SANTANDER INVESTMENT BANK LIMITED

Financial Statements
December 31, 2021

Independent auditors’ report

To the Shareholders of Santander Investment Bank Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Santander Investment Bank Limited (the “Bank”) standing alone as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards*.*

What we have audited

The Bank’s financial statements of the Bank standing alone comprise:

- the statement of financial position as at December 31, 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Other Matter

This report, including the opinion, has been prepared for and only for the Shareholders in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

April 13, 2022

Santander Investment Bank Limited
(Incorporated under the laws of the Commonwealth of the Bahamas)

Statement of Financial Position
As at December 31, 2021
(Expressed in thousands of Euros)

	Notes	2021 €	2020 €
ASSETS			
Cash and due from banks			
Demand – Group		2,524	1,351
Time – Group		117,958	101,964
Total cash and due from banks	4 & 12	**120,482**	**103,315**
Loans – Group	6 & 12	375,616	527,646
Prepaid expenses		33	49
Intangible assets		1	-
Investment in Group entities	5 & 12	98,333	98,333
Right-of-use asset – Fixed Asset	9	164	52
Other assets – Other		133	81
Total Assets		**594,762**	**729,476**
LIABILITIES			
Due to Group entities - Demand deposits	12	2,100	152,100
Accrued expenses – Others	9 & 12	398	246
Total Liabilities		**2,498**	**152,346**
EQUITY			
Share capital			
Authorized, issued and fully paid: 10,000 ordinary shares of €757.92 each	8	7,579	7,579
Additional contributed capital		613,105	613,105
Reserve for foreign currency translation		(2,141)	(2,141)
Accumulated deficit		(26,279)	(41,413)
Total Equity		**592,264**	**577,130**
Total Liabilities and Equity		**594,762**	**729,476**

These financial statements were approved by the Board of Directors on February 23, 2022 and are signed on its behalf by:

Director **Director**

The accompanying notes are an integral part of these financial statements.

Santander Investment Bank Limited

Statement of Comprehensive Income
For The Year Ended December 31, 2021
(Expressed in thousands of Euros)

	Notes	2021 €	2020 €
INTEREST EXPENSE:			
Interest due to Group entities		(2,651)	(2,364)
Other interest expenses		(4)	(4)
Net interest expense		**(2,655)**	**(2,368)**
NON-INTEREST INCOME:			
Dividend income on investment securities – Group		20,854	8,141
Recovery allowance for expected credit losses, net		14	-
Other income		-	6
Total non-interest income		**20,868**	**8,147**
NON- INTEREST EXPENSE:			
Operating and other expenses	10	(2,734)	(3,029)
Depreciation expenses		(106)	(106)
Foreign exchange loss, net		(239)	(55)
Total non-interest expense		**(3,079)**	**(3,190)**
NET INCOME		**15,134**	**2,589**
OTHER COMPREHENSIVE INCOME			
Items that may subsequently be reclassified into profit or loss:			
Net unrealized (loss)/gain on investment securities		-	(709)
TOTAL COMPREHENSIVE INCOME		**15,134**	**1,880**

The accompanying notes are an integral part of these financial statements.

Santander Investment Bank Limited

Statement of Changes in Equity
For The Year Ended December 31, 2021
(Expressed in thousands of Euros)

	Share Capital €	Additional Contributed Capital €	Investment-Securities Reserve (FVOCI) €	Reserve for Foreign Currency Translation €	Accumulated Deficit €	Total €
Balance as at January 1, 2020	7,579	613,105	1,388	(2,141)	(44,681)	575,250
Net income	-	-	-	-	2,589	2,589
Realized other comprehensive income	-	-	(679)	-	679	-
Other comprehensive loss	-	-	(709)	-	-	(709)
Total comprehensive income	-	-	(1,388)	-	3,268	1,880
Balance as at December 31, 2020	**7,579**	**613,105**	**-**	**(2,141)**	**(41,413)**	**577,130**
Balance as at January 1, 2021	**7,579**	**613,105**	**-**	**(2,141)**	**(41,413)**	**577,130**
Net income	-	-	-	-	15,134	15,134
Total comprehensive income	-	-	-	-	15,134	15,134
Balance as at December 31, 2021	**7,579**	**613,105**	**-**	**(2,141)**	**(26,279)**	**592,264**

The accompanying notes are an integral part of these financial statements.

Santander Investment Bank Limited

Statement of Cash Flows
For The Year Ended December 31, 2021
(Expressed in thousands of Euros)

	Note	2021 €	2020 €
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income		15,134	2,589
Adjustments for:			
Provision for expected credit losses on loans		(16)	(6)
Depreciation and amortization		106	106
Provision for expected credit losses on cash		2	6
(Increase)/decrease in operating assets:			
Right-of-use asset - Fixed Asset		(112)	7
Other receivable - Group		-	441
Prepaid expenses		16	12
Intangible assets		(1)	-
Other Assets - Other		(169)	-
(Decrease)/Increase in operating liabilities:			
Due to Group entities – demand and time		(150,000)	-
Accrued expenses - Others		40	(5)
Net (used in)/cash from operating activities		**(135,000)**	**3,150**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Repayment of loans by Group entities		152,045	62,187
Proceeds from sale of investment securities		-	679
Net cash from investing activities		**152,045**	**62,866**
CASH FLOWS FROM FINANCING ACTIVITY			
Lease liabilities		112	(92)
Net cash from/(used in) financing activities		**112**	**(92)**
Net increase in cash and cash equivalents		**17,157**	**65,924**
Cash and cash equivalents, beginning of year		**103,325**	**37,401**
Cash and cash equivalents, end of year	4	**120,482**	**103,325**
Supplemental cash flow disclosure:			
Interest paid		2,718	2,363
Dividends received - Group		20,854	8,582

The accompanying notes are an integral part of these financial statements.

1. General

Santander Investment Bank Limited (the "Bank") was incorporated on November 1, 1989, under the laws of The Commonwealth of The Bahamas ("The Bahamas"), and is licensed under the Banks and Trust Companies Regulation Act, 2020 to carry on banking business from within The Bahamas. The Bank is a wholly-owned subsidiary of Holbah II Limited which is incorporated in The Bahamas. The Bank's ultimate Parent is Banco Santander S.A. (the "Parent"), incorporated in Spain and with its registered office located at Paseo de Pereda, 9-12, Santander Spain.

The Bank's registered office is at Caves Corporate Centre, Building A, 1st Floor, West Bay Street & Blake Road, Nassau, The Bahamas.

The Bank performs part of its activities with other entities of Grupo Santander (the "Group"). The outstanding balances at December 31, 2021, with the Group and the results of these transactions for the year then ended are described in the accompanying financial statements.

The average number of staff employed by the Bank during the year 2021 was four (2020: four).

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Bank's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions change.

Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Notes 2(c), 3, 9 and 14.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

These separate financial statements contain information about the Bank as an individual company and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10, *Consolidated Financial Statements*, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of the Parent. These consolidated financial statements, as well as any other public information, can be obtained from the Parent's website www.santander.com and at the registered office, Paseo de Pereda, numbers 9-12, Santander, Spain.

(b) Changes in accounting policies

(i) New standards, amendments and interpretations adopted by the Bank

Standards and amendments and interpretations to published standards that became effective for the Bank's financial year beginning on January 1, 2021 were not relevant or not significant to the Bank's operations, and accordingly did not impact the Bank's accounting policies or financial statements.

(ii) New standards, amendments and interpretations not yet adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Financial assets and liabilities

Financial assets

(i) Initial recognition

The Bank classifies financial assets, at initial recognition, in the following measurement categories: at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them. The Bank initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(ii) Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

- (FVTPL);
- (FVOCI); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a liability from the issuer's perspective, such as loans and cash and due from banks.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2(c)(iii). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business models: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for the Bank's assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how management are compensated.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Debt instruments (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit and loss, except where the Bank's management has elected at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments in FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of comprehensive income as other income when the Bank's right to receive payment is established.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(ii) Classification and subsequent measurement (continued)

Equity instruments (continued)

Gains and losses on equity investments at FVTPL are included in the 'Net trading income' line in the statement of comprehensive income.

(iii) Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected Credit Loss Measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate as defined as follows:

- *Exposure at default* (EAD) is an estimate of the amount the Bank expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD), taking into account expected changes after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities;

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

<u>Expected Credit Loss Measurement (continued)</u>

- *Probability of default* (PD) represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD), or over the remaining lifetime (Lifetime PD) of the obligation;

- *Loss given default* (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, and availability of collateral and other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of EAD expected to be non-recoverable if the default occurs in the next 12 months and lifetime LGD is the percentage of EAD expected to be non-recoverable, the default occurs over the remaining expected lifetime of the loan;

The ECL model includes the use of forward looking information and classification of financial assets in three stages as summarized below:

- Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.

- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

Expected Credit Loss Measurement (continued)

A financial asset will migrate from a stage as its credit risk increases or decreases. Therefore, a financial asset that migrated to stages 2 and 3 may return to stage 1, unless it was originated or purchased with credit recovery issues.

Forward-looking information

The Bank's historical probability of default is adjusted to reflect current and forward-looking information on microeconomic factors affecting the ability of counterparties to settle outstanding balances. The Bank has identified gross domestic product of the countries of which it has exposure in as the most relevant factor. The Bank considers multiple scenarios when assessing the outcome of these factors in order to adjust its historical probability of default rates.

Significant increase in credit risk

On a periodic basis management performs an assessment to determine if an asset is subject to a significant increase in credit risk (SICR). A significant deterioration in credit quality represented by a financial asset's credit rating migrating from investment grade to non-investment grade is defined as a SICR. The Bank uses internal credit risk grading that reflects assessment of the probability of default of the individual counterparties. The credit grades are calibrated such that the risk of default increases exponentially at each high risk grade.

Definition of default

The Bank's definition of default may differ across products and consider both quantitative and qualitative factors, such as the terms of financial covenants and days past due. Default occurs when the Bank considers the borrower unlikely to make their payments in full. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each statement of financial position date and more frequently when circumstances warrant further assessment. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3. The amount of the loss recognized is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate.

Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganisation, as well as a measurable SICR.

(iv) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

In case of modification of loans when the Bank renegotiates or otherwise modifies the contractual cash flows of a loan, it assesses whether or not the new terms are substantially different from the original terms, considering a range of factors that include reduction in cash flows when the borrower is expected to be able to pay, new substantial terms are introduced, extension of the loan term, changes in interest rate and currency or insertion of collaterals or credit enhancement facilities. If terms are substantially different after the modification, the Bank derecognises the original financial asset and recognises a new asset at fair value, recalculating a new effective interest rate for the asset. If the terms of the modified asset are not substantially different, the asset is not derecognised, but the Bank revises the new cash flows, resulting in a modification gain or loss. Recoveries of accounts previously written off are recorded against the allowance for credit losses.

2. Significant Accounting Policies (Continued)

(c) Financial assets and liabilities (continued)

Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the value of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the value that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining value of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the statement of comprehensive income.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). In case of modification of terms of financial liabilities, the Bank extinguishes the current liability and recognises a new liability only if the modification is considered a substantial modification of the terms (i.e. if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounting using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment if the modification is accounted for as an extinguishment. Otherwise, costs and fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(d) Investment in subsidiaries - Group

Investment in subsidiaries are carried at cost less allowance for impairment loss in accordance with IAS 27 *Separate Financial Statements*, as they have no publicly quoted market prices and fair values could not be readily determined by a valuation technique. If the carrying amount in the Bank's books is higher than the underlying book value of the subsidiaries per the latest available financial statements, adjusted by unrealized gains, this situation is deemed as an impairment loss.

Realized gains or losses on the disposal of investments in subsidiaries - Group are recognized in the statement of comprehensive income as a result of the sale or disposition of the Bank's investments in subsidiaries - Group.

(e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and due from banks and time deposits with original maturities of three months or less at the date of acquisition.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the functional currency). The financial statements are presented in Euros, which is the Bank's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(g) Income and expense recognition

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period.

Dividend income is recognized when the right to receive a dividend has been established.

All other income and expenses are recognized on the accrual basis.

(h) Taxation

Under the current laws of The Commonwealth of The Bahamas, the Bank is not subject to income tax. Therefore, no provision or liability for income tax has been included in the accompanying financial statements.

(i) Employee benefits

The Bank makes contributions to a defined contribution pension plan established for its employees and has no further payment obligations once the contributions have been made. The Bank has no legal or constructive obligations to make further contributions if the plan does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods. The Bank's contributions to the plan is recognized in the statement of comprehensive income in the period to which they relate.

(j) Leases

The Bank leases its office. Rental contracts are typically made for fixed periods of five years, but may have extension to renew for a further term of five years. After the expiration of the first renewal option there is another option to renew the lease for a further term of five years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

2. Significant Accounting Policies (Continued)

(j) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank’s accounting policies.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

3. Critical accounting estimates and judgements (Continued)

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring the expected credit losses are further detailed in Note 14, which also sets out the key sensitivities of the expected credit losses to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring the expected credit losses, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated expected credit losses
- Establishing groups of similar financial assets for the purposes of measuring the expected credit losses.

4. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following net of allowance for expected credit losses at December 31:

	2021	**2020**
	€'000	**€'000**
Cash and due from banks		
Demand – Group	2,524	1,351
Time – Group	117,970	101,974
Cash and cash equivalents	120,494	103,325
Less: allowance for expected credit losses	(12)	(10)
	120,482	**103,315**

Cash and due from banks are categorized in Stage 1. There were no movements between stages during the year.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

4. Cash and Cash Equivalents (Continued)

The movement in the allowance for expected credit losses is as follows:

	Performing Stage 1 2021 €'000	Performing Stage 1 2020 €'000
Balance, beginning of year	10	4
Remeasurements	2	6
Write offs, net of recoveries	-	-
Balance, end of year	**12**	**10**

5. Investments in Subsidiaries - Group

Investments in subsidiaries - Group at December 31, 2021 consists of the following:

	2021 €'000	2020 €'000
Group companies:		
Cost	98,333	98,333
Less: allowance for investment in Subsidiaries – Group	-	-
	98,333	**98,333**

The Bank records a reduction in investments in subsidiaries - Group when a subsidiary's equity has declined below the Bank's carrying value of the investment.

6. Loans

Loans stated net of an allowance for expected credit losses at December 31, consist of the following:

	2021 €'000	2020 €'000
Group	375,653	527,699
Less: allowance for expected credit losses	(37)	(53)
	375,616	**527,646**

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

6. Loans (Continued)

The loans provided to third parties are unsecured. As of December 31, 2021 and 2020, loans were current and had provision for expected credit losses in accordance with IFRS 9. Loans are categorized in Stage 1. There were no movements between stages during the year.

The movement in the allowance for expected credit losses is as follows:

	Performing Stage 1 2021 €'000	**Performing Stage 1 2020 €'000**
Balance, beginning of year	53	59
Remeasurements	(16)	(6)
Write offs, net of recoveries	-	-
Balance, end of year	**37**	**53**

Loans are payable upon maturity and bear interest rates ranging between -0.2397% and -0.3481 % (2020: -0.365197% and -0.3947%).

7. Contingencies

The accompanying financial statements do not reflect various contingent liabilities, which arise in the ordinary course of business. The contractual amounts of these instruments represent a credit risk to the Bank.

Legal matters

The Bank may be involved in litigation arising from transactions in the ordinary course of business. Management believes that the ultimate liability, if any, resulting from transactions in the ordinary course of business will not have a material effect on the financial position or results of operations of the Bank.

8. Share Capital

As at December 31, 2021 and 2020, the share capital of the Bank consisted of 10,000 authorized, issued and fully paid registered ordinary shares of €757.92 each.

9. Leases

The following amounts relating for leases are included within the statement of financial position:

	2021	2020
	€'000	**€'000**
Right-of-use asset - Fixed Asset		
Buildings	176	214
Lease Liabilities		
Current	18	52
Non-Current	146	-
	164	**52**

Right-of-use asset also include accumulated depreciation of €12,000 (2020: €162,000).

The statement of comprehensive income shows the following amounts relating to leases:

	2021	2020
	€'000	**€'000**
Depreciation charge of Right-of-use asset – Fixed Asset	85	85
Interest expense	4	4
Net foreign exchange losses for leases	(4)	(13)
The total cash outflow for leases	85	76

10. Staff Costs

Included in operating and other expenses are salaries and staff benefits of €685,000 (2020: €714,000).

11. Related Party Balances and Transactions

Related parties include: i) key management personnel, including directors; ii) entities that have the ability to control or exercise significant influence over the Bank in making financial or operational decisions; and iii) entities that are controlled, jointly controlled or significantly influenced by parties described in i) and ii). Balances and transactions outstanding as at December 31, 2021 and 2020 and for the years then ended are reflected in the accompanying financial statements.

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Notes to the Financial Statements
December 31, 2021
(Continued)

11. Related Party Balances and Transactions (Continued)

Balances outstanding as of December 31, 2021 and transactions for the year then ended are reflected in the accompanying financial statements as Group balances.

Key management compensation

The remuneration of directors and other members of key management during the year was as follows:

	2021 €'000	2020 €'000
Salaries	323	306
Bonus	121	177
Pension plan	16	15
Allowances	16	20
Other benefits	52	37

12. Financial Instruments

Categories of Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 2 to the financial statements.

The following table analyzes the carrying amounts of financial assets and financial liabilities as defined by IFRS 9 *Financial Instruments.*

	2021 €'000	2020 €'000
Financial Assets		
Amortized Cost:		
Cash and due from banks	120,482	103,315
Loans – Group	375,616	527,646
Investments in Subsidiaries - Group	98,333	98,333
Total financial assets	**594,431**	**729,294**
Financial liabilities		
Amortized Cost:		
Due to Group entities	2,100	152,100
Accrued expenses – Others	398	246
Total financial liabilities	**2,498**	**152,346**

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Notes to the Financial Statements
December 31, 2021
(Continued)

12. Financial Instruments (Continued)

Fair Value of Financial Instruments

IFRS specifies the hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchange traded derivatives like futures.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Bank. The Bank considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Per the fair value hierarchy of IFRS 13, cash and due from banks are classified as Level 1 and the financial assets and liabilities not included in the table above are classified as Level 2. The directors consider that the carrying value of financial assets and liabilities which are not carried at fair value to approximate their fair value as they are principally short term in nature.

12. Financial Instruments (Continued)

Fair Value of Financial Instruments (continued)

Movements in Level 3 securities comprise:

	2021 **€'000**	**2020** **€'000**
As at January 1	-	1,388
Sales	-	5,873
Net realized (loss)/gain	-	(7,261)
Unrealized gain	-	-
As at December 31	**-**	**-**

The cost of Level 3 investments was € Nil (2020: € Nil).

13. Capital Management

The Bank's objectives when managing capital, which comprises 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Central Bank of The Bahamas (the Central Bank);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for its shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management, employing techniques designed to ensure compliance with guidelines established by the Central Bank. The required information is filed with the Central Bank on a quarterly basis. For the Bank, there is no difference between the composition of regulatory capital and the components of equity as shown in the statement of financial position.

The Central Bank requires that the Bank maintains a ratio of total regulatory capital to risk-weighted assets (including off-balance sheet items) at or above a minimum of 8%.

The Bank has complied with all the externally imposed capital requirements to which it is subject.

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Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking on risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

(a) Liquidity risk

Liquidity risk is the risk that the Bank will not have the necessary resources to meet its contractual obligations as they come due. The Bank manages its liquidity by attempting to match financial liabilities with financial assets of similar maturity periods. All of the Bank's assets and liabilities, with the exception of investment securities (FVOCI) and investment in subsidiaries - Group, are classified as current, i.e. they are expected to be realized within twelve months of the statement of financial position date, and as a result, the difference between assets and liability balances held at year end and their undiscounted cash flows is not significant.

As at December 31, financial assets and liabilities of the Bank are classified, based on the period remaining from the reporting date to the contractual maturity dates, as follows:

	Up to 1 month €'000	**1 to 3 months €'000**	**3 to 12 months €'000**	**Over 1 year €'000**	**Total €'000**
As at December 31, 2021					
Cash and due from banks	2,524	117,958	-	-	120,482
Loans – Group	-	-	375,616	-	375,616
Investments in subsidiaries - Group	-	-	-	98,333	98,333
Total financial assets	**2,524**	**117,958**	**375,616**	**98,333**	**594,431**
Due to Group entities	2,100	-	-	-	2,100
Accrued expenses – Others	398	-	-	-	398
Total financial liabilities	**2,498**	**-**	**-**	**-**	**2,498**
Net liquidity gap	**26**	**117,958**	**375,616**	**98,333**	

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Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(a) Liquidity risk (continued)

As at December 31, 2020	Up to 1 month €'000	1 to 3 months €'000	3 to 12 months €'000	Over 1 year €'000	Total €'000
Cash and due from banks	1,351	101,964	-	-	103,315
Loans – Group	-	-	527,646	-	527,646
Investments in subsidiaries - Group	-	-	-	98,333	98,333
Total financial assets	**1,351**	**101,964**	**527,646**	**98,333**	**729,294**
Due to Group entities	152,100	-	-	-	152,100
Accrued expenses – Others	246	-	-	-	246
Total financial liabilities	**152,346**	**-**	**-**	**-**	**152,346**
Net liquidity gap	**(150,995)**	**101,964**	**527,646**	**98,333**	

(b) Currency risk

Currency risk emanates from the possibility that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank minimizes its risk by monitoring limit levels of foreign currency, particularly those susceptible to foreign exchange rate volatility.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(b) Currency risk (continued)

The table below summarizes the Bank's financial instruments, at carrying amounts, categorized by currency.

(* EUR equivalent value)

	EUR €'000	USD* €'000	Total €'000
As at December 31, 2021			
Cash and due from banks	120,249	233	120,482
Loans – Group	375,616	-	375,616
Investments in subsidiaries – Group	98,333	-	98,333
Total financial assets	**594,198**	**233**	**594,431**
Due to Group entities	2,100	-	2,100
Accrued expenses – Others	-	398	398
Total financial liabilities	**2,100**	**398**	**2,498**
Net on balance sheet position	**592,098**	**(165)**	**591,933**

(* EUR equivalent value)

	EUR €'000	USD* €'000	Total €'000
As at December 31, 2020			
Cash and due from banks	103,121	194	103,315
Loans – Group	527,646	-	527,646
Investments in subsidiaries – Group	98,333	-	98,333
Total financial assets	**729,100**	**194**	**729,294**
Due to Group entities	152,100	-	152,100
Accrued expenses – Others	-	246	246
Total financial liabilities	**152,100**	**246**	**152,346**
Net on balance sheet position	**577,000**	**(52)**	**576,948**

The Bank undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as determined by management of the Bank.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(b) Currency risk (continued)

The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Net position (*)	
	2021	**2020**
	€'000	**€'000**
USD	-	-

(*) Net of Assets and Liabilities.

Foreign currency sensitivity analysis

The Bank normally analyzes its sensitivity to a 10% increase and decrease in the EUR against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the EUR strengthens 10% against the relevant currency. For a 10% weakening of the EUR against the relevant currency, there would be a comparable impact on the profit or equity, and the balances would be negative.

Foreign currency sensitivity analysis (continued)

	USD impact	
	2021	**2020**
	€'000	**€'000**
Net income/(loss)	-	-

(c) Credit risk

Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. From this perspective, the Bank's exposure to credit risk is primarily concentrated in cash and due from banks and loans – Group.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(c) Credit risk (continued)

The tables below represent the Bank's maximum exposure to credit risk at December 31, 2021 and 2020 without taking into account of any collateral held or other credit enhancements attached:

As at December 31, 2021	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
Cash and due from banks	120,482	-	-	120,482
Loans – Group	375,616	-	-	375,616
Total financial assets exposed to credit risk	**496,098**	**-**	**-**	**496,098**

As at December 31, 2020	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	Total €'000
Cash and due from banks	103,315	-	-	103,315
Loans – Group	527,646	-	-	527,646
Total financial assets exposed to credit risk	**630,961**	**-**	**-**	**630,961**

Financial assets are past due when a counterparty has failed to make a payment, when the amount is contractually due, or when an overdrawn account exceeds its credit line for more than 90 days.

Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee of the Parent annually. The Bank has a significant concentration of credit risk with its Group companies. The Bank places its deposits with high quality international banking institutions.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(c) Credit risk (continued)

The significant financial assets and liabilities of the Bank are categorized by geographical region as of December 31, based on the domicile of the counterparties as follows:

	Central & South America €'000	North America €'000	Europe €'000	The Bahamas €'000	Total €'000
As at December 31, 2021					
Cash and due from banks	-	-	-	120,482	120,482
Loans – Group	-	-	228,640	146,976	375,616
Investments in subsidiaries – Group	98,333	-	-	-	98,333
Total financial assets	**98,333**	**-**	**228,640**	**267,458**	**594,431**
Due to group entities	-	-	2,100	-	2,100
Accrued expenses – Others	-	-	-	398	398
Total financial liabilities	**-**	**-**	**2,100**	**398**	**2,498**
Net on balance sheet position	**98,333**	**-**	**226,540**	**267,060**	**591,933**

	Central & South America €'000	North America €'000	Europe €'000	The Bahamas €'000	Total €'000
As at December 31, 2020					
Cash and due from banks	-	-	-	103,315	103,315
Loans – Group	-	-	527,646	-	527,646
Investments in subsidiaries – Group	98,333	-	-	-	98,333
Total financial assets	**98,333**	**-**	**527,646**	**103,315**	**729,294**
Due to group entities	-	-	152,100	-	152,100
Accrued expenses – Others	-	-	-	246	246
Total financial liabilities	**-**	**-**	**152,100**	**246**	**152,346**
Net on balance sheet position	**98,333**	**-**	**375,546**	**103,069**	**576,948**

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(c) Credit risk (continued)

Internal risk ratings

Internal risk ratings are assigned according to the Group's risk management framework. Changes in internal risk ratings are estimated based on historical loss experience at the relevant risk segment or risk rating level, adjusted for forward-looking information.

Key Inputs and assumptions

The ECL for all products above are estimated via three components:

- EAD: The EAD for cash and due from banks and loans is the carrying amount on the statement of financial position or the outstanding balance at the reporting date plus accrued interest for one year.
- PD: The estimated 12-month and lifetime PD is based on credit risk ratings published by external credit rating agencies such as Moody's and S&P;
- LGD: the LGD is 100% (that is, no collateral, guarantees or other credit enhancements are available)

(d) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes, but may decrease or reduce losses in the event that unexpected movements arise. The Bank's exposure to interest rate risk is monitored on a regular basis through ensuring that asset and liability transactions are contracted over similar average terms and with a spread which provides the Bank with an adequate return.

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(d) Interest rate risk (continued)

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial assets and liabilities at carrying amounts, categorized by the period from the statement of financial position date to the contractual maturity date.

As at December 31, 2021	Up to 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Non-interest bearing €'000	Total €'000
Cash and due from banks	117,958	-	-	2,524	120,482
Loans - Group	-	375,616	-	-	375,616
Investments in subsidiaries - Group	-	-	-	98,333	98,333
Total financial assets	**117,958**	**375,616**	**-**	**100,857**	**594,431**
Due to Group entities	2,100	-	-	-	2,100
Accrued expenses - Others	-	-	-	398	398
Total financial liabilities	**2,100**	**-**	**-**	**398**	**2,498**
Net interest rate sensitivity gap	**115,858**	**375,616**	**-**		

As at December 31, 2020	Up to 3 months €'000	3 to 12 months €'000	1 to 5 years €'000	Non-interest bearing €'000	Total €'000
Cash and due from banks	101,964	-	-	1,351	103,315
Loans - Group	-	527,646	-	-	527,646
Investments in subsidiaries - Group	-	-	-	98,333	98,333
Total financial assets	**101,964**	**527,646**	**-**	**99,684**	**729,294**
Due to Group entities	152,100	-	-	-	152,100
Accrued expenses - Others	-	-	-	246	246
Total financial liabilities	**152,100**	**-**	**-**	**246**	**152,346**
Net interest rate sensitivity gap	**(50,136)**	**527,646**	**-**		

Santander Investment Bank Limited

Notes to the Financial Statements
December 31, 2021
(Continued)

14. Risk Management (Continued)

(d) Interest rate risk (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the entire year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Bank's:

- profit for the year end December 31, 2021 would increase/decrease by €1,148,000 (2020: increase/decrease by €404,000); and

- equity would increase/decrease by €3,794,000 (2020: increase/decrease by €5,194,000).