Santander

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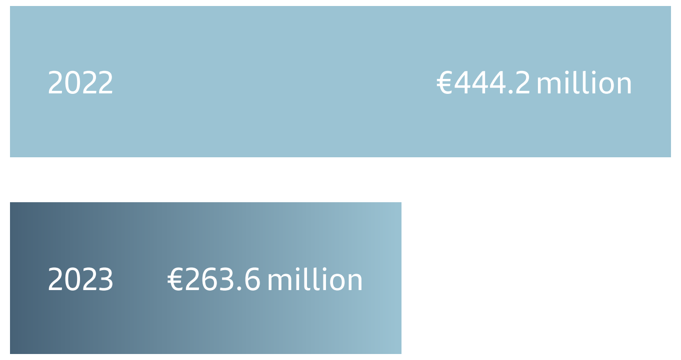
Annual Report 2023

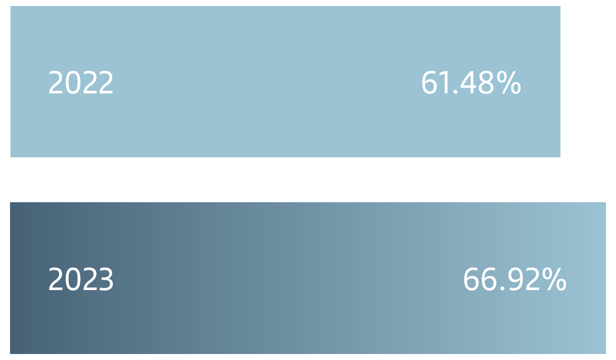
Snapshot of Success Numbers

Profit and Loss Figures Santander Consumer Bank AG

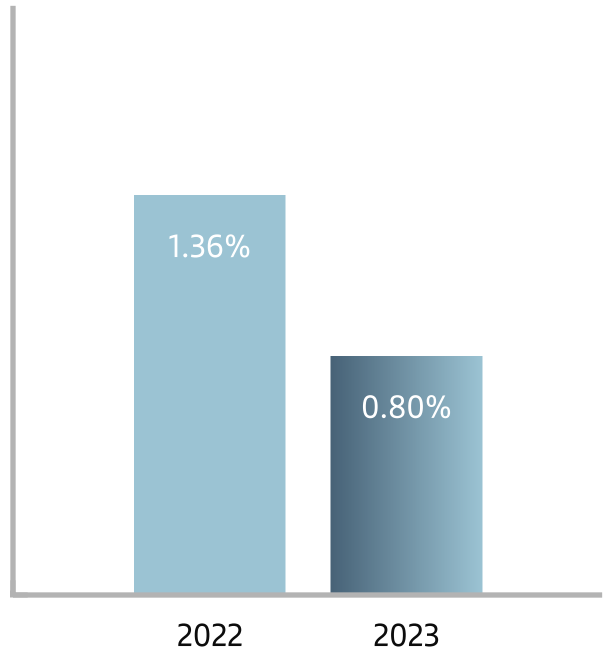
Profit before Income Taxes



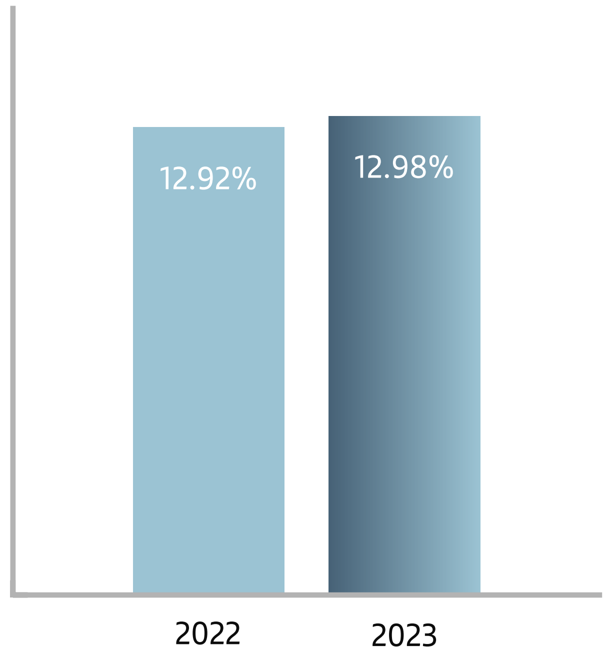
Cost-Income Ratio



Return on Risk Weighted Assets



CET 1



German GAAP (HGB)	01/01/–31/12/2023 (in € million)	01/01/–31/12/2022 (in € million)	Change (in %)
Net Interest Income	945.5	1,014.7	–6.8
Net Fees and Commissions	107.4	163.3	–34.2
Income from Capital Instruments	25.84	38.83	–33.5
Gross Margin	**1,078.8**	**1,216.8**	**–11.3**
Personell Expenses	250.9	295.8	–15.2
General Expenses	397.4	379.1	4.8
Amortizations	73.7	73.2	0.7
Other Operating Income and Expenses	122.1	23	430.4
Operating Income	**478.9**	**491.7**	**–2.6**
Net Loan Loss Provisions	217.4	112.4	93.4
Depreciation and valuation allowances to investments, shares in associated companies and securities held as fixed assets	23.4	28.5	–18.0
Earnings from Profit Transfer Agreements	25.6	93.3	–72,6
Profit before Income Taxes	**263.6**	**444.2**	**–40.7**

Ratios	01/01/–31/12/2023 (in %)	01/01/–31/12/2022 (in %)	Change (in percentage points)
Cost-Income Ratio	66.92	61.48	544
Return on Risk Weighted Assets	0.80	1.36	–56
NPL Ratio	2.16	1.76	40

Banking Regulatory Ratios	31/12/2023 (in %)	31/12/2022 (in %)	Change (in percentage points)
Common Equity Tier 1 Ratio (CET 1)	12.98	12.92	6
Total Capital Ratio	14.76	14.73	3
Leverage Ratio	6.33	6.74	–41

Balance Sheet Figures	31/12/2023 (in € billion)	31/12/2022 (in € billion)	Change (in %)
Balance Sheet Total	53,250	53,635	–0.7
Liabilities to Custumers	31,357	25,250	24.2
Receivables from Customers	35,853	32,044	11.9
Equity *	3,393	3,318	2.3

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 readers,

The 2023 financial year was characterised by a challenging economic environment. Geopolitical uncertainties, increased inflation and a dynamic interest rate environment have had a negative impact on consumers' propensity to spend and companies' economic prospects, with the result that the economy has fallen short of expectations.

In this difficult market environment, we have once again been able to demonstrate our resilience and adaptability. Thanks to a clear focus on cost efficiency, a diversified business model and our strong team, we ended the year with a solid business result.

New lending as a growth driver in the Mobility and Business & Corporate Banking segment

Our new business growth trajectory continued its course in 2023. **Loan volume rose by 6.8 per cent to a total of €19.299 billion**. A very good result to which our **Mobility** segment in particular (€6.768 billion, +12.6% over 2022) and dealer purchase financing (€8.645 billion, +21.3% over 2022) contributed.

In the automotive market, high purchase prices for new and used cars have led to a reluctance to buy on the part of consumers. The fact that we can nevertheless look back on solid growth here is thanks to the significantly improved delivery situation for new cars, which also had a positive effect on the used car market. We have also further intensified our collaboration with our partners and entered into new partnerships with international manufacturers such as BYD, Great Wall Motors and Nio. The acquisition of MCE Bank in the second quarter of 2023 was also an important step towards strengthening our captive business and our position in the German automotive sector.

In **Business & Corporate Banking** we were able to record growth of 14.6 percent to €354.5 million in new business[1], despite the difficult market environment. Last year's success is due in part to our utilisation of the Santander Group's international corporate client network, which enabled us to support export-oriented companies in markets where Santander has a strong presence.

In **Direct Business**, we continued to work successfully on implementing our omnichannel strategy. At €2.082 billion, our instalment loan business fell short of our expectations. This is due in particular to our customers' reluctance to given the unexpected sharp rise in lending rates. In the reporting year, we also adjusted the inflation parameters in our lending policy and introduced a new strategy for managing total debt based on creditworthiness.

A solid business result in a challenging market environment

Overall, with a pre-tax profit of €263.6 million, we are well behind on our original plans. The dynamic developments in the interest rate environment, increased refinancing costs, legal changes to commission structures in the insurance business and the normalisation of risk costs were key challenges in the past financial year.

We have responded quickly to the changing environment with strict cost discipline, competitive products and a strong team. Based on regular and in-depth analyses of our existing and new customer portfolio as well as our market and competition environments, we were able, at just the right time, to align interest rate decisions and strategies towards our various channels and product and customer groups. The increased interest expenses were already taken into account in new business in early summer and the conditions in the market were adjusted. Nevertheless, we recorded temporary profitability effects, as the interest costs could only be passed on with a time delay in some cases.

[1] Net changes in outstandings; for reasons of comparability, the previous year's figures have been adjusted retrospectively

Successful growth in retail customer deposits

In addition, as part of our refinancing strategy, we significantly expanded online and branch marketing for retail deposit products, improved acquisition rates and processing times per channel (in-branch, expert telephone advice, website, online banking, call centres) and achieved cost-optimised growth in a volume of €4.7 billion through a targeted and differentiated interest rate strategy.

As part of this strategy, we have not only efficiently expanded an existing source of refinancing, but have also acquired over 85,000 new customers and created potential future business with other investment and pension products.

Trusting cooperation with investors and rating agencies

Trusting cooperation with investors and rating agencies is another pillar of our refinancing activities. Our ratings, awarded by the market-leading agencies, were reaffirmed in 2023 and the outlook remains stable. Particularly in the context of the difficult economic and market environment at present, this once again demonstrates how future-proof our Bank is.

The placement of ABS transactions is an important component of the Bank's liquidity and capital management. We realised a total of three transactions in the financial year. For the first time, the leasing receivables of Santander Consumer Leasing GmbH were securitised in bonds and sold to investors worldwide. The volume of the transaction totalled € 700 million. In addition to the liquidity injection, we benefited from the equity-relieving effect of this significant risk transfer. In a capital market environment characterised by high volatility and risk aversion, we also succeeded in issuing two large-volume senior unsecured bonds.

I would like to thank our customers and business partners for their trust in us. I would also like to thank all employees for their valuable contribution this year. Thanks to excellent cooperation across all areas of the company, we have responded quickly and effectively to the challenging market conditions and, together, have set the course for a more successful 2024.

We will continue to work on helping people and companies to be successful. Our committed employees, our consistent customer focus, a strong financial position and the international orientation of our Bank make up a solid foundation for our sustainable growth.

Yours,

Vito Volpe
Chief Executive Officer
Santander Consumer Bank AG

Financial Management in the 2023 Financial Year

The 2023 financial year was characterised by the strengthening of our diversified refinancing base. Our refinancing mix primarily includes deposits from private customers and institutional investors. Placements on the money and capital markets and the origination of ABS by securitising customer receivables and then placing them on the capital markets are further pillars of refinancing. We utilise the short and long-term refinancing instruments available to us as required. This includes drawings under our commercial paper programme as well as the issuance of unsecured and secured bonds.

A particular challenge in the financial year was the replacement of TLTROs (long-term loans from the European Central Bank) with deposits from private and institutional investors and financial instruments placed on the capital market. This was due to the reduction in the use of TLTROs, which decreased from EUR 8.5 billion in the previous year to EUR 0.5 billion as of the 2023 balance sheet date. Our financial management team had to utilise its entire range of refinancing instruments to achieve this. Santander manages its funding profile on the basis of regular, forward-looking structural analyses of assets and liabilities.

In the financial year, we placed two senior unsecured bonds with a total volume of EUR 1.25 billion on the capital market: in June, a three-year bond with a volume of EUR 500 million was placed with 135 international investors. In mid-September, we issued a four-year bond for EUR 750 million, which was sold to 115 investors. Both bonds are rated A2 by Moody's and A by S&P and Fitch respectively. Both issues strengthen our net stable funding ratio (NSFR) and underpin our diversified refinancing base.

In the financial year, we also increased our drawings from the existing commercial paper programme by almost EUR 1.9 billion and expanded our deposit business with institutional investors by EUR xy billion. In the deposit business with institutional customers we have been able to increase our volume (new business and prolongations) by EUR 3.5 billion in 2023.

Our ABS team originated and placed several transactions with investors during the financial year. Two capital market premières were celebrated. For the first time, we structured leasing receivables for SC Leasing GmbH in an ABS with a volume of EUR 700 million. HCBE Bank Europe's car loans

were also securitised and placed on the capital market for the first time on the basis of Banking as a Service. The volume of this transaction Bank totalled EUR 500 million. In the year under review, our bank increased its portfolio by originating two new consumer ABSs and terminated three transactions by exercising the clean-up call. ABS is of great strategic importance to the Santander Group for managing capital and liquidity. We are therefore all the more delighted that the renowned Global Capital has nominated our ABS in five categories this year.

Our refinancing endeavours are based on trusting cooperation with our investors and the rating agencies. Our ratings, awarded by the market-leading agencies, were confirmed in the financial year. The outlook is stable. Particularly in view of the current difficult economic and market environment, this once again demonstrates how future-proof and stable Santander Consumer Bank is.

Our current ratings with the agencies' publications and current investor presentations can be found on the Bank's investor relations portal at **https://www.santander.de/ueber-santander/investor-relations/ratings/**

"In the financial year, we utilised our entire range of refinancing sources to almost completely repay the TLTROs. This would not have been possible without the trusting cooperation with our international investors."

Andreas Glaser
CFO Santander Consumer Bank AG

Report of the Supervisory Board on the financial year 2023

The year 2023 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 2023. The Supervisory Board wishes all those involved a lucky hand and every success in meeting the challenges ahead.

In the 2023 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.

Five meetings of the Audit Committee were held in the 2023 financial year. The auditor attended two 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 2023 to discuss the Bank's remuneration system and other statutory issues.

The Nomination Committee met two times in 2023 and dealt in particular with personnel matters relating to the Management Board.

The Risk Committee met four times in 2023 and dealt in particular with the Bank's risk appetite as well as other statutory issues.

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

The annual financial statements and the management report for the 2023 financial year were audited by PricewaterhouseCoopers 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 and the management report 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, 2024

The Supervisory Board

Mónica López-Monís Gallego
Chairwoman

COMPOSITION OF THE SUPERVISORY BOARD IN 2023

Shareholder Representatives	**Employee Representatives**
Mónica López-Monís Gallego (Chairwoman)	Martina Liebich (Dpt. Chairwoman)
Patricia Benito	Peter Blümel
Dirk Marzluf	Paloma Esteban
Rafael Moral	Deniz Kuyubasi
Adelheid Sailer-Schuster	Robert Neumann
Cristina San José	Thomas Schützelt

MANAGEMENT REPORT

In the management report we explain in detail the development of Santander in the last financial year 2023 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 2024 as well as the expected framework conditions.

Management Report 2023

FOUNDATIONS OF THE COMPANY

Santander Consumer Bank AG, hereinafter also referred to as the "Bank", "institution" or "Santander", is one of the largest private banks in Germany in terms of customer numbers, with around 3.3 million private customers. We offer our customers a wide range of financial services, from current accounts and credit cards to consultation for investment-oriented customers. In Germany, we are the largest manufacturer-independent financier of mobility in terms of credit volume. When it comes to granting loans for consumer goods, we are one of the leading providers according to the same criterion. In consumer lending, we work in the segments of Mobility, Consumer Financial Services (CFS), and Direct Business. In addition to current accounts, credit cards and the securities business, our product range is rounded off by our mortgage lending business and the brokerage of insurance products and financial services for corporate clients.

€3.3 million
Retail Customers

To improve customer service and increase efficiency through the standardisation of processes and use of economies of scale, we have outsourced IT processes and various back-office activities. These services are now provided by corporate 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 omnichannel market presence with our uniform distribution network and product range: the customer determines the manner in which they wish to use our Bank's services and communicate with it. 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 complementary sales channels.

In the **Mobility** segment, 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 Bank also acts as the exclusive financing partner for selected car brands (so-called captive area) such as Mazda and Volvo, in particular. In terms of manufacturers' banks, we are one of the largest market players in Germany. We also cooperate with manufacturers of motorcycles and recreational vehicles. In order to increase market penetration, we are expanding our cooperation with our dealer partners. Our Mobility segment is divided into the financing of used and new cars and 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 interest in Allane SE (formerly SIXT Leasing SE). MCE Bank GmbH is also our subsidiary as of the 2023 balance sheet date. All three companies mentioned are active in the financing or leasing of motor vehicles.

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

In contrast to the Mobility and Consumer Financial Services segments, we do not approach customers in our Direct Business 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, checking accounts, cards and standardised deposit products through its nationwide branch network. We also sell other products, in particular online loans, via our website and third-party online portals. We supplement this range of services with investment consulting geared to individual customer 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 building savings solutions from cooperating partners. In addition to traditional credit protection, our Bank offers its customers protection against the financial consequences of inability to work, for example. As of 31.12.2023, Santander had a nationwide network of 189 branches, as in the previous year.

189 branches

Business with corporate customers is bundled in the **Business & Corporate Banking** segment. The target group is German medium-sized companies and international companies with sales in the range of EUR 25 million to EUR 1 billion.

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

Shares in the Bank's share capital are held by Santander Consumer Holding GmbH whose shareholder is the Spanish company Santander Consumer Finance S.A. As the parent company, it prepares its own subgroup financial statements and is included in the consolidated financial statements of Banco Santander S.A., Madrid. Santander Consumer Finance S.A. is accounted for in the "Digital Consumer Bank" segment in the financial statements of Banco Santander S.A.

ECONOMIC REPORT

Macroeconomic and Sector-Specific Conditions

In an environment characterised by a sharp rise in interest rates, the global economy performed better in terms of gross domestic product in 2023 as a whole than organisations such as the OECD and IMF had expected at the beginning of the year. This economic resilience was mainly due to the gradual overcoming of supply bottlenecks after the coronavirus pandemic; even the supply difficulties occurring since the outbreak of war in Ukraine have gradually diminished. Other reasons for the economy's resilience are the household savings accumulated over the past few years and the fiscal policy support measures in response to the rise in food and energy prices. Monetary policy instruments also had a delayed effect. Following the end of the zero-COVID policy, China's upturn has lost momentum due to lower foreign demand and a weak property sector. Nevertheless, the growth target for 2023 of around 5% was achieved with the help of government measures. Although the manufacturing industry in the US entered a phase of economic weakness, the US economy as a whole only slowly lost momentum, proved resilient and achieved growth estimated at just over 2%. Following the slight recession at the turn of the year, the Eurozone recorded minimal growth. Economic activity was supported in particular by the absence of energy bottlenecks and lower energy prices compared to the previous year, while the overall geopolitical situation and high levels of uncertainty regarding economic development had a negative impact on consumer sentiment.

In Germany, gross domestic product fell by 0.3% on a price-adjusted basis in 2023 as a whole. The industry suffered from the consequences of the previous energy price shock and weak foreign demand, e.g. from China. The decline in demand led to a reduction in orders on hand; in addition, industrial production slowed down. The rise in financing costs continued to have a negative effect on private purchases and therefore also on domestic demand. Private consumption was largely lacklustre over the course of the year. Despite strong wage increases, falling inflation rates and a stable labour market, consumers were still largely reluctant to spend more. In contrast, the services sector performed quite well in this difficult environment.

Even though the inflation rate in Germany fell to 5.9% compared to 2022 (6.9%) due to lower energy prices overall, it still remained at a high level in the reporting year. Core inflation (excluding energy and food prices) also remained high. The downward inflation trend also continued in the Eurozone in the third and especially the fourth quarter of 2023, which in turn is likely to have been the reason why the ECB has left the key interest rate unchanged since September 2023.

In 2022, the ECB adjusted the conditions for the third series of targeted longer-term refinancing operations (TLTRO III); this led to a further increase in interest expenses in the German banking sector, primarily due to fierce competition for alternative refinancing sources, especially for deposits.

With regard to the German passenger car market, new registrations of ownership increased in the reporting year compared to the previous year, although the figures remained below the pre-pandemic level. According to surveys by the Federal Motor Transport Authority, new registrations rose by 7.3% to 2.845 million vehicles in the reporting year (previous year: +1.1%). However, the number of private new vehicle registrations included in this figure fell by 1.9% to 0.933 million. The number of private owner registrations grew considerably by 6.9% to 6.031 million (previous year: –15.8%). The main reason for this is likely to be the progressive overcoming of supply bottlenecks, which will also affect the transfer of ownership downstream. In addition, the discontinuation of state subsidies for electric and hybrid vehicles is also likely to have made used cars more attractive again.

BUSINESS PERFORMANCE

In the management report, we would like to discuss key financial performance indicators. This includes the annual result (in the following, this always refers to the annual result before profit transfer to Santander Consumer Holding GmbH) and the RoRWA (Return on Risk Weighted Assets). Before we look at these key financial performance indicators, we present the development of the individual segments below.

Within the passenger car market described above, our Bank's loan volume (new lending business) in the **Mobility** segment rose more strongly than expected compared to 2022: by 12.6% to EUR 6.768 billion (excluding dealer purchase financing). In the previous year's management report, we had forecast only a moderate increase. Contributing to this pleasing development were, on the one hand, the further reduction in the backlog of new car deliveries thanks to the gradual overcoming of supply bottlenecks and, on the other hand, the higher number of new registrations in the German passenger car market, which had a positive effect on the demand for used car financing.

Santander's loan volume in Germany broke down as follows in 2023: the new vehicle loan volume grew from EUR 1.435 billion to EUR 1.752 billion. Thanks to the increase in the number of new owner registrations, the used car loan business with end customers, which is more important for us in terms of volume, grew by 9.6% to EUR 5.016 billion in the year under review. Loans extended in dealer purchase financing increased by 21.3% from EUR 7.125 billion to EUR 8.645 billion and thus rose disproportionately as against new lending business with end customers.

We have also successfully developed our mobility business in 2023 in cooperation with our partners. We have also laid the foundations for organic and inorganic credit growth for the Santander Group in Germany with new co-operations and an acquisition.

In November 2022, we announced that our Group had signed a purchase agreement with MC Automobile (Europe) NV, Mitsubishi International GmbH and MC-V Beteiligung Verwaltungsgesellschaft mbH to acquire the majority of shares in MCE Bank GmbH. MCE Bank is the captive partner for financing Mitsubishi and Isuzu vehicles in Germany. In addition to comprehensive financial services for customers in the automotive industry, MCE Bank also offers IT services for car dealerships. Following the submission of all necessary antitrust and regulatory approvals (approval from the German Federal Cartel Office, confirmation from BaFin and the ECB that they have no objections to the acquisition), the transaction was completed on 31 May 2023. The Santander Group in Germany is strengthening its captive business in Germany with the two newly acquired brands, Mitsubishi and Isuzu; at the same time, our Group wants to preserve the MCE Bank business model and continue to provide intensive support to existing dealers, importers and end customers. As of the balance sheet date, we held around 90% of the shares in MCE Bank GmbH.

In 2023, there was another change in the shares in affiliated companies: on 31 March 2023, we completed the sale of our shares in PSA Bank to Opel Bank S.A. All necessary regulatory and antitrust approvals had previously been granted. Already in December 2021, Santander Consumer Finance and European car maker Stellantis announced they were renegotiating the terms of their 2014 Europe-wide partnership to finance Peugeot, Citroën, and DS vehicles.

Number of customer accounts in thousands

	2021	2022	**2023**
Total	4,574	4,464	**4,581**
Including credit accounts	3,086	2,983*	**2,849**
Deposit accounts	993	972	**1,205**
Current accounts	494	509	**528**

* Previous year's figure adjusted due to a redefinition of the accounting of debit cards

In the reporting year, we concluded cooperation agreements with selected Chinese manufacturers. These include BYD, Great Wall Motors and Nio.

Our **Consumer Financial Services** segment recorded a decline in new loan volume in 2023; we had expected an increase. New loan volume fell by 17.5% from EUR 559 million to EUR 461 million. In the reporting year, we decided to transfer all retail partners to the Santander Group's pan-European "Buy Now, Pay Later" platform. As a result, this new loan volume increasingly shifted to another company, namely Openbank.

Direct Business is generated through branches, online, and via Santander Direct Consulting. Our instalment loan business fell by 27.1% from EUR 2.858 billion to EUR 2.082 billion in the reporting year. We had assumed a moderate increase. In addition to our customers' reluctance to spend, the unexpectedly sharp rise in interest rates on loans contributed to this decline. We also tightened our lending policy in 2023: on the one hand, we have adjusted the inflation parameters and, on the other, we have introduced a new strategy for managing total debt based on creditworthiness.

Despite substantially higher construction costs and increased market interest rates, our new construction financing business (with private customers) was slightly above target and grew by 4.9% to EUR 338.8 million in 2023. In the previous year's management report, we had forecast stagnating new business; in the reporting year, however, our platform business for mortgage loans developed better than expected, partly because we technically activated additional cooperation partners.

+4.9%
Growth in New Business in Mortgage Financing

In **Business & Corporate Banking** we were able to increase our new business (net change in outstandings, for reasons of comparability the previous year's figures have been adjusted retrospectively) by 14.6% to EUR 354.5 million (previous year: EUR 309.3 million) – even though the market environment was difficult, with higher interest rates, and the economic situation in Germany was uncertain. 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 our Group already has a strong presence.

€263.6 million
Profit for the Year (Previous Year: 444.1 million)

ANNUAL RESULT

In 2023, our Bank achieved an annual result of EUR 263.6 million, which is 40.7% less than the previous year's figure of EUR 444.1 million. For the reasons for this decline, please refer to the comments on the respective items in the income statement. The annual result includes the profit transfer of the Santander Consumer Leasing GmbH of EUR 25.6 million (previous year: EUR 93.3 million).

The total number of customer accounts increased to just under 4.6 million in the reporting year. While the number of credit accounts fell by 4.5%, the number of other account types increased, in some cases significantly: the number of deposit accounts grew considerably by 24% to 1.2 million due to the rise in interest rates over the course of the year and our deposit campaign, while the number of current accounts increased slightly.

Total assets were reduced by 0.7% compared to the previous year, from EUR 53.635 billion to EUR 53.250 billion as of 31 December 2023. The main changes in the balance sheet items are described in the following section.

–0.7%
Decrease in Balance Sheet Total

Balance sheet structure Assets in EUR million

	2021	2022	**2023**
Balance sheet total	55,623	53,635	**53,250**
Cash and cash equivalents	10,757	1,291	**687**
Receivables from customers	28,856	32,044	**35,853**
Loans and advances to credit institutions	2,755	6,778	**9,714**
Securities	11,969	12,201	**5,782**
Other assets	1,286	1,321	**1,213**

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 customers and liabilities from issuing business (reported under securitised liabilities) and ABS securitisations (reported under other liabilities) on the liabilities side. Borrowing from the central bank is recognised under liabilities to banks.

Loans and advances to customers increased by 11.9% from EUR 32.044 billion to EUR 35.853 billion as of 31 December 2023. Retail receivables from instalment loans (Mobility, Consumer Financial Services, and Direct Business) as a proportion of total receivables decreased slightly from 64.8% in the previous year to 62.5%. At 7.8%, dealer purchase financing made a slightly higher a slightly higher contribution to the total volume (previous year: 6.3%). The proportion of receivables in the property lending business totalled 7.0% (previous year: 7.7%).

Loans and advances to financial institutions grew from EUR 6.778 billion to EUR 9.714 billion. This was due to higher overnight deposits at the Deutsche Bundesbank.

At the balance sheet date, Santander reported EUR 5.782 billion (previous year: EUR 12.201 billion) under **bonds and other fixed-income securities**. The reason for the decrease of 52.6% is the EUR 2.387 billion lower holdings of money market securities from public issuers and a lower volume of senior tranches of securities generated from own assets from ABS transactions in our Bank's securities account A. In 2023, we have structured two transactions (see our comments on "Other liabilities"). This was offset by repayments of self-originated ABS transactions over the course of the year. We 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 operations at the ECB.

In addition to cash in hand amounting to EUR 40.1 million, the **cash reserve** includes EUR 647.1 billion (previous year: EUR 1.209 billion), which were invested with the Deutsche Bundesbank.

Shares in affiliated companies fell by EUR 64.5 million to EUR 721.5 million as of the balance sheet date. This was due to the disposal of PSA Bank Deutschland GmbH and an impairment loss of EUR 23 million on the carrying amount of the investment in HCBE. The acquisition of the majority of shares in MCE Bank GmbH had the opposite effect.

Intangible assets decreased from EUR 210.9 million to EUR 189.9 million as of 31 December 2023. The main reason for the decline in inventories was scheduled depreciation and amortisation.

Property, plant, and equipment increased from EUR 37.3 million to EUR 41.8 million as of 31 December 2023 due to higher advance payments. In the year under review, we decided to invest in the security of the latest generation of ATMs.

The **liabilities side** reflects our Bank's solid, since broadly diversified, refinancing.

Liabilities to customers increased by 24.2%, from EUR 25.25 billion to EUR 31.357 billion, in the year under review. The market-induced rise in deposit interest rates once again prompted our customers to commit to our Bank for the longer term: as of the balance sheet date, deposits with an agreed term or period of notice recognised under other liabilities increased from EUR 6.71 billion to EUR 12.839 billion; in contrast, the portfolio of customer liabilities repayable on demand only increased by EUR 241 million. Our online sales and our nationwide network of 189 branches and offices throughout Germany facilitated our access to retail deposits.

Balance sheet structure Liabilities in EUR million

	2021	2022	**2023**
Balance sheet total	55,623	53,635	**53,250**
Deposits	870	822	**559**
Other liabilities to customers	22,520	24,428	**30,798**
Liabilities to credit institutions	10,473	8,686	**2,525**
Securitised liabilities	2,631	2,361	**5,503**
Other liabilities	14,688	12,870	**9,350**
Provisions	720	746	**714**
Equity*	3,721	3,722	**3,800**

* Data including subordinated liabilities and profit participation capital

The Bank manages its refinancing profile on the basis of regular, forward-looking structural analyses of assets and liabilities. We were able to raise the necessary funds at all times thanks to our broadly diversified refinancing mix: this primarily includes deposits from private customers and institutional investors, placements on the money and capital markets, and the structuring and marketing of ABS transactions. The extensive repayment of the previously opportunistic borrowing through the ECB's targeted longer-term refinancing programme TLTRO took place as planned in each quarter of 2023 (see our comments on “Liabilities to banks”).

€13.357 billion
Liabilities to Customers

Santander complied with the relevant regulatory liquidity requirements at all times. On the balance sheet date, the liquidity ratio LCR was 220.8% (previous year: 231.7%) above the regulatory minimum requirement.

Liabilities to financial institutions decreased from EUR 8.686 billion to EUR 2.525 billion in the year under review. This is due to two strongly opposing developments in liabilities with agreed maturities: the reduction in the utilisation of TLTROs, which fell from EUR 8.5 billion in the previous year to EUR 0.5 billion as of the 2023 balance sheet date, was offset by higher term deposits, in particular deposits from affiliated banks.

Other liabilities decreased from EUR 12.838 billion to EUR 9.274 billion in 2023. This is due to opposing effects in our ABS transactions. Three ABS transactions were terminated in the reporting year due to clean-up calls. Scheduled repayments of ABS transactions also reduced the portfolio. The fact that our Bank originated two new consumer ABSs in 2023 had the effect of increasing the portfolio. This item also includes the profit transfer obligation to our parent company.

In its securitisation 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 service function (management of the pool of receivables sold) and the function of subordinated lender for the Bank's 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 by lowering the equity burden of our Bank in this way. In the reporting year, Santander originated two ABSs based on loans from our Direct Business with significant risk transfer; apart from the retention, all securities issued were sold in tranches to external investors. Both transactions serve to reduce the regulatory capital requirements and to finance our lending business.

The **securitised liabilities** item rose year-on-year by EUR 3.143 billion to EUR 5.503 billion. On the one hand, this was due to the fact that two senior unsecured bonds totalling EUR 1.25 billion were issued on the capital market in the reporting year and, on the other hand, we increased the drawings from the existing commercial paper programme by EUR 1.866 billion.

Provisions amounted to EUR 714 million at the end of the year under review (previous year: EUR 746.1 million). This decline is due, among other things, to lower provisions for pensions and variable remuneration.

Balance sheet equity (excluding subordinated liabilities and profit participation capital) rose year-on-year from EUR 3.283 billion to EUR 3.358 billion due to an increase in the capital reserve of EUR 75 million. Own funds in accordance with Article 10 of the German Banking Act [Kreditwesengesetz, KWG] in conjunction with Article 72 of Regulation (EU) No. 575/2013 (CRR) amounted to EUR 3.324 billion as of the balance sheet date (previous year: EUR 3.296 billion). The Common Equity Tier 1 capital ratio in accordance with Article 10 KWG in conjunction with Article 92 (1) a) CRR was 12.98% (previous year: 12.92%), the Tier 1 capital ratio (Art. 92 (1) (b) CRR) was 12.98% (previous year: 12.92%), the total capital ratio (Art. 92 para. 1 lit. c) CRR) reached 14.76% at the end of the reporting year (previous year: 14.73%).

Our own funds planning is embedded in the Santander Group's own funds planning and covers a rolling 36-month planning period. It is based on the budgeted figures for the coming financial year, the long-term corporate planning figures 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 current planning, we decide together with the shareholder as to the extent to which equity contributions are necessary.

DEVELOPMENT OF THE BANK'S EARNINGS SITUATION

Our Bank achieved an **annual result** of EUR 263.6 million in the year under review, down 40,7% compared to the previous year (EUR 444.1 million). The RoRWA (Return on Risk Weighted Assets) decreased by 56 basis points to 0.80%. We therefore did not meet the forecast made in last year's management report, in which we expected only a considerable decline in the annual result and the RoRWA. However, the decline in profit was very considerable, resulting on the one hand from falling market-induced net interest income and on the other hand from falling net commission income due to lower income from insurance brokerage and increased sales commissions. In addition, write-downs and value adjustments on receivables, certain debentures and other fixed-income securities as well as allocations to provisions in the lending business increased significantly. Administrative expenses developed favourably, falling by 3.5% to just under EUR 722 million in the reporting year despite high inflation. For further information, please refer to our comments on the corresponding items in the income statement.

At EUR 945 million, **net interest income** in 2023 was 6.8% below the previous year's figure of EUR 1.015 billion and therefore slightly below our expectations, which already envisaged a moderate decline due to the changed conditions of the TLTRO programme in autumn 2022, among other things. This is primarily due to the fact that the increased costs of refinancing due to capital market interest rates were only passed on to customers with a time lag. We do give a binding interest rate commitment when the vehicle is ordered; however, the corresponding refinancing takes place at current market conditions upon delivery. Due to the extent and speed of the rise in interest rates, this lag in passing on costs to our customers was more pronounced than we had expected. We only established an interest rate hedge via swaps in the course of the reporting year.

As forecast, we were able to significantly increase interest income, and we had also anticipated a significant increase in interest expenses. These are slightly above our expectations. The reason for the increase in interest income and interest expenses is the sharp rise in market interest rates. As the increase in interest income was lower than the increase in interest expenses, net interest income decreased moderately overall. Loans and advances to customers grew considerably by 11.9% compared with the previous year and amounted to EUR 35.853 billion. Receivables continued to increase considerably, particularly in the Mobility segment, in dealer purchase financing and in the Business & Corporate Banking portfolio. The loan portfolios in Direct Business and mortgage lending business increased slightly. Only the portfolio development in the Consumer Financial Services segment continued to decline.

Market interest rates continued to rise in the reporting year, as a result of which we further increased interest rates in new lending business. In the Mobility segment, this led to the average interest rate in new business increasing by 237 basis points compared to the previous year, while in Direct Business it was 267 basis points higher than in the previous year. In this portfolio, the interest rate increases that we implemented in our customer terms and conditions took effect without delay.

However, these higher interest rates in new business only had a delayed effect on the portfolio, so that the average interest rate of 4.85% on our customer receivables for the entire portfolio was considerably higher than the previous year's level of 4.08%, but did not increase as much as the interest rates in new business. In some portfolios, which are closely aligned with market interest rates, we were even able to significantly increase the average interest rate year-on-year: this increased by 292 basis points to 6.48% for dealer purchase financing and by 215 basis points to 4.38% for the Business & Corporate Banking portfolio. Overall, interest income from the customer lending business increased by 33% or EUR 350.1 million due to market interest rates.

A look at the shares of total interest income that the individual product areas have in total interest shows a continued leading position in the Mobility segment. The contribution of the largest portfolio within loans and advances to customers was moderately greater than the previous year at 54% of interest income. Instalment loans in Direct Business (including credit cards and current accounts) continued to rank second: their share fell to 34%. The growing Business & Corporate Banking portfolio now accounts for almost 8% of customer interest income. In the Mortgage lending business, which remains the third-largest portfolio, the share of interest income has continued to fall; this is due to the lower interest rates compared to the other portfolios as a result of the risk and the long-term fixed interest rates.

Interest income in the non-customer business grew significantly by EUR 322.7 million in 2023. Here too, this was primarily due to the rise in market interest rates. In particular, interest income from receivables from banks increased by EUR 302.4 million compared to the previous year, with income from deposits with affiliated companies rising by EUR 174.3 million and interest income from balances with the Bundesbank increasing by EUR 125.3 million. Swap income increased by 17.7 million compared to 2022.

We had expected a significant increase in **interest expense**. In fact, these increased slightly more than expected by EUR 742 million to EUR 881.8 million compared to the previous year.

Expenses for liabilities to customers increased significantly by EUR 264.1 million to EUR 295.7 million. On the one hand, customer interest grew due to the current interest rate trend, and on the other hand, we were able to considerably increase the volume of customer deposits, particularly in the higher-interest term deposits.

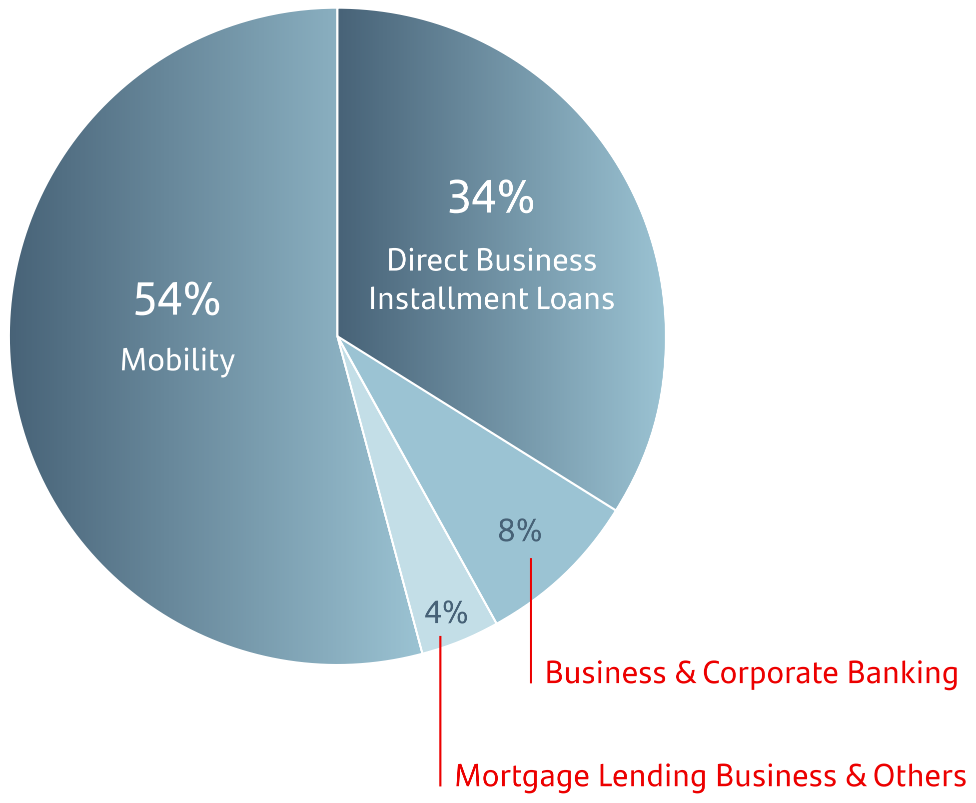
The largest effect on interest expenses in the year under review came from the non-customer business, in particular the increased expenses for own refinancing. Expenses increased significantly by EUR 478 million compared to 2022.

Interest expenses for swaps rose by EUR 82.6 million compared to the previous year, in particular due to the increase in current interest expenses for the receiver swaps in the context of our ABS transactions and the expansion of our interest rate hedging instruments in 2023 in the context of the market interest rate level. Interest expenses for own drawings and issues (mainly commercial paper and medium-term notes) increased by EUR 96.4 million and for ABS transactions by EUR 36.2 million. In addition, intragroup refinancing led to interest expenses of EUR 72.9 million in 2023.

The utilisation of TLTROs resulted in interest expenses for open market transactions of EUR 146.9 million in the reporting year – an increase of EUR 189.7 million compared to 2022, when the effect was still positive (negative interest expenses); this in turn resulted from the conditions for TLTRO utilisation, which were adversely adjusted by the ECB in 2022 as part of the change in interest rate policy. We significantly reduced TLTRO inventories in the financial year and thus mitigated the profit-reducing effect.

We had forecast a very considerable increase in **net commission income**. In fact, this fell very considerably by 34.2% to EUR 107.4 million compared to 2022. We had expected a considerably increase in commission income, but it fell moderately to EUR 483.7 million. Commission expenses increased slightly to EUR 376.3 million, although we had expected a moderate decrease.

SHARE OF BUSINESS SEGMENTS OF TOTAL CUSTOMER INTEREST INCOME



Total commission income fell by EUR 48.8 million or 9.2% in the year under review. In particular, income from insurance brokerage fell by EUR 68.3 million compared to 2022. The main reason for this is the impact of the reform of the German Insurance Supervision Act [Versicherungsaufsichtsgesetzes] in mid-2022, which stipulates a cap on brokerage commission for residual debt insurance. The reform was therefore effective for the entire reporting year. This was offset by the introduction of more extensive insurance products, which had a partially offsetting effect. The decline in new business in the Direct portfolio and the change in the portfolio mix in the Mobility segment also had a dampening effect. As in previous years, this income accounted for the largest share within fee and commission income.

We achieved a considerable year-on-year increase of EUR 5.2 million in fee income from services for HCBE. Income from the securities services business rose considerably compared to 2022, mainly due to the increase in the average volume of deposits.

Commission expenses increased slightly by EUR 7.1 million to EUR 376.3 million in the reporting year; we had assumed a moderate decline. Expenses for brokerage commissions, which continued to make by far the largest contribution to commission expenses, fell slightly by EUR 2.1 million compared to 2022, mainly due to lower new business in the Direct segment. In contrast, the commissions paid to our dealer partners in the Mobility segment rose moderately. Accordingly, the share of this segment in brokerage commissions grew from 77% in the previous year to 85% in the year under review.

Commission expenses for the brokerage of insurance policies via sales partners fell considerably, which is primarily due to the fact that sales in Direct Business and transactions via third-party portals and cooperations included in this declined. This was offset by other commissions, which increased very considerably, primarily thanks to the improved securities services business.

Current income from investments sank very considerably year-on-year by EUR 13 million to EUR 25.8 million. This is due to lower dividend income from the investment in PSA Bank Deutschland GmbH.

Administrative expenses as well as amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment totalled EUR 722 million in the reporting year (of which personnel expenses EUR 250.9 million and other administrative expenses EUR 397.4 million). Administrative expenses in the previous year totalled EUR 748.1 million (of which personnel expenses EUR 295.8 million and other administrative expenses EUR 379.1 million). Overall, administrative expenses decreased slightly by EUR 26.1 million compared to 2022, in line with expectations.

Personnel expenses fell considerably by EUR 45 million in 2023 compared to the previous year; we had only expected a slight decrease here. This is due on the one hand to lower additions to provisions – caused by the change in the discount rate, particularly for pension obligations – and on the other hand to lower expenses for variable remuneration. This more than offset the increase in wages and salaries due to collective wage increases.

The average number of employees rose slightly to 3,005 in the year under review (previous year: 2,878).

As expected, other administrative expenses increased slightly by EUR 18.3 million from EUR 379.1 million in the previous year to EUR 397.4 million in the reporting year. The reasons for this are the inflation-related increase in expenses for services provided by Santander Consumer Technology GmbH as well as higher court and notary costs, increased costs for Santander Consumer Operations GmbH and higher rental costs for the branches.

Due to delays in the development of capitalisable software and the renovation of the offices, amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment increased only slightly year-on-year by EUR 0.5 million; we had forecast a moderate increase.

Despite slightly lower administrative expenses, the cost-income ratio (CIR) deteriorated from 61.5% in the previous year to 66.9%, mainly due to considerably lower net interest income and net commission income. In the 2022 management report, we had assumed a slight improvement in the CIR.

66.9%
Cost-Income Ratio (Previous Year: 61.5 %)

At EUR 217.4 million, **net risk costs** were significantly higher than the previous year's figure of EUR 112.4 million (+93.4%) and above the very considerable increase we had predicted. The main reason for the forecast being exceeded was the lack of recovery in net risk costs for instalment loans in Direct Business.

Compared to the previous year, risk costs were negatively impacted by parameter deteriorations, a normalisation of defaults on instalment loans after years with very low defaults, additions to specific valuation allowances in the corporate client business and lower income on written-off accounts. The resulting expenses outweighed the positive effects of lower depreciation and amortisation, write-ups on securities and reduced volumes of new business combined with a correspondingly lower risk provision.

The main reason for the increase in risk costs is the strong positive impact of special effects in the previous year; in particular, the improvement in impairment parameters had reduced risk costs by EUR 69.5 million in the previous year. In contrast, parameter updates – mainly due to higher default rates in the instalment loan business – led to an increase in risk provisions of EUR 22.0 million in the reporting year. Portal activities remain the segment with the highest default rates.

The expected improvement in the solvency of private customers did not materialise; this is due to the continuing high inflation and the recessionary trends in the German economy. As a result, the proportion of instalment loans in arrears rose in the Direct and Mobility segment and thus also the net risk costs. A further increase resulted from a normalisation of termination rates after years of very low rates.

In addition, the deterioration in the financial situation of individual corporate customers and some vehicle dealers made it necessary to recognise specific valuation allowances in the reporting year, which increased risk costs compared to the previous year.

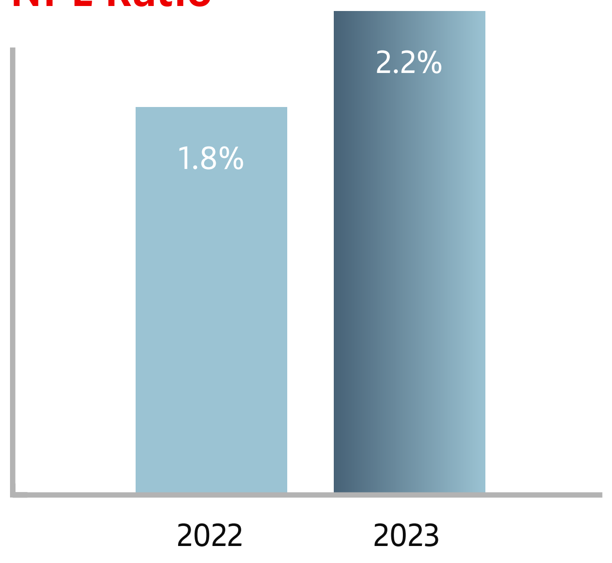
Due to a lower level of written-off receivables, the income from written-off receivables of EUR 19.9 million was, as expected, significantly lower than the previous year's figure of EUR 64.7 million; in particular, income from the sale of bad debt fell significantly by EUR 12.0 million (previous year: EUR 48.0 million). The reduction was influenced by reduced revenue ratios in a difficult market environment; in addition, the amortisation date was postponed by 12 months with – as a result – a reduction in the volume ready for sale. The lower income from the sale of receivables was offset by significantly lower amortisation.

Increases in the market value of held-to-maturity securities resulted in write-ups totalling EUR 14.1 million, following write-downs of the same amount in the previous year due to price falls.

The overall increase in new business volume in 2023 consists to a greater extent of collateralised business compared to the previous year, which had a positive effect on risk costs. Risk costs were also reduced by limiting the risk content of new loans, particularly in Direct Business. We achieved this by adjusting the inflation parameters for credit decisions in the entire private customer business; we also introduced a new strategy for managing the total debt of customers in Direct Business based on their credit rating.

Our Bank's NPL ratio in relation to loans and advances to customers rose considerably in the year under review to a value of 2.2% (2022 balance sheet date: 1.8%). A further increase is expected in the coming year. The reason for this is a postponement of the amortisation date by 12 months for economic reasons. This means that defaulted accounts can remain in internal recovery for longer and receivables can only be sold at a later date.

NPL Ratio



For **other operating income**, we had predicted an expense in the low single-digit million range in the previous year. In fact, we generated earnings of EUR 122.1 million (previous year: EUR 23 million).

Other operating income grew significantly by EUR 97.3 million to EUR 146.2 million; we had anticipated a significant decline. The main reason for the increase was the gain on disposal from the sale of the stake in PSA Bank Deutschland GmbH. In addition, income from the reversal of provisions not included in the forecast was recognised in the reporting year.

In 2023, other operating expenses decreased moderately by EUR 1.8 million to EUR 24.1 million, although we had not expected any material changes. The reduction is primarily due to lower expenses, particularly in connection with operational risks, where a more conservative result had been expected.

The item "depreciation, amortisation and impairment of investments, shares in affiliated companies and securities treated as fixed assets" includes an impairment loss of EUR 23 million on the carrying amount of the investment in HCBE in 2023.

In view of the challenging overall economic situation and the development of interest rates, business performance in the reporting year was satisfactory. Overall, the economic situation of our Bank is in good order.

Due to the controlling and profit transfer agreement and silent participation, the annual results of the Santander Consumer Bank are completely transferred to the Santander Consumer Holding GmbH.

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 compensation report of Santander Consumer Bank AG as per the German Remuneration Regulations for Financial Institutions [InstitutsVergV] can be viewed at the following link in our Investor Relations Portal (https://www.santander.de/ueber-santander/investor-relations/offenlegung).

EMPLOYEES

Two important topics characterised the work of People & Culture in the reporting year: measures to combat the ongoing shortage of skilled labour and the further development of our corporate culture.

Measures Against the Shortage of Skilled Labour

In the reporting year, we again felt the effects of the current shortage of skilled labour and the consequences of the lack of trained personnel caused by demographic change, among other things. We have identified strengthening our attractiveness as an employer as an important approach to counteracting this shortcoming. To this end, we have implemented two important measures, among others:

1. Measures for new employees to be recruited

a. A sales offensive (general support for sales recruitment in Direct Business):

- Redesign of a set of questions for job interviews and consultation for those making the selection, workshop-like in character
- Partnership with the service provider Indeed: new job ad campaigns and expansion of the provider portfolio

b. University marketing

- Closer cooperation with Santander universities and utilisation of the network of potential candidates
- New online platform with StudySmarter to address the target group of students by means of platform adverts, employer profiles, job advertisements and stand-alone mailings
- Stronger presence at and more participation in other career and campus fairs

Santander attaches great importance to the promotion of young talent. That is why we train numerous people in various training programmes every year. In 2023, a total of 91 apprentices, 16 dual students and 43 trainees were employed. Of these, we hired 29 apprentices, 5 dual students and 26 trainees in the year under review.

2. Measures for existing employees

We also counteract the shortage of skilled labour through learning and development measures for our existing workforce, thereby also increasing employee satisfaction. We pursue the strategy of a “learning and development ecosystem”: we transparently highlight the interaction of our talent initiatives, such as the annual performance process, the individual development plan and further training programmes.

We launched our global learning platform Dojo in the reporting year: Dojo helps employees find the online training and online learning resources that are right for them, so they can select and implement the appropriate measures for their professional development. We have also been offering the language learning app Busuu since 2023 and are increasingly focussing on group-internal exchange and further training through offers such as “Mundo Santander” and “Swap”.

As in previous years, our Bank received a large number of recognitions in its role as an employer in 2023: for example, the Mittlerer Niederrhein Chamber of Industry and Commerce awarded us the title of best training company. For ten years, we have carried the “Fair Trainee Programme” seal – a certificate for the quality of our trainee programme, which is based on a scientific audit and evaluation by our trainees.

The Top Employers Institute recognised us as a Top Employer Germany and Top Employer Europe for the fifteenth time in a row. All participating companies undergo a standardised certification process, which includes a written survey and subsequent validation of the responses.

Further Development of the Corporate Culture

In the financial year, we further developed the foundations of our global corporate culture and developed them 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, the annual Santander Week was held, as in the previous year, with the new corporate behaviours as its motto. Numerous employees took part in themed presentations and activities.

Our corporate behaviours are part of a cultural framework that is anchored in our corporate culture at a global level as "the Santander Way". A corresponding guideline has been in place since 2019 and was expanded and adopted again in the reporting year.

SUSTAINABILITY AND RESPONSIBLE BANKING[2]

Our sustainability activities cover the three ESG dimensions of environment, social affairs and corporate governance.

Environment

The Santander Group's goal is for our financed business to be carbon-neutral (net zero) by 2050. To achieve this, we established an ESG forum in the reporting year, which plans and implements ESG measures, activities and initiatives in a targeted manner: e.g. the expansion of our sustainable business, the reduction of emissions from our financing and projects for more precise measurement and better management of our carbon footprint. As part of the Santander Group's membership of the Net Zero Banking Alliance, we have set ourselves a target for reducing CO_2 emissions in the car financing business as a first step.

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

Product-related activities

- The trend towards the use of alternative drive technologies is continuing: in 2023, the share of the green loan volume (according to the EU taxonomy, exclusively for fully electric cars and hybrids with < 50g CO_2/km) in the total new lending business increased from 16% to 21% (in each case including the leasing business, which is operated in Germany by our subsidiary Santander Consumer Leasing GmbH). This is primarily due to the growth in new business from our cooperation partner Tesla.
- In addition to existing collaborations such as with Tesla, we significantly expanded our partnerships with international manufacturers of electric vehicles (purchase and sales financing) in the reporting year, including with BYD, Nio, GWM, Fisker and Livewire.
- We entered into a partnership with Wall-E and expanded the pilot project to 45 car dealer partners in November 2023. Wall-E offers end customers an uncomplicated complete package in terms of advice on home charging solutions and the installation of a wallbox for electric vehicles. Santander provides suitable financing for this.
- We have expanded our range of advisory services for investments in the ESG field: in the meantime, 90% of all fund products offered have become sustainable (in accordance with Article 8 or 9 of the Sustainable Finance Disclosure Regulation, SFDR). Assets under management in sustainable products account for around 60% of our total strategic assets.
- Taking into account current social, economic, and regulatory developments, we are working on the further integration of sustainability risks into the processes of our risk management and risk controlling, e.g. in the form of ESG assessment criteria for commercial customers, stress tests or risk appetite monitoring.
- Sustainability aspects are already established in Business & Corporate Banking (BCB), where lending is based on internal and external requirements as well as restrictions due to sustainability and responsible banking principles (environmental and social responsibility, ethical business practices and compliance with (regulatory) requirements). In addition, all decisions on BCB loan exposures are now identified and classified in accordance with the EU taxonomy and the Santander framework. In the future, external ESG scoring

[2] This section was not audited by the auditor

information will also be purchased for the entire BCB portfolio, in addition to the information provided by BCB clients themselves. In view of the Supply Chain Due Diligence Act, a review of major credit customers is also taking place in this segment.

- 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-sourced PLA made from non-edible corn. In 2023, the entire debit card portfolio was also converted to a PLA basis: we have now issued almost 600,000 environmentally friendly Visa cards. With Santander's BestCards, customers receive a fuel discount of 1% worldwide; we have expanded this offer to include e-charging stations.
- In order to meet the legal and voluntary requirements for transparency and reporting, such as those of the Net Zero Banking Alliance, we have realised a number of projects and expanded our internal processes and systems accordingly. In addition to the existing data, we record a large number of new KPIs, such as information on the greenhouse gas emission values of the vehicles we finance or on the conformity of our loans with EU taxonomy. These key figures are required for portfolio analysis and for the design of ESG scenarios and form the basis for the development of a decarbonisation pathway.
- In addition to the ESG-related training required by law, e.g. for securities sales, we offer our employees ESG training on our internal learning platform in the form of regular internal ESG talks and topic- and target group-specific webinars with external experts.

Own CO_2 footprint

- We are continuously working to reduce our operational carbon footprint. Since 2020, we have also been offsetting our emissions every year by purchasing CO_2 certificates. It goes without saying that we have implemented our energy-saving measures in accordance with the legal requirements.
- We have been sourcing the electricity for each of our buildings from renewable energy sources for years.
- We are creating further attractive and sustainable mobility options. The Deutschlandticket has been available to our employees as a company ticket since May 2023. We also offer our employees the opportunity to lease e-bikes (as part of a salary sacrifice).

Social commitment

- Banco Santander launched the non-profit initiative Santander Universities over 27 years ago and has been committed to higher education like no other private company ever since. Santander universities have also been active in Germany since 2012: to this end, the team works together with 29 renowned universities and educational institutions. Around 4,000 people across Germany benefited from 40 funding projects in the reporting year.
- Santander is a sponsor of Sonnenwagen e.V. – a non-profit organisation founded by students at RTWH and FH Aachen University, which has made it its mission to help develop the mobility of the future with a solar car it has designed itself.
- Santander also supports the Social Entrepreneurship Programme at RTWH Aachen: an entrepreneurial springboard for social start-ups and student initiatives that are committed to solving social problems and protecting the environment. With this cooperation, we are committed to sustainable, economic and social development and promoting Germany as a business location.
- In the reporting year, we made donations in cash or in kind to seven charitable organisations.
- At our Santander RUN & FUN company run in Mönchengladbach, we supported a further eight charitable and non-profit organisations with donations.

RISK REPORT

Risk Strategy Guidelines at Santander Consumer Bank AG

The Management Board of Santander Consumer Bank AG is responsible for the management and control of all risks, including ESG risks, in accordance with the Bank's business and risk strategy and within the framework of the allocated competences and organisational instructions.

Taking risks is a consequence of business operations and the decisions that are made in this context.

Within our Bank, the responsibilities for managing and monitoring risks are defined by a clear separation of functions in accordance with the Minimum Requirements for Risk Management (MaRisk). We also follow the principle of the three lines of defence model: the first line of defence manages the risks, the second monitors them. As an independent control body, the internal audit represents the third line of defence.

Credit risks in risk-relevant business are generally managed by the second vote of a back office function; this is based on the allocation of responsibilities. Credit risks in non-risk-relevant business are generally controlled by an automated decision in accordance with the requirements of risk management. We also consider credit risks from our entire proprietary business to be risk-relevant business. Approvals relating to proprietary business are generally granted on the basis of a resolution of the Management Board.

Our Treasury and Capital Markets departments are responsible for the management of market price and pension risks (in particular interest rate risks) and the management of liquidity risks (in particular refinancing risks): They limit the above-mentioned 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 notes as well as mortgage bonds.

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

Our Management Board and our sales units manage strategic business risks within defined limits using planning tools (e.g. budgets) and through appropriate sales and marketing measures; our Controlling department reports on these risks and the risk function for strategic risks monitors them.

Specially trained OpRisk coordinators manage operational risks on a decentralised basis in the respective departments. The Non-Financial Risk & Internal Control department is responsible for risk measurement and monitoring.

Risk Controlling reviews the model risks; it records the models used by the Bank and classifies them according to risk aspects.

The strategic guidelines for the risk organisation and the risk appetite of our institution were set out in the current Risk Strategy 2023 (as amended in November 2022), which was approved by the Management Board. Our Management Board approved the targets for 2024 in November 2023.

While our business strategy defines the principles and objectives of economic development, our risk strategy deals with the associated risks; in this way, we aim to ensure sustainable and low-volatility profit realisation in compliance with regulatory requirements.

Consequently, we have defined the following strategic guidelines as an expression of prudent and conservative corporate management:

- Compliance with regulatory requirements and agreements with supervisory authorities at all times;
- Independence of the risk controlling function;
- each risk taken must be authorised by the responsible body in the risk management system and 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, business and corporate customers. A securities portfolio of high-quality, liquid assets is structured to supplement interest rate and liquidity management.
- Concentration risks should be reduced to the necessary minimum, i.e. to those concentrations that arise directly from our business model; in addition, they should be closely monitored with regard to individual debtors, specific segments and industrial sectors. This applies regardless of a review of the risk-bearing capacity and the risk tolerances derived from this by our Management Board;
- Our remuneration system should be designed appropriately and be in line with forward-looking, conservative risk management. Profit targets are not part of the remuneration of our control units; the components should be aligned with the risk appetite;
- We 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 appetite: This must be within the risk capacity and should describe the maximum degree and type of risk that the business unit is prepared to take to achieve its strategic objectives.

In order to maintain and promote an appropriate risk culture, appropriate measures and initiatives are an integral part of recruitment and onboarding, training and development, remuneration and incentivisation; we want to embed this even more deeply through inspiring leadership. We measure how firmly our risk culture is established in our day-to-day work using various key performance indicators, such as the number of training sessions and self-assessments carried out and our employee surveys conducted throughout the year.

ORGANISATION

Santander Consumer Bank AG is a non-trading-book institution. Our CEO is responsible for trading activities in the banking book. Our Treasury department manages the liquidity, pension, market price and associated counterparty default risks of counterparties and issuers.

The Controlling, Accounting & Regulatory Information, Finance Enablement and Finance Business Partner areas are assigned to our Chief Financial Officer (CFO). Controlling is responsible for business and financial planning. The Accounting & Regulatory Information department 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. The joint venture management function for risk and compliance issues has been part of the Risk Steering department since this reporting year and reports directly to our Chief Risk Officer. The function of the Remuneration Officer is assigned to Risk Controlling.

RISK MANAGEMENT

Our risk management is divided into two units: firstly, a risk steering unit, which is responsible for the holistic risk management of the individual loan portfolios and thus, among other things, for the credit approval regulations and restructuring requirements as well as for the fraud prevention function; and secondly, a risk execution unit responsible for second votes and credit decisions for risk-relevant business as well as the restructuring and settlement of commercial exposures. Both units are organised into the following categories according to their competencies:

- 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 clients and financial institutions)

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

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

Although our Bank does not enter into any direct residual value risks, these represent a significant risk at the consolidated level of the German financial group. In accordance to the growing significance of these risks, Risk Steering Auto has created the function of Residual Value Manager, who is responsible for managing the residual value risk on the risk side.

RISK CONTROLLING

The Risk Controlling and Non-Financial Risk & Internal Control divisions, which are independent of the risk management units, are responsible – both for internal and external and regulatory purposes – for risk reporting and analysing the risk situation of our Bank with regard to the main risk types of credit, market price and pension risk (in particular interest rate risk), liquidity risk, operational risk and model risk. The two divisions also analyse the effects of ESG-related risk influences. Risk Controlling calculates the credit risk provisions for the loan portfolio on a monthly basis. The department also analyses concentration risks.

The Management Board is informed about the risk situation in various committees and through our internal risk report on a monthly basis and, if necessary, on an ad-hoc basis. The internal risk report contains information on the monthly monitoring of risk-bearing capacity and compliance with authorised risk tolerances as well as detailed information on the main types of risk.

The Risk Controlling division is responsible for planning and implementing the IRBA project (IRBA: Internal Ratings Based Approach). This includes drawing up conceptual and technical specifications for the implementation of the advanced IRB approach for the main exposure classes as well as carrying out tests and the necessary documentation.

The division is also responsible for the risk identification, monitoring and control processes for the Pfandbrief business. 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 Sections 27 and 28 of the German Pfandbrief Act (PfandBG). In addition to the requirements for the cover pool set out in the PfandBG, we have defined individual warning thresholds as part of our risk management. These regularly go beyond the statutory requirements; we have therefore imposed higher requirements on our institution in terms of the cover pool than those stipulated by law. We use the TXS Covered Bond software to monitor compliance with the statutory limits and the institution's own warning thresholds on a daily basis.

RISK MODELLING

The Risk Modelling division 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. Since 2017, the division has also been designing IFRS 9 pension models and creating 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 division also performs 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 are the forecast models for defaults and recoveries for liquidity risk. Risk Modelling is also responsible for the development of modules for automated fraud identification, residual value modelling and initial modelling relating to money laundering. Modelling is carried out on behalf of the following functions: Risk Steering, Risk Controlling, Collection Business Unit, Controlling, and Compliance.

RECEIVABLES MANAGEMENT

Receivables Management (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 mortgage loans in the private customer segment.

In order to minimise cost of risk, our goal is to return payment-disturbed accounts to an orderly payment process. Restructuring requests from customers in the event of short-term or structural payment disruptions are also processed in this department in accordance with Risk Steering guidelines.

There is a specific procedure for overdue accounts for each product type. Proactive and early contact with the customer plays an important role here, flanked by the increased use of direct debit procedures and written reminders. Customers also have the opportunity to raise their requests 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.

The tasks of receivables management also include the securing and realisation of collateral.

If the above-mentioned measures do not result in the arrears being settled, the loan or account will be cancelled with subsequent debt collection by external partners, up to and including the sale of the debt.

The realisation management of non-performing commercial loans is carried out by the Intensive and Problem Loan Processing department in the Risk Execution division. After unsuccessful attempts at restructuring or after realisation of the collateral, these exposures are transferred to the CBU for settlement.

The Intensive and Problem Loan Processing unit also supports business customers in the Business & Corporate Banking portfolio with non-performing accounts. The CBU's Termination/Write-Off department commissions external service providers to collect loan exposures that can no longer be restructured after termination and to realise existing collateral in a bundled manner 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 assumes supporting and institution-wide coordinating tasks with regard to the assessment of the organisation and functionality of the internal control system. This includes maintaining internal bank processes and the resulting risks. There are also monitoring mechanisms in connection with the development of certain early warning and control indicators; the results are also reported to the Management Board and the parent company. The individual measures of the internal monitoring system are intended to ensure that the regulations for managing 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 our Bank's structural and procedural organisation and are intended to ensure a specified level of security (e.g. analysis/monitoring of loan agreements with regard to systematic risks in contract design and implementation of regular checks at individual transaction level). Controls are integrated into the work processes and are intended to prevent or detect errors.

In accordance with the work instructions for the internal control model, Non-Financial Risk & Internal Control is required to carry out independent tests and control assessments for the controls documented in this model as part of the regular control certification processes.

As a process-independent body, our internal audit division regularly reviews the processes and methods used for conformity with legal and regulatory requirements and for compliance with Group specifications in accordance with the risk-oriented audit approach. It then 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 enable fulfilment of the requirements resulting from the Minimum Requirements for the Securities Compliance Function (MaComp). This includes, for example, checks on standardised product marketing and compliance with consumer protection regulations. The department also reviews existing products (within and outside of active sales) as part of the Product Monitoring Forum (PMF) and, in connection with this, maintains our Bank's central product and market catalogue. Conduct Compliance is also responsible for the new product process (NPP) in accordance with MaRisk. The department organises and manages the relevant body for assessing the novelty of projects and is also responsible for the organisational structure of complaints management. This includes responding to and following up on complaints and analysing the underlying facts (root cause analysis), which in turn serve as an indicator of abuses and are to be integrated into corresponding action plans.

The task of the Regulatory Compliance department is, on the one hand, to ensure that the guidelines and directives that we have imposed on ourselves to fulfil the rules and regulations that are important for our Bank are implemented and complied with and, on the other hand, to monitor them. The regulations primarily include data protection provisions and relevant provisions on financial market supervision (e.g. EMIR regulation and the Volcker Rule). The Early Warning team also works with the Management Board and the first line of defence to implement the key legal requirements for our institution and carries out a regular risk assessment (threat analysis), taking risk aspects into account: both at a local level and on a consolidated basis with regard to the major holdings. In addition, Compliance helps to prevent, identify and resolve problematic conduct or situations that are relevant under criminal law (corporate defence); the department also provides the framework for managing reputational risks, organises the newly established Reputational Risk Forum (RRF) and monitors reputational risks for our Bank.

In order to fulfil the regulatory requirements for our institution's "central office" in accordance with Section 25h of the German Banking Act (KWG), our Financial Crime Prevention compliance unit is responsible for monitoring customer transactions, embargo regulations and financial sanctions with the aim of preventing financial crime, money laundering, terrorist financing and other criminal acts. As part of a regular risk analysis (Sections 5 and 9 GwG), a risk-minimising overall concept in accordance with Section 25h para. 1 sentence 1 in conjunction with para. 7 sentence 1 KWG is envisaged. In conjunction with para. 7 sentence 1 KWG, taking into account the organisationally defined risk aspects.

As part of the association's work, our public policy function is involved in providing feedback on draft legislation and informs us about potential legislative changes at an early stage.

RISK TYPES

The Management Board has adapted our Bank's risk strategy to the complexity of its business activities. On the basis of the annual risk inventory, it has classified the risk types described below as material, taking into account the requirements of the European Central Bank (ECB) for the 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 on the basis of qualitative and quantitative criteria using a scoring system that is made up of an assessment of the potential loss amount and frequency. 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 loss are/is estimated to be 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 as part of the risk inventory: migration risks, industry and sector risks, investment risks, foreign currency risks, strategy implementation risks, procurement risks, compliance and conduct risks, money laundering risks, personnel risks and sustainability risks (ESG risks). We refer to the latter two risk types and reputational risk as transversal risks, which act as risk drivers for other risk types and can also be significant in terms of their relevance for these; reputational risk was categorised as significant in this context in the reporting year due to its importance for the sustainable refinancing of our Bank. Relevant risks are measured with an overall score of between 2.3 and 2.5. They are controlled and monitored – in compliance with the "three lines of defence" model – by directly involving the responsible departments.

The main risks are described below:

Credit Risks

The Bank defines credit risk (here: counterparty default risk) as the risk of losses due to expected and unexpected payment defaults.

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 to which the non-performing portfolio is covered by risk provisioning (NPL coverage). These and other key figures are determined as part of monthly risk reporting at segment level in order to monitor compliance with the defined risk appetite. The actual figures are also compared with the budget figures.

The risk provisioning requirement is calculated by month based on statistically estimated probabilities of default, conversion factors and loss ratios. The impairment methods under IFRS and HGB are harmonised and are based on the three-stage impairment model in accordance with the IFRS 9 accounting standard. In addition to the data available at the present time, the approach takes into account forward-looking information, particularly on the basis of macroeconomic assumptions. Credit exposures in stage 2 have a significantly higher credit risk compared to receivables in stage 1 that are not at risk compared to the time the loan was granted; the empirically estimated probability of default and the number of current or previous days in arrears as well as restructuring processes due to payment defaults are used as relevant criteria for the assessment. The transfer of credit exposure to stage 3 takes place upon default of the exposure – i.e. if there is a payment default classified as material with more than 90 days in arrears, or if there is sufficient probability for other reasons that a receivable cannot be serviced by the customer, e.g. in the event of debtor insolvency or a legally effective loan cancellation. For larger exposures from dealer purchase financing or business & corporate banking, indications of an imminent payment default or financial difficulties of the debtor can also be identified during a case-by-case review, even if the above criteria are not met; this can also lead to categorisation in stage 3.

Across all three stages of the value adjustment method, a generalised individual value adjustment (German acronym: PEWB) is formed as an expected credit loss based on a statistical model. In order to estimate the expected losses, we use the empirically determined risk parameters probability of default (PD), exposure at default (EaD) and loss given default (LGD).

The probability of default indicates what proportion of the current portfolio is likely to default within a certain period of time. This proportion differs according to the stage in which the credit exposure is located. Stage 1 covers a period of twelve months; stage 2 is based on the remaining term of the exposure. Since exposures in stage 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, while the advanced approach additionally uses values from internal application or behaviour scorecards.

The product-based loss given default (LGD) indicates what proportion of the exposure at default (EaD) is not expected to be recovered. The value takes into account the expected cash value of incoming payments and the realisation of collateral. In addition, the loss rate for Stage 3 exposures is dependent on the time since default.

Net balance per level and business segment as of 31.12.2023 (in % and EUR million)

Stage / Segment	Private customers	Business customers	Private property financing	Commercial property financing	Total
Stage 1	94.1%	97.5%	99.5%	98.9%	**95.1%**
	22,006	4,765	2,495	66	**29,332**
Stage 2	3.3%	1.6%	0.2%	1.1%	**2.7%**
	763	79	5	1	**848**
Stage 3 (non-performing receivables)	2.7%	0.8%	0.3%	0.0%	**2.2%**
	627	41	8	0	**676**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
	23,397	**4,886**	**2,508**	**67**	**30,857**

Significant exposure from dealer purchase financing or business & corporate banking are considered separately; an individual valuation allowance is recognised for these on the basis of an examination of the facts, taking into account collateral and expected cash flows.

The loan portfolio is broken down by stage and business segment below:

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

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

Credit risk management also and to the fullest extent includes Pfandbriefe issued and receivables securitised as collateral for asset-backed securities (ABS). We recognise the potential credit risks from withheld issuances separately.

Credit risks are managed by constantly analysing the factors that influence our Bank's risk situation in conjunction with the findings from all decision-making, forecasting and valuation procedures.

Counterparty default risks

Our Bank considers counterparty default risk to be the risk of increased costs due to the default of a counterparty in money market, derivative or foreign currency transactions prior to the final settlement of the payments associated with this transaction. This includes the risk of losses that may arise as a result of the counterparty failing to provide the service agreed for a later date, the institution having to make advance payments for trading transactions or difficulties arising during the settlement of transactions. In order to manage counterparty default risk, we have set up 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 losses in the value of securities or the interest-bearing portfolio, including irrevocable loan commitments, which the Bank 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. In order to manage maturity mismatches from the customer business in a targeted manner, we use derivative instruments in the form of interest rate swaps for asset/liability management if necessary: Interest rate swaps with a nominal volume totalling EUR 5,190 million were concluded in the course of the reporting year.

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

The cash flows of all interest-bearing items, including existing pension obligations and irrevocable loan commitments, are determined and the present value of the interest book calculated with the help of our specially developed Asset Liability Data Mart. The monthly risk report summarises the results of the interest rate risk separately. As of the balance sheet date, the interest rate risk with a change in interest rates of minus 100 basis points totalled EUR 43.1 million (previous year: EUR 133.8 million). The risk of a change in interest rates of plus 100 basis points was EUR –71.5 million as of the end of December 2023 (previous year: EUR 172.2 million). A key driver for the reduction of interest rate risk in the reporting year was the closing of interest rate swaps and the issuance of longer-term, fixed-interest bearer bonds (medium-term notes (MTNs)). Our Management Board is informed promptly about risk developments 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 effects in the banking book due to a sudden unexpected change in interest rates amounted to EUR minus 182.9 million at the end of December 2023 after a short-term shock to 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 of 6.2% of core capital. This scenario represents the greatest risk within the six regulatory scenarios as part of the Supervisory Outlier Tests (SOT), taking into account a dynamic interest rate floor.

Interest rate stress tests are carried out using the TXS Pfandbrief software to assess the interest rate risk inherent in Pfandbriefe and the cover pool underlying the Pfandbriefe. In accordance with the static approach defined in Section 5 of the Pfandbrief Cash Value Ordinance (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 the reporting date of 31 December 2023, the result with a plus 250 basis points shift was EUR 248 million and with a minus 250 basis point shift, EUR 397 million. If required, an ad-hoc stress test can be carried out for any interest rate scenario.

The ABS bonds held in the investment portfolio, which are based on own assets, amounted to EUR 4.8 billion as of 31 December 2023 (previous year: 8.6 billion). In the course of the reporting year, our Bank issued two new consumer ABS and processed three ABS transactions (clean-up call, exercise of the buy-back option). As a result, the investment portfolio fell significantly. The retained ABS served as collateral for the TLTRO drawing at the ECB. At the end of the year, there was a theoretical impairment for own ABS securities compared to the previous year, which totalled EUR 258.1 million (previous year: EUR. 651.5 million). In addition to the rise in interest rates, this was due to the low spreads on ABS bonds and the change in the composition of our portfolio. A number of securities matured at our Bank during the reporting year. Securities are recognised as fixed assets. As of 31 December 2023, the securities portfolio amounted to EUR 1,000 million. The value at risk at the same time was EUR 10.3 million with a confidence level of 99%, a 500-day observation period and a 20-day holding period.

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

Market price risks also include direct residual value risks. Residual value risks are defined as a negative deviation of the calculated residual value of a leased asset from the market value at the end of the contract term. This is a direct residual value risk if the lessee does not have a put option or a repurchase agreement with a guarantor. Although our Bank does not enter into any direct residual value risks, these represent a significant risk at the consolidated level of the German Financial Group and are therefore included in the risk monitoring and risk-bearing capacity calculation.

Pension risks

Our Bank defines pension risk as the risk of increased pension obligations resulting from changes in interest rates and biometric parameters. This risk is included in the risk management and controlling processes and in the risk-bearing capacity calculation. The pension risk is assessed using a Monte Carlo simulation and monitored via the individual limit defined in the risk-bearing capacity calculation. In addition, the cash flows resulting from the pension obligations are recognised in all interest rate shock scenarios. Since the publication of BaFin Circular 06/2019, pension cash flows have been embedded in all scenarios relevant to the Supervisory Outlier Test. Our Management Board is regularly informed about the development of the calculations.

Liquidity Risks

The two main liquidity risks identified by our institution are refinancing risk and insolvency risk, whereby the latter can result in a loss of earnings due to a deterioration in our own refinancing conditions on the money or capital market.

Refinancing risk

Refinancing risk is managed and monitored as part of the Internal Liquidity Adequacy Assessment Process (ILAAP), which is embedded in our 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. Liquidity risk is managed from an economic perspective using the liquidity development report, which compares the expected cash inflows and outflows over a period of 72 months, and on the basis of current forecasts prepared daily by our Treasury department. 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 (65%), market-placed securitization transactions (11%), medium-term notes, commercial paper and mortgage Pfandbriefe (12%) as well as borrowing from third-party banks, MREL transactions and TLTRO (12%).

Thanks to our Bank's diversified refinancing structure, liquidity was ensured at all times during the reporting year. The liquidity contingency plan was also updated on a regular basis in accordance with ILAAP requirements: with measures in the event of a liquidity bottleneck, including communication channels. This plan also includes a presentation of the immediately available sources of liquidity.

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

As of 31 December 2023, the liquidity coverage ratio LCR was 221% (previous year: 231.7%). In order to adequately reflect the risk of increased refinancing costs, we also calculate a risk measure in the form of a liquidity value-at-risk as part of the ICAAP as part of overall Bank management.

With regard to liquidity risks, the monthly risk report contains the liquidity development report and key figures so that the dispositive and structural liquidity view can be assessed. Our Treasury department also provides information on cash management, refinancing and investment policy at meetings of the Management Board.

Risk of insolvency

This risk signifies the risk of failing to honour payment obligations or not honouring them on time. A potential reason may be a general liquidity disruption on the money markets; this may affect individual institutions or the entire financial market. In particular, market disruptions can lead to the loss of key assets. Liquidity bottlenecks can also be caused by unexpected events in the company's own lending and deposit business. Treasury manages this risk, while our Controlling department is responsible for monitoring it.

With the help of the Daily Liquidity Status and Outlook report, our Bank monitors and forecasts liquidity requirements for the next five days, thus ensuring sufficient short-term liquidity.

In order to ensure intraday liquidity management, our Bank maintains accounts for the minimum reserve with the ECB. In addition, payment transactions with large positions are processed via Target2 accounts. The balances of these accounts are monitored and made available several times a day so that the required liquidity is also ensured and monitored intraday.

Short-term liquidity requirements are evaluated using the Independent Liquidity Reserve indicator and presented in the internal risk report. In order to cover these requirements, our Bank currently maintains a liquidity buffer of at least €2.1 billion; the amount of this buffer is validated and redefined on a monthly basis using various stress scenarios. Based on 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.

Strategic business 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 achieve sales targets due to changing customer preferences or new market participants. Our Management Board manages strategic risks directly using suitable instruments (e.g. in sales and marketing), while our Controlling department monitors them. Sales risks are managed by the sales units; Controlling is also responsible for monitoring them. In this context, we analyse the effects of changes in legislation, regulatory requirements and consumer protection regulations in order to take them into account appropriately in our business strategy and product development. The effects of the Future Financing Act, in particular the so-called cooling-off phase for residual debt insurance, are currently being analysed and strategies developed. As part of the amendments to the VAG in 2022, the Bank has already broadened its insurance brokerage activities and is therefore not solely dependent on the sale of residual debt insurance.

Operational Risks

In accordance with the Capital Requirements Regulation (CRR), our Bank 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; strategic risks as well as business and reputational risks are explicitly excluded.

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 of our business departments, which are also supported by independent control functions for 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 entire Management Board. As an independent control body, the internal audit division represents the third line of defence.

Our Bank actively manages operational risks and utilises Group-wide instruments and procedures for this purpose: in particular, this includes analysing loss events that have already occurred (internal loss data), risk control self-assessments, scenarios for anticipating high operational risk potential and the review of risk indicators that serve as an early warning system. Checks are also carried out to identify any weaknesses that could trigger an increased operational risk. Operational risks are identified and assessed, the risk profile and concentrations are continuously monitored and these risks are systematically mitigated.

In addition, operational risks are limited as part of the economic capital and monitored using key figures that measure the risk appetite and are regularly reported to the risk committees. As of 31 December 2023, the primary ratio of the net loss amount, i.e. less any reimbursements, to the gross result "OpRisk Net Loss to Gross Margin" was 0.61% (previous year: 0.76%).

With the aim of ensuring its ability to function, our institute has implemented a business continuity management concept so that business processes identified as critical can be continued 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 also includes the risk arising from a change in jurisdiction for transactions concluded in the past, but not the risk of having to reorganise future business activities as a result of a change in the legal situation.

Legal & Governance, Compliance and the Public Policy function keep the relevant departments of our Bank up to date with the latest legal and regulatory developments. These are taken into account in our business activities. Contracts and standard forms are coordinated with our legal department. We recognise appropriate provisions for existing legal risks.

Process risks

Process risk is the risk of losses due to errors in the processing of transactions, process management or incorrect relationships with business partners. The business departments are responsible for defining the respective processes and must also ensure that they are carried out properly. To mitigate risks, we define controls as part of the control model; we also evaluate and certify these controls and monitor them using organisational security measures. Measures are integrated into both the structural and procedural organisation of our Bank that serve to prevent errors; in this way, we want to guarantee a specified level of security. From this reporting year onwards, process risks represent a significant risk within operational risks from a gross perspective.

Model Risks

Model risk refers to the risk that the application of simplified or inappropriate methods or parameters may not adequately reflect market realities and that the Bank's actual earnings or risk situation may not be correctly represented as a result; 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 that this type of risk is adequately managed and controlled, we have carried out an inventory of risk models and drawn up a set of rules for dealing with model risks. In addition, all statistical models are validated at regular intervals.

Reputational Risks

Reputational risk is defined as the risk of actual or potential negative economic impact on the Bank due to damage to the perception of the institution among its stakeholders (customers, employees, shareholders, other credit institutions and the public in general, such as rating agencies and supervisory authorities). Sustainability aspects are playing an increasingly important role here. Reputational risks rarely occur on their own, but usually in addition 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 departments identify, analyse and evaluate potential risk scenarios in order to subsequently define and take measures if necessary. These scenarios are reported to the Regulatory Compliance division, which in turn supports the departments in managing their reputational risks. The division also organises a regular Reputational Risk Forum in which various departments of the Bank participate. Furthermore, a reputational risk assessment, in which various risk scenarios were depicted, was rolled out for our Bank for the first time. In this reporting year, we assessed our Bank's reputation for the first time as a key factor in our refinancing situation on the capital market. The control system described is intended to minimise any damage to our reputation and therefore our refinancing situation.

Information and communication technology risks, including risks from cybercrime

In recent years, the risks arising from the use of new technologies and advancing digitalisation as well as 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 for managing cyber risks are to protect against cybercrime and create a resilient infrastructure by utilising the latest technological possibilities.

To achieve these goals, we have implemented a cyber security framework based on the methodology of the German Federal Office for Information Security (BSI) and international security standards, while also following the Santander Group's Cyber Security Framework. The regulatory requirements (banking supervisory requirements for IT, BAIT) are taken into account and corresponding guidelines and procedures are derived and implemented.

Our Bank has developed a holistic approach to minimise the probability of cyber risks occurring by implementing suitable countermeasures and 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. Cyber security measures need to be further improved; as a result, our Group continued to implement strategic initiatives in the reporting year to meet these challenges 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 classification of IT systems, we have set priorities and pursue the goal of ensuring 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 key figures and monitoring mechanisms.

The task of the Cyber Security Team – assigned to the Chief Information Security Officer (CISO) – is to ensure the implementation and monitoring 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 defence. On a monthly basis, Non-Financial Risk & Internal Control reports the above-mentioned indicators to management and also monitors IT and cyber activities as well as corresponding measures.

In addition to the material risk types already mentioned, we have categorised the following risk types as "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, while Risk Controlling is responsible for monitoring them.

Sector Risks

Sector risk describes the risk affecting companies in a particular sector. 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 sector risks are monitored as part of concentration risk monitoring. Our risk management department prepares regular reports for the main sectors.

Equity Investment Risks
The Bank defines investment risk as the decline in the carrying amounts of investments, the cancellation of dividend payments and any additional funding obligations.

Credit spread risk in the banking book
The (credit) spread risk is a market price risk; the credit spread is the difference in yield between a risk-free bond and a risky bond. Credit spread risk is the risk of changes in the market value of a group of products subject to credit risk due to market perception of credit quality; this is based either on changes in expectations of credit quality or market liquidity.

Procurement risk
Our institute defines procurement risk as the risk that arises in the process of purchasing or procuring products, services or resources due to price fluctuations and that complicates price calculation.

Compliance risks
The Bank defines compliance risk as the risk of potential losses resulting from non-compliance with regulatory or legal requirements. The responsible line manager manages these risks and our Compliance department monitors them.

The compliance function is responsible for identifying the main legal regulations and requirements, non-compliance with which could jeopardise the institution's assets. Compliance uses the web-based information system RADAR to identify new legal requirements. In addition, reports from national and European banking supervisory authorities and other publicly available sources are regularly reviewed. The function also monitors the implementation of key legal regulations and requirements.

Conduct Risks
Conduct risk is defined as the existing or future risk of losses as a result of misconduct or inappropriate practices by the Bank in the context of the customer relationship, including the way in which customers are treated and the products and services offered by our institution and their suitability for the respective customer. Conduct risk is primarily identified, evaluated, managed and minimised by the specialist departments that have direct or indirect contact with customers. These include, in particular, the areas responsible for product development, sales, customer service and receivables management. Group-wide instruments and procedures are used, such as the Conduct Risk Self Assessment or monitoring using various key figures, for example in connection with behaviour in receivables management or insurance sales. The compliance function provides the framework for managing these risks and checks compliance with them using a comprehensive monitoring and control system. This includes close support during the launch of new products, monitoring all existing products, reviewing and approving advertising/marketing materials and training measures for sales, and analysing the number and reasons for complaints as an indicator of grievances. For the securities business in particular, it is also planned to randomly check customer documents and, if necessary, only release them after changes have been made in order to ensure the necessary honesty and transparency – always focussing on possible product risks and costs for customers. In addition, the training measures for our employees in the securities business are reviewed with regard to their content and the desired prioritisation of customer interests. The same is intended for all internal work instructions and guidelines.

Foreign currency risks
The risk arises from potential losses in the value of balance sheet and off-balance sheet items resulting from the unfavourable development of foreign exchange rates. In December 2023, our Bank's portfolio contained an open position in foreign currencies totalling EUR 5 million (previous year: EUR. 1.9 million). Treasury manages foreign currency risks and Risk Controlling monitors them.

Sustainability Risks
Sustainability risks or ESG risks have environmental, social and corporate governance aspects. On the one hand, they act as risk drivers for other risk types (such as credit risks or operational risks), but on the other hand they also affect the external perception of the Bank's reputation. They are not considered a separate type of risk, but a secondary risk. We already take sustainability risks into account in the "established" risk types, e.g. in the lending process in our corporate client business or operational risk management when external events are recorded. Taking current social, economic and regulatory developments into account, we are working on the further integration of sustainability risks into our risk management and risk controlling processes, e.g. in the form of ESG assessment criteria for business customers, stress tests or the monitoring of risk appetite.

Concentration risks
Our Bank also 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 geographical business focal points and that also significantly impair the operating result. 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 result primarily from the type of property to be financed (motor vehicles, real estate). We present the effects of identified concentrations on a monthly basis in the notes to the risk report. We have also defined size- and sector-dependent risk tolerances in order to efficiently limit or avoid concentration risks. We monitor and limit the deliberate assumption of concentration risks due to market developments by evaluating them using risk appetite indicators.

Sector risks are also analysed from a concentration risk perspective, whereby our Bank has established regulations regarding the limitation of certain sectors. We have also implemented monitoring in the form of sector reports as part of our SME financing.

In our Pfandbrief business, potential concentration risks – in relation to the cover pool underlying the Pfandbrief – must be limited in accordance with the PfandBG. Our Bank fulfils 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 is also analysed 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 Internal Capital Adequacy Assessment Process (ICAAP) defines two complementary perspectives: The normative perspective ensures that the regulatory capital ratios for the next three years are maintained within a base scenario and monitored using two adverse scenarios. The economic perspective primarily ensures adequate capitalisation based on the economic value of the institution. The two ICAAP perspectives are closely linked and influence each other. The normative perspective provides forward-looking information that is evaluated within the economic perspective. For the normative perspective, on the other hand, all material risks are taken into account in the form of scenario losses.

The economic perspective considers internal capital on a present value basis and economic capital requirements on a present value basis. 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. This is expressed as the ratio between internal capital and the sum of the 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 for the economic perspective is generally one year. In order to ensure a conservative calculation approach, internal capital is derived from balance sheet figures close to present value by adjusting them 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 perspective is represented by a multi-factor model variant; correlations derived from the portfolio property are used. The present value view is ensured by taking migration risks into account. The credit risk is quantified in the form of a value at risk with a holding period of one year. As of 31 December 2023, the total amount recognised for credit risk was EUR 655.6 million (previous year: EUR. 1,046.2 million). At the same time, the excess coverage ratio of the defined risk tolerances for the main business segments in relation to the total capitalised amount for credit risk was between 161% and 549%.

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 totalled EUR 241.6 million as of the balance sheet date (previous year: EUR. 319.2 million). In addition, the changes are calculated for different historical and hypothetical stress scenarios (including parallel yield curve shifts of 100 basis points as a key internal control variable).

The value at risk for ABS risks measures the loss in value of the repurchased bonds from own securitisation transactions at the confidence level. This loss in value is derived from historically observed spread changes. As of 31 December 2023, the risk amounted to EUR 4.2 million (previous year: EUR. 4.1 million).

The value at risk for existing securities risks with a holding period of 20 days is EUR 11.1 million (previous year: EUR 26.7 million). The reason for the shorter 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 managing foreign currency risks was EUR 1.5 million in December 2023 (previous year: EUR 0.9 million) and thus within the defined 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). To this end, 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. Loss distributions are calculated using the Monte Carlo simulation. The economic capital for operational risks is calculated in the form of a value at risk with a one-year observation period and totalled EUR 397.7 million as of the balance sheet date.

The liquidity value-at-risk is based on the liquidity development report 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 totalled EUR 0 million at the end of the reporting year and was therefore slightly lower than the previous year's figure of EUR 0.1 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 as of 31 December 2023 was EUR 104.8 million (previous year: EUR 134.3 million).

The pension risk is calculated using the Monte Carlo simulation. It consists on the one hand of the interest rate risk for pension cash flows, for which the interest rate changes are determined using a Hull-White model, and on the other hand of the longevity risk, which is assumed to be normally distributed. The value at risk totalled EUR 140.4 million as of the balance sheet date (previous year: EUR 43.2 million).

The model risk is calculated implicitly in the above-mentioned risk types and is taken into account by adding premiums to the parameters on which the risk types are based.

In addition, our Bank regularly carries out an overall Bank stress test that includes all significant risk types. An additional, more detailed view of sensitivity is obtained 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. Our Bank is conducting a total of four inverse crisis stress tests, which are of particular importance in the preparation of the recovery plan for the Santander Group.

Following the outbreak of the conflict in Ukraine and the associated 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, added scenarios of a permanent halt to natural gas supplies from Russia in the previous year. The risk-bearing capacity was also given in these stress tests.

The adequacy of our Bank's capitalisation is monitored by a three-stage risk tolerance system at overall Bank level and at the level of risk types and business lines. In 2023, our Bank's capitalisation was adequate at all times in both perspectives, normative and economic. As of the balance sheet date, the capital surplus ratio was 199% (previous year: 161%). The ratio results from internal capital totalling EUR 3,101.8 million (previous year: EUR 3,237.8 million) and the sum of the economic losses of the main risk types totalling EUR 1,556.9 million (previous year: EUR 2,010.4 million).

The Common Equity Tier 1 capital ratio in accordance with Section 10 KWG in conjunction with Art. 92 para. 1 lit. a) CRR amounted to 12.98% (previous year: 12.92%), the core capital ratio 12.98% after 12.02% in 2022. Own funds in accordance with Section 10 KWG in conjunction with Art. 72 CRR totalled EUR 3.324 billion (previous year: 3.296 billion). Risk-weighted assets (RWA) totalled EUR 22.526 billion (previous year: EUR 22,372 billion). This results in the total capital ratio as defined in Art. 92 (1) c) CRR of 14.76% at the end of 2023 (previous year: 14.73%).

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 CAO and CRO. Decisions, e.g. regarding capital measures, are made on the basis of discussions by the full Management Board.

CONCLUDING REMARKS ON THE RISK REPORT

The 2023 financial year was characterised by stagnation in the German economy; this was due on the one hand to falling demand from abroad and the associated decline in exports, and on the other hand to above-average inflation. The latter led to a decline in private consumption and prompted the ECB to raise its key interest rates significantly.

Our sales and interest income developed very well, but refinancing costs in the form of interest expenses and the development of expenses for risk provisioning require our attention and targeted management. After years of very low default rates, the impact of higher inflation on our customers' household income was reflected in a normalisation of the observed loan default rates in the private customer business in 2023. In some cases, this resulted in defined credit risk tolerances being exceeded, including for the cost of credit indicator. In order to limit the risk content of new business, we have taken extensive measures, which have moderately reduced the volume of new business in some business areas in favour of a higher average customer credit rating. For example, inflation parameters were adjusted in the lending decision for the entire private customer business and a new strategy was introduced to manage the total indebtedness of customers in the direct business based on their credit rating. Against this backdrop and in view of the ongoing uncertainties, we are maintaining our risk appetite.

With the extensive, partially early repayment of the ECB's longer-term refinancing instruments – refinanced primarily through strong growth in customer deposits – our Bank's liquidity situation continues to be broadly diversified and solid.

As in previous years, we continued to develop the risk management and risk controlling system in the reporting year as key components of adequate Bank management and adapted it to the challenges on the markets:

The Common Provisioning Layer (CPL), a "single point of truth" (SPOT) that creates a shared IT infrastructure for reporting in an omni-channel business model, was introduced in cross-departmental collaboration. This further development of data sharing optimises the consistency and accuracy of the information used and the decision-making processes within our organisation; it also improves the stability of data management for standardised reporting, including for reports to the parent company.

The "Asset & Liability Management Data Mart" (ALM DM) was the first element of the SPOT to go into production. A fully automated reporting solution was implemented for the relevant liquidity risk reports (LCR, NSFR and AMM) and – following the integration of a calculation core for the interest rate risk – other key figure calculations such as MVE or SOT. The Data Mart also enables user-specific applications, for example for Risk Controlling or Treasury. Further supplementary developments are already planned, such as data supply to the MAT (Mirai) Group system, which forms the basis for consolidated reporting at Group level and is used for regulatory and internal management purposes.

In order to report and monitor credit risks, a standardised credit risk database has also been implemented: This "Credit Risk Data Mart" (CrisDa) comprises financial and risk information and thus supports consolidation and helps to improve the accuracy and consistency of credit risk-related reports, both from a regulatory and internal perspective. In addition, the Credit Risk Metric Engine was set up to calculate relevant credit risk metrics at various portfolio levels and to gradually supplement the above-mentioned reporting system with this information and metrics.

Based on the Capital Data Mart, the Group's Basel Data Repository (BDR) was also populated from the SPOT environment with the aim of enabling the calculation of capital-related metrics. The BDR is continuously being developed and thus expands the scope of regulatory and Group-internal reporting. The Group-wide use of standardised definitions and databases is a strategic goal of the Santander Group.

A module has been added to the Capital Data Mart that enables the integration of our subsidiaries' IRBA candidate portfolios into the BDR, including all relevant information. This allows analyses to be carried out at Group and company level within the BDR, which in turn enables standardised reporting as well as individually controlled reporting for individual subsidiaries, e.g. as part of "Banking as a Service" (BaaS). The multi-client-capable system ("NEO") was initiated as planned in the reporting year and will help to fulfil BaaS requirements in future.

In order to further optimise risk management and risk controlling processes, our Bank is planning to transfer the next portfolios to the IRBA. Following approval by the supervisory authority, the regulatory parameters estimated according to the new definition of default were introduced as planned in the first quarter of 2023 and the portfolio of follow-up financing for the motor vehicle business was transferred to the IRBA. In the reporting year, we already fully complied with the change requirements associated with the authorisation for individual matters, which must be implemented within one year; this was also confirmed by the supervisory authority. It is planned to apply for the use of the internal approach in 2024 for vehicle financing for corporate customers that are not assigned to the Business & Corporate Banking portfolio or are car dealers.

We are also continuing to work on taking ESG risks into account in our risk management and controlling processes and are continuously implementing the corresponding requirements. The focus here is particularly on the sensitivity analysis of our portfolios, which must be implemented from January 2024 in accordance with MaRisk. This will be carried out in close coordination with our parent company and is planned for the first quarter of 2024.

We expect the coming financial year to be characterised by a high level of uncertainty and major challenges for the economy and society, e.g. due to the potential multiple consequences of the war in Ukraine and the Gaza conflict as well as the ongoing tense geopolitical situation in the China Sea. We are monitoring all of these developments closely and analysing them on the basis of our experience to date in order to introduce appropriate measures.

OUTLOOK AND OPPORTUNITIES REPORT

The global economy lost some momentum in the reporting year and was unable to match the growth momentum of the previous year: gross domestic product increased by only 3% (previous year: 3.5%). The noticeably increased geopolitical uncertainties caused by the war in Ukraine and the interest rate turnaround forced by the central banks continued to have a dampening effect. In 2024, the global economy is expected to stabilise at a comparable level and grow by around 2.9%. Risks continue to be the war in Ukraine and the Middle East conflict, which could cause a new energy price shock if it escalates.

As foreign demand continues to recover after the end of the coronavirus pandemic, economic growth in the Eurozone is likely to pick up again somewhat after an estimated 0.6% in the reporting year and reach around 0.8% in 2024. In addition, strong growth in nominal wages and declining inflation are supporting private consumption. However, growth is likely to be muted because the tightening of monetary policy is having an impact on the real economy.

The German domestic economy should gradually regain its footing from the beginning of next year and pick up slightly. Thanks to high wage increases and easing price pressure, the real net income of private households is also likely to rise, which in turn should lead to private households gradually increasing their real consumption again. However, the industry is not yet able to realise its full potential. Now that the orders that had piled up during the coronavirus pandemic have largely been processed, the majority of companies are now reporting that their volume of unfilled orders is too low. The Federal Ministry of Economics recently commented: “a sustained recovery in the industrial economy is not expected until next year”. Companies’ expectations, as measured by the ifo business climate index, brightened slightly towards the end of the reporting year in particular. As a result, investment in equipment is also likely to increase; after all, the transformation to a climate-neutral economy requires a high level of investment. Improved foreign trade conditions should have a positive impact on exports. In contrast, there is still no prospect of a short-term improvement in the construction industry. Increased financing and construction costs continue to weigh heavily on demand for construction services, with production expected to decline. This is exacerbated by a shortage of qualified specialists. Overall, growth of just under 1% is expected for 2024.

Inflation in Germany has been falling sharply since September 2023, which is attributable to the base effects of lower energy and food prices and the easing cost pressure on core goods. This trend is likely to consolidate further in the coming year. In addition, we expect that the disproportionately high increase in end customer prices in 2023 compared to the rise in costs will largely mitigate wage increases and thus dampen second-round effects due to the increased profit margins of companies. An inflation rate of around 2.6% is forecast for 2024; this is therefore approaching the ECB’s target level of 2%.

The central banks are playing it safe and acting in line with the data. In view of current inflation trends and prospects, we therefore do not expect the ECB, the US Federal Reserve or the Bank of England to raise interest rates any further. Interest rate cuts are conceivable from the second half of 2024 at the earliest. Key interest rates are therefore expected to average 4.1% in the Eurozone in the coming year. In 2022 the ECB adjusted the conditions for the third series of targeted longer-term refinancing operations (TLTRO III), which is expected to lead to fierce competition for alternative refinancing sources in 2024.

The situation on the labour market in Germany remains positive compared to the Eurozone as a whole. Partly due to the admission of Ukrainian refugees, the unemployment rate had risen slightly to 5.7% in 2023; we forecast a stable trend for 2024.

Public finances recovered in 2023 despite the continuing burden of the energy crisis and weak economic development. The state continued to provide extensive aid to mitigate the consequences of the energy crisis for companies and private households. In addition, the higher prices are increasingly reflected in government spending. Nevertheless: it is more important that the pandemic-related measures have dropped off compared to the previous year, thus reducing the deficit and debt ratio.

We expect far-reaching changes in our consumer credit market: digitalisation and the growing popularity of smartphones are leading to a better understanding of our products, and not just among our internet-savvy customers. Online marketplaces and price comparison portals are increasing the transparency of credit offers; in addition, preferences and expectations are changing. On the one hand, our customers increasingly want "end-to-end" solutions that are seamlessly integrated into all distribution channels, and on the other, services that are delivered instantly, regardless of time and place.

The Future Financing Act was passed at the end of 2023: in addition to measures for easier access to the capital market for small and medium-sized companies, it also provides for a decoupling in terms of time, for example, there must be seven days between signing a loan agreement and taking out residual debt insurance. The law comes into force on 1 January 2025. Our Bank will take measures which, according to our current expectations, should compensate for the possible effects of this law, including product adjustments in the insurance sector and even closer after-sales support for credit customers.

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

In the **Mobility** segment, we are one of the largest manufacturer-independent financing partners in the car, motorbike, caravan and mobile home sectors in terms of credit 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 6.3 million changes or ownership and approximately 2.8 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 slightly compared to 2023. With a view to private shares, we expect both new registrations and changes of ownership in the 2024 to be at a level comparable with 2023.

For the coming year, we expect a moderate increase in new car financing loan sales to over EUR 1.8 billion. Used car loan sales are expected to total just under EUR 5 billion, the same level as the previous year. As a result, we assume that loan sales in the retail vehicle customer business will grow slightly compared to the reporting year. We are forecasting a moderate decline in credit turnover to just under EUR 8 billion in dealer purchase financing.

We would also like to intensify our cooperation with dealers and importers in the coming year – also by supporting them with digitalisation. The further expansion of our platform business via our own mobility platform Autobörse.de and other channels will enable end customers to purchase and finance cars online without media discontinuity in future. The car dealers' websites are also to be integrated into the online financing channel. This further simplifies car financing; after all, the end customer not only receives a financing offer in real time, but can also, for example, complete the authentication and signature process from the comfort of their own home and thus conclude financing digitally. Closer networking with our mobility partners via this digital "end-to-end" customer journey will further increase customer loyalty and help us to further complete our omnichannel approach in the mobility field.

For our **Consumer Financial Services (CFS)** segment, we are forecasting a decline in new trade credit business. In 2024, we will feel the effect of the previous decision to transfer our new online lending business to the Santander Group's pan-European "Buy Now, Pay Later" platform for the first time over a full financial year.

In the **Business & Corporate Banking** segment, we expect a strong expansion of our loan portfolio (net portfolio changes). Here, the focus of our sales activities will continue to be on acquiring customers with an international orientation in the core regions of the Santander Group (Europe, North and South America). In the long term, we want to establish a sustainably profitable partnership with German SMEs.

With regard to our **Direct Business** segment, we plan to take account of changing customer needs by increasingly relying on 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. By addressing customers on a very personal level, we aim to increase both customer loyalty and product penetration (number of products per customer). We are consistently improving our omni-channel market presence, in which our customers determine how they use our services and wish to communicate with us. In Direct Business, we expect the amount of new business in 2024 to remain unchanged compared to the reporting year at EUR 2.1 billion.

In the area of mortgage loans, we expect new business in the coming year to be around 8% higher than in the previous year (in 2023: EUR 338.8 million). In the future, we would like to strengthen our brokerage business by acquiring further cooperating partners.

In the coming years, our Bank will cover its refinancing requirements primarily through customer deposits. In addition, we will rely on our proven approach: the securitisation of customer receivables and subsequent placement on the capital markets. At the same time, we will continue to utilise our range of short-term and long-term refinancing instruments as required. This includes drawings under our commercial paper programme as well as the issuance of unsecured and secured bonds. We will repay the ECB's targeted longer-term refinancing operations (TLTRO), which have been used opportunistically to date, in full in 2024 and replace them with the above-mentioned refinancing sources. In this way, we aim to achieve further diversification on our liabilities side.

For 2024, our Bank expects the following developments in the key earnings figures:

We forecast considerable growth in net interest income for the coming year. The interest rate level expected for 2024 will cause interest income to rise further, considerably above the level of the reporting year. Interest expenses will also increase further due to the interest rate level expected for 2024 and will be considerably higher than in 2023. Due to the expiry of low-interest loans, the average interest rates in the customer loan portfolio will increase more than the refinancing costs.

We anticipate a significant increase in net commission income in 2024. We are forecasting considerable growth in commission income from insurance commissions, mainly due to the expected expansion of new business in the mobility sector. In addition, there is an increase in commissions in the Business & Corporate Banking segment and higher account and payment transaction fees. We anticipate a slight decline in commission expenses. Rising dealer commissions and rising commission expenses for insurance brokerage are more than offset by a fall in other commissions due to lower expenses in the securities and card business and in payment transactions.

We anticipate a slight increase in administrative expenses in the coming year, primarily due to higher statutory levies.

Thanks to the very considerable increase in income, we expect a considerably improved cost-income ratio despite a slight increase in administrative expenses.

We expect risk costs to remain stable overall in the coming year. Despite an expected decline in inflation, the economic slowdown to date will continue to have an impact in 2024 and continue to burden the economic situation of our customers. The measures we have taken in 2023 to stabilise the risk quality of new business nevertheless lead us to expect loan default rates to stabilise at the current level. We also expect incoming payments on written-off accounts to be at the same level as in the reporting year.

For other operating income, we forecast expenditure in the low single-digit million range in the coming year. In the process, other operating income will reduce significantly. This is due to the absence of the gain realised in 2023 on disposal of PSA Bank Deutschland GmbH as well as lower income from the reversal of provisions. We do not expect any material changes in other operating expenses.

As a result, we are forecasting a sharp rise in net profit for the 2024 financial year thanks to the increase in net interest income and net commission income. This will be partly offset by the fall in other operating income and the rise in administrative expenses. Despite the moderate growth in the volume of our risk-weighted assets (RWA), this will lead to a sharp increase in RoRWA.

Targets

	Target figure	Actual figure
Supervisory Board	50%	50%
Management Board	20%	0%
First reporting level (head(s) of departments)	30%	27%
Second reporting level (head(s) of divisions)	30%	24%

CORPORATE GOVERNANCE STATEMENT

In August 2021, the Second Management Position Act on Equal Participation of Women and Men in Executive Positions in the Private Sector and Public Service [Zweite Führungspositionen-Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst, FüPoG ii], which aims to create gender parity by increasing the number of women in management positions, was adopted. According to this regulation, our Bank must independently determine targets for increasing the proportion of women and set deadlines for achieving them in the Supervisory Board, the Management Board and the upper management levels.

Our Supervisory Board and Management Board set targets for the proportion of women in 2021. The deadline for achieving these targets was set to the 2025 financial year. The actual figure relates to the end of 2023.

We are continuously developing a catalogue of measures to increase the proportion of women in management positions at our Bank and to fully achieve the targets 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 body monitors the number of women in management positions and provides impetus for the advancement of women at our Bank. Other measures include a local and global mentoring programme, corporate seminars specifically for women with high potential and our offer for female department heads in cooperation with a non-profit association for the sustainable development of female managers.

Mönchengladbach, February 14th, 2024

The Board

Volpe

Donat

Hanswillemenke

Klöpper

Silva

Balance Sheet as of 31 December 2023

of Santander Consumer Bank AG, Mönchengladbach/Germany

Assets	2023 EUR	2023 EUR	2022 TEUR	2022 TEUR
1. Cash reserve				
a) Cash-in-hand	40,118,762.24		82,126	
b) Central bank balances	647,088,569.79	687,207,332.03	1,209,032	1,291,158
of which with German Central Bank EUR 647,088,569.79 (prior year TEUR 1,209,032)				
2. Receivables from banks				
a) Due on demand	3,166,505,183.00		302,079	
b) Other receivables	6,547,066,112.47	9,713,571,295.47	6,475,994	6,778,073
3. Receivables from customers		35,853,056,389.20		32,044,113
of which: collateralized by mortgages EUR 1,988,661,113.94 (prior year TEUR 1,904,569)				
of which: mortgage loans EUR 2,606,761,166.40 (prior year TEUR 2,573,714)				
4. Bonds and other fixed-income securities				
a) Bonds and debentures				
aa) of other issuers	0.00		2,387,378	
ab) from other issuers	0.00		15,051	
b) Bonds and debentures				
ba) of public issuers	747,770,598.57		720,028	
bb) of other issuers	5,009,708,421.81		9,053,392	
c) own securities	25,000,095.91	5,782,479,116.29	25,000	12,200,849
of which: eligible as collateral for borrowings				
German Central Bank EUR 4,214,729,470.08 (prior year TEUR 10,094,046)				
5. Shares and other non-fixed-income securities		4,920.32		6
6. Investments		59,054.00		59
7. Shares in affiliated companies		721,475,014.27		785,952
of which in financal institutions EUR 530,639,550.74 (prior year TEUR 595,117)				
of which in financal services institutions EUR 150,749,049.08 (prior year TEUR 150,749)				
8. Trust assets		1,262.55		6
of which loans on a trust basis EUR 1,262,55 (prior year TEUR 6)				
9. Intangible fixed assets				
a) concessions acquired for consideration, trademarks and similar rights and assets as well as licenses to such rights and assets	148,489,817.31		164,494	
b) advance payments	41,393,669.40	189,883,486.71	46,431	210,925
10. Tangible fixed assets		41,768,960.93		37,263
11. Other assets		203,492,444.37		261,835
12. Prepaid expenses				
a) from issuance business and credit business	50,418,015.26		20,206	
b) other	6,346,366.21	56,764,381.47	4,789	24,995
Total assets		53,249,763,657.61		53,635,234

Balance Sheet as of 31 December 2023

of Santander Consumer Bank AG, Mönchengladbach/Germany

Equity and liabilities	2023 EUR	2023 EUR	2023 EUR	2022 TEUR	2022 TEUR
1. Liabilities to financial institutions					
a) Due on demand		11,838,132.01		998	
b) Subject to agreed term or notice period		2,513,298,297.36	2,525,136,429.37	8,685,382	8,686,380
2. Liabilities to customers					
a) Savings deposits					
aa) Subject to three months' agreed notice period	558,224,265.29			821,291	
ab) Subject to agreed notice period of more than three months	282,097.36	558,506,362.65		535	
b) Other liabilities					
ba) Due on demand	17,959,278,767.28			17,718,239	
bb) Subject to agreed term or notice period	12,839,082,477.90	30,798,361,245.18	31,356,867,607.83	6,710,107	25,250,172
3. Bonded liabilities					
a) Mortgage Pfandbriefe		1,025,308,315.07		1,025,308	
b) Debentures		4,478,122,547.12	5,503,430,862.19	1,335,265	2,360,573
4. Trust liabilities			1,262.55		6
of which loans on a trust basis EUR 1,262,55 (prior year TEUR 6)					
5. Other liabilities			9,274,468,030.68		12,838,317
6. Deferred income					
a) from issuance and credit business		72,148,159.01		29,714	
b) others		3,392,828.22	75,540,987.23	1,947	31,660
7. Provisions					
a) Provisions for pensions and similar obligations		480,384,753.00		484,874	
b) Provisions for taxes		0.00		0	
c) Other provisions		233,581,040.38	713,965,793.38	261,178	746,052
8. Subordinated liabilities			186,023,402.78		185,621
9. Participatory capital			220,980,023.33		218,104
of which due within two years EUR 10,749,486.94 (prior year TEUR 7,874)					
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		3,357,774,774.98		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	
			3,393,349,258.27		3,318,349
Total equity and liabilities			**53,249,763,657.61**		**53,635,234**
1. Contingent liabilities					
a) Liabilities under guarantees and warranty agreements			645,894,376.20		320,393
2. Other commitments					
a) Irrevocable loan commitments			1,234,895,696.58		1,410,690

Profit and Loss Statement

of Santander Consumer Bank AG, Mönchengladbach/Germany for the Period from 1 January to 31 December 2023

Expenses	2023 EUR	2023 EUR	2023 EUR	2022 TEUR	2022 TEUR	2022 TEUR
1. Interest expenses		881,812,660.62			197,914	
negative interest expenses		–28,882.59	881,783,778.03		–58,168	139,746
2. Commission expenses			376,290,382.85			369,150
3. General administration expenses						
a) Personnel expenses						
aa) Wages and salaries	205,809,847.03			206,972		
ab) Social security, post-employment costs and other employee benefits	45,076,390.82	250,886,237.85		88,873	295,845	
of which: post-employment costs EUR 17,245,137.67 (prior year TEUR 48,385)						
b) Other administration expenses		397,356,528.99	648,242,766.84		379,064	674,908
4. Amortization and write-downs of intangible assets and depreciation on, and write-downs of, tangible assets			73,715,876.61			73,177
5. Other operating expenses			24,089,913.01			25,883
thereof: effects from discounting and unwinding of discounts EUR 8,760,860.11 (prior year TEUR 8,599)						
6. Write-downs of and allowances on receivables and certain securities as well as additions to loan loss provisions			217,408,388.70			112,405
7. Write-downs and allowances for losses on investments, shares in affiliated companies and securities treated as fixed assets			23,358,915.60			28,503
8. Taxes on income and Earnings			0.00			0
9. Other taxes unless disclosed under item 5			117,938.98			78
10. Profits transferred on account of cash pools, profit transfer or partial profit transfer agreements			263,555,622.89			444,089
11. Net income for the financial year			0.00			0
Total expenses			2,508,563,583.51			1,867,939

Profit and Loss Statement

of Santander Consumer Bank AG, Mönchengladbach/Germany for the Period from 1 January to 31 December 2023

Income	2023 EUR	2023 EUR	2023 EUR	2022 TEUR	2022 TEUR	2022 TEUR
1. Interest income from						
a) Lending and money market transactions	1,777,542,900.70			1,136,830		
Negative interest from lending and money market transactions	–2,319,217.38	1,775,223,683.32		–37,508	1,099,322	
b) Fixed-income securities and book-entry securities		52,093,274.38	1,827,316,957.70		55,118	1,154,440
2. Current income from						
a) Shares and other non-fixed-income securities		61,601.40			74	
b) Investments		236,216.00			221	
c) Shares in affiliated companies		25,539,296.90	25,837,114.30		38,533	38,828
3. Income from profit poolings and profit & loss transfer agreements			25,571,379.97			93,338
4. Commission income			483,682,890.45			532,435
5. Other operating income			146,155,241.09			48,898
thereof: effects from discounting and unwinding of discounts EUR 26,500,00 (prior year TEUR 0)						
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			2,508,563,583.51			1,867,939

NOTES TO THE FINANCIAL STATEMENT

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 Notes to the Financial Statement, 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 Notes to the Financial Statement 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 Notes to the Financial Statement generally applicable to corporations are replaced by standards of the RechKredV (Sec. 340a (2) Sentence 2 HGB).

The purpose of the Notes to the Financial Statement 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.

Notes to the 2023 Financial Statement

I. GENERAL NOTES CONCERNING THE FINANCIAL STATEMENTS

Santander Consumer Bank AG has its business address at Santander-Platz 1, 41061 Mönchengladbach, Germany. Its registered office is in Mönchengladbach and Santander Consumer Bank AG is registered at the Mönchengladbach Local Court under HRB 1747.

The annual financial statement for 31 December 2023 was prepared on the basis of the accounting requirements for large corporations of the German Commercial Code [Handelsgesetzbuch, HGB] and the German Accounting Ordinance for Banks and Financial Service Institutions [Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute, RechKredV].

In addition to these regulations, the German Stock Corporation Act [Aktiengesetz, AktG] and the German Mortgage Bond Act [Pfandbriefgesetz, PfandBG] were to be followed. To represent the Santander Consumer Bank AG's universal banking operations appropriately, the structural requirements for mortgage banks were taken into account by including an "under" remark in the respective items. Information on the mortgage bond business is described in Section V. Other information.

II. DISCLOSURES RELATING TO THE ACCOUNTING AND VALUATION METHODS

Asset and liabilities items are stated on the balance sheet and valuated under adherence to general accounting and valuation principles.

Specifically, the following accounting and valuation methods were applied:

Cash reserves are stated at their nominal value.

Receivables from financial institutions 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, receivables are recognised in the amount of the outstanding balances or outstanding repayment instalments less future interest and less value adjustments.

Accrued interest for the Santander Consumer Bank AG portfolio recognised using the gross credit method in accordance with Section 23 RechKredV is generally calculated using the annuity method.

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 valuation allowances, the calculation is carried out 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. For receivables that have experienced a significant increase in credit risk since origination, the expected loss over the remaining life of the receivable 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 collateral into account. 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.

There is no obligation to separate the embedded derivative in the case of long-term loans with variable interest rates, which include a lower interest rate limit of 0%. Accordingly, these loans are uniformly accounted for according to the general principles mentioned above.

Bonds and other fixed-interest securities are initially recognised at purchase cost. Unless they could be assigned to assets, subsequent valuations are performed according the strict lower-of-cost principle. The lower of cost or market is recognised if the original or remaining term of the bonds at the time of acquisition is less than one year. If the impairment of securities held as fixed assets is only expected to be temporary, the value is retained, with the exception of securities purchased above nominal value. Where fair values were determined on the basis of models because market values were not available, current market models and cash flow analyses were used. In deviation from this, securities from asset-backed securities transactions with regulatory risk transfer (Art. 243 (5) CRR) are written down if the receivables legally sold to the special purpose entity have actually defaulted and full repayment of the bonds held can no longer be assumed.

As part of the synthetic ABS transaction (SCGC 2019-1) with an underlying customer receivables portfolio of EUR 1,100,000 thousand, a credit protection transaction was concluded between Santander Consumer Bank (protection buyer) and the SPV (protection seller) to assume 100% of the default risks up to a total volume of EUR 154,000 thousand. The loan collateral transaction is recognised by Santander Consumer Bank, in its capacity as collateral taker, as loan collateral received within the meaning of the German Commercial Code. IDW RS BFA 1 and are not valued individually, but are included in the valuation of the receivables portfolio.

The credit linked notes (CLN) repurchased as part of the transaction represent structured products as defined by the Bank. 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 valuated 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 guarantor to the amount of the CLN acquired.

As Santander Consumer Bank, in its capacity as the protection buyer from the credit derivative, transfers 100% of the default risk up to the agreed amount to the SPV, but at the same time, in its capacity as the repurchaser of a portion of the credit linked notes, assumes a minimum amount of the first loss tranche (EUR 27,500 thousand) and 5% of the default risk exceeding this amount, it has measured the value adjustment on the securitised portfolio taking into account the protection ultimately remaining from these agreements. In economic terms, this meant that no valuation allowances of EUR 3,342 thousand had to be recognised in 2023 due to recoverable collateral.

Investments and shares in affiliated companies are recognised at cost. If the annual impairment test shows a lower fair value and this impairment is considered to be other than temporary, the asset is written down to this lower value. The valuation is based on the capitalised earnings value method in accordance with IDW S 1.

Intangible assets and **property, plant and equipment** are recognised at cost less straight-line amortisation and depreciation. The useful life of intangible assets is three years for non-core banking systems and five years for core banking systems until 30 September 2023. The useful lives of tangible fixed assets are generally between five and ten years. Unscheduled depreciations are performed if permanent reductions in value are projected. Advance payments are recognised at their nominal value.

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

Other assets are reported 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 originate from the issuing business and are released in instalments over the term of the underlying transactions via the interest expense, while the other deferred income items are released 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.

Securitised liabilities are also recognised at their settlement amount including interest accrued up to the balance sheet date. Accruals are created for issuance discounts.

Accruals and deferred income are divided into those "from issuance and loan business" and into "other". Of the first subitem, those from the issuing business are amortised in instalments over the term of the underlying transactions as an adjustment to the interest expense and those from the loan business are amortised in instalments over the term of the underlying transactions via the interest income.

Provisions for pensions and similar obligations are valued at the repayment amount under reasonable commercial assessment. They were determined by independent actuaries using the projected unit credit method. The determination was made using insurance-mathematical principles on the basis of the 2018 G mortality tables of Prof. Dr. Klaus Heubeck. Provisions for pensions and similar comparable obligations with long-term payment dates are discounted uniformly in accordance with Section 253(2) Sentence 2 of the German Commercial Code using the average market interest rate for assumed remaining terms of 15 years. The discount rates published by the German Federal Bank in accordance with the German Regulation on the Discounting of Provisions [Rückstellungsabzinsungsverordnung, RückAbzinsV] are used. The average interest rate of the past ten years is used for provisions for pensions and similar obligations. In accordance with the existing option of the accounting standard IDW RS HFA 30 n.F., changes in the discount rate recognised in profit or loss are recognised in personnel expenses.

Other provisions are recognised in accordance with Section 253 (1) sentence 2 HGB, taking into account future price and cost increases in the amount required for settlement based on prudent business judgement.

The provisions for insurance cancellations are formed on the basis of historical experience of cancellation rates and their extrapolation. Additions for provisions are charged at the expense of fee and commission income and dissolutions are included with other operating income.

As of the reporting date, other provisions include, among other things, outstanding liabilities from the statutory deposit guarantee scheme, the amount of which is uncertain.

In accordance with Section 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.

According to Section 277 Para. 5 sentence 1 HGB, income and expenses from compounding and discounting effects of provisions must be shown separately in the profit-and-loss statement. This is reported 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 been in place between Santander Consumer Bank AG and Santander Consumer Holding GmbH since 1 January 1993. Since the requirements for a tax group are met, all differences arising are taken into account in the calculation of deferred taxes at the controlling company.

Negative interest

Negative interest from lending business and negative interest from deposit business are openly deducted respectively from interest income / expenses in the profit-and-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 swaps are used for banking book hedging and included in the loss-free valuations. Loss-free valuations are based on gap profiles. This includes all interest-bearing balance sheet items in the customer and interbank business, including all interest rate swaps and forward loans with their contractual cash flows and fixed interest rates, as well as irrevocable loan commitments. Valuations are performed by discounting and viewing individual period results periodically. Risk costs are taken into account in the amount of expected defaults. The portfolio-related administrative costs are included for the period under review by the share of the average portfolio of customer receivables after allocation to the relevant specialist departments. 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 cash value method. The net present value method (discounted cash flow method) is a dynamic calculation in which all interest payments arising during the term of the swap are discounted to the time of valuation.

Foreign currency conversion is carried out in accordance with the provisions of Section 340h HGB in conjunction with Section 256a HGB. Receivables and liabilities in foreign currencies are converted at the reference rates of the European Central Bank at the end of the year. The Bank closes its currency items after each banking day so that nearly full cover for assets and liabilities in the respective currencies is ensured. The profits and losses resulting from the conversion of the respective foreign currency assets and liabilities are therefore fully included in the profit-and-loss statement.

For several years, the Bank has been carrying out **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, which the Bank must pass on to the special purpose entity, are recognised as liabilities under a pass-through obligation.

Commission expenses / general administrative expenses

Ancillary services for new banking business (costs for checking the creditworthiness and identity of borrowers) are recognised under commission expenses.

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 come into being.

Minimum Taxation Directive Implementation Act

In October 2021, the OECD published model tax rules for the reform of the international tax system, which are formally referred to as Global Base Erosion Rules (GloBE) or informally as Pillar II international tax rules. These rules aim to introduce a global minimum tax rate of at least 15% for large international corporations.

On 22 December 2022, the European Commission adopted Directive 2022/2523, which ensures an effective minimum tax rate for the global activities of large multinationals. The Directive is closely modelled on the OECD framework for combating base erosion and profit shifting. The OECD has also published implementation guidelines and a report on "Safe Harbours" to simplify the implementation of these regulations.

On 10 November 2023, the Bundestag passed a law on the national implementation of minimum taxation (MinStG) and published it in the Federal Law Gazette on 27 December 2023. Germany has also made use of the option to introduce a national supplementary tax in the German Minimum Tax Act and has adopted the safe harbour regulations.

Banco Santander S.A. as future Parent Entity (UPE) and its affiliated companies (hereinafter: the Group) fall within the scope of the enacted or substantially enacted legislation and have performed an assessment of the Group's potential exposure to Pillar II income taxes. As soon as the legislation is passed in Spain, Banco Santander S.A. will become the Ultimate Parent Entity (UPE).

Based on the Group's assessment, the legal representatives of Santander Consumer Bank AG estimate that the effective tax rate of Pillar II in Germany will probably exceed 15%. Therefore, no significant tax burden is expected in Germany as a result of the introduction of Pillar II.

III. DISCLOSURES RELATING TO THE BALANCE SHEET

ASSETS

Receivables from financial institutions

This item includes receivables from affiliated companies totalling EUR 5,279,721 thousand (previous year: EUR 6,631,795 thousand).

Other loans and advances to banks are recognised in the balance sheet as follows, broken down by residual maturity:

	€ thousand
up to 3 months	456,000
over 3 months to 1 year	981,000
over 1 year to 5 years	4,960,898
more than 5 years	71,772
plus interest	77,396

Receivables from banks include subordinated receivables totalling EUR 94,298 thousand (nominal value) (previous year: 62.398 thousand (nominal value)) are included. In addition, there are receivables totalling EUR 5,098,418 thousand (nominal value) (previous year: 5.204,347 thousand (nominal value)) to institutions in which the Bank is a shareholder.

Receivables from customers

This item includes receivables from affiliated companies totalling EUR 5,266,237 thousand (previous year: EUR 4,510,705 thousand).

The balance sheet is broken down by residual term as follows:

	€ thousand
up to 3 months	4,095,105
over 3 months to 1 year	5,824,035
over 1 year to 5 years	21,435,134
more than 5 years	4,498,782

Receivables up to three months include receivables with an indefinite term totalling EUR 1,706,743 thousand.

As of the balance sheet date, net receivables sold totalling EUR 8,967,891 thousand are reported under "Receivables from customers", of which the Bank remains the beneficial owner.

In addition, the Bank has default reserves totalling EUR 57,199 thousand in the form of subordinated loans in the amount of EUR 57,199 thousand (nominal value) (previous year: EUR 62.410 thousand nominal) to the SPVs, which serve to cover the counterparty default risks of borrowers.

In addition, there are receivables totalling EUR 5,237,178 thousand (nominal value) (previous year: EUR 4.450,089 thousand nominal) from companies in which the Bank is a shareholder.

With regard to the valuation of loans and advances to customers, our regular annual parameter update was initially carried out in the fourth quarter of 2023 based on experience of defaults and losses up to and including the end of 2022 and current macroeconomic data. This led to a significant increase in risk provisioning in October 2023, whereby post-model adjustments recognised in the previous year no longer applied. In a second step, we then reflected the experience of defaults and losses up to and including September 2023 as well as updated macroeconomic forecasts for the end of 2023 in the form of a post-model adjustment. The latter slightly mitigated the risk provision-increasing effect of the regular parameter update, with risk provisions increasing by a total of EUR 27.5 million due to the aforementioned aspects.

Debentures and other fixed-income securities

The identified bonds and other fixed-income securities are all listed on the stock exchange. This item includes bonds issued by affiliated companies totalling EUR 4,723,840 thousand.

Bonds with a value of EUR 5,782,479 thousand including accrued interest are allocated to fixed assets, so that the moderated lower of cost or market principle was applied.

The bonds include securities with a carrying amount of EUR 4,997,224 thousand above their fair value. The fair value of these securities amounts to EUR 4,735,569 thousand. Impairment losses in accordance with Section 253 (3) sentence 5 HGB were not recognised for those securities for which the impairment was only temporary. On the balance sheet date, bonds totalling EUR 4,214,729 thousand were deposited as collateral with Deutsche Bundesbank.

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 am Main, MCE Bank GmbH, Flörsheim am Main, Santander Consumer Leasing GmbH, Mönchengladbach, Santander Consumer Technology Services GmbH, Mönchengladbach, Santander Consumer Operations Services GmbH, Mönchengladbach, and VCFS Germany GmbH, Cologne.

In August 2023, a capital contribution of EUR 102,000 thousand was made to Hyundai Capital Bank Europe GmbH. In December 2023, an impairment loss of EUR 23,000 thousand was recognised for the investment in Hyundai Capital Bank Europe GmbH.

Reference is also made to the List of Shareholdings.

Trust business
The trust assets totalling EUR 1 thousand exclusively comprise receivables from customers from development loans passed on. Trust liabilities are the corresponding liabilities to financial institutions.

Intangible assets and tangible fixed assets
For the classification and development of intangible assets and tangible fixed assets, please refer to the Asset Overview.

Advance payments for intangible assets include the following in particular: Advance payments for digitalisation projects and IT applications to implement regulatory requirements (including the new and further development of risk and credit management systems). In the reporting year, there were losses on disposals and derecognitions from advance payments on intangible assets in the amount of EUR 675 thousand, as the IT projects in question could no longer be finalised in their actual form or were stopped.

Other assets
This item includes receivables from Santander Consumer Leasing GmbH from profit transfer totalling EUR 25,571 thousand and claims against insurance companies amounting to EUR 66,940 thousand, the latter mainly (EUR 62,543 thousand) relating to claims for brokerage commissions.

Assets denominated in foreign currencies as of the balance sheet date totalled EUR 103,733 thousand, of which receivables from banks in the amount of EUR 29,306 thousand and receivables from customers in the amount of EUR 74,427 thousand.

LIABILITIES

Liabilities to financial institutions
This item includes liabilities to affiliated companies totalling EUR 1,674,606 thousand (previous year: EUR 89,166 thousand). Liabilities to banks with an agreed term or period of notice are broken down by residual term as follows:

	€ thousand
up to 3 months	599,449
over 3 months to 1 year	162,362
over 1 year to 5 years	1,679,969
over than 5 years	18,639
plus interest	52,879

The maturity band “up to one year” includes an amount of EUR 500,000 thousand (previous year: EUR 4,950,000 thousand) from participation in the longer-term refinancing programme of the European Central Bank (TLTRO: Targeted Longer-Term Refinancing Operations).

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

Liabilities to customers
This item includes liabilities to affiliated companies totalling EUR 3,810,143 thousand (previous year: EUR 2,149,918 thousand).

Deposits with an agreed period of more than three months of notice are broken down by remaining terms as follows:

	€ thousand
up to 3 months	282
more than 3 months up to 1 year	0
more than 1 year up to 5 years	0
more than 5 years	0

On the balance sheet, the statement of other liabilities to customers with an agreed maturity or notice period is broken down by residual terms as follows:

	€ thousand
up to 3 months	2,311,297
over 3 months to 1 year	6,045,429
over 1 year to 5 years	4,151,793
over than 5 years	330,564

Valuation assumptions and similar obligations as of 31 December 2023

Obligation type	Discount rate*	Wage trend	Pension trend	Short-term pension trend, one-off adjustment	BBG trend	Fluctuation**
Pensions	1.83%	2.75%	2.00%	11.9%	2.75%	2.50%
Deferred compensation	1.83%	–	–	–	2.75%	2.50%

Valuation assumptions and similar obligations 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%

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

Securitised liabilities

Mortgage bonds amounting to EUR 1,025,308,000 are recognised under securitised liabilities.

The bonds issued include medium-term notes totalling EUR 1,756,000 thousand and commercial papers with a nominal value of EUR 2,700,500 thousand. Of the securitised liabilities, EUR 3,200,500 thousand will fall due in the following year.

Other liabilities

This item primarily includes liabilities from asset-backed securities transactions (ABS transactions) to special purpose vehicles (SPVs) totalling EUR 8,967,891 thousand. This amount includes all pass-through obligations from the legal sale of receivables where Santander Consumer Bank retains beneficial ownership. EUR 263,556 thousand is recognised for a liability from a profit transfer agreement and similar agreements (silent partnership) with Santander Consumer Holding GmbH, Mönchengladbach, for the reporting year; this includes interest for the silent partnership in the amount of EUR 1,534 thousand (before deduction of capital gains tax and solidarity surcharge).

Liabilities denominated in foreign currencies totalled EUR 97,649 thousand on the balance sheet date, of which liabilities to banks amounted to EUR 80,861 thousand, liabilities to customers to EUR 16,658 thousand and provisions to EUR 130 thousand.

Accruals and deferred income

Interest already received from third parties for a period after the balance sheet date in the amount of EUR 63,191 thousand is recognised under "Accruals and deferred income".

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations amount to EUR 480,385 thousand. The parameters on which the calculation is based are listed in the following table.

Discounting the provision for pensions and deferred compensation at the average market interest rate of the past ten years results in a difference of EUR 6,621 thousand compared to discounting at the average market interest rate of the past seven years. There is no disbursement lock on this.

Other provisions

This item primarily includes provisions for bonus payments to dealers totalling EUR 78,609 thousand, for insurance claims of EUR 54,692 thousand, provisions for material costs of EUR 41,580 thousand and provisions for personnel costs of EUR 37,180 thousand. The provisions for personnel costs include provisions for restructuring totalling EUR 7,191 thousand and for redundancy plans and other severance payments amounting to EUR 2,279 thousand. For discounting the provisions, the interest rates pursuant to Section 253 (2) HGB as of 30 November 2023, which were used for the annual financial statements, are between 0.94% and 1.6%, depending on the remaining term. They do not differ significantly from those for 31 December 2023.

Subordinated liabilities

After a subordinated liability of EUR 110,000,000 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 6 November 2019, another subordinated liability of EUR 75,000,000 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 25 June 2020. Interest expenses totalled EUR 1,023 thousand in the 2023 financial year. 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 within the meaning of Art. 63 sentence 1 (d) CRR and eligible as Tier 2 (supplementary capital). The loans are bail-in-able in accordance with Art. 59 BRRD and can be both written off and converted into core capital by the competent resolution authority, provided the authority decides to apply this resolution measure.

Profit participation capital

On the balance sheet date, the total amount of profit participation rights issued totalled EUR 220,980 thousand (including accrued interest of EUR 10,749 thousand).

A total of 17 profit participation rights have been issued for an indefinite period (nominal value EUR 210,231 thousand); however, these can be cancelled by Santander Consumer Bank AG after a minimum term of five years, subject to a notice period of at least two years to the end of the financial year. The holder of profit participation rights has no right of cancellation.

The profit participation rights issued grant creditor rights, but do not include any shareholder rights, in particular no participation, involvement or voting rights in the Annual 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 EUR 112,231 thousand, and with a variable interest rate in the amount of thousand 98,000. The total interest expense for profit participation rights totalled EUR 10,856 thousand in the reporting year.

DISCLOSURES PURSUANT TO SECTION 152 (1) AKTG

Share capital

On the balance sheet date, the share capital of Santander Consumer Bank AG amounted to EUR 30,002 thousand. All shares (30,002 bearer shares with a nominal value of EUR 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 EUR 5,113 thousand. The shareholder 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. In accordance with the new legal situation, it is recognised as supplementary capital for regulatory purposes.

Capital reserve

In the financial year, the sole shareholder resolved on 28 September 2023 to make a payment of EUR 75,000 thousand into the capital reserve, which was paid in full.

Off-balance sheet transactions

The Bank's off-balance sheet items include contingent liabilities and irrevocable loan commitments below the line for which no provisions were created.

Contingent liabilities

This item includes guarantees totalling EUR 613,824 thousand, import letters of credit amounting to EUR 31,320 thousand and an obligation from a credit linked note (CLN) amounting to EUR 750 thousand. This includes a guarantee of EUR 255,000 thousand in favour of Mitsubishi Corporation, which was issued as part of the acquisition of shares in MCE Bank GmbH for its refinancing.

Risks from the utilisation of contingent liabilities are reflected by a provision if necessary.

Other commitments

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

Irrevocable loan commitments

Irrevocable loan commitments totalled EUR 1,234,896 thousand. These relate to instalment and mortgage loans.

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

There are no particular default risks due to irrevocable loan commitments. The potential utilisation of the default risk is therefore considered to be 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 claims or goodwill payments, totalling EUR 9,811 thousand, interest expenses for pensions totalling EUR 8,563 thousand and expenses from the loss of fixed asset disposals from property, plant and equipment and intangible assets totalling EUR 1,068 thousand.

Taxes on income and earnings
Since 1 January 1993, Santander Consumer Bank AG has been part of a tax group with Santander Consumer Holding GmbH, Mönchengladbach, as the parent company. This tax entity includes corporate, trade and income taxes. As the requirements for a consolidated tax group are met overall, all income taxes are recognised by the parent company.

Depreciation and write-downs of investments, shares in affiliated companies, and securities treated as fixed assets
This item includes an impairment loss of EUR 23,000 thousand on an investment in an affiliated company.

Profits transferred under a profit pooling, profit transfer, or partial profit transfer agreement
Based on the control and profit transfer agreement, a profit of EUR 263,556 thousand was transferred to Santander Consumer Holding GmbH, Mönchengladbach, for the reporting year. This includes interest from a silent partnership totalling EUR 1,534 thousand (before deduction of capital gains tax and the solidarity surcharge).

Currency conversion
The profit contributions from currency translation increased other operating income by EUR 537 thousand (previous year: EUR 849 thousand).

Earnings

Income from profit pooling, profit transfer or partial profit transfer agreements
Due to the control and profit transfer agreement, this item includes the profit of Santander Consumer Leasing GmbH in the amount of EUR 25,571 thousand.

Other operating income
The item mainly includes the profit from the sale of the PSA investment in the amount of EUR 77,594 thousand, income relating to other periods from the reversal of provisions in the amount of EUR 29,894 thousand, income from affiliated companies from cost reimbursements in the amount of EUR 18,448 thousand and reimbursements for losses from operational risks, mainly insurance reimbursements, in the amount of EUR 2,193 thousand.

V. OTHER INFORMATION

Derivatives

As of the balance sheet date, there were 30 interest rate swaps with a total nominal amount of EUR 10,457,592 thousand. These contracts are used to manage interest rate risks in the banking book.

Taking into account the sum of the positive fair values (excluding accrued interest) of EUR 17,388 thousand and the sum of the negative fair values (excluding accrued interest) of EUR 204,820 thousand, the total negative amount (excluding accrued interest) is EUR 187,432 thousand.

Five of the above-mentioned interest rate swaps were concluded as back-to-back swaps as part of the sale of receivables. As of the reporting date, these swaps had a total nominal volume of EUR 4,017,592 EUR in total.

Other obligations

For the 2024 financial year, the Bank mainly has rental, leasing and other contractual and contribution obligations totalling EUR 106,094 thousand. Of this amount, EUR 12,518 thousand is attributable to affiliated companies. Similar charges are expected in subsequent years. The remaining durations of these contracts are up to 12 years.

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

The total amount of other obligations includes the irrevocable payment obligation to the statutory deposit guarantee scheme (EUR 31,800 thousand; previous year EUR 27.600 thousand), the voluntary deposit guarantee scheme (EUR 4,740 thousand; previous year EUR 4,740 thousand) and the Single Resolution Board (SRB) of EUR 21,141 thousand (previous year: 16,024). Cash collateral was deposited in full for the irrevocable payment obligations, which was recognised as other assets. No provisions were recognised for impending claims. In the 2023 financial year, administrative expenses totalling EUR 40,788 thousand were incurred for rental and lease obligations.

The purpose of these rental and lease contracts is to finance and obtain necessary operating capital. After the current contracts expire, risks may result from requirements to conclude subsequent contracts with greater 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-repaid 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 contributions until 2024.

There are control agreements with SC Leasing GmbH, SCTS GmbH and SCOS GmbH; these oblige the Bank to assume any losses.

MORTGAGE BOND CIRCULATION IN ACCORDANCE WITH SECTION 28 PFANDBG

Mortgage bonds and cover used

Santander Consumer Bank AG does not use derivatives for cover; foreign currencies are not in circulation or included in the cover assets. The risk-adjusted present value was determined statistically.

Cover calculation in accordance with Section 35(1) Number 7 of the German Accounting Ordinance for Banks and Financial Service Institutions

Cover of circulation bonds

	31/12/2023 (in € million)	31/12/2022 (in € million)
Ordinary cover		
Receivables from customers	1,257	1,140
	1,257	**1,140**
Other cover assets		
Bonds from other issuers	0	0
Balances with central banks	51.25	51.25
Total cover assets	**1,308**	**1,191**
Total amount in circulation requiring cover	**1,025**	**1,025**
The excess cover is	**283**	**166**

Information on the maturity structure in accordance with section 28 (1) nos. 4 and 5 PfandBG

	Mortgage Bond Circulation (in € million)		Cover Assets (in € million)		Maturity postponement*	
	31/12/2023	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022
up to six months	**0.00**	0.00	**114.04**	107.81	**0.00**	0.00
over six months to twelve months	**500.00**	0.00	**66.22**	58.21	**0.00**	0.00
over 12 months up to 18 months	**0.00**	0.00	**62.00**	61.13	**0.00**	0.00
over 18 months up to 2 years	**0**	500.00	**73.14**	64.19	**–500.00**	0.00
over 2 years up to 3 years	**25**	0.00	**131.22**	132.91	**–0.00**	500.00
over 3 years up to 4 years	**0**	25.00	**124.41**	126.3	**–25.00**	0.00
over 4 years up to 5 years	**0.00**	0.00	**101.08**	117.23	**0.00**	25.00
over 5 years up to 10 years	**500.00**	500.00	**449.27**	382.05	**500.00**	500.00
more than 10 years	**0.00**	0.00	**186.63**	141.51	**0.00**	–

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

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

1.) Requirements for postponing the maturity of Pfandbriefe in accordance with section 30 (2a) PfandBG
The deferral of maturity is necessary in order 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 assume that the Pfandbrief bank with limited business activities will be able to fulfil its liabilities due at the end of the maximum possible deferral period, taking into account further deferral options (positive fulfilment forecast). See also Section 30 (2b) PfandBG.

2.) Powers of the cover pool administrator if the maturity of the Pfandbriefe is postponed in accordance with section 30 (2a) PfandBG
The cover pool administrator may postpone the due dates of the redemption payments if the relevant requirements pursuant to section 30 (2b) PfandBG are met. The trustee determines the duration of the postponement, which may not exceed a period of 12 months, according to necessity.

The administrator may postpone the due dates of principal and interest payments that fall due within one month of their appointment to the end of this period of one month. If the cover pool administrator decides in favour of such a postponement, it is irrefutably presumed that the requirements of Section 30 (2b) PfandBG are met. Such a postponement must be taken into account within the maximum postponement period of 12 months.

The cover pool administrator may only exercise their authorisation uniformly for all Pfandbriefe of an issue. The due dates may be postponed in full or in part. The cover pool administrator must postpone the maturity date 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 (ban on overtaking). This may mean that the due dates of issues falling due at a later date must also be postponed in order to comply with the ban on overtaking. See also Section 30 (2a) and (2b) PfandBG.

Section 28 (1) No. 2 PfandBG: ISIN list by Pfandbrief category (bearer Pfandbriefe only)

31/12/2023	31/12/2022
XS1727499680	XS1727499680
XS2114143758	XS2114143758
XS2421360558	XS2114143758

Section 28 (1) no. 1, no. 3 and no. 7 PfandBG: Ratio of circulation to cover assets

	Nominal value		**Cash value**		**Present value at risk incl. currency stress***	
	31/12/2023	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022
Total amount of Pfandbriefe in circulation (in € million)	**1,025.00**	1,025.00	**942.00**	896.32	**870.39**	810.03
Total cover assets (in € million)	**1,308.01**	1,191.33	**1,249.14**	1,099.37	**1,113.10**	988.38
Excess cover in percent	**27.61**	16.23	**32.61**	22.65	**27.88**	22.02
Statutory overcoverage**	**39.34**	38.43	**18.84**	36.77	**not specified**	33.05
Contractual overcoverage	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00
Voluntary overcoverage	**243.67**	127.90	**288.30**	166.28	**not specified**	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.

Section 28 (1) nos. 8, 9 and 10 PfandBG Total amount of registered receivables

There are no foreign cover assets available

	Total		**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	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022	**31/12/2023**	31/12/2022
Federal Republic of Germany	**51.25**	51.25	**0.00**	0.00	**0.00**	0.00	**0.00**	0.00	**51.25**	51.25	**0.00**	0.00
Total	**51.25**	**51.25**	**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

		31/12/2023	31/12/2022
Section 28 (1) no. 11 PfandBG – total amount of claims pursuant to section 12 (1) that exceed the limits pursuant to section 13 (1) sentence 2 sub-sentence 2 PfandBG	in million €	**0**	0
Section 28 (1) no. 11 PfandBG – total amount of the values pursuant to Section 19 (1) that exceed the limits pursuant to Section 19 (1) sentence 7	in million €	**0**	0
Total amount of receivables that exceed the limits of Section 19 (1) No. 2 PfandBG (Section 28 (1) No. 12 PfandBG)	in million €	**0**	0
Total amount of receivables that exceed the limits of Section 19 (1) No. 3 PfandBG (Section 28 (1) No. 12 PfandBG)	in million €	**0**	0
Total amount of receivables that exceed the limits of Section 19 (1) No. 4 PfandBG (Section 28 (1) No. 12 PfandBG)	in million €	**0**	0
Share of fixed-interest cover pool (section 28 (1) no. 13 PfandBG)	as a percentage	**100**	100
Share of fixed-interest public-sector debentures (Pfandbriefe) (section 28 (1) no. 13 PfandBG)	as a percentage	**100**	100
Volume-weighted average of the age of the receivables (section 28 (2) no. 4 PfandBG)	in years	**6.34**	6.9
Section 28 (1) No. 15 PfandBG: Proportion of cover assets in arrears in accordance with Article 178(1) of Regulation (EU) No 575/2013	in percent	**0.00**	0.00
§ 28 (1) No. 6 PfandBG Liquidity ratios:		**–**	–
Absolute amount of the largest non-zero negative sum in the next 180 days as defined by the German Commercial Code (HGB). Section 4 (1a) sentence 3 for the public-sector debentures (Pfandbriefe) (liquidity requirement)		**0.00**	0.00
Day on which the largest negative sum results		**–**	–
Total amount of cover assets that fulfil the requirements of section 4 (1a) sentence 3 PfandBG (liquidity cover)	in million €	**51.25**	51.25
Liquidity surplus	in million €	**51.25**	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

Deniz Kuyubasi
Bochum, trade union secretary ver.di, employee representative

Robert Neumann
Dortmund, Bank employee, employee representative

Peter Blümel
Mönchengladbach, former 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 Management Board

Thomas Hanswillemenke
Dormagen, Member of the Management Board

Jochen Klöpper
Vienna, Member of the Management Board

Fernando Silva
Mönchengladbach, Member of the Management Board

Seats held in legally required supervisory bodies of large corporations

Walter Donat, member of the Management Board of Santander Consumer Bank AG, is Chairman of the Supervisory Board of MCE Bank GmbH and a 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 members of the Management Board totalled EUR 4,259 thousand in the financial year. Former members of the Management Board and surviving dependants of Management Board members were granted total remuneration totalling EUR 1,444 thousand. Pension provisions for former members totalled EUR 33,940 thousand as of the balance sheet date. The total remuneration of the members of the Management Board included bonuses totalling EUR 335 thousand in the form of shares (in Banco Santander S.A., Santander, Spain) with a one-year holding period and EUR 1,006 thousand that will only be paid out as a deferred bonus in the next five years. The deferred bonus includes a further EUR 503 thousand in the form of share payments. The 2023 bonus comprises shares with a fair value of EUR 838 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. Disbursements will be made next year after the final bonus has been determined.

Santander Consumer Bank AG paid the Supervisory Board attendance fees totalling EUR 21 thousand for its activities in 2023.

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 EUR 15 thousand against members of the Management Board and EUR 10 thousand against members of the Supervisory Board in accordance with Section 15 (1) sentence 1 no. 1 KWG.

Guarantees totalling EUR 1 thousand were granted to members of the Supervisory Board as of the balance sheet date.

Services rendered to third parties

Santander Consumer Bank AG provided the following services to third parties: portfolio 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, for example, mobility, customer service, the structuring of ABS transactions, the provision and maintenance of IT systems for business operations and cybersecurity services.

Annual average number of employees

On average, Santander Consumer Bank AG employed 3,005 people during the year: 1.428 female and 1,577 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 EUR 4,709 thousand excluding VAT. The expenses are broken down as follows:

	€ thousand
Audit service fee	3,966
Other assurance services	743

The fees for auditing services were reduced by EUR 278 thousand compared to the previous year.

The other assurance services relate to the audit in accordance with Section 89 WpHG, the procedural audit and random sample audit in accordance with Section V No. 11 (1) of the General Terms and Conditions of the Deutsche Bundesbank, the issue of a comfort letter and the audit of the deduction items in accordance with Section 16j (2) sentence 2 FinDAG.

Significant contracts

With effect from 1 January, 2004, a controlling 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 controlling 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 0.49%.

With regard to the information to be disclosed in accordance with Part 8 of the CRR, which is not included in the annual 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 percent)	Equity 2022 (in € thousands)	Annual earnings 2022 (in € thousands)
Santander Consumer Leasing GmbH, Mönchengladbach	100.00	70,025	*
Santander Consumer Technology Services GmbH, Mönchengladbach	100.00	26,727	3,118
Santander Consumer Operations Services GmbH, Mönchengladbach	100.00	13,379	1,209
Hyundai Capital Bank Europe GmbH, Frankfurt a. M.	51.00	658,879	−36,286
MCE Bank GmbH (deviating financial year 1 April 2021 to 31 March 2022)	90.01	258,736	11,344
VCFS Germany GmbH, Cologne	50.00	560	98
Schufa Holding AG, Wiesbaden	0.55	157,165	59,033

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

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2023 (1/3)

Histor, acquisition and production costs	01/01/2023 €	Acquisitions €	Disposals €	Transfers €	31/12/2023 €
Intangible assets					
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	966,327,677.36	17,737,978.44	2,057,807.26	30,585,914.47	1,012,593,763.01
Goodwill	0.00	0.00	0.00	0.00	0.00
Advance payments made	46,431,026.76	34,321,695.21	8,773,138.07	–30,585,914.47	41,393,669.40
	1,012,758,704.12	**52,059,673.65**	**10,830,945.33**	**0.00**	**1,053,987,432.41**
Tangible fixed assets					
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	3,669,395.73	18,616.33	0.00	0.00	3,688,012.06
Operating and office equipment	33,151,381.91	4,020,349.89	5,403,724.18	608,265.89	32,376,273.51
Fittings/installations in rented premises	87,676,795.47	5,161,783.64	5,558,817.17	877,759.12	88,157,521.06
Advance payments made	2,351,998.22	5,129,903.78	25,626.66	–1,486,025.01	5,970,250.35
	126,849,571.33	**14,330,653.64**	**10,988,168.01**	**0.00**	**130,192,056.98**
Bonds and other fixed-income securities					
Securities held as fixed assets*	9,819,885,128.23	33,316,492.73	4,079,041,335.85	0.00	5,774,160,285.17
Participations	59,054.00	0.00	0.00	0.00	59,054.00
Shares in affiliated companies	810,952,291.93	187,876,479.84	229,353,757.50	0.00	769,475,014.27
Total financial assets	**10,630,896,474.16**	**221,192,972.57**	**4,308,395,093.35**	**0.00**	**6,543,694,353.44**
Total	**11,770,504,749.61**	**287,583,299.86**	**4,330,214,206.69**	**0.00**	**7,727,873,842.83**

* The balance sheet item bonds and debentures includes accrued interest in the amount of EUR 8,318,831.12

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2023 (2/3)

Accumulated Depreciation	01/01/2023 €	Attributions €	Additions €	Resolutions €	Transfers €	31/12/2023 €
Intangible assets						
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	801,833,488.69	0.00	64,327,966.27	2,057,509.26	0.00	864,103,945.70
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
	801,833,488.69	**0.00**	**64,327,966.27**	**2,057,509.26**	**0.00**	**864,103,945.70**
Tangible fixed assets						
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	836,783.86	0.00	153,985.93	0.00	0.00	990,769.79
Operating and office equipment	25,397,737.45	0.00	3,905,475.89	5,349,364.92	0.00	23,953,848.42
Fittings/installations in rented premises	63,352,267.06	0.00	5,329,724.92	5,203,514.14	0.00	63,478,477.84
Advance payments made	0.00	0.00	0.00	0.00	0.00	0.00
	89,586,788.37	**0.00**	**9,389,186.74**	**10,552,879.06**	**0.00**	**88,423,096.05**
Bonds and other fixed-income securities						
Securities held as fixed assets*	26,554,651.71	0.00	82,476.84	26,637,128.55	0.00	0.00
Participations	0.00	0.00	0.00	0.00	0.00	0.00
Shares in affiliated companies	25,000,000.00	0.00	23,000,000.00	0.00	0.00	48,000,000.00
Total financial assets	**51,554,651.71**	**0.00**	**23,082,476.84**	**26,637,128.55**	**0.00**	**48,000,000.00**
Total	**942,974,928.77**	**0.00**	**96,799,629.85**	**39,247,516.87**	**0.00**	**1,000,527,041.75**

* The balance sheet item bonds and debentures includes accrued interest in the amount of EUR 8,318,831.12

SCHEDULE OF ASSETS

Development of Fixed Assets in the Financial Year 2023 (3/3)

Net book values	**31/12/2023 €**	31/12/2022 €
Intangible assets		
Purchased concessions, commercial copyrights and similar right and values and licenses to such rights and values	**148,489,817.31**	164,494,188.67
Goodwill	**0.00**	0.00
Advance payments made	**41,393,669.40**	46,431,026.76
	189,883,486.71	**210,925,215.43**
Tangible fixed assets		
Real estate, rights equivalent to real estate and buildings, including buildings on third-party property	**2,697,242.27**	2,832,611.87
Operating and office equipment	**8,422,425.09**	7,753,644.46
Fittings/installations in rented premises	**24,679,043.22**	24,324,528.41
Advance payments made	**5,970,250.35**	2,351,998.22
	41,768,960.93	**37,262,782.96**
Bonds and other fixed-income securities		
Securities held as fixed assets*	**5,774,160,285.17**	9,793,330,476.52
Participations	**59,054.00**	**59,054.00**
Shares in affiliated companies	**721,475,014.27**	**785,952,291.93**
Total financial assets	**6,495,694,353.44**	**10,579,341,822.45**
Total	**6,727,346,801.08**	**10,827,529,820.84**

* The balance sheet item bonds and debentures includes accrued interest in the amount of EUR 8,318,831.12

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 exempting consolidated financial statements as of 31 December 2023, which are prepared in accordance with IFRS.

Santander Consumer Bank AG, Mönchengladbach, is released from the obligation to prepare a consolidated financial statement and a group management report.

The parent company that prepares consolidated financial statements for the largest group of companies is Banco Santander S.A., Santander, Spain. These financial statements are filed with the Spanish Commercial Register. The lowest parent company to prepare consolidated financial statements is Santander Consumer Finance S.A., Madrid, Spain, which is included in the scope of consolidated companies of Banco Santander S.A., Santander, Spain. These consolidated financial statements are published in the electronic Federal Gazette.

Mönchengladbach, February 14th, 2024
Santander Consumer Bank AG

The Board

Volpe Donat

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 December 31, 2023, and the statement of profit and loss for the financial year from January 1 to December 31, 2023, and Notes to the 2023 financial statement, 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 January 1 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the management report listed 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 December 31, 2023 and of its financial performance for the financial year from January 1 to December 31, 2023 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 those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], 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 January 1 to December 31, 2023. 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. 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) Loan receivables amounting to EUR 35.9 billion (67.3% of total assets) are recognized under the "Loans to customers" item in the annual financial statements of Santander Consumer Bank Aktiengesellschaft. As of December 31, 2023, risk provisions for the loan portfolio consisting of individual and general valuation allowances are reported in the balance sheet. The measurement of the loss allowances 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, including against the backdrop of the expected impact of current macroeconomic factors on general economic conditions and thus 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 collateral is taken into account. General valuation allowances are recognized for foreseeable counterparty default risks in the lending business of credit institutions which have yet to materialize with respect to individual borrowers. General valuation allowances in the amount of the expected losses for a twelve-month period are recognized in respect of loans for which no specific valuation allowances have been recognized, unless the credit default risk has increased significantly since initial recognition. If the credit default risk has increased significantly since initial recognition, a general valuation allowance is recognized for the expected losses over the remaining term. 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 including the impacts of the current macroeconomic conditions, have a significant impact on the recognition and the amount of any valuation allowances required. Against this background, this matter was of particular significance in the context of our audit.

2) For the purposes of our audit, we first of all assessed the design of the Company's relevant internal control system and on that basis tested whether the controls functioned effectively. 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 collateral. In addition, for the purpose of assessing the individual and general valuation allowances applied, we evaluated the calculation methodology applied by the Company together with the underlying assumptions and parameters. We assessed in particular the executive directors' estimate as to the impacts of the current macroeconomic conditions on the borrowers' financial circumstances as well as the recoverability of the pledged collateral and their inclusion in the measurement of the customer loans. On the basis of the audit procedures we carried out, we satisfied ourselves overall that the assumptions made by the executive directors for the purpose of reviewing the recoverability of the loan portfolio are appropriate.

3) The Company's disclosures about provisions in the customer lending business are contained in the Notes to the 2023 financial statement, sections "II. Disclosure relating to the accounting and valuation methods" and "III. Disclosures relating to the balance sheet".

2. Measurement of shares in affiliated companies

1) Shares in affiliated companies amounting to EUR 721.5 million (1.35% 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 fair value. The fair 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 the executive directors. 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, write-downs in relation to one affiliated company were required for the financial year. The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the discount rates and rates of growth used. The valuation is therefore subject to material uncertainty. 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 for the Company of shares in associated companies, 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 doing so, we focused on those shares in affiliated companies which were exposed to an elevated risk of impairment. In analyzing the expected future cash flows from these 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 the executive directors' 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 the executive directors 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 Notes to the 2023 financial statement, sections "II. Disclosures relating to the accounting and valuation methods", "III. Disclosures relating to the balance sheet" and "IV. Disclosures relating to the income statement".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report, which we obtained prior to the date of our auditor's report:

- the statement on Corporate "Governance Statement" pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards) included in section "Corporate Governance Statement" of the management report
- section "Sustainability and Responsible Banking" of the management report

The other information comprises further all remaining parts of the annual report, which are expected to be made available to us after the date of the auditor's 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, the related safeguards.

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 February 28, 2023. We were engaged by the supervisory board on November 20, 2023. We have been the auditor of 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 Pascal Vollmann.

Düsseldorf, February 15th, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Pascal Vollmann	ppa. Ralf Scherello
Wirtschaftsprüfer	Wirtschaftsprüfer

Imprint

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Responsibilty: Investor Relations

Concept and Design
wirDesign communication AG

In case of doubt the German version of this Annual Report shall prevail. 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.

Photographic Material
Oliver Rossi via Getty Images (Cover picture)
Nils Hendrik Müller (Pages 5 – 7)