer purchase financing). In the course of the reporting year, our expectation communicated in the Management Report 2021 that the German automotive industry would succeed in eliminating its supply bottlenecks was increasingly confirmed. As a result of the war in Ukraine, however, the supply bottlenecks eased later than expected.

The new credit volume of our institute in Germany was divided as follows in 2022: The new car loan volume grew from €1.243 billion to €1.435 billion. In 2021, loan volume had fallen by 12.8%; we were able to more than compensate for this decline in the reporting year with a 15.4% increase in loan volume. The used car business with end customers, which is more important for us in terms of amount, grew by 14.6% to €4.577 billion in the reporting year. The credit volume in dealer purchase financing increased by 9.8% from €6.488 billion to €7.125 billion.

We continued to successfully develop our mobility business in cooperation with our partners during the business year. In addition, we have laid the foundation for organic and inorganic growth with new cooperations and an acquisition.

In November 2022, Santander announced that it had signed a purchase agreement with MC Automobile (Europe), Mitsubishi International GmbH, and MC-V Beteiligung Verwaltungsgesellschaft mbH to acquire 100% of the shares in MCE Bank GmbH. As part of Mitsubishi Corporation's foreign subsidiary group, MCE Bank is its principal bank in Germany for the distribution of vehicles produced by Mitsubishi Motors (MKG Bank) and Isuzu Motors (Isuzu Bank). In addition to comprehensive financial services for the automotive industry, MCE Bank also offers IT services for car dealerships. As the transaction is expected to be completed in the first half of 2023, subject to the relevant regulatory approvals, we refer to further details in our forecast and opportunities report.

In the year under review, we supported selected car dealers in establishing their own financial brands without a banking licence. The respective mobility partner uses our banking infrastructure, but acts as a financing partner for the end customer. These so-called white label solutions strengthen our Mobility division by securing and expanding our car loan business with loyal partners and increasing dealer loyalty.

In addition to the traditional car financing business through brick-and-mortar shops, Santander has further expanded the Internet sales channel through the so-called platform business. In the reporting period, we agreed on a cooperation with mobile.de – another online marketplace with a far reach (measured by the number of visits). In this way, we can expand our services around a credit conclusion without media discontinuity. The offer of so-called car subscriptions also expands our platform business: Here, the end customer can fulfil his mobility needs via the Wabi app or the company's website, and do so with more flexibility than with a car lease. Both online solutions are designed to increase loyalty and retention among our mobility partners as well as end customers. With around 160 sales representatives and nine decentralised dealer sales centres nationwide, we have the largest manufacturer-independent sales network for motor vehicle financing in Germany.

The trend toward using alternative drive technologies continues unabated. In 2022, the share of lending volume (electric and hybrid) in the total new lending business rose from 27% to 31% (in each case including the leasing business operated in Germany by our subsidiary Santander Consumer Leasing GmbH). The reason for this is primarily the growth in new business with our cooperation partner Tesla.

160
Sales Representatives in Mobility

In December 2021, Santander Consumer Finance and European carmaker Stellantis had announced that they were renegotiating the terms of their 2014 pan-European partnership to finance Peugeot, Citroën, and DS vehicles. A binding agreement was signed in March 2022: Santander Consumer Bank AG and Banque PSA Finance S.A. will each sell their 50% stake in PSA Bank Deutschland GmbH – including the Austrian branch and PSA Finance UK Ltd – to Opel Bank S. A. The closing of this transaction is subject to the necessary regulatory and antitrust approvals. The first approvals have already been given.

At our subsidiary Santander Consumer Leasing GmbH, the number of leasing contracts declined from around 177,000 (end of 2021) to just under 174,000 (end of 2022). As expected, the reason for this was the longer delivery times for leased vehicles due to the disrupted supply chains.

Our **Consumer Financial Services** segment continued to grow new business in 2022. New loan volume increased by 12% from €0.499 billion to €0.559 billion, which was weaker than expected. In contrast to the previous year, classic new lending business at the point of sale increased significantly and thus more strongly than forecast thanks to the new acquisition of partners in the furniture segment. We were able to slightly increase loan volume in e-commerce against the market trend. In the year under review, our Bank strengthened its factoring product "Invoice Purchase" by introducing the Santander Group's pan-European technical platform "Buy Now, Pay Later" in Germany as well.

Direct Business is generated through branches, online, and via Santander Direct Consulting. Our instalment loan business again grew at a double-digit rate: We increased our new business in the year under review by 13.3% from €2.522 billion to €2.858 billion and thus slightly more than forecast.

Even though our new business in mortgage financing was below target in 2022, it again grew at a double-digit rate, namely by 10.1% to €323.1 million. Due to the sharp rise in interest rates, the overall demand for credit slumped noticeably in the course of the year. In the year under review, we further accelerated the process up to the determination of the mortgage lending value and the acceptance of the collateral and advanced digitalisation.

+10.1%
Growth in New Business in Mortgage Financing

Number of customer accounts in thousands

	2020	2021	**2022**
Total	4,788	4,574	**4,596**
Including credit accounts	3,278	3,086	**3,115**
Deposit accounts	1,027	993	**972**
Current accounts	484	494	**509**

New lending business in **Business & Corporate Banking** increased from €1.296 billion to €1.525 billion on a comparable basis (adjusted for extensions) compared to 2021. In particular, we made use of the Santander Group's international corporate customer network: in this way, we support export-oriented companies to foreign markets where the Group already has a strong presence.

For 2022, our bank had expected a significant increase in the annual result in the 2021 management report, but at the same time had not ruled out a decline in the result due to the difficult-to-estimate effects of the disrupted supply chains. The actual **profit** in the reporting year was €444.1 million, 16.6% below the previous year's value of €532.7 million. Accordingly, the RoRWA forecast of the previous year was not achieved either.

€444.1 million

Profit for the Year
(Previous Year: 532.7 million)

The result for the year includes the profit transfer of Santander Consumer Leasing GmbH in the amount of €93.3 million (previous year: €108.7 million).

The total number of customer accounts increased by 0.5% to 4.6 million in the year under review. We were also able to reverse the decline in credit accounts of previous years: Their number was 3.1 million, almost 1% more than in 2021. The number of deposit accounts fell by 2.2% to 972,000, while the number of current accounts increased by 3.1% to 509,000.

The **balance sheet total** as of December 31, 2022 decreased by 3.6% year-on-year from €55.623 billion to €53.635 billion. The main changes in the balance sheet items are described in the following chapter.

–3.6%

Decrease in Balance Sheet Total

DEVELOPMENT OF THE ASSET AND FINANCIAL SITUATION OF THE BANK

The balance sheet structure reflects our focus on consumer lending on the **assets side** and refinancing through deposits from private and institutional clients, liabilities from issuing business (reported under securitised liabilities), and ABS securitisations (reported under other liabilities) on the liabilities side. We report the utilisation of funds at the central bank under liabilities to credit institutions.

Loans and advances to customers increased by €3.189 billion to €32.044 billion as of December 31, 2022 (previous year: 28.856 billion). The share of retail receivables from instalment loans (Mobility, Consumer Financial Services, and Direct Business) in the total receivables portfolio fell slightly from 67.1% in the previous year to 64.8%. Dealer purchase financing made a slightly higher contribution to the total volume with 6.3% (previous year: 4.7%). The receivables in the real estate lending business amounted to 7.7% (previous year: 8.7%).

Loans and advances to financial institutions grew from €2.755 billion to €6.778 billion. This was due to higher time deposits with other banks.

Balance sheet structure assets in million euros

	2020	2021	**2022**
Balance sheet total	50,127	55,623	**53,635**
Cash and cash equivalents	5,349	10,757	**1,291**
Receivables from customers	29,217	28,856	**32,044**
Loans and advances to credit institutions	2,860	2,755	**6,778**
Securities	11,435	11,969	**12,201**
Other assets	1,266	1,286	**1,321**

At the balance sheet date, Santander reported €12.201 billion (previous year: 11.969 billion) under **bonds and other fixed-income securities**. The reason for the 1.9% increase is the further expansion of our bank's Depot A with Southern European government bonds. Also shown here are ABS transactions originated and existing in the reporting year. In 2022, we structured an ABS transaction (see our comments on "other liabilities"). This was offset by repayments of own bonds during the year. We have submitted the senior tranches of securities generated from own assets to the ECB: They serve as a reserve for possible, unexpected liquidity outflows and as collateral for refinancing transactions with the ECB.

In addition to cash in hand amounting to €82.1 million, the cash reserve contains €1.209 billion (previous year: €10.663 billion) invested with the Deutsche Bundesbank. This marked decline in the Central Bank balance is due to yield-oriented reallocations to our institution's custody account A, lower TLTRO utilisations as well as higher time deposits with other banks.

Shares in affiliated companies increased by €25 million year-on-year to €786 million as of the balance sheet date. This resulted from a capital increase of €50 million at Santander Consumer Leasing GmbH, which led to an increase in the carrying amount of the investment by the same amount. In addition, an impairment loss of €25 million was recognised in the carrying amount of the investment in HCBE.

Intangible assets decreased from €224.4 million to €210.9 million as of December 31, 2022. The reasons for the decline in inventories were reduced advance payments on intangible assets and increased amortisation of software after investments had been made.

Property, plant and equipment decreased from €42.1 million to €37.3 million as of December 31, 2022 due to increased scheduled depreciation.

The **liabilities side** reflects the solid – because broadly diversified – refinancing of the bank.

Liabilities to customers grew by €1.86 billion from €23.39 billion to €25.25 billion in the year under review. The increase in deposit interest rates obviously prompted our customers to commit to our bank for the longer term again: Deposits with agreed maturity or notice period reported under other liabilities increased by 30.5% or €1.568 billion compared to 2022; on the other hand, the holdings of liabilities due to customers on demand only increased by just under 2% or €0.34 billion. Our online sales and our nationwide network of a total of 189 branches and branch offices throughout Germany give us broadly diversified access to retail deposits.

The Bank manages its funding profile on the basis of regular, forward-looking structural analyses of assets and liabilities. We were able to raise the necessary funds at any time – thanks to our broadly diversified refinancing mix: This primarily includes deposits from private clients and institutional investors, placements on the money and capital markets, and the structuring of ABS transactions. The repayment of the previously opportunistically used borrowing through the ECB's targeted longer-term refinancing programme TLTRO took place as planned in each quarter of 2022 (see our comments on "Liabilities to banks").

€23.39 billion
Liabilities to Customers

Balance sheet structure liabilities in million €

	2020	2021	**2022**
Balance sheet total	50,127	55,623	**53,635**
Deposits	900	870	**822**
Other liabilities to customers	21,874	22,520	**24,428**
Liabilities to credit institutions	7,253	10,473	**8,686**
Securitised liabilities	2,506	2,631	**2,361**
Other liabilities	13,187	14,688	**12,870**
Provisions	685	720	**746**
Equity*	3,722	3,721	**3,722**

* Data including subordinated liabilities and profit participation capital

Santander complied with the relevant regulatory liquidity requirements at all times. As of the balance sheet date, the liquidity ratio LCR was 231.7% (previous year: 519.6%) above the regulatory minimum requirement.

Liabilities to banks fell from €10.473 billion to €8.685 billion in the reporting year. The reason was the reduction in the utilisation of TLTROs, which fell from €10.3 billion in the previous year to €8.5 billion as of the 2022 balance sheet date.

Other liabilities decreased from €14.642 billion to €12.838 billion in 2022 due to changes in ABS transactions described below. In the year under review, our bank originated a new consumer ABS (see our comments on full-stack ABS in the next paragraph). Furthermore, we terminated two ABS transactions as scheduled due to clean-up calls, and scheduled repayments of existing ABS transactions also reduced the portfolio. This item also includes the profit transfer obligation to our parent company.

In its s**ecuritisation activities**, our bank acts in the function of originator as defined by supervisory law. A first objective is to obtain liquidity directly by selling receivables in order to refinance the consumer loan business. With the second objective of obtaining collateral for deposit with the ECB, in some transactions we also acquire the senior tranche of the issued securities ourselves (investor function for own securitisations). In addition to structuring, securitisation activities include the servicing function (management of the sold pool of receivables) and the subordinated lender function for own securitisations to provide reserves. A third goal – the reduction of the equity burden – is achieved by means of ABS transactions with significant risk transfer, thus lowering the equity burden of our bank. In the year under review, Santander originated its third full-stack ABS after 2020, in which all issued securities – except for the retention – were sold in tranches to external investors. The volume of the issue was 1 billion euros.

The item **securitised liabilities** decreased by €270 million year-on-year from €2.631 billion to €2.361 billion. This was due to two opposing developments: a bullet unsecured bond with a volume of €500 million as well as the €230 million increase in drawings from the existing commercial paper programme.

Provisions amounted to €746.1 million at the end of the reporting year (previous year: €719.5 million). This increase is due in particular to higher provisions for existing pensions and similar obligations.

Balance sheet **equity** (excluding subordinated liabilities and profit participation capital) remained unchanged year-on-year at €3.283 billion. **Own funds** pursuant to § 10 KWG in conjunction with Art. 72 CRR amounted to €3.296 billion as of the balance sheet date (previous year: €3.308 billion). The Common Equity Tier 1 capital ratio pursuant to § 10 KWG in conjunction with Art. 92 Para. Art. 92 para. 1 lit. a) CRR was 12.92% (previous year: 15.01%), the core capital ratio (Art. 92 para. 1 lit. b) CRR) was 12.92% (previous year: 15.02%), the total capital ratio (Art. 92 para. 1 lit. c) CRR) reached 14.73% at the end of the reporting year (previous year: 17.08%).

Our own funds steering is embedded in the Santander Group's own funds planning and covers a rolling 36-month planning horizon. It is based on the budget figures for the respective coming financial year, the figures for long-term corporate planning, and regulatory requirements. In order to take into account any changes that may occur in the meantime, we regularly review the planning and adjust it if necessary. On the basis of the respective current planning, we decide together with the shareholder to what extent there is a need for equity injections.

DEVELOPMENT OF THE BANK'S EARNINGS SITUATION

Our bank achieved an **annual result** of €444.1 million in 2022, compared to €532.7 million in the previous year, a decrease of 16.6%. The RoRWA (Return on Risk Weighted Assets) decreased by 51 basis points to 1.36%. We therefore did not achieve the forecast from last year's management report, in which we had expected a noticeable increase in the annual result. The reason for this is a very significant increase in commission and interest expenses (mainly due to increased capital market-induced interest expenses from customer and non-customer business, as well as higher trader commissions paid due to the expansion of business). We refer to our comments on the corresponding items of the income statement.

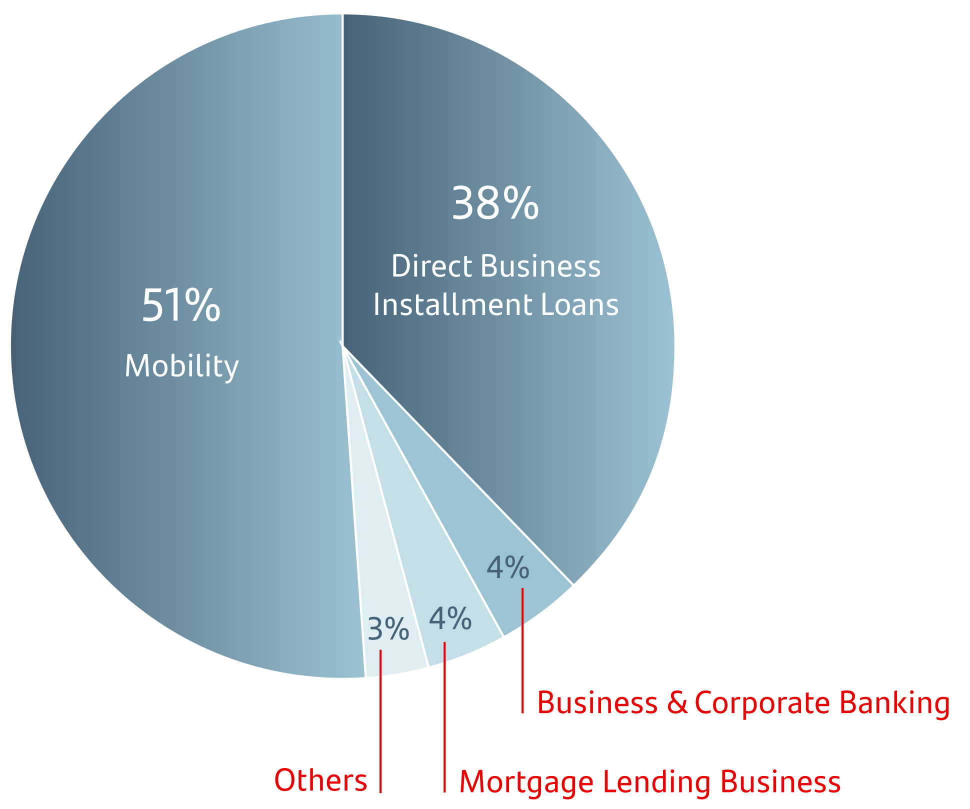
At €1.015 billion, **net interest income** in the reporting year was 2.9% below the previous year's figure of €1.046 billion and thus slightly below our expectations, which had still assumed a slight increase. We were able to moderately increase interest income as forecast. We had already expected a significant increase in interest expenses, but in fact, at €–139.7 million, they are very clearly above our expectations, as the strong rise in market interest rates in the second half of the year first had an effect on the refinancing side. Another reason for the deviation from the plan is the adjustment of the interest conditions for TLTRO utilisations. As the increase in interest income was smaller than the increase in interest expenses, net interest income decreased slightly overall. Loans and advances to customers grew significantly by 11.1% compared to the previous year and amounted to €32.044 billion. While the portfolio development in Consumer Financial Services and in the mortgage lending business continued to decline, the receivables portfolio in Mobility and in dealer purchase financing increased again in the reporting year – thanks to the recovery in the new car segment in particular. The Direct Business and the Business & Corporate Banking portfolio also grew significantly again.

The ECB's restrictive monetary policy caused market interest rates to rise, especially in the second half of 2022. As a result, we also increased the interest rates in new lending business in several steps. In the mobility sector, this resulted in the average interest rate increasing by 30 basis points compared to 2021. In Direct Business, the average customer interest rate in new business was 57 basis points higher than in the previous year. In this portfolio, interest rate increases have no time lag.

However, these higher interest rates in new business have a delayed effect on the portfolio. This stopped the decline in the average interest rate on our loans and advances to customers, so that this interest rate is at the previous year's level of 4.08% for the entire portfolio. In some portfolios, which are closely aligned with market interest rates, we were able to increase the average interest rate year-on-year again: This increased for dealer purchase financing by 73 basis points to 3.57% and for the Business & Corporate Banking portfolio by 27 basis points to 2.23%. In the consumer loan portfolios, however, the average interest rate still declined slightly. Overall, interest income from the customer lending business grew by 4.2% or €42.7 million due to the increase in volume.

A look at the shares that the individual product areas have in the total interest income from customer business shows a continued leading position of the mobility area. The contribution of the largest portfolio within loans and advances to customers was slightly below the previous year's level at 51% of interest income. Direct business instalment loans (including credit cards and current accounts) continued to rank second. Due to the increase in new business in the reporting year, their share increased to over 38%. The growing Business & Corporate Banking portfolio now contributes over 4% to customer interest income. This means that it has just overtaken the mortgage lending business in terms of share; in this – still third-largest portfolio – the shares of interest income have continued to

SHARE OF BUSINESS AREAS OF TOTAL INTEREST INCOME



decline; this is due to the lower risk-related interest rate compared to the other portfolios and the decrease of the portfolio.

Interest income in the non-customer business increased significantly by €45 million in 2022. In particular, interest income from bank loans increased by €34.1 million compared to the previous year. Income from deposits in the Bank grew by €16 million. Mainly due to volume-related factors and the ECB's changed interest rate policy since July 2022, expenses from negative interest on minimum reserve balances at the Bundesbank fell by €18.1 million.

Interest income from the refinancing of Santander Consumer Leasing increased by €6.8 million to €27 million due to the current interest rate development.

Swap income increased by €6.8 million compared to 2021. This was mainly due to the conclusion of a new swap for interest rate management of the variable-rate securitisation transactions and the changed market interest rate level, which affected the existing swaps.

We had expected a significant increase in **interest expenses**. In fact, they increased even more than expected by €118.5 million to €139.7 million compared to the previous year.

Expenses for liabilities to customers increased significantly by €8.8 million to €31.7 million. Customer interest rates grew in the course of the year due to the current interest rate development and we were able to moderately increase the volume of customer deposits, especially in the higher-interest term deposits.

The largest effect on interest expenses in the reporting year was from non-customer business (interbank market and own refinancing activities): Here, expenses increased significantly by €109.7 euros compared to 2021.

From the utilisation of TLTROs, our bank generated negative interest expenses in open market transactions in 2022; this was due to unfavourably adjusted conditions for TLTRO utilisations. We also had benefited strongly from a premium in the form of an additional interest rate concession in 2021, as we had fulfilled the ECB's lending criteria. This premium was only available until the end of June in the reporting year. Subsequently, the ECB also adjusted the interest rate for TLTRO drawings in the course of the change in interest rate policy. Thus, negative interest expenses fell by €77.1 million in 2022. In the reporting year, the TLTRO adjustment had a profit-reducing effect of just under €22 million.

Another reason for the increase in interest expenses in non-customer business were higher expenses for swaps by €29.9 million, especially for receiver swaps; with these, the Bank receives a fixed interest rate and pays a variable interest rate, so that the general interest rate development also had a negative effect here.

We had forecast an increase **in net commission income**. In fact, it fell significantly by 10.3% to €163.3 million compared to 2021. As expected, commission income increased slightly to €532.4 million. Commission expenses increased significantly by 11% due to higher than expected expenses for brokerage commissions, but we had expected a significant decrease.

Total commission income increased by €17.9 million or 3.5% in the reporting year. Thanks to more new business, we recorded a slight increase of €16.3 million in income from insurance brokerage compared to 2021, primarily from Direct Business. As in previous years, this income accounted for the largest share within commission income. We revised the insurance portfolio in the reporting year and also introduced new products for comprehensive coverage of the customer or the vehicle. The residual debt insurance is now only offered to the full extent of the insurance (death, disability and unemployment), taking into account the statutory upper limit for the sales commission.

We achieved a significant increase of €3.7 million in fee income for services for HCBE compared to the previous year.

The decline in the average custody account volume caused income from the securities services business to fall slightly compared to 2021.

Commission expenses increased significantly by €36.7 million to €369.1 million in 2022. Expenses for brokerage commissions, which continued to make by far the largest contribution to commission expenses, increased significantly by €39 million compared to 2021. This was primarily due to increasing new business in the mobility sector. Commissions paid to our dealer partners increased more than planned. Accordingly, this area's share of brokerage commissions grew from 76% in the previous year to 77% in the year under review. Accordingly, the contribution of the direct sector decreased slightly.

Insurance expenses and other commissions developed in the opposite direction: Both reduced slightly.

Current income from investments increased significantly by €13.5 million to €38.8 million compared to the previous year. This is due to higher dividend income from the participation in PSA Bank Deutschland GmbH.

Administrative expenses as well as amortisation and depreciation of intangible assets and property, plant and equipment totalled €748.1 million in the reporting year (of which personnel expenses €295.8 million and other administrative expenses €379.1 million) after €716.3 million in the previous year (of which personnel expenses €270.3 million and other administrative expenses €373.3 million).

Overall, administrative expenses increased slightly by €31.8 million compared to the previous year; we had expected a slight decrease.

Personnel expenses increased moderately in 2022 compared to 2021; we had expected a moderate reduction here. This is due to higher expenses for wages and salaries as well as larger provisions for pension obligations, which include a one-time pension adjustment for the sharp increase in inflation, especially in the reporting year.

The average number of employees remained almost constant in 2022 at 2,878.

Other administrative expenses rose slightly by €5.8 million, although we had expected a slight decrease. The reasons for this include higher marketing costs and expenses for the increased volume of services provided by Santander Consumer Operations GmbH, e.g. in the back office and call centre area, due to the higher volume of new business. Reduced expenses for services provided by Santander Consumer Technology GmbH and lower allocations to provisions for vacancies had a positive effect.

Depreciation and value adjustments on intangible assets and property, plant and equipment increased slightly by €0.4 million year-on-year, as we had forecast in the 2021 management report.

The cost-income ratio (CIR) deteriorated compared to the previous year from 57.2% to 61.5% due to slightly lower income and the slightly higher administrative expenses.

61.5%
Cost-Income Ratio (Previous Year: 57.2%)

The **net risk costs** of €112.4 million are significantly below the previous year's value of €134.3 million (–16.3%). Although a decline had been expected, it was less pronounced, so that the previous year's forecast was moderately exceeded (+6.3%).

In summary, compared to the previous year, parameter improvements, higher income from the annual sale of receivables, and a stable development of individual value adjustments in the corporate business have a positive effect on net risk costs. On the other hand, there was an inflation-related increase in arrears in the retail business, especially in instalment loans, a higher volume of new business combined with correspondingly higher risk provisions, and lower value write-downs on securities in current assets. Overall, the positive influencing factors predominate. The recovery of the net risk costs for instalment loans in Direct Business, which contrary to expectations did not occur, is the main reason why the negative influences outweigh the previous year's forecast.

Improvements in the value adjustment parameters resulted primarily from the positive influence of increased used car prices on the loss ratios in the motor vehicle portfolio. Due to the resulting higher realisation proceeds, full repayments on a material scale for irreversible defaulted receivables were also observed for the first time in the previous year. Their inclusion in the recovery rates was the main reason for the improvement in this year's update of the value adjustment parameters. The further increase in used car prices, which continued in the reporting year but was not yet taken into account in the parameters, was also reflected by a post-model adjustment.

The positive influence of parameter improvements on the value adjustment is significantly higher than in the previous year at €69.5 million. The forecast did not take such an influence into account.

Payments received on receivables written off reduced net risk costs by €64.7 million in the reporting year. Thus, their positive impact on risk costs was much higher than in the previous year (€49.7 million) and very clearly above expectation. This is due in particular to a significant increase in income from the annual sale of written-off receivables (€47.6 million compared to the previous year's €38.4 million). The reason for this is an increase in sales volume.

After the deterioration in the economic situation of individual corporate customers ("Business & Corporate Banking") had necessitated the formation of specific loan loss provisions in the previous year, the level of specific loan loss provisions remained at the previous year's level in the year under review due to a stable development of the credit quality of the corporate customer portfolio.

Unlike in the corporate business, the expected recovery of net risk costs in the Direct Business did not occur, despite the increasing positive influence of the risk management measures taken in 2021. The assumed improvement in the solvency of private customers failed to materialise as a result of the unexpectedly high inflation. As a result, the backlogged share of Direct Business increased and the expected decline in termination rates did not materialise. This led to an increase in net risk costs for Direct Business compared to the previous year.

In addition, a significant increase in the volume of new business in the direct and motor vehicle portfolios in the reporting year, combined with higher expected losses in young portfolios, led to an increase in risk costs compared to the previous year.

Due to the increase in market interest rates in the reporting year, the price of public-sector securities held as current assets also decreased, so that a write-down to the lower of cost or market value of €14.1 million was necessary, which increased the net risk costs in the reporting year.

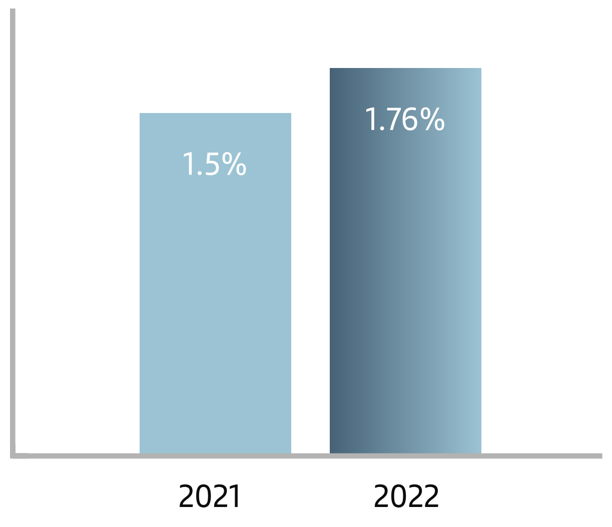
The NPL ratio of our bank in relation to loans and advances to customers rose significantly in the reporting year to a value of 1.76% (balance sheet date 2021: 1.5%). The reason for this was the regulatory-driven introduction of a new default definition and the associated classification of further receivables as non-performing, which significantly increased the portfolio of non-performing receivables.

For the **other operating result**, we had forecast earnings in the low single-digit million range in the previous year. In fact, we generated income of €23 million (previous year: €48.4 million).

Other operating income fell very significantly, by €35.6 million to €48.9 million, although we had expected a significant decline. In the reporting year, there was income from the reversal of provisions, among other things, which had not been taken into account in the forecast. The main reason for the decrease compared to the previous year was income in 2021 of €35.3 million from the passing on of loan defaults to an ABS transaction vehicle involving external investors who bore these defaults. Of these, only €2 million were incurred in the reporting year.

In 2022, other operating expenses decreased very significantly by €10.2 million to €25.9 million. Although we had expected a significant reduction, the decrease was not quite as strong as forecast. The main reason for the decrease was lower expenses mainly in connection with operational risks, which were assessed more conservatively.

NPL Ratio



The item depreciation and valuation adjustments on investments, shares in affiliated companies and securities treated as fixed assets includes an impairment loss of €25 million on the carrying amount of the investment in HCBE in 2022.

Business development was favourable in the reporting year despite the challenging overall economic situation. Overall, the economic situation of our bank is in good order.

Santander Consumer Bank's profit for the year is transferred in full to Santander Consumer Holding GmbH on the basis of the control and profit transfer agreement and a silent participation.

OTHER INFORMATION ABOUT THE BANK

Santander Consumer Bank is a member of the Bundesverband Deutscher Banken e.V. (Association of German Banks). It also belongs to the Bankenfachverband e.V. (German Banking Association) and the Verband deutscher Pfandbriefbanken e.V. (Association of German Bond Banks). It is also affiliated with the following institutions: Entschädigungseinrichtung deutscher Banken GmbH (deposit guarantee scheme of German banks), Prüfungsverband deutscher Banken e.V. (Audit association of German banks), and the Deposit Protection Fund of the private banking industry.

The current remuneration report of Santander Consumer Bank AG in accordance with the German Remuneration Ordinance for Institutions (InstutsVergV) can be found under the following link in our Investor Relations Portal (https://www.santander.de/ueber-santander/investor-relations/disclosure/).

EMPLOYEES

Three important topics shaped the work of our HR department in the reporting year: the progressing digitalisation, the further development of our corporate culture, and employer branding.

Digitisation

To drive the digitalisation of HR topics, we had introduced the Workday platform in October 2021. In the reporting year, we conducted the first annual performance review via Workday.

The survey tool Peakon, which is connected to Workday, is also used: As part of the global Your Voice strategy, Santander 2022 conducted two engagement surveys among all employees in all companies. In the process, managers were provided with a so-called dashboard, which updates itself after the completion of each survey and in which they can view and analyse the anonymised results of their teams. This enables them to initiate actions to improve their team engagement. The People & Culture department examines the nationwide results and, together with the Executive Board, identifies measures at the organisational level based on customer feedback to improve the service quality of our human resources work.

Corporate culture

In the year under review, we continued to work on and simplify the foundations of our global corporate culture in close coordination with Banco Santander: Eight Corporate Behaviours and four Leadership Commitments were consolidated into five Corporate Behaviours T.E.A.M.S. (**Think**Customer, **Embrace**Change, **Act**Now, **Move**Together, **Speak**Up). In addition to a communication campaign, we have developed training measures and implemented them in stages. With this, we would like to bring our managers and employees closer to the developed corporate culture. In addition, the annual Santander Week was themed around the five new Corporate Behaviours. Employees were able to participate in relevant lectures and activities there.

Diversity and inclusion were also important topics in the reporting year: Because we value the diversity of our employees, we have been a signatory to the Diversity Charter (an employer initiative to promote diversity in companies and institutions) since 2014. We were able to set accents with presentations at various events, including International Women's Day, German Diversity Day, and the International Day of People with Disabilities. In 2022, the nationwide Santander Pride network was founded, whose members advocate for the rights and acceptance of the LGBTQIA+ community. In addition, the network has used several communication events, designed Pride Day, and participated in Santander Week.

For the sixth time, we participated in the Women's Career Index (FKI) survey (the data basis for the 2022 survey was the 2021 financial year). We also continued to support the Women into Leadership initiative, a non-profit association dedicated to the sustainable development of female leaders. Within this framework, twelve female heads of department took part in a cross-mentoring programme. In the reporting year, we implemented the third nationwide women's mentoring programme with ten female mentees to promote young talent. In March 2022, we celebrated a "Women Week" in view of International Women's Day – with lectures, round tables, and a global meeting.

Employer branding

In the reporting year, we designed various measures to bring our employer brand even more in line with our product and corporate brand and to make it better known. For example, over 120 employees took part in a photo and video shoot as Santander brand ambassadors. In 2023, they can be seen on all information channels such as the careers page on the internet, in social media, and in job advertisements.

As in previous years, our bank received a large number of recognitions as an employer in the year under review: For example, the Mittlerer Niederrhein Chamber of Industry and Commerce once again named us the best training company. In addition, six of our trainees were honoured as the best graduates. For many years we have carried the "Fair Trainee Programme" seal – a certificate for the quality of our trainee programme based on a scientific audit and on the evaluation by our trainees.

For the fourteenth time in a row, the independent Top Employers Institute has named us Top Employer Germany and Top Employer Europe. All participating companies go through a uniform certification process, which consists of a survey and subsequent validation of the answers.

Santander attaches great importance to the promotion of young talent. That is why we train numerous people in various training programmes year after year. In 2022, a total of 96 apprentices, 13 dual students, 29 interns and 39 trainees were employed. Of these, we hired 22 apprentices, four dual students, and 21 trainees in the reporting year.

We offer the dual degree programmes Banking & Finance, Business Administration, and Business IT. The following trainee programmes can be completed: General Management, Finance & Risk, IT Project Management & Digitalisation, Data Science & Management, and Business & Corporate Banking. We also train bank clerks in our branches and office management assistants and bank clerks in our head office.

SUSTAINABILITY AND RESPONSIBLE BANKING[2]

Our sustainability activities span the three ESG dimensions of environment, social, and (corporate) governance.

Environment

In 2022, we stepped up our work to achieve the Santander Group's goal of making our financed business more carbon efficient by 2050 CO_2-neutral (net zero) by 2050. This includes the expansion of the sustainable business, the reduction of financed emissions, and projects to better measure and manage the carbon footprint.

In the year under review, we continued to drive forward the following activities in Germany – divided into the three main areas of product-related activities, our own carbon footprint and social commitment:

Product-related activities

- In 2022, we increased the share of financed electric and plug-in hybrid vehicles from 27% in the previous year to 31%.
- In addition, we offer a wide range of services on the topic of e-mobility; for example, we enable customers to easily process their premium applications for the greenhouse gas reduction quotas for electric cars via our partner.
- In the area of financial investments, we have expanded our advisory services in the ESG sector: Meanwhile, 50% of all fund products offered are sustainable (according to Article 8 or 9 under SFDR). Sustainable products under management account for about 25% of our total strategic assets.
- In the reporting year, the Business & Corporate Banking division developed its own ESG strategy and initiated comprehensive measures to this end. For example, an ESG Centre of Competence was established; in addition, employees from the areas of Sales and Risk received external training on the topic of "ESG in corporate banking".
- Since 2021, our institute has been issuing environmentally friendly credit cards from the high-tech company Thales: These cards are made from Gemalto Bio Sourced Polylactic Acid (PLA), which replaces 84% of fossil PVC with bio-produced PLA from non-edible corn.
- In order to meet the legal and voluntary requirements for transparency and reporting, such as those of the Net Zero Banking Alliance, we have implemented a number of projects and expanded our internal processes and systems accordingly. In addition to the existing data, we collect a variety of new KPIs, e.g. information on the greenhouse gas emission values of our financed motor vehicles or the EU taxonomy compliance of our loans. These are needed for portfolio analysis and ESG scenario design and form the basis for developing a decarbonisation pathway.Since November 2022, we have agreed on a cooperation with the company Home Power Solutions GmbH (HPS). HPS is the provider of picea, the world's first year-round residential electricity storage system based on the use of green hydrogen. Furthermore, our bank offers tailor-made financing for this system.

Own carbon footprint

- We are continuously working on optimising our operational carbon footprint. Since 2020, we have additionally offset our emissions every year by purchasing CO_2 certificates. Of course, we have implemented our energy-saving measures in accordance with legal requirements.
- For years, we have sourced the electricity for each of our buildings from renewable energy sources.
- We also carried out a re-certification of our main administration building at Santander-Platz in Mönchengladbach.

Social commitment

- In the year under review, we made donations in cash or in kind to ten charitable organisations.
- At our Santander RUN & FUN event in Mönchengladbach, we supported another seven charitable or non-profit organisations with donations.

The Supply Chain Due Diligence Act – also known as the Supply Chain Act – came into force on January 1, 2023. We have implemented the requirements of this legal standard and also established the necessary processes. This law highlights the entrepreneurial obligations to take care of the human right and environmental duties of care within the supply chains The corresponding policy statement of Santander Consumer Bank AG can be found under the following link in our Investor Relations Portal: https://www.santander.de/ueber-santander/investor-relations/disclosure/.

[2] This section was not subject to audit by the auditor

RISK REPORT

Risk strategy guidelines at Santander Consumer Bank AG

Responsibility for the management and control of all risks, including ESG risks, lies with the full Management Board of Santander Consumer Bank AG, in accordance with the bank's business and risk strategy and within the framework of the competency regulations and organisational instructions.

Risks are a natural consequence of the business operations and the decisions made in this context.

Within our bank, the responsibilities for managing and monitoring risks are defined by a clear separation of functions as defined in the Minimum Requirements for Risk Management (MaRisk) and the relevant European guidelines. In addition, we follow the principle of the Three Lines of Defence model: the first line of defence manages the risks and the second line of defines monitors them. As an independent control authority, the internal audit represents the third line of defence.

Credit risks in risk-relevant business are generally controlled by the second approval of a back office function; this is based on competence regulations. Credit risks in non-risk-relevant business are generally controlled by an automated vote in accordance with the specifications of risk management. We also consider credit risks from our entire proprietary business as risk-relevant business. Approvals relating to proprietary business are granted in principle on the basis of a resolution by the Executive Board.

The management of market price and pension risks (in particular interest rate risks) as well as the management of liquidity risks (in particular refinancing risks) are the responsibility of our Treasury and Capital Markets divisions: They limit the above risks with appropriate derivative financial instruments, by issuing term deposits to institutional investors, bearer bonds in the form of medium-term notes (MTNs), money market paper and promissory bills, and Pfandbriefe.

The Risk Controlling department monitors the above-mentioned risks. In addition to regular reporting to the decision-making bodies, this division is responsible for ad hoc risk reporting. This also includes monitoring compliance with the risk appetite by means of defined risk indicators and thresholds or risk limits.

Our Management Board as a whole and our Sales units control the business strategy risks by means of planning instruments (e.g. budgets) and within the framework of defined limits as well as through corresponding sales or marketing measures; our Controlling reports on these risks and the risk function for strategic risks monitors them.

Specially trained OpRisk coordinators manage operational risks decentralised in the respective divisions. The Non-Financial Risk & Internal Control division is responsible for risk measurement and monitoring.

Risk Controlling reviews the model risks; it records the models used by the bank and classifies them from a risk perspective.

The strategic guidelines for the risk organisation and the risk appetite of our institute were defined in the currently valid Risk Strategy 2022 (as amended in November 2021) approved by the Management Board. The targets for the year 2023 were approved by our Management Board in November 2022.

While our business strategy defines the principles and goals of economic development, our risk strategy deals with the associated risks; in this way, we want to ensure sustainable and low-volatility profit generation, while complying with regulatory requirements in terms of capital and liquidity.

In this context, we have established the following strategic guidelines as an expression of prudent and conservative corporate governance:

- compliance with regulatory requirements and agreements with supervisory authorities at all times;
- Establishment of an independent risk controlling function;
- any risk entered into must be approved by the responsible unit within the risk management system and must be within the risk appetite; it must also be appropriately remunerated;
- We aim for a low to moderate risk profile. The focus here is on the segments of our core business: Mobility, consumer loans, and business and corporate clients. A securities portfolio of high-quality, liquid assets is structured for supplementary interest rate and liquidity management.
- Concentration risks are to be reduced to the necessary minimum, i.e. to those concentrations that result directly from our business model, and are also closely monitored with a view to individual debtors, specific segments, and industry sectors. This applies despite a review of the risk-bearing capacity and the risk tolerances derived from it by our Management Board;
- Our remuneration system should be appropriately designed and consistent with forward-looking, conservative risk management. Profit targets are not part of the remuneration of our control units; the components should be aligned with risk appetite;
- pursue a transparent policy with regard to the disclosure of risks.

Our Management Board is responsible for developing, promoting, integrating, and monitoring the risk culture at all levels. Core elements are the formulation and consistent adherence to the risk tolerance: It must lie within the risk capacity and should describe the maximum level and type of risks the business unit is willing to take in order to achieve its strategic objectives.

In order to maintain and promote an appropriate risk culture, corresponding measures and initiatives are an integral part of recruitment and onboarding, training and development, remuneration and incentives; we want to anchor this even more deeply by means of inspirational leadership. We measure how firmly our risk culture is established in everyday working life by means of various KPIs, such as the number of training events and self-assessments carried out, as well as in our employee surveys during the year.

ORGANISATION

Santander Consumer Bank AG is a non-trading-book institution. Our Chief Executive Officer (CEO) is responsible for trading activities within the investment book. Our Treasury manages the liquidity, pension, market price, and related counterparty and issuer default risks.

The Controlling, Accounting & Regulatory Information, Finance Enablement and Finance Business Partner units are assigned to our Chief Financial Officer (CFO). Controlling is responsible for business and financial planning. Accounting & Regulatory Information maps the transactions carried out in external accounting; it is also responsible for regulatory reporting.

Our Chief Risk Officer (CRO) is responsible for the following areas: Risk Steering, Risk Execution, Risk Controlling, Risk Modelling, Compliance, and Non-Financial Risk & Internal Control, as well as JV Steering Risk & Compliance, a new joint venture steering function established in the reporting year for risk and compliance issues; the employees in this area report directly to our Chief Risk Officer. The function of the Remuneration Officer is located in Risk Controlling.

RISK MANAGEMENT

Our risk management is divided into two units: a Risk Steering unit, which is responsible for the overall risk management of the individual loan portfolios and thus, among other things, for the credit approval regulations and restructuring requirements; and a Risk Execution unit, which is responsible for the second approvals and credit decisions for the risk-relevant business and for the restructuring and settlement of commercial exposures. Both units are organised according to their competences in the following categories:

- Automotive (dealer purchase financing, motor vehicle retail financing, leasing)
- Non-automotive (instalment loans in direct business, private real estate financing, card products, and merchandise financing)
- Corporates & Financial Institutions (corporate loans)

In order to grant, amend, or roll over counterparty and issuer limits, Risk Execution prepares templates on the basis of which our Management Board makes the final investment decisions.

Our cross-portfolio collateral management function coordinates a comprehensive response to regulatory requirements and ensures uniform standards for our loan collateral.

In order to do justice to the increasing importance of residual value risks, the function of the Residual Value Manager exists within Risk Steering Auto; this person is responsible for the risk-side management of the residual value risk.

In the year under review, the Fraud Prevention function was transferred to the Risk Steering division in order to take advantage of synergy effects; these result from the proximity to the credit application processes in the various portfolios with regard to credit application systems and control as well as data analyses. The framework policy authority remains with the Financial Crime Unit in the Compliance Division.

RISK CONTROLLING

The Risk Controlling and Non-Financial Risk & Internal Control units, which are independent of the risk management units, are responsible – for internal, external, and regulatory purposes – for risk reporting and the analysis of our bank's risk situation with regard to the main risk types of credit risk, market price and pension risk (especially interest rate risk), liquidity risk, operational risk and model risk. The two areas also examine the impact of ESG-related risk factors. Our controlling analyses business strategy risk; our strategic risk function monitors and reports on it.

Every month and, if necessary, on an ad hoc basis, our entire Management Board is informed comprehensively about the risks in the form of the risk report – subdivided according to product lines and risk types. In addition, we also calculate the allowance for losses on loans and advances for the entire loan portfolio on a monthly basis. Furthermore, our Risk Controlling analyses concentration risks.

To determine the risk situation, Risk Controlling examines the risk-bearing capacity at the overall bank level in the course of monthly reporting and checks whether the approved risk tolerances are within the risk appetite set by the Management Board.

The Risk Controlling division is also responsible for planning and implementing the IRBA project (IRBA: Internal Ratings Based Approach). This includes the preparation of conceptual and technical specifications for the implementation of the advanced IRB approach for the material exposure classes, the performance of tests and the documentation required by supervisory law.

The area is also responsible for the risk identification, monitoring, and control processes for the Pfandbrief business. In this context, the tasks are based on the general requirements of the German Banking Act, the minimum requirements for risk management and, in particular, the provisions of §§ 27 and 28 of the German Pfandbrief Act (PfandBG).

In addition to the requirements for the cover pool regulated in the PfandBG, we have specified individual warning thresholds as part of our risk management. These regularly exceed the legal requirements; thus, we have imposed higher demands on the cover pool on our institution than the legislator provides for. We use the TXS Pfandbrief software to monitor compliance with the statutory limits and the institution's own warning thresholds on a daily basis.

RISK MODELLING

The Risk Modelling unit is responsible for the initial or further development of local, productive decision models in the loan application process (application and behavioural scorecards for the retail business and rating models for the commercial lending business). It is also responsible for developing and regularly estimating the credit risk parameters used in connection with regulatory and economic capital and in the impairment context. Furthermore, the division has been designing IFRS 9 provision models since 2017 and also creates them as "Banking as a Service" (BaaS) for contractual partners. The correlations of these parameters with macroeconomic factors are determined as a basis for calculating the IFRS 9 forward looking component and for stress tests. This area also includes the initial validation of the further development of Banco Santander's economic capital model and the design of individual models for specific risks. The P&L forecast models (PPNR) are also created here, as well as the forecast models for defaults and recoveries for liquidity risk. Risk Modelling is also responsible for a module for automated fraud identification, residual value modelling and initial modelling around the topic of money laundering. The division acts on behalf of the following functions: Risk Steering, Risk Controlling, Collection Business Unit, Controlling, and Compliance.

RECEIVABLES MANAGEMENT

The Collection Business Unit (CBU), which is centrally assigned to our CEO, is responsible for the management of consumer loans (motor vehicle, goods and direct business, including BaaS), credit cards, and construction financing in the private customer segment.

In order to minimise risk costs, our goal is to return payment-disturbed accounts to an orderly payment process. This area also handles – according to the specifications of Risk Steering – the restructuring requests of customers in the case of short-term or structural payment problems.

For each product type there is a specific process for accounts in arrears. An important role is played here by proactive and early contact with the customer, flanked by the increased use of direct debit procedures and the written dunning process. In addition, customers have the option of raising their concerns via a digital self-service platform. By providing payment settlement via an alternative payment method or obtaining a new payment agreement, they can manage their arrears independently.

Furthermore, the tasks of receivables management include securing and realising collateral.

If the above measures do not lead to the arrears being cleared, the loan or account will be terminated and the debt will be recovered by external partners, up to and including the sale of the debt.

Non-performing commercial loans are managed by the Intensive and Problem Loan Processing department in the Risk Execution division. After unsuccessful restructuring attempts or after realisation of the collateral, these exposures are transferred to the CBU in order to wind them down.

The Intensive and Problem Loan Processing unit also serves business customers in the Business & Corporate Banking portfolio with accounts in default; on the other hand, the CBU Termination/Write-Off unit commissions external service providers to recover loan exposures that can no longer be restructured after termination and to realise existing collateral – bundled for private and commercial customers.

INTERNAL CONTROL AND MONITORING SYSTEM

Our bank's internal monitoring system comprises process-dependent and process-independent measures. Process-independent monitoring is primarily performed by Internal Audit or Corporate Audit. Non-Financial Risk & Internal Control performs supporting and institution-wide coordinating tasks – with a view to assessing the design and functionality of the internal control system. This includes the maintenance of internal bank processes and associated risks. In addition, there are monitoring mechanisms in connection with the (trending) development of certain early warning or control indicators; furthermore, the results are reported to the Management Board and the Group. The individual measures of the internal monitoring system are designed to ensure that the regulations governing the management of business activities are complied with.

Process-dependent monitoring includes organisational security measures and controls by means of manual and automatic processes (e.g. integrated dual control principle; separation of functions, regulations regarding competence regulations, method specifications, requirements for dealing with individual data agreement (IDV), processes within the framework of information risk or information security management). Measures to avoid errors are integrated into the bank's organisational and operational structure and are designed to ensure a predefined level of security (e.g. analysis/monitoring of loan agreements with regard to systematic risks in the contract design and implementation of a rule control at individual transaction level). Controls are integrated into the work processes and are intended to prevent or detect errors.

In accordance with the work instruction on the internal control model, Non-Financial Risk & Internal Control performs independent tests and control assessments for the controls documented in this model as part of the regular control certification processes.

As process-independent institutions, our internal audit department and our group audit department review the processes and methods used on a regular basis according to the risk-oriented audit approach, both for conformity with legal and regulatory requirements and for compliance with group guidelines. Subsequently, the Audit Department prepares audit reports and follows up on the issues identified.

In accordance with the standards of the European Banking Authority (EBA), our bank has established the Compliance function as an integral part of internal governance. The Conduct Compliance department has established a broad monitoring system to ensure that the specifications resulting from the Minimum Requirements for the Securities Compliance Function (MaComp) are met. Thereby e.g. controls for uniform product marketing and compliance with consumer protection regulations are implemented. Furthermore, the department reviews the existing products (within and outside active sales) within the framework of the Product Monitoring Forum (PMF) and manages the Bank's central catalogue of products and markets in connection with this. Furthermore, the Conduct Compliance department is responsible for the new product process (NPP) in accordance with MaRisk and organises and leads the corresponding committee for assessing the novelty of projects. It is also responsible for the organisational structure of the complaints management. This includes responding to and following up on complaints as well as analysing the underlying facts, which in turn serve as indicators of grievances and result in corresponding action plans.

The Regulatory Compliance department works to ensure that the guidelines and directives we have imposed on ourselves to comply with the rules and regulations essential to our bank are implemented and adhered to and monitors these. These include, above all, data protection regulations and relevant regulations on financial market supervision (e.g. EMIR regulation and Volcker Rule). In addition, the Early Warning team advises the management and the divisions on the implementation of new laws, relevant supreme court rulings, and changes to existing structures and carries out a regular risk assessment (hazard analysis), taking into account risk aspects: both at the local level and consolidated with regard to the major participations. In addition, Compliance helps avoid, identify, and resolve conduct or situations relevant to criminal law (corporate defence); the division also provides the framework for managing reputational risks and monitors these risks for our bank.

In order to meet the regulatory requirements for the "central office" in accordance with § 25h of the German Banking Act (KWG) of our institution, our Financial Crime Prevention Compliance Unit monitors and controls customer transactions, embargo regulations, and financial sanctions; the aim is to prevent financial crime, money laundering, terrorist financing, and other criminal acts. The framework of a regular risk analysis (§§ 5 and 9 AMLA) provides for a risk-minimising overall concept pursuant to § 25h (1) sentence 1 in conjunction with (7) sentence 1 of the German Banking Act, taking into account the organisationally defined risk aspects.

In order to be able to react to possible changes in the law at an early stage or to exert influence, we have a Public Policy function.

RISK TYPES

The Management Board has adapted the risk strategy of our bank to the complexity of our business activities. Based on the annual risk inventory, it has classified the risk types described on the following pages as material – taking into account the requirements of the European Central Bank (ECB) on ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) as well as risk culture aspects. In accordance with the ECB's ILAAP guidelines, insolvency risk has been classified as an additional material risk.

The materiality of a risk type is measured qualitatively or quantitatively using a scoring system that incorporates elements of the local risk inventory approach and the Group method. This combined approach is composed of a partial score for the frequency of occurrence and the potential financial loss. A risk is to be classified as material if the total score on a scale of 1 to 4 is greater than or equal to 2.5, i.e., the frequency of occurrence and/or the potential amount of damage are/will be assessed as high.

In addition to the material risks that are directly included in the risk-bearing capacity calculation, the following risks were also assessed as relevant within the scope of the risk inventory: Migration, industry or sector risks, participation, foreign currency, strategy implementation, process and compliance and (well-)conduct risks, money laundering, reputation, personnel, and sustainability risks (so-called ESG risks). The latter three risk types act as risk drivers on other risk types and are therefore not to be considered as stand-alone risk types, but rather as secondary risks. Relevant risks are measured with a total score between 2.3 and 2.5. They are controlled and monitored – in compliance with the Three Lines of Defence model – through direct involvement of the responsible areas.

The main risks are described below:

Credit risks

The bank refers to credit risks (here: counterparty credit risks) as the risk of loss due to expected and unexpected default.

Continuously improving the risk-return ratio is the main objective of controlling and managing credit risks. Key risk measurement indicators are the ratio of risk costs to the average total portfolio (cost of credit), the share of the non-performing portfolio in the total portfolio (NPL ratio), and the degree of coverage of the non-performing portfolio by risk provisions (NPL coverage). These and other key figures are determined at segment level as part of the monthly risk reporting in order to monitor compliance with the defined risk appetite. In addition, the actual figures are compared with the budget figures.

The risk provisioning requirement is calculated monthly based on statistically estimated probabilities of default, conversion factors, and loss rates. The value adjustment methods according to IFRS and HGB are harmonised and are based on the three-stage value adjustment model in accordance with accounting standard IFRS 9. In addition to the data available at the current time, the approach takes into account forward-looking information, in particular based on macroeconomic assumptions. Credit exposures in Level 2 have a significantly higher credit risk compared to the non-risky exposures in Level 1 compared to the time of lending; the empirically estimated probability of default and the number of days in arrears are used as relevant criteria for the assessment. A credit exposure moves to Level 3 with default of the exposure – i.e. when there is a payment default classified as material with more than 90 days in arrears, or there is a sufficient probability for other reasons that a customer cannot pay the receivable: in the case of debtor insolvency or in the case of a legally effective loan termination. For larger exposures from dealer purchase financing or business & corporate banking, indications of an imminent default or financial difficulties of the debtor can also be identified in an individual case review – even without the above criteria being present; this can also lead to classification in Level 3.

A flat-rate specific allowance (PEWB) is formed across all three tiers of the allowance method based on a statistical model. In order to estimate the expected losses, the empirically determined risk parameters probability of default (PD), exposure at default (EaD), and loss given default (LGD) are used.

Net balance per level and business segment as of 31.12.2022 (in % and €million)

Level \ Segment		Private customers	Business customers	Real estate financing private	Commercial real estate financing	Total
Level 1	%	93.5%	98.1%	99.6%	96.7%	**94.7%**
	€million	20,104	3,671	2,390	140	**26,304**
Level 2	%	4.4%	0.7%	0.1%	2.1%	**3.5%**
	€million	942	26	2	3	**973**
Level 3 (non-performing loans)	%	2.1%	1.2%	0.3%	1.1%	**1.8%**
	€million	444	44	8	2	**498**
Total	%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
	€million	**21,490**	**3,740**	**2,400**	**145**	**27,775**

The probability of default states what proportion of the current portfolio is expected to fail in a certain period of time. This proportion differs according to the tier in which the credit exposure is located. Level 1 covers a period of twelve months; Level 2 uses a view based on the remaining maturity of the exposure. Since exposures in Tier 3 are declared as default, the probability of default there is 100%. Depending on the portfolio, the parameter is determined using a basic approach or an advanced approach. The basic approach is based on the number of days in arrears. The advanced approach additionally uses values from internal application or behaviour scorecards.

The product-based loss given default (LGD) indicates what proportion of the default balance (EaD) is not expected to be recoverable. The value takes into account the expected cash value of incoming payments as well as the realisation of collateral. In addition, the loss rate for Tier 3 exposures depends on the time since default.

Significant exposures from dealer purchase financing or Business & Corporate Banking are considered separately; for these, an individual value adjustment is formed on the basis of an examination of the facts, taking into account collateral and expected payment flows.

In the table above, the loan portfolio is broken down by levels and business segments:

We would like to point out that most of our borrowers are economically dependent; the vast majority (approx. 95%) are assigned to Level 1.

Core elements of credit risk management are the constant review of all credit exposures and the rules for credit exposures and restructuring as well as the maintenance and documentation of competencies, including the monitoring of compliance and responsibility for all corresponding guidelines and organisational instructions.

Credit risk management also fully encompasses the issue of Pfandbriefe and receivables securitised as collateral for asset-backed securities (ABS). We show the potential credit risks from retained issues separately.

The management of credit risks requires a constant analysis of the factors that influence the risk situation of our bank, combined with the findings from all decision-making, forecasting, and evaluation processes.

Counterparty credit risks

Our bank considers counterparty default risk to be the risk of increased costs due to the default of a contract partner in money market, derivative, or foreign currency transactions prior to the final settlement of the payments associated with this transaction. Included is the risk of losses that may arise due to the fact that the counterparty does not perform the service agreed for a later point in time, that the institution has to make advance payments for trading transactions, or that difficulties arise during the settlement of the transaction. To manage counterparty default risk, we have established a limit system and daily rating monitoring, the results of which are reported as part of the monthly risk report.

Market price risks

Our bank defines market price risk as the risk of potential losses due to declines in the value of securities or the interest-bearing portfolio, including irrevocable loan commitments, which the institution may incur due to changes in prices and interest rates on the financial markets. In our case, these risks are largely interest-induced. In addition, there are very limited foreign currency risks. To specifically manage maturity mismatches from customer business, we use derivative instruments in the form of interest rate swaps for asset/liability management where necessary.

With regard to the interest rate risk, the Bank considers the present value loss that arises in the interest book as a result of the yield curve changing. In addition to the parallel shifts in the interest rate curve, a number of other interest rate scenarios are calculated and reported in the risk report – differentiated according to control-relevant, regulatory, and other scenarios. The extent to which parallel shifts in the yield curve affect the interest result is also examined (income statement-oriented approach).

With the help of a specially developed, tailor-made Asset Liability Datamarts, the cash flows of all interest-bearing positions including existing pension obligations and irrevocable loan commitments are determined and the present value of the interest book is calculated. In the monthly risk report, the results of the interest rate risk are presented in a consolidated form in a separate report. As of the balance sheet date, the interest rate risk with an interest rate change of minus 25 basis points amounted to €35.5 million (previous year: minus €26.1 million). The risk in the event of an interest rate change of plus 25 basis points was minus €53.4 million at the end of December 2022 (previous year: €14.6 million). A major driver of interest rate risk in 2022 was the increased interest rate level. Our Management Board is informed about risk developments in a timely manner as part of the monitoring measures, through regular reporting (monthly risk report), and discussion in the Asset & Liability Committee, as well as in the course of the defined escalation mechanisms.

The present value impact in the banking book due to a sudden and unexpected change in interest rates amounted to minus €363.6 million as of the end of December 2022 in the event of a short-term shock to the upside of the yield curve (short-term interest rate change of plus 235 basis points and long-term interest rate change of plus 0.1 basis points). This corresponds to a risk amounting to 12.6% of the core capital. This scenario represents the greatest risk within the six regulatory scenarios under the supervisory outlier tests, taking into account a dynamic interest rate floor.

In order to assess the Pfandbrief-immanent interest rate risk or the underlying cover pool, interest rate stress tests are carried out using the Pfandbrief software TXS. In accordance with the static approach defined in § 5 of the Pfandbrief Net Present Value Regulation (PfandBarWertV), the yield curve is shifted by plus/minus 250 basis points and compliance with the statutory limits and internal warning thresholds is monitored. As of December 31, 2022, the result in the plus 250 basis point shift was €182 million and in the minus 250 basis point shift €240 million. If required, an ad hoc stress test can be carried out on interest rate scenarios of any choice.

The ABS bonds held in the investment portfolio, which are based on own assets, amounted to €8.6 billion as of December 31, 2022 (previous year: €10.3 billion). During the year under review, our bank issued one new consumer ABS and terminated two auto ABS transactions (clean-up call; exercise of repurchase option). Consequently, the investment portfolio increased slightly. The retained ABS served as efficient collateral for the TLTRO drawings at the ECB. At year-end, there was a theoretical impairment for own ABS securities compared to the previous year. The impairment amounted to €651.5 million (previous year: €7.8 million) In addition to rising interest rates, this was also due to the slightly higher spreads of the ABS bonds and the somewhat changed composition of our portfolio. In the course of 2022, our bank acquired a number of securities (including the first-time purchase of an Italian government bond with a volume of €750 million), exclusively securities with the highest credit ratings (rating of at least AA), whereby this purchase was made in the course of liquidity management. The securities are included in the fixed assets. As of December 31, 2022, the securities portfolio stood at €3,640 million. At the same time, the value at risk was €24.9 million with a confidence level of 99%, 500-day observation period and 20-day holding period.

Commodity and other price risks are not relevant for our bank. We do not hold any significant shareholdings.

Pension risks

The Bank considers pension risk, consisting of interest rate risk and longevity risk, to be the risk from increased pension obligations resulting from changes in interest rates and biometric parameters. As such, it is included in the risk management and controlling processes as well as in the risk-bearing capacity calculation. The pension risk is assessed using a Monte Carlo simulation, and managed and monitored via the individual limit defined in the risk-bearing capacity calculation. In addition, the cash flows resulting from the pension obligations are taken into account in the interest rate shock scenario (plus/minus 200 basis points). Since the publication of BaFin Circular 06/2019, pension cash flows are embedded in all scenarios relevant for the Supervisory Outlier Test. Our Management Board is regularly informed about the development of the calculations.

Liquidity risks

Our institute defines the two main liquidity risks as insolvency risk and refinancing risk, whereby the latter can result in a loss of earnings due to a deterioration of our own refinancing conditions on the money or capital market.

Refinancing risk

Refinancing risk is managed and monitored within the framework of the Internal Liquidity Adequacy Assessment Process (ILAAP), which is embedded in the risk and proprietary business strategy as part of general risk management. The core elements of the ILAAP are the modelling, quantification, validation, monitoring, and reporting of liquidity risks and the review of these processes by Internal Audit. The aim is to ensure robust liquidity risk management. The insolvency risk described below is also part of the ILAAP. The liquidity risk is managed from an economic perspective by means of the liquidity progress review, which compares the expected cash inflows and outflows over a period of 72 months, as well as on the basis of current forecasts prepared daily by our Treasury. In addition, our institution calculates liquidity stress tests in different scenarios based on the maturity profile; these in turn result in the calibration of the liquidity buffer.

As of the balance sheet date, the Bank had placed the refinancing of its lending business on the following pillars: Deposits from private and institutional customers (63%), securities borrowed from the ECB including participation in the long-term, earmarked refinancing programme TLTRO (21%), bearer bonds in the form of ABS, medium-term notes, commercial papers and mortgage Pfandbriefe (15%), and borrowing from third-party banks (1%).

Thanks to the diversified refinancing structure of our bank, liquidity was ensured at all times during the reporting year. Furthermore, we have developed a liquidity contingency plan in accordance with ILAAP requirements: with measures in the event of a liquidity bottleneck, including communication channels. This plan also includes the presentation of the immediately available sources of liquidity.

In order to ensure the fulfilment of payment obligations at all times in the Pfandbrief business and to identify liquidity bottlenecks, we have set warning thresholds and limits for daily liquidity requirements. The largest cumulative liquidity gap for each of the next 180 days is monitored every day. In addition, a warning threshold was set at 270 days. Continuous over-coverage must be ensured during this period. Liquidity monitoring in the Pfandbrief business is also ensures that the statutory limits and the internal early warning indicators in the liquidity forecast are adhered to.

As of December 31, 2022, the liquidity coverage ratio, LCR was 231.7% (previous year: 519.6%) We will continue to closely monitor future specifications of liquidity ratios at national and European regulatory level. Furthermore, in order to adequately reflect the risk from increased refinancing costs, we calculate a risk measure in the form of a liquidity value-at-risk as part of the ICAAP as part of overall bank management.

In terms of liquidity risks, the monthly risk report includes the liquidity maturity balance sheet and ratios to assess the dispositive and structural liquidity view. Our treasury department provides information on money management, refinancing, and investment policy at the board meetings.

Insolvency risk

This risk signifies the risk of failing to honour payment obligations or not honouring them on time. The potential reason can be a general liquidity disruption on the money markets; this can affect individual institutions or the entire financial market. In particular, market disruptions can cause relevant assets to fail. Unexpected events in the bank's own lending and deposit business can also be the cause of liquidity bottlenecks. Treasury manages this risk, and our Controlling department is responsible for monitoring it.

Using the Daily Liquidity Status and Outlook report, our bank monitors and forecasts liquidity needs for the next five days, enabling sufficient short-term liquidity.

To ensure intraday liquidity management, our institution maintains accounts for the minimum reserve at the ECB. In addition, payment transactions with large positions are processed via Target2 accounts. These are monitored and planned several times a day with a view to the account balance, so that the required liquidity can also be ensured on an intraday basis.

The short-term liquidity requirement is evaluated using the Independent Liquidity Reserve ratio and presented in the risk report. In order to be able to cover these needs, our bank currently maintains a liquidity buffer of at least €2.1 billion; the amount of this buffer is validated and redefined monthly by means of various stress scenarios. Using macroeconomic and idiosyncratic stress scenarios as well as a combination of these scenarios, potential effects on liquidity positions are also analysed and presented in the risk report.

Operational risks

In accordance with the Capital Requirements Regulation (CRR), our institution defines operational risk as the risk of losses caused by the inadequacy or failure of internal processes, people, and systems or by external events. This definition also includes legal risks; explicitly excluded are strategic, business, and reputational risks.

As with the other risk types, our bank organisationally follows the principle of the three-lines-of-defence model, according to which the first line of defence manages the risks. In terms of operational risk, this includes all our business units, which are also supported by independent control functions in the management of specific operational risks (e.g. technology, cyber, fraud, or outsourcing risks). As the second line of defence, Non-Financial Risk & Internal Control monitors and supports operational risk management and reports to the risk committees and the full Management Board. Internal audit, as an independent control body, represents the third line of defence.

We use a range of tools to identify and assess operational risks: These include, in particular, loss events that have already occurred (internal loss data), the risk self-assessments and scenarios for anticipating high operational risk potentials, and risk indicators that serve as an early warning system. In addition, control tests are carried out to identify weaknesses that may trigger an increased operational risk.

Our bank actively manages operational risks using Group-wide tools and procedures; in doing so, we aim to identify and assess operational risks, continuously monitor the risk profile and risk concentrations, and systematically mitigate these risks. Operational risks are limited within the framework of the economic capital and checked by means of key figures that measure the risk appetite. As of December 31, 2022, the primary ratio of the net loss amount, i.e. less any reimbursements, to the gross result “OpRisk Net Loss to Gross Margin” was 0.76% (previous year: 1.26%) Compliance with the limits is primarily monitored by the risk committees.

With the aim of ensuring its ability to function, our institute has also implemented a business continuity management concept so that business processes identified as critical can continue in the event of a disruption or emergency.

Legal risks

The Bank considers legal risk to be the risk of losses due to the violation of applicable legal provisions, including regulatory provisions and contractual obligations. This includes the risk arising from a change in jurisdiction for transactions concluded in the past, but not the risk of having to restructure future business operations as a result of a change in the legal situation.

The Legal & Governance, Compliance and Public Policy functions keep the relevant areas of our bank up to date on current statutory and legal developments. Thus, these developments are taken into account in our business activities. Contracts and standard forms are coordinated with our legal department. We make appropriate provisions for existing legal risks. The Public Policy function is also responsible for the coordination of the ESG topic.

Model risks

Model risk refers to the risk that the application of simplified or inappropriate methods or parameters does not adequately reflect market realities and thus does not correctly represent the actual earnings or risk situation of the bank; this also includes the risk of inappropriate application of models. The line manager responsible for the model manages the risks. Risk Controlling is responsible for monitoring risks that may arise from model deficiencies. To ensure adequate management and control of this type of risk, we have carried out an inventory for risk models and introduced a set of rules for dealing with model risks. In addition, all statistical models are validated at regular intervals.

Information and communications technology risks, including risks from cybercrime

In recent years, the risks arising from the use of new technologies and advancing digitalisation, as well as from cybercrime, have continued to grow. That is why our bank pays particular attention to these operational risks.

The main objectives of our cyber security strategy to manage cyber risks are to protect against cybercrime and to maintain a resilient infrastructure, using contemporary technological capabilities.

To implement these objectives, we have implemented a cyber security framework that builds on the methodology of the German Federal Office for Information Security (BSI) and international security standards, while following the Santander Group Cyber Security Framework. Regulatory requirements (banking supervisory requirements for IT, BAIT) are observed and corresponding guidelines and procedures are derived and implemented.

Our bank has developed an integrated approach to minimise the probability of occurrence of cyber risks by implementing appropriate countermeasures, thus keeping losses from cybercrime as low as possible. When using cyber security services, our institute benefits from the expertise, services, and resources of the Santander Group. To further improve cyber security measures, our Group launched strategic initiatives in the reporting year with the intention of being able to address these challenges in more detail and with even more modern methods, including Secure Development Lifecycle, Zero Trust Access, and Supply Chain Security.

Outdated systems and applications are the cause of many cyber risks. To close these vulnerabilities, our bank follows Santander Group's "zero tolerance" policy. Based on the criticality rating of IT assets, we have set priorities to ensure that there is no outdated software or hardware, no overdue critical security patches, and no overdue critical vulnerabilities. For this purpose and in order to review measures, our institute has established corresponding indicators and monitoring mechanisms.

The task of the Cyber Security Team – assigned to the Chief Information Security Officer (CISO) – is to ensure the implementation and control of IT security standards. Operational risk and risk appetite indicators were defined to monitor the main operational risks (fraud, IT, cybercrime, and outsourcing). In addition, we have further developed the control environment within the first line of defines. On a monthly basis, Non-Financial Risk & Internal Control reports the above-mentioned indicators to management and also monitors IT and cyber activities and corresponding measures.

As part of our "Banking as a Service" business area, we offer contractual partners banking services; these include the provision and maintenance of IT systems and applications for business operations and mapping the required application workflows. In addition, cyber security services are offered, such as identity & access management.

BUSINESS STRATEGY RISKS

The bank considers business strategy risks to be the risk of potential losses and reduced profits due to adverse business strategy developments, decisions, or business area-specific targets, or due to a negative change in the economic environment. This also includes the failure to meet sales targets due to changing customer preferences or new market participants. Our Management Board manages strategic risks directly using appropriate instruments (e.g. in sales and marketing) and our Controlling monitors them. Sales risks are managed by the sales units; Controlling is also responsible for monitoring them.

In the following, we describe the identified relevant risk types:

Migration risk

Migration risk refers to the risk of loss due to deterioration in the creditworthiness of a borrower within the agreed credit period. Our risk management units manage these risks, and Risk Controlling ensures monitoring.

Sector risks

The sector risk describes the risk that affects the companies in a specific industry. It arises due to the focus on certain products that are exposed to different economic developments over time (e.g. changing consumer habits or rising raw material prices). Any industry risks are monitored as part of concentration risk monitoring. Our risk management team prepares corresponding reports for the main sectors on a regular basis.

Equity investment risks

The Bank defines participation risk as the decline in the book value of holdings, the default on dividend payments, and any additional funding obligations.

Collateral and residual value risks

Residual value risks occur if the contractual residual value cannot be realised when a motor vehicle is sold and this loss is borne by our bank, e.g. due to a dealer insolvency (so-called indirect residual value risk). At the partially consolidated level of the financial group, direct residual value risks are taken into account in the risk-bearing capacity calculation using a specially developed model.

The Bank does not enter into any direct residual value risks. The indirect residual value risks are monitored by Risk Steering. Furthermore, they are taken into account in the risk provisioning.

Compliance risks

The Bank describes compliance risk as the risk of potential losses arising from non-compliance with regulatory or legal requirements. The responsible line manager manages these risks, Compliance monitors them.

The Compliance function has the regular task of identifying the essential legal regulations and requirements, non-compliance with which can lead to a threat to the assets of the institute. The division supports and advises the bank on regulatory compliance with regard to existing and future legal requirements in all areas. Compliance uses the web-based information system RADAR to identify new legal requirements. In addition, reports from national and European banking supervisors as well as reports from other publicly accessible sources are regularly reviewed.

Conduct risks

Conduct risk is defined as the existing or future risk of losses to an institution as a result of the inappropriate provision of financial services; this includes cases of intentional or negligent misconduct, such as unfair sales practices of products and services, irregular application of incentive procedures in sales, and conflicts of interest within the bank. Regulatory measures and customer complaints can be used as possible indicators. Conduct risk is primarily managed by the departments that have direct or indirect customer contact, such as sales or the departments that develop the products. The Compliance function is responsible for monitoring this responsibility. Compliance has set up an extensive monitoring system for the securities business in particular: In addition to accompanying the introduction of new products, this also includes the review of all existing products and their documentation. Random samples of customer documents are checked and, if necessary, approved with changes to ensure the required probity and transparency, with a focus on product risks and costs for customers. The training measures for our employees are also checked for their correctness in terms of content and the desired prioritisation of customer interests. The same applies to all internal work instructions and guidelines.

Reputational risks

Reputational risk is defined as the risk of current or potential negative economic impact on the bank due to damage to the institution's perception by its stakeholders (clients, employees, shareholders and the public in general, such as rating agencies and regulators). In this context, ensuring sustainability aspects is becoming increasingly important. Reputational risks rarely occur on their own, but are usually complementary to other types of risk. They are controlled by the responsible line managers. To this end, Regulatory Compliance has drawn up guidelines according to which the divisions identify, analyse, and evaluate potential risk scenarios in order to define and take measures where necessary. These risk scenarios are reported to the Regulatory Compliance department, which in turn supports the divisions in managing their reputational risks.

Staff risks

Our institute defines staff risk as the risk of losses due to an insufficient quality / quantity of staffing for which the HR department is responsible. In doing so, it reviews the qualitative staffing, e.g. on the basis of annual staff performance appraisals. In the upper management lines, we implement 360-degree feedback, which incorporates the assessments of the supervisor, employees, and colleagues at the same level. Quantitative staffing is ensured by analyses by the Organisation Division proving the need for new posts. These decision papers are presented to our Management Board.

Foreign currency risks

The risk arises from losses in value of on-balance sheet and off-balance sheet items due to the adverse development of foreign currency exchange rates. In December 2022, our bank had an open position in foreign currencies in the amount of €1.9 million (in the previous year: €6.3 million) Foreign currency risks are managed by Treasury and monitored by Risk Controlling.

Process risks

Process risk is the risk of losses arising from inappropriate processes. The respective process owner must ensure proper process execution. These risks are monitored by means of organisational security measures and controls. Measures designed to prevent errors are integrated into both the structural and procedural organisation of our bank and are intended to ensure a specified level of safety. As a process-independent institution, Internal Auditing regularly reviews the processes and methods used. To this end, it uses a risk-oriented audit approach, both with regard to conformity with statutory or regulatory requirements and with regard to compliance with Group requirements.

Sustainability risks

Sustainability risks have environmental, social, and corporate management aspects. They act as risk drivers for other risk types (such as credit risks, operational risks, but also the bank's reputation in the external perception) and are not considered as a separate risk type, but as a secondary risk. We already take sustainability risks into account in the "established" risk types, e.g. in the lending process in our corporate banking, the Business & Corporate Banking segment, or operational risk management in the context of recording external events. Taking into account current social, economic and regulatory developments, we are working to further integrate sustainability risks into the processes of risk management and risk controlling, e.g. in the form of stress tests or the monitoring of risk appetite.

Concentration risks

In addition, our bank manages and monitors potential concentration risks. The Herfindahl-Hirschmann index is used as a concentration measure. Concentration risks are risks that arise from an uneven distribution of business partners in credit and other business relationships or from sectoral or geographic business focuses. They can significantly impair the operating result and/or endanger the continued existence of the institution. Concentration risks can occur within a single risk type or together in different risk types and have a compounding effect. Due to our business model, potential concentrations arise primarily from the type of objects to be financed (motor vehicles, real estate). We present the effects of identified concentrations on a monthly basis in the appendix to the risk report. In addition, we have defined size- or sector-dependent risk tolerances in order to efficiently limit or avoid concentration risks. We strictly monitor and limit the deliberate taking of concentration risks due to market developments by evaluating it through risk appetite metrics.

Sector risks are also considered under concentration risk aspects, whereby our bank has made clear regulations regarding the limitation of certain sectors. In expanding our business model to include SME financing, we have also implemented monitoring in the form of sector reports.

In our Pfandbrief business, possible concentration risks – in relation to the cover pool underlying the Pfandbrief – must be limited in accordance with the PfandBG. Our bank meets this requirement by setting internal warning thresholds and limits. The eligibility criteria of the location, the collateral object, and the loan amount are taken into account.

Concentration risk considerations are also made for liquidity risk, where we regularly monitor the liquidity structure and maturities.

Identified concentration risk scenarios are depicted as part of the risk-bearing capacity calculation.

ICAAP

The ECB's guidance on the Internal Capital Adequacy Assessment Process (ICAAP) is characterised by two perspectives: On the one hand, the normative perspective ensures that the regulatory capital ratios are met for the next three years, in a baseline and in two adverse scenarios. Second, the economic perspective ensures adequate capitalisation based on the economic value of the institution.

In order to assess the material risks, the Bank uses an economic capital model that depicts the appropriate capital resources and their utilisation. The capitalisation is adequate if the sum of the material risks is consistently covered by the internal capital, which represents the economic value of the institution. The capital surplus is calculated as a relative value: expressed as the ratio between internal capital and economic capital requirements. Adequate capitalisation is given if the ratio exceeds the value of 100%. The economic perspective is based on a uniform confidence level of 99.95% for all risk types. The holding period of the economic perspective is usually one year.

The economic perspective considers internal capital and economic capital requirements on a present value basis. In order to ensure a conservative calculation approach, internal capital is derived from balance sheet figures at present value by adjusting it for hidden charges and other deductible items.

Counterparty risk is determined by calculating the loss distribution for a holding period of one year using Santander Group's credit portfolio model from the credit risk measurement data sets. The economic view is represented by a multi-factor model variant, using correlations derived from the portfolio property. By taking migration risks into account, the present value view is also ensured.

The two ICAAP perspectives are closely related and influence each other. The future-oriented, normative perspective provides future information that is evaluated within the framework of the economic perspective. In contrast, all significant risks for the normative perspective are taken into account in the form of scenario losses.

Credit risk is quantified in the form of value at risk for a holding period of one year. As of December 31, 2022, the total credit risk charge was €1,046.2 million (previous year: €819.3 million). At the same time, the excess coverage ratio of the defined risk tolerances for the material business segments in relation to the total capital charge for credit risk ranged between 15% and 432%.

To determine the expected and unexpected risks, the loss distributions of the counterparty and issuer risks are simulated; in addition, the value at risk for a holding period of one year and the expected credit risks are derived. The unexpected loss is calculated as the difference between the value at risk and the expected credit risks.

To calculate the interest rate risk, a loss distribution is estimated based on a historical simulation with a holding period of 62 days. The risk-free interest rate curve of the Euro Short-

Term Rate (€STR) is used. The value at risk amounted to €319.2 million as of the balance sheet date (previous year: €61.1 million) In addition, the changes are calculated for different historical and hypothetical stress scenarios (including parallel yield curve shifts of 25 basis points as a key internal control variable).

The value at risk for ABS risks measures the loss in value of the repurchased debt securities from own securitisation transactions at the confidence level. This loss in value is derived from historically observed spread changes. As of December 31, 2022, the risk amounted to €4.1 million (previous year: €11.1 million).

For existing securities risks, the value at risk for a 20-day holding period is €26.7 million (previous year: €1.4 million). The reason for the lower holding period compared to the other risk types is the acquisition of only highly liquid assets. We assume that these assets can be sold on the market at any time.

The value at risk for controlling foreign currency risks was €0.9 million in December 2022 (previous year: €1.2 million) and thus within the set limit. In determining the market price risk, the historical simulation with a holding period of 62 working days is used for the foreign currency risk; the basis is the exchange rate data history since 1999.

Operational risk is determined using the loss database as well as external data from the Operational Riskdata eXchange Association (ORX) and scenario analyses (own survey). For this purpose, the loss data is first allocated to the seven Basel II event categories and then the loss frequencies per year and the respective loss amounts are modelled. The loss distribution is calculated using Monte Carlo simulation. The economic capital for operational risks is calculated in the form of a value at risk with an observation period of one year and was unchanged at €435.6 million as of the balance sheet date compared to 2021.

The liquidity value-at-risk is based on the liquidity maturity balance sheet and is calculated from the differences between a reference ratio and simulated ratios. These ratios are calculated using historical spread curves, based on a data history since 2012. The holding period for closing liquidity gaps is set at 62 trading days. The value at risk at the end of the reporting year was €0.1 million and thus slightly higher than the previous year's figure of €0.0 million.

The calculation of business risk is based on a normal distribution calibrated with the deviations of budgeted to realised profit. The value at risk was €134.3 million as of December 31, 2022 (previous year: €63.0 million).

The pension risk is calculated using Monte Carlo simulation. It consists of interest rate risk for pension cash flows, where interest rate changes are determined by a Hull-White model, and longevity risk, which is assumed to be normally distributed. The value at risk amounted to €43.2 million as of the balance sheet date (previous year: €86.3 million).

The calculation of the model risk is implicit in the above-mentioned risk types and is taken into account through mark-ups on those parameters on which the risk types are based.

In addition, our bank regularly carries out an overall bank stress test that includes all significant types of risk. An additional, more detailed view of sensitivity is achieved with the realisation of stress tests for the individual risk types: using historical and hypothetical scenarios as well as stress tests with macroeconomic factors. Idiosyncratic and market-wide scenarios and their combinations are presented. In addition, potential risk drivers for the implementation of inverse stress tests are identified. The Bank conducts a total of four inverse crisis stress tests, which are of particular importance in the preparation of a recovery plan for Santander Group.

Following the outbreak of the conflict in Ukraine and the accompanying sharp rise in inflation and gloomy economic outlook, we calculated stress tests for risk-bearing capacity. We have regularly adapted these to the circumstances and, for example, supplemented them with scenarios of a permanent natural gas supply stop from Russia. In these stress tests, the risk-bearing capacity was given.

The adequacy of the Bank's capitalisation is monitored through a three-tier risk tolerance system, both at the overall bank level and at the level of risk types and business lines. In 2022, the capitalisation of our bank was adequate at all times in both steering committees. As of the balance sheet date, the capital surplus ratio was 155.8% (previous year: 213.5%) The ratio results from the internal capital of €3,237.8 million (previous year: €3,159.7 million) and the sum of the economic losses of the main risk types of €2,078.0 million (previous year: €1,479.8 million).

The Common Equity Tier 1 capital ratio pursuant to § 10 KWG in conjunction with Art. 92 Para. Art. 92 para. 1 lit. a) CRR was 12.92% (previous year: 15.01%), the core capital ratio 12.92% after 15.02% in 2021. The own funds pursuant to § 10 KWG in conjunction with Art. 72 CRR amounted to €3.296 billion. Art. 72 CRR amounted to €3.296 billion (previous year: €3.308 million)) Risk-weighted assets (RWA) amounted to €22.374 billion (previous year: €19.366 billion). This results in the total capital ratio as defined in Art. 92 para. 1 lit. c) CRR of 14.73% at the end of 2022 (previous year: 17.08%).

All capital topics are presented and discussed in the local capital forum with regard to both their regulatory and economic aspects. The Management Board is represented in this forum by the CFO (Chair), CAO, and CRO. Decisions, e.g. regarding capital measures, are made on the basis of discussions by the full board.

CONCLUDING REMARKS ON THE RISK REPORT

The 2022 financial year was dominated by the consequences of the Corona pandemic and the Ukraine conflict and the associated effects on the national and global economy, in particular increased inflation. In this context, the fixed level of risk appetite has been proven by the overall robust development of our portfolio over the course of the year. As a result, and given the uncertainties that remain, we do not intend to increase our risk appetite. We have implemented close monitoring and targeted adjustment of our lending guidelines. Until the economy has recovered sustainably, the portfolios will have to be managed and monitored very closely in the coming year as well. We are therefore monitoring economic developments very closely and will take the progress of the economic slowdown into account when designing our stress tests. We will continue to pursue strict liquidity management in 2023. The rise in interest rates also leads to a change in our pricing policy and to adjusted refinancing approaches for 2023; this affects the pricing policy for retail deposits and the institutional business in 2022 as well as the planned refinancing mix for the coming years. As required by supervisory law, we further developed the risk management and risk controlling systems as essential components of adequate bank management in the year under review and adjusted them in view of the challenges on the markets.

We continue to rely on a modern, uniform, and robust IT data infrastructure ("single point of truth") with a focus on a data-oriented, omni-channel business model. Gradually, fully automated reporting solutions, user-specific applications, and consolidation and consistency checks are to be implemented for all major risk types. In a first step, the "Asset & Liability Management Data Mart" (ALM DM), an automatic reporting solution for reporting various liquidity ratios, was used. Within the next two years, this data mart will be further developed to establish a data feed to the Santander Group system. In preparation for the third wave of IRBA, we have added data from Hyundai Capital Bank Europe (HCBE) to the scope of the Capital Data Mart to cover all relevant information of an IRBA candidate portfolio.

In addition, a module for all HCBE-related information was implemented in the Capital Data Mart: This enables both consolidated evaluations and the presentation at subsidiary level (including the Italian branch). This provides us with the opportunity for uniform and self-directed reporting for "Banking as a Service" (BaaS) and contributes to the model security of the portfolios. Furthermore, our bank is currently working on implementing a multi-client-enabled system ("NEO") for the processing of vehicle financing and leasing products that will help meet BaaS requirements.

We also plan to integrate MCE Bank GmbH, which was initiated with the conclusion of the contract in November 2022, in order to strengthen our market position as one of the main players in the German automotive sector.

In addition to the continuous expansion of the existing business segments, our bank will expand its refinancing options: on the one hand, through a broader positioning of products and refinancing sources (e.g. third-party banks) and, on the other hand, by increasing the number of (deposit) customers.

In order to further optimise the processes in risk management and risk controlling, our bank plans to transfer the next portfolios to the IRBA. We plan to apply for the use of the internal approach in 2024, for motor vehicle financing of corporate customers that are not car dealers or assigned to the Business & Corporate Banking portfolio. In addition, the supervisory authority is examining the transfer of follow-up financing for the motor vehicle business to the IRBA. The decision on this is expected in the first quarter of 2023.

The regulatory requirements regarding the new definition of default are implemented in a two-step approach: While default detection has already been implemented according to the new definition, the associated risk parameters are currently being reviewed by the supervisory authority. The decision on this is expected in the first quarter of 2023.

The coming business year will be characterised by the clouding of the overall economic situation and by the associated challenges for the economy and society. It should be emphasised here how important it is to ensure a sustainable energy supply for households and businesses, which in turn is closely interwoven with price developments. In addition, there is the impact on household incomes and thus on consumer demand and credit default rates. In addition, the effects on global supply chains should still be mentioned, which, for example, lead to resource bottlenecks and thus to delays in the production of motor vehicles. We will continuously monitor the various consequences of the pandemic and analyse them on the basis of experience so far, so that we can develop and introduce appropriate measures.

OUTLOOK AND OPPORTUNITIES REPORT

The global economy has noticeably lost momentum in 2022. The main dampening factors were the noticeable increase in geopolitical uncertainties due to the war in Ukraine and the interest rate turnaround forced by the central banks. In 2023, after a slow start, the global economy is expected to recover slightly as the year progresses. Nevertheless, it is expected to grow by only about 2.7% on average for the year – after an estimated 3.2% in the year under review.

The Euro zone, which has been hit much harder by the effects of the war in Ukraine, is likely to slide into a technical recession. Private households are noticeably curtailing their consumer spending due to very high inflation. The economy is expected to recover after the difficult winter months from late spring 2023. In 2023 as a whole, however, there will probably only be stagnation.

In 2023, the German economy is expected to remain stable due to a possible recovery in the second half of the year. The noticeable increase in gas prices as a result of the war in Ukraine increases the pressure to adapt to framework conditions, which have already changed noticeably due to the necessary ecological transformation. This hits gas-dependent industries such as the chemical industry particularly hard. However, this also impairs – at least temporarily – the competitiveness of the German economy as a whole; after all, its development has traditionally been heavily dependent on exports. Production is expected to stabilise thanks to high order backlogs of companies, especially when the supply bottlenecks should be eliminated again. However, the great uncertainty and rising capital market interest rates are likely to cause companies to review planned investments and postpone them if necessary. In addition, the subdued spending mood of private households is unlikely to improve rapidly in view of the very high inflation; therefore, private consumption appears to have a stabilising effect at best, despite the high savings that were built up during the corona pandemic. Therefore, the German economy is expected to grow by only 0.2% in the coming year.

High inflation is expected to slowly decline starting in the beginning of 2023. The incipient elimination of global supply bottlenecks should contribute to this, from which the industry-oriented German economy should particularly benefit. In addition, the strong rise in energy and commodity prices will probably weaken somewhat as the global economy slows down. Nevertheless, the inflation rate will remain above the ECB's target of 2% for price stability for the foreseeable future. Therefore, the ECB is likely to continue on its chosen path of gradually reducing its recent expansionary monetary policy in the coming months.

The labour market situation in Germany remains positive compared to the Euro zone as a whole. Due to the admission of Ukrainian refugees, we expect only a slight increase in volatility during the year with regard to unemployment in 2023.

Private consumer spending will probably be below its previous year's level. Construction investments are expected to decline in the coming year. As equipment investment is likely to remain largely unchanged, the pandemic-related investment gap is not expected to be closed by the end of 2023. The weak global economy is likely to slow down foreign trade.

Depending on how the inflation rate in the Euro zone develops, key interest rates are expected to average 3.50% in 2023, so that the ECB should reach its inflation target of 2% again in the medium term. The ECB adjusted the conditions for the third series of targeted longer-term refinancing operations (TLTRO III) retrospectively; this has significantly reduced the attractiveness of this refinancing instrument. This deterioration in conditions is expected to lead to significant reductions in net interest income in the German banking sector – compared to the previous financial planning for 2023 – on the one hand, and to tougher competition for alternative refinancing sources on the other.

The impulses emanating from the very expansive fiscal policy of the past years will probably continue to have an impact in 2023. Thus, there is much to be said for at least not greatly expanding government deficits. Deficits are expected to increase again next year. In order to keep these within limits, it is necessary to counter-finance new measures. This has already been announced, but not yet implemented, for example in the electricity price-related measures in the draft economic plan of the Economic Stabilisation Fund (WSF). Counter-financing usually alleviates price pressures and in itself eases the burden on monetary policy. It would also be in the spirit of a stringent debt brake to limit the extent of credit financing. It must be taken into account that the state is only in a position to spread the higher energy costs over time or to redistribute financing burdens. Sooner or later, it will have to pay for the costs of these measures through additional revenue or reduced expenditure elsewhere.

Profound changes are to be expected in our market: Digitalisation and mobile penetration are leading to a better understanding of products, not only by our internet-affine customers. For example, online marketplaces and price comparison portals are increasing the transparency of credit offers, as well as changing preferences and expectations. Thus, our customers increasingly want "end-to-end" solutions that are seamlessly integrated into all distribution channels, but also services that are provided immediately, regardless of place and time.

In this challenging environment, our bank anticipates the developments described below in its four business areas (Mobility, Consumer Financial Services, Direct Business, and Business & Corporate Banking).

In the **Mobility** business sector, we are one of the largest manufacturer-independent financing partners in the areas of cars, motorbikes, and (motor) caravans by lending volume. Santander is also one of the largest lenders among the manufacturer banks known as captives in Germany. Our strategy is geared to defending our strong market position in the long term.

For Germany, we forecast around 6.5 million owner registrations and approximately 2.9 million new registrations for the coming year. We therefore assume that the number of vehicle registrations in the German market as a whole will increase moderately compared to 2022, because the delivery backlog from previous years is likely to be reduced further in the course of 2023. In terms of private shares, we expect both new registrations and owner conversions to be comparable to 2022 in the coming year.

For 2023, we expect a slight increase in our new loan business for new car financing to around €1.5 billion. Used car new loan business is expected to be €4.6 billion, roughly the same as last year. As a result, we therefore expect new loan business in the motor vehicle retail business to grow moderately compared to the year under review to around €6.1 billion. In dealer purchase financing, we forecast a slight increase in new loan business to around €7.7 billion (previous year €7.1 billion).

We would also like to intensify our cooperation with dealers and importers in the coming year. In addition to the expansion of our platform business via Autobörse.de and mobile.de, the main thrust of our strategy is further digitisation. The goals here are even closer networking with our mobility partners by digitally integrating them into our platforms and processes and further standardisation of the software. We want to implement the "effortless" digital customer journey via a single point of access to the end customer. In the long term, our digital ecosystem should therefore merge the off- and online experiences of our mobility customers.

In November 2022, Santander announced the acquisition of MCE Bank. The completion of this transaction is subject to the relevant regulatory approvals; these had not yet been granted at the time of the annual financial statements. After completion, we will continue the MCE Bank business model. The existing contacts with dealers and importers are to be maintained with the same high intensity. MCE Bank's existing end-customer relationships are also not affected by the expected change in shareholders; here, too, we will maintain continuity. We expect the acquisition of the two newly added brands Mitsubishi and Isuzu to strengthen our captive business in Germany. The plan is for us to take over the manufacturer's bank function for both brands. We have thus laid the foundation for growth in the motor vehicle business, which is so important to us.

In the mobility area we also offer services for other banks: "Banking as a Service" (BaaS) is a growth area for us that needs to be industrialised.

We aim to consolidate our market position in the leasing sector. Through our subsidiary Santander Consumer Leasing GmbH, we are already one of the most important providers of private and commercial vehicle leasing in Germany. Despite a forecast higher volume of new business, we expect a declining contract portfolio due to regular and premature contract terminations: From around 174,000 (as of the end of 2022) to a good 165,000 contracts by the end of 2023.

We expect positive effects for our leasing business from the leasing company Allane SE (formerly SIXT LEASING SE), which is indirectly held via HCBE. The focus in the coming year will continue to be on the further digitalisation of our business model. We want to generate more national and international growth through the three business areas of online sales of new cars, fleet leasing, and fleet management.

In our **Consumer Financial Services (CFS)** business segment, we want to continue to strengthen digital sales channels in the future. As loan sales increasingly shift to online channels, we plan to expand our e-commerce offering and build new merchant relationships. For example, our pan-European technical platform "Buy Now, Pay Later" is to become increasingly solution-oriented and thus more transactional. In this way, we are gradually developing from a financing provider in stationary trade to a provider of payment solutions for end customers. Therefore, we forecast new trade credit business to increase in 2023, with our e-commerce business remaining the main driver of growth.

In **Business & Corporate Banking**, our sales activities will continue to focus on acquiring customers with an international outlook in the Group's core regions (Europe, North and South America). In the long term, we want to establish a sustainably profitable partnership with German SMEs. The credit portfolio is to be steadily expanded in cooperation with the foreign units. The lending business will continue to be characterised by strong competition in the future.

With regard to our **Direct Business** segment, we plan to take account of changing customer needs by increasingly expanding our Santander direct consulting services in addition to the consulting provided through our branches. For example, we want to increasingly address our customers via digital channels and remote services. With an even more personalised customer approach, we want to increase both customer loyalty and product penetration (number of products per customer). We are consistently improving our omni-channel market presence, where our customer determines the way they use our services and want to communicate with us.

In Direct Business, we expect a moderately higher new business of over €3 billion in 2023 compared to the reporting year. We want to achieve this increase in lending turnover through customer loyalty sales initiatives and the expansion of our digital Direct Business; in this way, in the lending segment we can benefit from our capacity as the customer's house bank.

In the area of mortgage loans, we expect new business to stagnate in the coming year. In 2023, we want to further expand our brokerage business and realise efficiency gains. We are also investing in increasing the degree of automation in credit decisions.

In the coming years, our bank will cover its refinancing requirements primarily through customer deposits. In addition, we rely on our proven approach: the securitisation of customer receivables and the subsequent placement on the capital markets. Parallel to this, we will continuously use our range of short-term and long-term refinancing instruments as needed. This includes drawings under our commercial paper programme as well as issuing unsecured and secured bonds. We will fully repay the targeted longer-term refinancing operations (TLTRO) by the ECB, which have been used opportunistically so far, and replace them with the above-mentioned refinancing sources. In this way, we strive for a broader diversification of our liabilities side.

Santander has made adequate provisions for all currently known pending litigation and for potential legal risks. However, it cannot be ruled out that charges may still arise for the Bank from known pending legal disputes. Furthermore, we follow the development of case law and focus our attention on risks that could arise from this.

For 2023, our bank expects the following developments in the key earnings figures:

For the coming year, we forecast a moderately declining net interest income. Interest expenditures are rising faster than interest income. The current interest rate level and the interest rate level expected for 2023 will cause interest income to rise further; thus, it should be significantly above the level of the reporting year. The renewed growth in new business, especially in Direct Business and Mobility, is expected to contribute ºto the increase in interest income. Interest expenses will also continue to increase due to the current interest rate level and the interest rate level expected for 2023, and will be significantly above the level of 2022. Furthermore, we expect a significant increase in expenses for TLTRO utilisation in 2023 due to the ECB's contract adjustments and a market-induced increase in expenses from ABS transactions.

We expect a very significant increase in net commission income in 2023. We forecast significantly growing commission income from insurance commissions thanks to the targeted expansion of new lending business and additionally higher account and payment transaction fees. We expect a moderate decline in commission expenses, partly due to lower dealer commissions.

In the coming year, we expect administrative expenses to decrease slightly. This reduction is expected to result mainly from a significant decrease in personnel expenses, which is attributable to lower expenses for the formation of pension provisions after the significant addition in 2022. Depreciation and value adjustments on intangible assets and property, plant and equipment should increase moderately.

Our cost-income ratio will improve slightly in the coming year due to declining administrative expenses combined with stable income.

For 2023, we assume a very significant increase in risk costs compared to 2022. The main reason for this is the strong positive influence of special effects in the reporting year. Due to a lower level of receivables written off, a decrease in the sales volume and thus also in income is also expected within the framework of the annual sale of receivables. This is offset by an expected reduction in risk costs for Direct Business. We derive this from an assumed stabilisation of the solvency of our private clients, after their ability to service their debts was previously strongly influenced by the effects of the pandemic and high inflation. Furthermore, the risk costs in the direct portfolio will benefit from the portfolio management measures taken in 2021 and the adjustments in the lending guidelines in the reporting year.

For the other operating result, we forecast an expense in the low single-digit million range in the coming year. Other operating income will decrease significantly. This is due to lower income from the reversal of provisions. We do not expect any material changes in other operating expenses.

As a result, we expect that the increase in net commission income and the savings in administrative expenses will not fully offset the declines in net interest income, other operating result and risk costs.

In summary, we therefore forecast a significant decrease in the annual result for the 2023 financial year compared to the previous year and thus a significantly declining RoRWA with an almost constant volume of our risk-weighted assets (RWA).

Targets

	Target figure	Actual figure
Supervisory Board	50%	50%
Management Board	20%	0%
First reporting level (area head)	30%	26%
Second reporting level (head of department)	30%	23%

GOVERNANCE STATEMENT

In August 2021, the Second Leadership Positions Act for the equal participation of women and men in leadership positions in the private and public sectors was passed. The aim of the law is to increase the proportion of women in leadership positions and eventually to achieve gender parity. According to this legal provision, our bank must independently determine targets for increasing the proportion of women and set deadlines for achieving them in the supervisory board, executive board, and upper management levels.

Our Supervisory Board and Executive Board have defined targets for the proportion of women in 2021. The deadline for achieving these targets was set at fiscal year 2025. The actual figure refers to the end of 2022.

We are continuously developing our catalogue of measures in order to increase the quota of women in management positions at our institute and to fully achieve the goals we have set for ourselves by 2025. We will continue to press ahead with the implementation of the measures in the future.

This includes our established Diversity Committee, which meets twice a year. Among other things, this committee monitors the number of women in management positions and provides impulses for the promotion of women in our bank. Other measures include, for example, a local and global mentoring programme, corporate seminars specifically for high-potential females, and our offer for female department heads in cooperation with a non-profit association for the sustainable development of female managers.

Mönchengladbach, February 16th, 2023

The Board

Volpe

Donat

Thomas Hanswillemenke
Hanswillemenke

Klöpper

Silva

Balance Sheet as of 31 December 2022

of Santander Consumer Bank AG, Mönchengladbach/Germany

Assets	2022 EUR	2022 EUR	2021 TEUR	2021 TEUR
1. Cash reserve				
a) Cash-in-hand	**82,125,703.51**		94,052	
b) Central bank balances	**1,209,032,475.45**	**1,291,158,178.96**	10,663,407	10,757,459
of which with German Central Bank 1,209,032,475.45 (prior year TEUR 10,633,407)				
2. Receivables from banks				
a) Due on demand	**302,078,785.72**		46,293	
b) Other receivables	**6,475,994,080.13**	**6,778,072,865.85**	2,709,097	2,755,389
3. Receivables from customers		**32,044,112,611.88**		28,855,532
of which: collateralized by mortgages EUR 1,904,569,007.20 (prior year TEUR 1,988,661)				
4. Bonds and other fixed-income securities				
a) Bonds and debentures				
aa) of other issuers	**2,387,378,439.53**			
ab) from other issuers	**15,051,443.17**			
b) Bonds and debentures				
ba) of public issuers	**720,028,286.12**		1,015,105	
bb) of other issuers	**9,053,391,642.68**		10,928,750	
c) own securities	**25,000,095.90**	**12,200,849,907.40**	25,000	11,968,855
of which: eligible as collateral for borrowings				
German Central Bank EUR 10,094,045,837.07 (prior year TEUR 10,302,215)				
5. Shares and other non-fixed-income securities		**5,774.77**		26
6. Investments		**59,054.00**		59
7. Shares in affiliated companies		**785,952,291.93**		760,952
of which in financal institutions EUR 595,116,828.40 (prior year TEUR 620,117)				
of which in financal services institutions EUR 150,749,049.08 (prior year TEUR 100,749)				
8. Trust assets		**5,703.81**		14
of which loans on a trust basis EUR 5,703.81 (prior year TEUR 14)				
9. Intangible fixed assets				
a) concessions acquired for consideration, trademarks and similar rights and assets as well as licenses to such rights and assets	**164,494,188.67**		167,556	
b) advance payments	**46,431,026.75**	**210,925,215.42**	224,393	391,949
10. Tangible fixed assets		**37,262,782.96**		42,136
11. Other assets		**261,834,883.96**		245,822
12. Prepaid expenses				
a) from issuance business and credit business	**20,205,782.37**		6,323.00	
b) other	**4,788,791.24**	**24,994,573.61**	6,223.00	12,546
Total assets		**53,635,233,844.55**		**55,623,183**

Balance Sheet as of 31 December 2022

of Santander Consumer Bank AG, Mönchengladbach/Germany

Equity and liabilities	2022 EUR	2022 EUR	2022 EUR	2021 TEUR	2021 TEUR
1. Liabilities to financial institutions					
a) Due on demand		997,926.46		27,924	
b) Subject to agreed term or notice period		8,685,381,539.79	8,686,379,466.25	10,445,437	10,473,361
2. Liabilities to customers					
a) Savings deposits					
aa) Subject to three months' agreed notice period	821,291,297.46			869,448	
ab) Subject to agreed notice period of more than three months	535,450.63	821,826,748.09		791	
b) Other liabilities					
ba) Due on demand	17,718,239,487.99			17,378,000	
bb) Subject to agreed term or notice period	6,710,107,308.22	24,428,346,796.21	25,250,173,544.30	5,141,730	23,389,969
3. Bonded liabilities					
a) Mortgage Pfandbriefe		1,025,308,315.10		1,025,308	
b) Debentures		1,335,263,698.63	2,360,572,013.73	1,606,035	2,631,343
4. Trust liabilities			5,703.81		14
of which loans on a trust basis EUR 5,703.81 (prior year TEUR 14)					
5. Other liabilities			12,838,317,007.59		14,642,349
6. Deferred income					
a) from issuance and credit business		29,713,555.38		43,066,00	
b) others		1,946,022.59	31,659,577.97	2,191,00	45,257
7. Provisions					
a) Provisions for pensions and similar obligations		484,873,835.00		439,437	
b) Provisions for taxes		0.00		0	
c) Other provisions		261,178,409.81	746,052,244.81	280,081	719,519
8. Subordinated liabilities			185,620,871.67		185,215
9. Participatory capital			218,104,156.15		217,807
of which due within two years EUR 0.00 (prior year TEUR 0)					
10. Equity					
a) Subscribed capital					
aa) Share capital	30,002,000.00			30,002	
ab) Silent partners' capital contributions	5,112,918.81	35,114,918.81		5,113	
b) Capital reserves		3,282,774,774.98		3,282,775	
c) Retained earnings					
ca) Legal retained earnings	100,213.21			100	
cb) Other retained earnings	359,351.27	459,564.48		359	
d) Net retained profits/net accumulated losses		0.00		0	
			3,318,349,258.27		3,318,349
Total equity and liabilities			53,635,233,844.55		55,623,183
1. Contingent liabilities					
a) Liabilities under guarantees and warranty agreements			320,392,869.85		335,975
2. Other commitments					
a) Irrevocable loan commitments			1,410,689,673.92		1,361,574

Profit and Loss Statement

of Santander Consumer Bank AG, Mönchengladbach/Germany for the Period from 1 January to 31 December 2022

Expenses	2022 EUR	2022 EUR	2022 EUR	2021 TEUR	2021 TEUR	2021 TEUR
1. Interest expenses		**197,914,308.06**			156,822	
negative interest expenses		**–58,167,869.27**	**139,746,438.79**		–135,567	21,255
2. Commission expenses			**369,149,908.07**			332,482
3. General administration expenses						
a) Personnel expenses						
aa) Wages and salaries	**206,971,652.79**			195,348		
ab) Social security, post-employment costs and other employee benefits	**88,872,507.36**	**295,844,160.15**		74,943	270,291	
of which: post-employment costs EUR 48,385,355.53 (prior year TEUR 36,007)						
b) Other administration expenses		**379,063,763.60**	**674,907,923.75**		373,302	643,593
4. Amortization and write-downs of intangible assets and depreciation on, and write-downs of, tangible assets			**73,176,801.13**			72,728
5. Other operating expenses			**25,883,354.22**			36,079
thereof: effects from discounting and unwinding of discounts 8,599,043.05 EUR (prior year TEUR 10,082)						
6. Write-downs of and allowances on receivables and certain securities as well as additions to loan loss provisions			**112,405,465.12**			134,264
7. Write-downs and allowances for losses on investments, shares in affiliated companies and securities treated as fixed assets			**28,502,807.37**			26,464
8. Taxes on income and Earnings			**0.00**			0
9. Other taxes unless disclosed under item 5			**77,944.74**			102
10. Profits transferred on account of cash pools, profit transfer or partial profit transfer agreements			**444,088,998.06**			532,745
11. Net income for the financial year			**0.00**			0
Total expenses			**1,867,939,641.25**			**1,799,712**

Profit and Loss Statement

of Santander Consumer Bank AG, Mönchengladbach/Germany for the Period from 1 January to 31 December 2022

Income	2022 EUR	2022 EUR	2022 EUR	2021 TEUR	2021 TEUR	2021 TEUR
1. Interest income from						
a) Lending and money market transactions	1,136,829,975.84			1,049,835		
Negative interest from lending and money market transactions	–37,507,562.64	1,099,322,413.20		–40,676	1,009,159	
b) Fixed-income securities and book-entry securities		55,118,494.23	1,154,440,907.43		57,607	1,066,765
2. Current income from						
a) Shares and other non-fixed-income securities		73,731.29			62	
b) Investments		38,532,632.47	38,827,816.26		25,036	25,290
3. Income from profit poolings and profit & loss transfer agreements			93,338,122.39			108,686
4. Commission income			532,435,050.26			514,513
5. Other operating income			48,897,744.91			84,458
thereof: effects from discounting and unwinding of discounts 0,00 EUR (prior year TEUR 280)						
6. Income from revaluation of investments, shares in affiliated companies and securities treated as fixed assets			0.00			0
7. Refunded income taxes			0.00			0
Total income			1,867,939,641.25			1,799,712

ANNEX

Irrespective of their legal form, banks must prepare their annual financial statements in accordance with the accounting regulations applicable to large corporations (Section 340a (1) HGB). Accordingly, their annual financial statements must be supplemented by an Annex to the financial statements, which form a unit with the balance sheet and income statement (Sec. 264 (1) Sentence 1 HGB). In principle, the provisions of Sections 284 to 288 HGB (Section 340a (1) HGB in conjunction with Section 34 (1) RechKredV) therefore apply. Size-dependent relief such as for small and medium-sized corporations cannot be applied to institutions (Section 340a (2) sentence 1 HGB).

The notes contain additional disclosures prescribed for the individual items of the balance sheet or the profit and loss statement. In addition, special features specific to the legal form must be taken into account. However, due to the specifics of the sector, certain provisions on the annex to the financial statements applicable to corporations are not applicable to institutions (Section 340a (2) sentence 1 HGB). Likewise, due to the special features of the business sector, some provisions on the annex to the financial statements generally applicable to corporations are replaced by standards of the RechKredV (Sec. 340a (2) Sentence 2 HGB).

The purpose of the annex to the financial statements is to provide a true and fair view of the net assets, financial position, and earnings of operations of the company (Section 264 (2) sentence 2 HGB) by means of supplementary quantitative and qualitative information not contained in the figures in the balance sheet and income statement.

Annex for the 2022 Financial Year

I. GENERAL NOTES CONCERNING THE FINANCIAL STATEMENTS

The business address of Santander Consumer Bank AG is Santander-Platz 1, 41061 Mönchengladbach. It has its registered office in Mönchengladbach and is registered with the Mönchengladbach District Court under number HRB 1747.

The Company's financial report as of December 31, 2022 have been prepared on the basis of the accounting provisions of the German Commercial Code (HGB) for a large corporation and the Ordinance on Accounting for Banks and Financial Services Institutions.

In addition, the provisions of the German Stock Corporation Act and the German Pfandbrief Act had to be observed. In order to adequately reflect the universal banking business of Santander Consumer Bank AG, the classification requirements for Pfandbrief banks were taken into account by including "below" notes for the respective items. Information on the mortgage bond business is described in Section V. Other information

II. EXPLANATION OF THE ACCOUNTING AND VALUATION METHODS

The asset and liability items have been recognised and measured in accordance with generally accepted accounting principles and statutory requirements.

Specifically, the following accounting and valuation methods have been applied:

The **cash reserve** is carried at nominal value.

Receivables from banks and customers are recognised at nominal value including interest accrued up to the balance sheet date and reduced by valuation allowances.

For part of the portfolio, **receivables from customers**, in this case instalment loans, are recognised in the amount of the outstanding balances or outstanding repayment instalments minus future interest and value adjustments.

Interest accruals for Santander Consumer Bank AG's portfolio, which is recognised using the gross loan method in accordance with section 23 of the Ordinance

For credit risks in the lending business, risk provisions are formed in the amount of the expected loss in accordance with IFRS 9. In the case of general allowances, the calculation is performed using a model-based procedure based on the exposure at the time of default (EAD), the expected losses given default (LGD), and the probability of default (PD) used in the IFRS 9 context. In the case of receivables that have experienced a significant increase in default risk since the loan was granted, the expected loss over the remaining term to maturity is recognised instead of the one-year loss. For defaulted receivables, on the other hand, a scenario-weighted specific valuation allowance is calculated based on the individually expected cash flows, taking into account collateral. Specific valuation allowances are also recognised, if necessary, for exposures in the areas of dealer purchase financing or business banking where there is an arrears situation or an acute deterioration in creditworthiness, following an examination of the individual circumstances.

The positive impact on the loss ratios resulting from the increase in used car prices, which has not yet been fully taken into account in the impairment parameters, was reflected by a post-model adjustment.

In the case of non-current variable-interest loans, which contain an interest rate floor of 0%, there is no requirement to separate the embedded derivative. Accordingly, these loans are accounted for on a consistent basis using the general principles described above.

Bonds and other fixed-income securities are initially measured at cost. If they are not classified as non-current assets, they are subsequently valued using the strict lower-of-cost-or-market principle. The lower-of-cost-or-market discount on the lower stock market price is applied if the original or remaining maturity of the bonds at the time of acquisition is less than 1 year. If the impairment of investment securities is expected to be only temporary, the value has been retained, with the exception of securities purchased above nominal value. In deviation from this, securities from asset-backed securities transactions with regulatory risk transfer (Art. 243 Para. 5 CRR) are written down if the receivables sold legally to the special purpose entity have actually defaulted. If fair values were determined on the basis of models because market values were not available, current market models and cash flow analyses were used.

As part of the synthetic ABS transaction (SCGC 2019-1) with an underlying customer receivables portfolio of €1,100,000 thousand, a loan collateral transaction was concluded between Santander Consumer Bank (collateral taker) and the SPV (collateral provider) to assume 100% of the default risks up to a total volume of €154,000 thousand. Santander Consumer Bank, in its capacity as collateral taker, recognises the loan collateral as collateral received as defined in IDW RS BFA 1 and is not valued individually, but is included in the valuation of the receivables portfolio.

The credit-linked notes (CLN) repurchased as part of the transaction represent structured products from the bank's perspective as defined in IDW RS HFA 22 and are accounted for separately. They are broken down into their components: the underlying instrument (the issuer's debt security) and the credit default swap. The bonds are accounted and evaluated as described above. The credit default swap is recognised as provided collateral and reported as a contingent liability. By acquiring 5% of the CLN issued by the SPV, the bank in turn assumes the role of collateral provider for the amount of the acquired CLN.

Since Santander Consumer Bank, in its capacity as collateral taker, transfers 100% of the default risk from the credit derivative up to the agreed amount to the SPV, but at the same time, in its capacity as repurchaser of part of the credit linked notes, reassumes a minimum retention of the first loss tranche (€27,500 thousand) and 5% of the default risk in excess of this, it has measured the value adjustment on the securitised portfolio taking into account the final remaining collateral from these agreements. In economic terms, in 2022 this ensured that value adjustments of €1,293 thousand did not have to be made due to recoverable collateral.

Investments and shares in affiliated companies are carried at cost. If the annual impairment test shows a lower fair value and this impairment is not considered to be temporary, the asset is written down to this lower value. The value is determined using the capitalised earnings value method in accordance with IDW S 1.

Intangible assets and property, plant, and equipment are stated at cost minus straight-line depreciation. The useful life of intangible assets is three years for non-core banking systems and five years for core banking systems. The useful lives of property, plant, and equipment mainly lie between five and ten years. Impairment losses are recognised if the impairment in value is expected to be permanent. Advance payments are recognised at cost.

Low-value assets with acquisition costs of up to €250 are written off in full in the year of acquisition. The remaining low-value assets with acquisition costs of up to €1,000 are combined in a collective item and depreciated over a period of five years.

Other assets are carried at nominal value, minus write-downs to the lower fair value where applicable.

Prepaid expenses are subdivided into those "from issuing and lending business" and "other". The former derive from the issuing business and are released in instalments through interest expenses over the term of the underlying transactions, the remaining prepaid expenses on a straight-line basis over the period of the consideration obligation.

Liabilities are recognised in the balance sheet at the settlement amount including interest accrued up to the balance sheet date.

The interest rate on the loans granted under the European Central Bank's TLTRO-III targeted longer-term refinancing operations (TLTRO) depended on the Bank's net lending in certain periods. On 23.6.2022 the additional special interest period expired, so that from 24.6. – 22.11.2022 the interest is calculated with the average interest rate for the entire term of the tranche. With the ECB decision of 27.10.2022, starting on 23.11.2022 until the maturity or early redemption of the outstanding TLTRO III tranche (final interest period), the interest rate will be linked to the average of the relevant ECB key interest rates for this period.

Securitised liabilities are also recognised at the settlement amount including interest accrued up to the balance sheet date. An issue discount is recognised as deferred income.

Deferred income is subdivided into "from issuing and lending business" and "other". Of the former, those from the issuing business are shown over the term in instalments as an adjustment to interest expense, those from the lending business are released in instalments via the earned interest over the term of the underlying transactions. The other accruals and deferrals are released on a straight-line basis over the period of the counter-performance obligation.

Provisions for pensions and similar obligations are measured at the settlement amount deemed necessary in accordance with prudent business judgment: They were determined by independent actuaries using the projected unit credit method. The calculation was made in accordance with actuarial principles on the basis of the 2018 G mortality tables by Dr. Klaus Heubeck. Provisions for pensions and similar comparable obligations with long-term payment dates are discounted uniformly in accordance with § 253 (2) Sentence 2 of the German Commercial Code using the average market interest rate for assumed remaining terms of 15 years. We used the discounting rates published by the Deutsche Bundesbank according to the Reserve Discounting Ordinance. The average interest rate of the past ten years is used for accruals for pensions and similar obligations. In accordance with the existing option of the accounting standard IDW RS HFA 30 et seq., changes in the reported discount rate are recognised in personnel expenses.

Other provisions are recognised in accordance with section 253 (1) sentence 2 of the German Commercial Code (HGB), taking into account future price and cost increases in the settlement amount required according to prudent business judgment.

The provisions for insurance cancellations are estimated on the basis of historical experience of cancellation rates, as well as assumptions about their future development. Additions to the provision are posted to net fee and commission income, while reversals are posted to other operating income.

Other provisions at the reporting date include outstanding cash payment obligations of uncertain amount arising from statutory deposit insurance.

In accordance with § 253(2) Sentence 1 of the German Commercial Code, provisions with a remaining duration of more than one year are discounted at the average market interest rate of the past seven fiscal years for their remaining durations.

Pursuant to § 277 (5) sentence 1 HGB, income and expenses from the compounding and discounting of provisions must be shown separately in the Profit & Loss statement. This is done under other operating expenses or other operating income.

Profit participation capital and subordinated liabilities are recognised at the settlement amount including accrued interest.

Contributions by silent partners are reported under equity.

Deferred taxes

A control and profit transfer agreement has existed between Santander Consumer Bank AG and Santander Consumer Holding GmbH since December 23, 2003. Since overall the requirements of a tax group are met, all differences arising in the calculation of deferred taxes for the parent company are taken into account.

Negative interest

Negative interest from lending business and negative interest from deposit business are openly deducted respectively from interest income / expenses in the Profit & Loss statement. The net interest from interest rate swaps is recognised in interest income or interest expense, depending on the balance.

Derivative financial instruments

Interest rate swap transactions are contracted for hedging purposes as part of banking book management and are included in the loss-free valuation. The basis for loss-free measurement is an interest rate development report: It includes all interest-bearing balance sheet items relating to customer and interbank business, including all interest rate swap transactions and forward loans with their contractual cash flows and fixed interest rates, as well as irrevocable loan commitments. Valuation is performed by periodically reviewing and discounting the individual period results. Risk costs are recognised in the amount of the expected defaults. Portfolio-related administrative expenses are included after allocation to the relevant departments for the period under review by the proportion of the average portfolio of loans and advances to customers. As at the previous year's reporting date, it was not necessary to form a provision at the balance sheet date.

The fair values of the swaps were determined using the present value method. The discounted cash flow method (or net present value method) is a dynamic calculation in which all interest payments accrued during the term of the swap are discounted to the date of valuation.

Foreign currency conversion is performed in accordance with the provisions of Section 340h HGB in conjunction with Section 256a HGB. Receivables and liabilities denominated in foreign currencies are converted at the reference rates of the European Central Bank established at the end of the year. The Bank generally closes its currency positions on working days, so that almost complete special coverage is provided for assets and liabilities in the respective currency. Gains and losses resulting from the conversion of the relevant foreign currency assets and liabilities are therefore included in full in the income statement.

For several years, the Bank has been engaged in **asset-backed securities transactions**, in which the receivables are assigned to the special purpose entity under civil law, but the Bank remains the beneficial owner of the underlying receivables. As a result, future cash flows arising from the securitised receivables that the bank has to pass on to the special purpose entity are recognised as a pass-through liability.

Among the various ABS transactions, there is one special ABS transaction (SCGC 2018-1). Here, it is envisaged that defaults in the underlying receivables will generally cause the bonds issued by the special purpose entity to default or not be repaid. From the bank's point of view, the pass-through obligation is reduced accordingly if it can be assumed with a probability bordering on certainty that there will ultimately be no more cash flows to be passed on from the securitised receivables.

The Bank acquired various tranches of this securitisation transaction itself, including the most subordinated tranches. These are reported under securities in non-current assets. Since defaults have exceeded the Bank's retention in the form of the most subordinated tranches since 2021, the externalisation of losses is recognised in the profit and loss statement. The securities were thus impaired in the amount of €26,464 thousand and the corresponding expense was reported under the item "Write-downs of and value adjustments to investments, shares in affiliated companies, and securities treated as fixed assets". At the same time, the pass-through obligation of €35,280 thousand was reversed in favour of other operating income. When the deductible is exceeded, the pass-through obligation is released to a greater extent than the securities acquired are depreciated. The resulting positive effect on net income reflects the externalisation of risks to the external ABS investors.

Commission expenses / general administrative expenses

Ancillary services to new banking business (costs for credit and identity checks of contracting parties) are reported under the Commission Expenses item.

These expenses are invoiced by the financial service providers when the respective service is used by the bank and also include those costs where no new customer contract has arisen.

III. INFORMATION REGARDING THE BALANCE SHEET

ASSETS

Receivables from financial institutions

The item includes receivables from affiliated companies of €6,631,795 thousand (previous year: €2,642,586 thousand).

The balance sheet presentation of other loans and advances to credit institutions is broken down by residual maturity as follows:

	€ thousand
up to 3 months	1,235,500
more than 3 months up to 1 year	1,932,500
more than 1 year up to 5 years	3,246,898
more than 5 years	39,864
plus interest	21,232

Loans and advances to banks include subordinated receivables in the amount of €62,398 thousand (nominal) (previous year: €39,500 thousand (nominal)) In addition, there are still receivables amounting to €5,204,347 thousand (nominal) (in the previous year: €2,591,267 thousand (nominal)) to institutions in which the Bank is a shareholder.

Receivables from customers

The item includes receivables from affiliated companies of €4,510,705 thousand (previous year: €4,086,988 thousand).

The balance sheet presentation is structured according to residual terms as follows:

	€ thousand
up to 3 months	3,739,163
more than 3 months up to 1 year	5,389,621
more than 1 year up to 5 years	18,361,282
more than 5 years	4,554,047

Receivables up to three months include receivables with an indefinite term of €1,225,264 thousand.

As of the balance sheet date, the item "Loans and advances to customers" includes net receivables sold of €12,370,981 thousand for which the Bank continues to be the beneficial owner.

The Bank has set aside liquidity reserves of €1,000 thousand to cover the risk of non-payment until interest is paid on the highest-ranking tranche. Such a risk may arise from a failure to pass on instalment payments received and early repayments of principal.

In addition, the Bank has provided default reserves in the amount of €62,410 thousand in the form of subordinated loans of €62,410 thousand (nominal) (previous year: €72, 854 thousand (nominal)) to the SVPs, which serve to cover counterparty default risks of borrowers.

In addition, there are still receivables amounting to €4,450,089 thousand (nominal) (previous year: €3,904,165 thousand (nominal)) to institutions in which the Bank is a shareholder.

Promissory notes and other fixed-interest securities

The identified bonds and other fixed-income securities are all listed on the stock exchange. The item includes debt securities of affiliated companies of €8,538,643 thousand.

The item "Bonds and other fixed-income securities" includes bonds of €2,402,430 thousand including accrued interest, which were recognised at the lower of cost or market. Bonds with a value of €9,798,420 thousand are allocated to fixed assets, so that the mitigated lower of cost or market principle was applied.

The debt securities include securities with a carrying amount of €9,793,330 thousand above their fair value. The fair value of these securities is €9,155,348 thousand. An unscheduled depreciation in accordance with § 253 para. 3 sentence 5 HGB was omitted for those securities that were only temporarily value adjusted. On the balance sheet date, bonds of €8,450,000 thousand were deposited with the Deutsche Bundesbank as collateral for the liabilities from the TLTRO transactions.

Shares and other variable-yield securities

The securities reported under this item are all listed on the stock exchange.

Participations

The marketable investment in SCHUFA Holding AG reported under this item is not listed on the stock exchange.

Shares in affiliated companies

The shares in affiliated companies include: Hyundai Capital Bank Europe GmbH, Frankfurt a.M., PSA Bank Deutschland GmbH, Neu-Isenburg, Santander Consumer Leasing GmbH, Mönchengladbach, Santander Consumer Technology Services GmbH, Mönchengladbach, Santander Consumer Operations Services GmbH, Mönchengladbach, and VCFS Germany GmbH, Cologne.

In December 2022, a capital injection of €50,000 thousand was made at Santander Consumer Leasing GmbH.

Reference is also made to the list of investments.

Fiduciary transactions

The trust assets of €6 thousand exclusively comprise receivables from customers from passed-through promotional loans. The fiduciary liabilities are the corresponding liabilities to banks.

Intangible assets and tangible assets

For the classification and development of intangible assets and property, plant and equipment, please refer to the statement of changes in assets.

Advance payments for intangible assets include the following in particular: Advance payments for digitisation projects and IT applications to implement banking regulatory requirements (including new and further development of risk and credit management systems). In the reporting year, there were disposal losses and write-offs from advance payments on intangible assets amounting to of €1,092 thousand, as the IT projects in question could no longer be finalised in the actual form or were stopped.

Other assets

The figure shown includes receivables from Santander Consumer Leasing GmbH from profit transfer of €93,338 thousand and claims against insurance companies of €94.022 thousand, the latter mainly (€90,652 thousand) relating to claims for brokerage commissions.

On the balance sheet date, there were assets denominated in foreign currency of €105,639 thousand, of which receivables from banks came to €19,493 thousand and receivables from customers to €86,145 thousand.

LIABILITIES

Liabilities to financial institutions

The item includes liabilities to affiliated companies of €89,166 thousand (previous year: €88.307 thousand). The balance sheet presentation of liabilities to banks with an agreed term or notice period is broken down by residual term as follows:

	€ thousand
up to 3 months	93,727
more than 3 months up to 1 year	3,474,509
more than 1 year up to 5 years	5,224,802
more than 5 years	20,849
minus negative interest	–127,507

The maturity band “up to one year” includes an amount of €4,950,000 thousand (previous year: €1,850,000 thousand) and the maturity band “more than one year and up to five years” includes an amount of €3,500,000 thousand (previous year: €8,450,000 thousand) from participation in the European Central Bank's longer-term refinancing programme (TLTRO: Targeted Longer-Term Refinancing Operations):

The liabilities from TLTRO transactions are fully collateralised by debt securities.

Liabilities towards customers

The item includes liabilities to affiliated companies of €2,149,918 thousand (previous year: €2,156,966 thousand).

The balance sheet presentation of savings deposits with agreed notice periods is broken down by residual maturity as follows:

	€ thousand
up to 3 months	535
more than 3 months up to 1 year	0
more than 1 year up to 5 years	0
more than 5 years	0

The balance sheet disclosure of other liabilities to customers with an agreed term or period of notice is broken down by residual maturity as follows:

	€ thousand
up to 3 months	1,219,258
more than 3 months up to 1 year	2,376,241
more than 1 year up to 5 years	3,065,135
more than 5 years	49,474

Securitised liabilities

Mortgage Pfandbriefe amounting to €1,025,308 thousand are recognised under securitised liabilities.

Medium-term notes of €500,264 thousand and commercial papers with a volume of €835,000 thousand are recognised under debt securities issued. Of the securitised liabilities €835,000 thousand are due in the following year.

Valuation assumptions as of 31 December 2022

Obligation type	Discount rate*	Wage trend	Pension trend	Short-term pension trend, one-off adjustment	BBG trend	Fluctuation**
Pensions	1.78%	2.75%	2.00%	13.70%	2.75%	2.50%
Deferred compensation	1.78%	–	–	–	2.75%	2.50%

Valuation assumptions as of 31 December 2021

Obligation type	Discount rate*	Wage trend	Pension trend	BBG trend	Fluctuation**
Pensions	1.87%	2.75%	2.00%	2.75%	2.50%
Deferred compensation	1.87%	–	–	2.75%	2.50%

* according to Ordinance on the Discounting of Provisions dated November 18, 2009
** according to company-specific assessment

Other liabilities

The item primarily includes liabilities from asset-backed securities transactions (ABS transactions) to special purpose vehicles (SPVs) of €12,370,981 thousand. This includes all pass-through obligations from the legal sales of receivables for which economic ownership remained with Santander Consumer Bank. Cash collateral of €1,000 thousand was provided for liabilities from the ABS transaction SCG Consumer 2018-1. €444,089 thousand is recognised for the reporting year for a liability from profit and loss transfer agreement and similar agreements (silent partnership) with Santander Consumer Holding GmbH, Mönchengladbach; this includes interest for the silent partnership in the amount of €1,534 thousand (before deduction of capital gains tax and solidarity surcharge).

Liabilities in foreign currency, amounted to €102,203 thousand on the balance sheet date, of which liabilities to banks amounted to €84,515 thousand, receivables from customers amounted to €17,469 thousand, and provisions amounted to.

Deferred income

Interest already received from third parties for a period after the balance sheet date of €13,509 thousand is reported under the item "Deferred income".

Reserves for pensions and similar obligations

Provisions for pensions and similar obligations amount to €484,874 thousand. The parameters on which the calculation is based are listed in the table above.

Discounting the provision for pensions and deferred compensation at the average market interest rate of the past ten years compared to discounting at the average market interest rate of the past seven years results in a difference of €30,530 thousand. There is no block on the transfer of funds for this purpose

Other reserves

The Item mainly includes provisions for insurance cancellations at €60,742 thousand, for bonus payments to dealers at €69,637 thousand, for personnel costs at €52,703 thousand, and for material costs at €46,147 thousand. Provisions for personnel costs include provisions for restructuring of €11,804 thousand and for social plans and other severance payments of €3,499 thousand. For the discounting of the provisions, the interest rates pursuant to section 253 (2) of the German Commercial Code (HGB) as of November 30, 2022 (used for the annual financial report) were between 0.40% and 1.34% depending on the remaining term. They do not differ significantly from those for 31.12.2022.

Subordinated debt

After a subordinated liability of €110,000 thousand was raised from Santander Consumer Holding in 2019 with an interest rate of 1.77% above the three-month Euribor and with a term of ten years from November 06, 2019, another subordinated liability of €75,000 thousand was raised from Santander Consumer Holding in 2020 with an interest rate of 3.04% above the three-month Euribor and with a term of ten years from June 25, 2020. Interest expenses totalled €621 thousand in fiscal year 2022. An obligation to make premature repayment is contractually excluded. Repayment on a voluntary basis is possible after five years at the earliest and must be announced three months in advance. An additional condition is the prior approval of the competent supervisory authorities.

The loans are subordinated as defined in Art. 63 sentence 1 (d) CRR and are eligible as Tier 2 (supplementary capital). The loans are bail-in eligible under Article 59 BRRD and can be both written down and converted into Tier 1 capital by the relevant resolution authority, provided that the authority decides to apply this resolution measure.

Profit participation capital

On the balance sheet date, the total amount of profit participation rights issued was €218,104 thousand (including accrued interest of €7,874 thousand).

A total of 17 profit participation rights are perpetual (nominal €210,231 thousand); however, they may be terminated by Santander Consumer Bank AG after a minimum term of five years, subject to a notice period of at least two years, in each case at the end of the financial year. The profit participation right holder has no right of termination.

The issued profit participation rights grant creditors' rights but do not include any shareholder rights. In particular, they do not confer the right to attend, participate in, or vote at the general meeting of Santander Consumer Bank AG. In the event of a profit, the profit participation certificates carry interest. Profit participation rights with a fixed interest rate exist in the amount of thousand 112,231, and with a variable interest rate in the amount of thousand 98,000. The total interest expense for profit participation rights amounted to €7,874 thousand in the reporting year.

DISCLOSURES PURSUANT TO § 152 PARA. 1 AKTG

Share capital

On the balance sheet date, the share capital of Santander Consumer Bank AG amounted to €30,002 thousand. All shares (30,002 bearer shares with a nominal value of €1 thousand each) were held by the sole shareholder, Santander Consumer Holding GmbH, Mönchengladbach.

Contributions from silent partners

The shareholder Santander Consumer Holding GmbH holds a silent partnership in the amount of thousand €5,113 thousand. The partnership agreement is concluded for an indefinite period of time. Either contracting party may terminate the silent partnership at the end of each fiscal year with a two-year notice period.

This silent partnership does not meet the requirements for additional core capital according to Art. 51 CRR. It is reported as supplementary capital in accordance with the new legal situation.

Off-balance sheet transactions

The bank reports contingent liabilities and irrevocable loan commitments below the line in the balance sheet, unless reserves have been made for them.

Contingent liabilities

This item includes guarantees of €300,529 thousand, import letters of credit of €18,424 thousand, and an obligation from a credit linked note (CLN) of €1,440 thousand.

Risks from the utilisation of contingent liabilities are reflected in a risk provision.

Other commitments

Other obligations existed exclusively in the form of irrevocable loan commitments.

Irrevocable credit commitments

Irrevocable loan commitments amounted to €1,410,690 thousand. These relate to instalment and mortgage loans.

The irrevocable loan commitments usually lead to a short-term outflow of liquidity. Their benefit is to generate future interest income.

There are no particular default risks due to irrevocable loan commitments. Therefore, the potential utilisation of the default risk is considered low.

IV. NOTES ON THE PROFIT AND LOSS STATEMENT

Expenses

Other operating expenses

Other operating expenses include, in particular, expenses for operational risks, such as damage claims or goodwill payments, of €13,5113,532 thousand, interest expenses for pensions of €8,232 thousand, and expenses from the loss of asset disposals from property, plant and equipment and intangible assets totalling €1,707 thousand.

Taxes on income and earnings

Santander Consumer Bank AG has had a fiscal unity with Santander Consumer Holding GmbH, Mönchengladbach, as the controlling company, since January 1, 1993. The fiscal unity includes corporate income tax, business tax, and value added tax. Because the conditions of a tax group are fulfilled, all income taxes are taken into account by the parent company.

Depreciation and valuation adjustments downs of investments, shares in affiliated companies, and securities treated as fixed assets

This item includes an impairment loss of €25,000 thousand on a share in an affiliated company.

Profits transferred under a profit pooling, profit transfer, or partial profit transfer agreement

Under the control and profit and loss transfer agreement, a profit of €444,089 thousand is transferred to Santander Consumer Holding GmbH, Mönchengladbach, for the reporting year. This includes interest from a silent partnership of €1,534 thousand (before deduction of capital gains tax and solidarity surcharge).

Currency conversion

The contributions to profit or loss from currency translation decreased the other operating profit or loss by €849 thousand (previous year: increase €490 thousand).

Income

Income from profit pooling, profit transfer agreements, or partial profit transfer agreements

Due to the control and profit transfer agreement, this item includes the profit of Santander Consumer Leasing GmbH of €93,338 thousand.

Other operating income

This item mainly includes income from other periods from the reversal of provisions of €16,706 thousand, income from affiliated companies from cost reimbursements of €17,632 thousand, and reimbursements for losses from operational risks, mainly insurance reimbursements, of €4,841 thousand.

V. OTHER INFORMATION

Derivates

As of the balance sheet date, there were 5 interest rate swaps with a total nominal amount of €4,616,623 thousand. These contracts are used to manage interest rate risks in the banking book.

Taking into account the total positive fair values (excluding accrued interest) of €3,667 thousand and the total negative fair values (excluding accrued interest) of €237,185 thousand, the total negative amount (excluding accrued interest) is €233,518 thousand.

Three of the above interest rate swaps were concluded as back-to-back swaps within the scope of sales of receivables. As of the balance sheet date, these swaps had a total nominal volume of €3,366,623 thousand.

Other commitments

For the financial year 2023, the Bank mainly has rental, leasing, and other contractual and contribution obligations, including from membership in the Entschädigungseinrichtung deutscher Banken GmbH, totalling €88,697 thousand. Of this amount €11,743 thousand is attributable to affiliated companies. Charges of a similar amount are expected in subsequent years. The remaining terms of these contracts are up to 13 years.

The rental and other contractual obligations consist primarily of concluded rental agreements for business premises. In addition, leasing contracts for the company vehicles exist with Santander Consumer Leasing GmbH.

The total amount of other obligations includes the irrevocable payment obligation to the statutory deposit insurance, the voluntary deposit insurance, and the Single Resolution Board (SRB).

In the 2022 financial year, administrative expenses totalling €32,725 thousand were incurred for rental and leasing obligations.

The purpose of the rental and leasing agreements is to finance and procure fixed assets necessary for operations. After the current contracts expire, risks could arise from the fact that follow-up contracts can only be concluded at higher costs.

One of the main advantages of these transactions is that no capital is tied up in the procurement of fixed assets required for operations. In addition, the leasing financing gives the bank the opportunity to secure the current level of technical development in the short term. This also enables the bank to avoid the realisation risk.

The purpose of membership in the statutory deposit insurance scheme is to compensate the bank's creditors for non-repayable deposits in the event of compensation. Risks arise in particular from the increasing number of compensation cases. The risk is reduced by the mandatory collection of annual premiums until 2024.

Control agreements exist with SC Leasing GmbH, SCTS GmbH, and SCOS GmbH; these obligate the Bank to assume any losses.

INFORMATION ON OUTSTANDING PFANDBRIEFE IN ACCORDANCE WITH § 28 PFANDBG

Pfandbriefe and cover used therefore

Santander Consumer Bank AG does not take derivatives as cover; foreign currencies are not included in either the Pfandbriefe in circulation or in the cover pool. The risk cash value is determined statically.

Cover calculation pursuant to § 35 (1) no. 7 RechKredV

Cover for Pfandbriefe in circulation

	31/12/2022 (in € million)	31/12/2021 (in € million)
Ordinary cover		
Receivables from customers	1,140	1,104
	1,140	1,104
Other cover assets		
Bonds from other issuers	0	0
Balances with central banks	51.25	51.25
Total cover assets	**1,191**	**1,156**
Covered circulation	**1,025**	**1,025**
The overcoverage is	**166**	**131**

Information on the maturity structure pursuant to § 28 par. 1 no. 4 and 5 PfandBG

	Pfandbrief Circulation (in € million)		Cover Assets (in € million)		Postponement of maturity*	
	31/12/2022	31/12/2021	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
up to six months	**0.00**	0.00	**107.81**	121.42	**0.00**	–
more than six months up to twelve months	**0.00**	0.00	**58.21**	59.75	**0.00**	–
more than twelve months up to 18 months	**0.00**	0.00	**61.13**	54.79	**0.00**	–
more than 18 months up to 2 years	**500.00**	0.00	**64.19**	58.20	**0.00**	–
more than 2 years up to 3 years	**0.00**	500.00	**132.91**	124.90	**500.00**	–
more than 3 years up to 4 years	**25.00**	0.00	**126.30**	132.85	**0.00**	–
more than 4 years up to 5 years	**0.00**	25.00	**117.23**	121.24	**25.00**	–
more than 5 years up to 10 years	**500.00**	500.00	**382.05**	379.92	**500.00**	–
more than ten years	**0.00**	0.00	**141.51**	102.95	**0.00**	–

* Effects of a postponement of maturity on the maturity structure of the Pfandbriefe / postponement scenario: 12 months.

§ Section 28 (1) No. 5 PfandBG – Information on the postponement of the maturity of the Pfandbriefe

1.) Prerequisites for postponing the maturity of Pfandbriefe pursuant to § 30 (2a) PfandBG
The postponement of the maturity is necessary to avoid the insolvency of the Pfandbrief bank with limited business activities (prevention of insolvency), the Pfandbrief bank with limited business activities is not overindebted (no existing overindebtedness), and there is reason to believe that the Pfandbrief bank with limited business activities will in any case be able to meet its liabilities then due after expiry of the maximum possible postponement period, taking into account further postponement possibilities (positive fulfilment forecast). See also, in addition, § 30 (2b) PfandBG.

2.) Powers of the cover pool administrator in the event of postponement of the maturity of the Pfandbriefe pursuant to § 30 (2a) PfandBG
The cover pool administrator may postpone the due dates of the redemption payments if the relevant requirements under § 30 (2b) PfandBG are met for this purpose. The administrator shall determine the postponement period as needed, which may not exceed 12 months.

The cover pool administrator may postpone the due dates of principal and interest payments becoming due within one month of his appointment to the end of this monthly period. If the cover pool administrator decides in favour of such a postponement, the existence of the prerequisites pursuant to § 30 par. 2b PfandBG shall be irrefutably presumed. Such postponement shall be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only exercise his authority uniformly for all Pfandbriefe of an issue. In this connection, the maturities may be postponed in full or on a pro rata basis. The cover pool administrator must postpone the maturity for a Pfandbrief issue in such a way that the original order of servicing of the Pfandbriefe, which could be overtaken by the postponement, is not changed (prohibition of overtaking). This may result in the maturities of later maturing issues also having to be postponed in order to comply with the prohibition on overtaking. See also, in addition, § 30 (2a) and (2b) PfandBG.

§ Section 28 (1) No. 2 PfandBG: ISIN List by Pfandbrief class (Bearer Pfandbriefe only)

31/12/2022	31/12/2021
XS1727499680	XS1727499680
XS2114143758	XS2421360558
XS2114143758	XS2421360558

§ Section 28 (1) No. 1, No. 3 and No. 7 PfandBG: Relationship between circulation and cover assets

	Nominal value		Cash value		Net present value of risk incl. currency stress*	
	31/12/2022	31/12/2021	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Total amount of Pfandbriefe in circulation (in € million)	**1,025.00**	1,025.00	**896.32**	1,026.24	**810.03**	943.97
Total cover assets (in € million)	**1,191.33**	1,155.60	**1,099.37**	1,234.85	**988.38**	1,148.08
Excess cover in percent	**16.23**	12.74	**22.65**	20.33	**22.02**	21.62
Statutory overcoverage**	**38.43**	–	**36.77**	–	**33.05**	–
Contractual overcoverage	**0.00**	–	**0.00**	–	**0.00**	–
Voluntary overcoverage	**127.90**	–	**166.28**	–	**145.30**	–

* Both the risk net present value and the currency stress are determined statically.
** The statutory overcoverage requirement is composed of the present-value collateralised overcoverage pursuant to Sec. 4 (1) PfandBG and the nominal-value collateralised overcoverage pursuant to Sec. 4 (2) PfandBG.

§ 28 (1) No. 8, 9 and 10 PfandBG
Total amount of registered claims

There are no foreign cover assets.

	Receivables as defined in § 19 (1) No. 4 PfandBG		Receivables as defined in § 19 (1) sentence 1 no. 2 a) and b) PfandBG				Receivables pursuant to § 19 (1) sentence 1 no. 3 a) to c) PfandBG			
			Total		of which covered debt securities as defined in the German Banking Act. Art. 129 Ord. (EU) No 575/2013		Total		of which covered debt securities as defined in the German Banking Act. Art. 129 Ord. (EU) No 575/2013	
Effective date	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021	**31/12/2022**	31/12/2021
Federal Republic of Germany	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**51.25**	51.25	**0.00**	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**51.25**	**51.25**	**0.00**	**0.00**

Further key figures for cover assets

		31/12/2022	31/12/2021
§ 28 (1) No. 11 PfandBG – Total amount of claims pursuant to Sec. 12 (1) exceeding the limits pursuant to § 13 (1) sentence 2, 2nd half-sentence PfandBG.	in million €	**0**	0
§ Section 28 (1) no. 11 PfandBG – total amount of assets pursuant to § 19 (1) exceeding the limits pursuant to § 19 (1) sentence 7)	in million €	**0**	0
Total amount of claims exceeding the limits of § 19 par. 1 no. 2 PfandBG (§ 28 par. 1 no. 12 PfandBG)	in million €	**0**	0
Total amount of claims exceeding the limits of § 19 par. 1 no. 3 PfandBG (§ 28 par. 1 no. 12 PfandBG)	in million €	**0**	100
Total amount of claims exceeding the limits of § 19 par. 1 no. 4 PfandBG (§ 28 par. 1 no. 12 PfandBG)	in million €	**0**	100
Share of fixed-interest cover pool (§ 28 par. 1 no. 13 PfandBG)	as a percentage	**100**	100
Share of fixed-interest Pfandbriefe (§ 28 par. 1 no. 13 PfandBG)	in percent	**100**	100
Volume-weighted average of the age of the claims (§ 28 par. 2 no. 4 PfandBG)	in years	**6.9**	7.24
§ 28 (1) No. 15 PfandBG: Share of cover assets in arrears pursuant to Art. 178 (1) of Ordinance (EU) No. 575/2013	in percent	**0.00**	–
§ 28 (1) No. 6 PfandBG Liquidity ratios:			–
Absolute amount of the largest non-zero resulting negative sum in the next 180 days as defined in § 4 (1a) sentence 3 for Pfandbriefe (liquidity requirement).		**0.00**	–
Day on which the largest negative total occurs		**–**	–
Total amount of cover assets meeting the requirements of § 4 (1a) sentence 3 PfandBG (liquidity cover)	in million €	**51.25**	–
Liquidity surplus	in million €	**51.25**	–

The members of the Supervisory Board in the financial year were:

Mónica López-Monís Gallego (Chair)
Madrid, Bank Director of Banco Santander S.A., Spain

Martina Liebich (Deputy Chair)
Berlin, bank employee of Santander Consumer Bank AG, employee representative

Rafael Moral-Salarich
Madrid, Bank Director of Santander Consumer Finance S.A., Spain

Cristina San José Brosa
Madrid, Bank Director of Banco Santander S.A., Spain

Adelheid Sailer-Schuster
Berlin, Senior Advisor to Santander Consumer Finance S.A., Spain

Dirk Marzluf
Winterthur, Bank Director of Banco Santander S.A., Spain

Patricia Benito de Mateo
Madrid, Bank Director of Santander Consumer Finance S.A., Spain

Paloma Esteban
Duisburg, bank employee of Santander Consumer Bank AG, employee representative

Uwe Foullong (until February 24th, 2022)
Bottrop, Deputy Managing Director Düssel-Rhein-Wupper ver.di district, employee representative

Deniz Kuyubasi (since February 24th, 2022)
Bochum, trade union secretary ver.di, employee representative

Robert Neumann (since February 24th, 2022)
Dortmund, bank employee, employee representative

Peter Blümel
Mönchengladbach, bank employee of Santander Consumer Bank AG, employee representative

Stefan Eck (until February 24th, 2022)
Frechen, bank employee of Santander Consumer Bank AG, employee representative

Thomas Schützelt
Leipzig, bank employee of Santander Consumer Bank AG, employee representative

Members of the Executive Board in the fiscal year:

Vito Volpe
Madrid, Chief Executive Officer

Walter Donat
Düsseldorf, Member of the Executive Board

Thomas Hanswillemenke
Dormagen, Member of the Executive Board

Jochen Klöpper
Vienna, Member of the Executive Board

Fernando Silva
Mönchengladbach, Member of the Executive Board

Mandates in statutory supervisory bodies of large corporations

Walter Donat, memember of the Management Board of Santander Consumer Bank AG, is Chairman of the Supervisory Board of PSA Bank Deutschland GmbH, and member of the Supervisory Board of Santander Consumer Operations Services GmbH.

Thomas Hanswillemenke, member of the Management Board of Santander Consumer Bank AG, is a member of the Supervisory Board of Allane SE, a member of the Supervisory Board of Santander Consumer Operations Services GmbH, and a member of the Supervisory Board of Hyundai Capital Bank Europe GmbH.

Jochen Klöpper, member of the Management Board of Santander Consumer Bank AG, is Chairman of the Supervisory Board of Allane SE and is Chairman of the Supervisory Board of Hyundai Capital Bank Europe GmbH.

Fernando Silva, member of the Management Board of Santander Consumer Bank AG, is Chairman of the Supervisory Board of Santander Consumer Operations Services GmbH.

Compensation of the Management Board and Supervisory Board

The total remuneration of the Executive Board members amounted to €4,472 thousand in the financial year. Former members of the Executive Board and surviving dependents of Executive Board members were granted total remuneration of €1,543 thousand. For the former members, the pension provisions as of the balance sheet date amount to €37,893 thousand. The total remuneration of the Executive Board members included bonuses of €403 thousand in the form of shares (of Banco Santander S.A., Santander, Spain) with a one-year holding period as well as €1,209 thousand that will only be paid out as a deferred bonus in the next five years. The deferred bonus includes a further €604 thousand in the form of share payments. The 2022 bonus includes shares with a fair value of €1,007 thousand. In addition, the total remuneration also included a non-share-based bonus, the amount of which is based on the achievement of individual and company-wide targets. This bonus is paid out in the following year after the final bonus has been determined.

Santander Consumer Bank AG paid the Supervisory Board attendance fees totalling €19 thousand for its activities in the 2022 financial year.

Advances and loans granted to members of the Management Board and the Supervisory Board

As of the balance sheet date, there was an outstanding balance of €18 thousand with members of the Executive Board pursuant to Article 15 para. 1 sentence 1 no. 1 of the German Banking Act (KWG) and €9 thousand with members of the Supervisory Board.

As of the balance sheet date, members of the Management Board had been granted guarantees in the amount of €8 thousand and members of the Supervisory Board had been granted guarantees in the amount of €1 thousand.

Services rendered to third parties

Santander Consumer Bank AG provided the following services to third parties:

Custody account management, asset management, and brokerage of insurance policies or building society contracts.

In selected areas, Santander Consumer Bank offers services for other banks (so-called banking as a service). This includes mobility, customer service, structuring of ABS transactions, the provision and maintenance of IT systems for business operations, and cyber security services.

Annual average number of employees

On average, Santander Consumer Bank AG employed 2,878 people during the year: 1,368 female and 1,510 male employees.

Geographic markets

As the markets in which Santander Consumer Bank AG operates do not differ significantly geographically, there is no breakdown by geographical market.

Total auditor's fee

The auditor's total fee amounted to €4,770 thousand excluding VAT. The breakdown of expenses is as follows:

	€ thousand
Audit service fee	3,959
other confirmation services	811

Reduced costs of the previous year of €88 thousand were deducted from the fees for the audit of the financial report.

The other certification services relate to the audit in accordance with § 89 WpHG, the business audit of the report for TLTRO III, the procedural audit and sample audit in accordance with Section V No. 11 (1) of the General Terms and Conditions of the Deutsche Bundesbank, the issuing of a comfort letter, and the audit of the deduction items according to § 16j paragraph 2 sentence 2 FinDAG.

Essential contracts

With effect from January 1, 2004, a control and profit-transfer agreement was concluded between Santander Consumer Finance Germany GmbH, Mönchengladbach, and Santander Consumer Bank AG. Santander Consumer Finance Germany GmbH was merged with Santander Consumer Holding GmbH with effect from 1 January 2009. Since then, the control and profit transfer agreement with Santander Consumer Holding GmbH has continued to exist.

The sole shareholder of Santander Consumer Bank AG is Santander Consumer Holding GmbH, Mönchengladbach.

Disclosures according to CRR and Section 26a KWG

The return on assets in the financial year was 0.87%.

With regard to the information to be disclosed in accordance with Part 8 of the CRR, which is not included in the financial statements, we refer to our disclosure report, which is published on our website www.santander.de. The information can be found in the "About Santander" section under "Investor Relations" and there under "Disclosure".

LIST OF SHAREHOLDINGS

	Share in Capital (in percentage)	Equity 2021 (in € thousands)	Annual earnings 2021 (in € thousands)
Santander Consumer Leasing GmbH, Mönchengladbach	100.00	20,025	*
Santander Consumer Technology Services GmbH, Mönchengladbach	100.00	23,608	3,060
Santander Consumer Operations Services GmbH, Mönchengladbach	100.00	12,170	1,147
Hyundai Capital Bank Europe GmbH, Frankfurt a. M.	51.00	695,165	–5,698
PSA Bank Deutschland GmbH, Neu-Isenburg	50.00	574,039	57,065
VCFS Germany GmbH, Cologne	50.00	462	111
Schufa Holding AG, Wiesbaden	0.55	146,880	48,427

* Profit and loss transfer agreement, therefore no information on the result

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2022 (1/3)

Histor. acquisition and production costs	01/01/2022 Euro	Acquisitions Euro	Disposals Euro	Transfers Euro	31/12/2022 Euro
Intangible assets					
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	906,410,849.91	19,444,277.58	224,509.53	40,697,059.40	966,327,677.36
Goodwill	0.00	0.00	0.00	0.00	0.00
Advance payments made	56,836,987.90	37,701,512.94	7,410,414.68	–40,697,059,40	46,431,026.76
	963,247,837.81	**57,145,790.52**	**7,634,924.21**	**0.00**	**1,012,758,704.12**
Tangible fixed assets					
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	3,666,128.21	22,004.80	18,737.28	0.00	3,669,395.73
Operating and office equipment	35,410,407.49	2,421,939.37	4,812,478.47	131,513,52	33,151,381.91
Fittings/installations in rented premises	90,261,576.01	1,871,126.94	4,657,626.80	201,719,32	87,676,795.47
Advance payments made	1,055,147.74	1,634,392.30	4,308.98	–333,232,84	2,351,998.22
	130,393,259.45	**5,949,463.41**	**9,493,151.53**	**0.00**	**126,849,571.33**
Bonds and other fixed-income securities					
Securities held as fixed assets*	11,978,482,545.54	1,231,620,194.00	3,390,217,611.31	0.00	9,819,855,128.23
Participations	59,054.00	0.00	0.00	0.00	59,054.00
Shares in affiliated companies	760,952,291.93	50,000,000.00	0.00	0.00	810,952,291.93
Total financial assets	**12,739,493,891.47**	**1,281,620,194.00**	**3,390,217,611.31**	**0.00**	**10,630,896,474.16**
Total	**13,833,134,988.73**	**1,344,715,447.93**	**3,407,345,687.05**	**0.00**	**11,770,504,749.61**

* The balance sheet item bonds and debentures includes accrued interest in the amount of €5,089,548.12

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2022 (2/3)

Accumulated Depreciation	01/01/2022 Euro	Attributions Euro	Additions Euro	Resolutions Euro	Transfers Euro	31/12/2022 Euro
Intangible assets						
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	738,854,867.52	0.00	62,985,224.39	6,603.22	0.00	801,833,488.69
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00
Advance payments made	0.00	0.00	0.00	0.00	0.00	0.00
	738,854,867.52	**0.00**	**62,985,224.39**	**6,603.22**	**0.00**	**801,833,488.69**
Tangible fixed assets						
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	670,294.69	0.00	169,780.00	3,290.83	0.00	836,783.86
Operating and office equipment	25,837,227.80	0.00	4,307,827.39	4,747,317.74	0.00	25,397,737.45
Fittings/installations in rented premises	61,749,984.88	0.00	5,714,151.23	4,111,869.05	0.00	63,352,267.06
Advance payments made	0.00	0.00	0.00	0,00	0.00	0.00
	88,257,507.37	**0.00**	**10,191,758.62**	**8,862,477.62**	**0.00**	**89,586,788.37**
Bonds and other fixed-income securities						
Securities held as fixed assets*	26,463,976.51	0.00	90,675.20	0.00	0.00	26,554,651.72
Participations	0.00	0.00	0.00	0.00	0.00	0.00
Shares in affiliated companies	0.00	0.00	25,000,000.00	0.00	0.00	25,000,000.00
Total financial assets	**26,463,976.51**	**0.00**	**25,090,675.20**	**0.00**	**0.00**	**51,554,651.71**
Total	**853,576,351.40**	**0.00**	**98,267,658.21**	**8,869,080.84**	**0.00**	**942,974,928.77**

* The balance sheet item bonds and debentures includes accrued interest in the amount of €5,089,548.12

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2022 (3/3)

Net book values	**31/12/2022 Euro**	31/12/2021 Euro
Intangible assets		
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	**164,494,188.67**	167,555,982.39
Goodwill	**0.00**	0.00
Advance payments made	**46,431,026.76**	56,836,987.90
	210,925,215.43	**224,392,970.29**
Tangible fixed assets		
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	**2,832,611.87**	2,995,833.52
Operating and office equipment	**7,753,644.46**	9,573,179.69
Fittings/installations in rented premises	**24,324,528.41**	28,511,591.13
Advance payments made	**2,351,998.22**	1,055,147.74
	37,262,782.96	**42,135,752.08**
Bonds and other fixed-income securities		
Securities held as fixed assets*	**9,543,458,708.35**	10,287,022,413.45
Participations	**59,054.00**	**59.054.00**
Shares in affiliated companies	**810,952,291.93**	**760,952,291.93**
Total financial assets	**10,354,470,054.28**	**11,048,033,759.38**
Total	**10,602,658,052.67**	**11,314,562,481.75**

* The balance sheet item bonds and debentures includes accrued interest in the amount of €5,089,548.12

Group affiliation

The immediate parent company is Santander Consumer Holding GmbH, Mönchengladbach. It is included in the scope of consolidation of Banco Santander S.A., Santander, Spain.

Santander Consumer Finance S.A. prepares an exempting consolidated financial report as of December 31, 2022, which is prepared in accordance with IFRS.

Santander Consumer Bank AG, Mönchengladbach, is exempt from the obligation to prepare consolidated financial statements and a management report.

The parent company that prepares the consolidated financial statements for the largest group of companies is Banco Santander S.A., Santander, Spain. This financial report has been filed with the Spanish Commercial Register. The ultimate parent company preparing consolidated financial statements is Santander Consumer Finance S.A., Madrid, Spain, which is included in the scope of consolidation of Banco Santander S.A., Santander, Spain. This financial report is published in the electronic Federal Gazette.

Mönchengladbach, February 16th, 2023
Santander Consumer Bank AG

The Executive Board

Volpe

Donat

Thomas Hanswillemenke

Hanswillemenke

Klöpper

Silva

INDEPENDENT AUDITOR´S REPORT

To Santander Consumer Bank Aktiengesellschaft, Mönchengladbach

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Santander Consumer Bank Aktiengesellschaft, Mönchengladbach, which comprise the balance sheet as at 31 December 2022, and the statement of profit and loss for the financial year from 1 January to 31 December 2022 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Santander Consumer Bank Aktiengesellschaft for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the components of the management report mentioned in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the financial year from 1 January to 31 December 2022 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the components of the management report mentioned in the "Other information" section.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Measurement of customer loan portfolios
2. Reporting of interest income and commission income
3. Measurement of shares in affiliated companies

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matters:

1. Measurement of customer loan portfolios

1) In the Company's annual financial statements loan receivables amounting to € 32.0 billion (59.7 % of total assets) are reported under the "Loans to customers" balance sheet item. As at December 31, 2022, risk provisions for the loan portfolio consisting of individual and general valuation allowances are reported in the balance sheet. The measurement of the risk provisions for the customer lending business is determined in particular by the structure and quality of the loan portfolios, general economic factors and the executive directors' estimates with respect to future loan defaults among other things taking into consideration the expected effects of the current macroeconomic environment on the customer lending business. . The amount of the individual valuation allowances for customer loans reflects the difference between the outstanding amount of the loan and the lower value assigned to it as at the balance sheet date. Existing collaterals are taken into account. Collective allowances are recognized for expected credit losses in the lending business of banks that have not yet been specifically identified for individual borrowers. For this purpose, a collective allowance is recognized for loans for which no specific allowance has been recognized in the amount of the expected loss for an observation period of twelve months, unless credit risk has increased significantly since initial recognition. In the event of a significant increase in credit risk since initial recognition, a collective allowance is recognized for the expected losses over the remaining life of the loan. The amounts of the valuation allowances in the customer lending business are highly significant for the assets, liabilities and financial performance of the Company and they involve considerable judgment on the part of the executive directors. Furthermore, the measurement parameters applied, which are subject to material uncertainties, also due the effects of the current macroeconomic environment, have a significant impact on the recognition and the amount of any valuation allowances required. Against this background, this matter was of particular significance during our audit.

2) As part of our audit, we initially assessed the design of the relevant internal control system of the Company and, based on this, tested the controls' operating effectiveness. In doing so, we considered the business organization, the IT systems and the relevant measurement models. Moreover, we evaluated the measurement of the customer loans, including the appropriateness of estimated values, on the basis of sample testing of loan exposures. For this purpose, we assessed, among other things, the available documentation of the Company with respect to the economic circumstances as well as the recoverability of the related collaterals. In addition, for the purpose of assessing the individual and general valuation allowance, we evaluated the calculation method together with the underlying assumptions and parameters. In particular, we also evaluated the estimation of the executive directors with regard to the effects of the current macroeconomic environment on the economic situation of the customers and the recoverability of the respective collaterals, and we examined their consideration in the valuation of the loans and advances to customers. Based on our audit procedures, we were able to satisfy ourselves that overall the assumptions made by the executive directors for the purpose of testing the recoverability of the loan portfolio are justifiable.

3) The Company's disclosures on risk provisions in the customer lending business are contained in section II (disclosures relating to the accounting policies) of the notes to the financial statements.

2. Reporting of interest income and commission income

1) In the financial statements of Santander Consumer Bank Aktiengesellschaft, the income statement shows interest income of € 1,099.3 million and commission income of € 532.4 million. These items, which are significant in terms of amount, are subject to a special risk in view of the complexity of the systems required for accurate recording and accrual, the large number of transactions to be processed and the significant influence of estimated values in some areas. The estimated values relate in particular to provisions for insurance cancellations in the amount of € 60.7 million, which are estimated on the basis of cancellation rates derived from historical data and taken into account to reduce earnings. Against this background, this matter was of particular importance within the scope of our audit.

2) Within the scope of our audit, we first assessed the controls in the product-specific business processes from the initial recognition of the various business transactions in the inventory management systems to the depiction of the resulting income in the general ledger in terms of their appropriateness and effectiveness. In addition, we also examined, among other things, the appropriate determination and representation of the various income components in random samples. We also assessed the appropriate and consistent application of the valuation models for components that reduce income and the comprehensibility of the valuation parameters and assumptions applied. We were able to satisfy ourselves that the systems and controls set up are appropriate and that the estimates and assumptions made

by the executive directors are sufficiently documented and justified to ensure the appropriate reporting of interest and commission income.

3) The Company's disclosures about interest income and commission income as well as provisions chargeable to profit and loss are contained in the notes on the accounting policies in section II (disclosures relating to the accounting policies) and section III (disclosures relating to the balance sheet).

3. Measurement of shares in affiliated companies

1) Shares in affiliated companies amounting to EUR 786.0 million (1.47 % of total assets) are reported in the Company's annual financial statements. Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and net realiseable value. The net realiseable value of the shares in affiliated companies is calculated using the German income approach (Ertragswertverfahren), taking into account materiality considerations, as the present value of the expected future cash flows according to the planning projections prepared by management. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the individually determined cost of capital for the financial investment. On the basis of the values determined and supplementary documentation, it was necessary to recognize an impairment in the financial year. The outcome of this valuation exercise is dependent to a large extent on the estimates made by management of the future cash flows, and on the discount rates and growth rates used. The valuation is therefore subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's net assets and results of operations, this matter was of particular significance in the context of our audit.

2) Given the significance of shares in associated companies for the Company, as part of our audit we worked with our internal enterprise valuation specialists to assess among other things the methodology used for the purposes of the valuation. In analyzing the expected future cash flows from the affiliated companies, we compared the business plan with the planning for the previous financial year and the net profit/loss actually generated, and verified any deviations. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on management's detailed explanations regarding the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Taking into consideration the information available, in our view the models used by management are appropriate overall for the purpose of properly measuring the shares in affiliated companies, including materiality considerations.

3) The Company's disclosures relating to shares in affiliated companies are contained in the sections of the notes to the annual financial statements entitled "Accounting policies" and "Notes to the balance sheet".

Other Information

The executive directors are responsible for the other information. The other information comprises the following components of the management report that have not been audited in terms of content:

- the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards)
- the section of the management report entitled "Sustainability and Responsible Banking"

The other information comprises further all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 24 February 2022. We were engaged by the supervisory board on 21 December 2022. We have been the auditor of the Santander Consumer Bank Aktiengesellschaft, Mönchengladbach, without interruption since the financial year 2016.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian F. Rabeling.

Düsseldorf, February 17th, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian F. Rabeling	Pascal Vollmann
Wirtschaftsprüfer	Wirtschaftsprüfer

Imprint

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Responsibilty: Investor Relations

Concept and Design
wirDesign communication AG

This Annual Report is also available in German.
Both versions are available online: https://www.santander.de/ueber-santander/investor-relations/financial-information

The German version of this Annual Report is the authoritative version and only the German version of the Management Report and the Financial Statements was audited by the auditors.

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Nils Hendrik Müller (Pages 5 – 8)