Santander Consumer Finance, S.A. and subsidiaries composing the Santander Consumer Finance Group

Consolidated Annual Accounts and
Consolidated Management's Report
for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 to 47). In the event of a discrepancy, the Spanish-language version prevails.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Santander Consumer Finance, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Santander Consumer Finance, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, and the profit or loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

R. M. Madrid, hoja M-63.988, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - NIF: B-79031290

Key audit matters	How the matter was addressed in the audit
Estimation of the impairment of financial assets at amortised cost – loans and advances to customers	
The expected loss impairment calculation models required by International Financial Reporting Standard 9 (IFRS 9), includes estimates and elements of judgement that require updates and adjustments to the models for determining the expected loss in the current macroeconomic environment of uncertainty. In this context, the main judgements and assumptions made by management are as follows: • The main estimates employed to calculate the probability of default (PD) and loss given default (LGD) parameters of the recalibrated expected loss models, including forward-looking models. • The updating of the prospective information in the *forward looking* models and the definition and evaluation of additional adjustments to the expected loss models to consider the effect of macroeconomic conditions in the current environment. These estimates involve a high degree of management judgement and uncertainty. They were therefore one of the most significant and complex estimates when preparing the accompanying consolidated annual accounts as at 31 December 2023 and have been identified as one of the key audit matters. See notes 2, 10 and 47 to the accompanying consolidated annual accounts as at 31 December 2023.	With the assistance of our credit risk specialists in credit risk and our macroeconomic forecast experts, we obtained an understanding of management's process for estimating the impairment of financial assets at amortised cost - loans and advances to customers, on both collectively and individual estimated provisions. In addition, as part of our procedures, we made enquiries with management to gain an understanding of the potential impact of climate risk on credit risk. With regards to internal control, we gained an understanding of and tested controls for the main steps of the estimation process, paying particular attention to the calculation of the most relevant assumptions used to estimate the parameters and, where appropriate, to the monitoring and assessment of model adjustments. We also performed the following tests of detail: • Checks, for the main models, on: (i) calculation and segmentation methods; (ii) expected loss parameter estimation methods; (iii) data used and main estimates employed and (iv) loan staging approach. • Evaluation of the main macroeconomic variables used in the scenarios of the *forward looking* models, including verification of the methodology, the assumptions used, the breakdown of the projection of the macroeconomic scenarios and their weighting. • Recalculation of collective provisions using the parameters obtained from the expected loss models. • Evaluation of additional adjustments to the expected loss models made by management derived from the current macroeconomic environment. • Obtaining a sample of individualized files to evaluate their adequate classification and registration, their loss estimation methodologies and, where appropriate, the corresponding impairment.

Key audit matters	How the matter was addressed in the audit
	No differences outside a reasonable range were identified in the tests described above.
Assessment of goodwill impairment	
At least annually, the Group estimates the recoverable amount of each cash-generating unit (CGU) to which goodwill has been assigned, based primarily on independent expert valuations. In view of the relevance to the Group, management pays particular attention to monitoring the goodwill of the cash-generating units in Germany, Austria and the Nordics (Scandinavia). In 2023, Group management included, in its estimates of the recoverable amount of the above-mentioned cash-generating units, value in use calculated by discounting cash flow projections. The main hypothesis used in the assessment of goodwill impairment, such as financial projections, the discount rate and the perpetuity growth rate, involve uncertainty, require complex estimation and involve a high degree of management judgement. Therefore, the assumptions made have been treated as one of the key issues of the audit. See Notes 2 and 14 to the accompanying consolidated annual accounts at 31 December 2023.	With the assistance of our valuation experts, we obtained an understanding of management's process for estimating the recoverable amount and, where appropriate, calculating the impairment of goodwill. As regards internal control, we gained an understanding and tested controls of the steps in the goodwill impairment assessment process, paying special attention to the budgeting process on which the projections are based, management's reliable forecasting ability and the assessment of the reasonableness of the discount rate and the perpetuity growth rate, as well as the evaluation of annual valuation reports prepared by management's experts. We also conducted the following tests of detail: • Assessment of the reasonableness of the methods and main assumptions used by management's experts when analysing goodwill impairment, including financial projections, the discount rate and the growth rate. • Verification of the mathematical accuracy of the calculation of goodwill impairment and of the discounting of cash flow projections. • Specific sensitivity analysis of key parameters, such as: (i) financial projections for the coming years; (ii) the discount rate; and (iii) the perpetuity growth rate. • Verification of the adequacy of the information disclosed in the accompanying consolidated annual accounts in accordance with applicable regulations. No differences outside a reasonable range were identified in the tests described above.

Key audit matters	How the matter was addressed in the audit
Information systems The Group's financial information relies largely on the information technology (IT) systems in the geographies in which it operates, so suitable control over the systems is a key to assuring the correct processing of the information. The technology environment has been developed mainly by the Group, although a part has also been developed by External Partners. In this context, it is critical to assess aspects such as the organisation of the Group's Technology and Operations Area and External Partners, controls over application maintenance and development, physical and logical security and system operations. Therefore, information systems have been treated as one of the key audit matters. Management continues to monitor internal control over IT systems, including access control supporting the Group's technology processes.	Assisted by our IT systems specialists, our work consisted of assessing and checking internal controls over the systems, databases and applications that support the Group's financial reporting. We carried out procedures on internal controls and substantive tests, in the environment of both the Group and its External Partners, relating to: • Functioning of the IT governance framework. • Access control and logical security of the applications, operating systems and databases that support relevant financial information. • Change management and application development. • IT operation maintenance. In addition, considering management's monitoring of internal control over IT systems, our audit approach and plan focused on the following aspects: • Assessment of management's monitoring as part of the Group's internal control environment. • Verification of the design and operability of controls implemented by management, including access control. The results of the above-mentioned procedures revealed no relevant exceptions in this regard.

Other information: Consolidated Management Report

Other information comprises only the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) above is furnished as envisaged in applicable legislation and that the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2023 and its content and presentation comply with the applicable legalization.

Responsibility of the directors and the audit committee in relation to the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditors’ responsibilities in relation to the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain 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 consolidated annual accounts.

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

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company’s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts 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.

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital files of the European single electronic format (ESEF) of Santander Consumer Finance, S.A. and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Santander Consumer Finance, S.A. are responsible for presenting the annual financial report for the 2023 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee of the Parent company

The opinion expressed in this report is consistent with that of our additional report for the parent company's audit committee dated 21 February 2024.

Term of engagement

The General Ordinary Shareholders' Meeting held on 14 March 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

The non-audit services provided to the audited Group are disclosed in Note 39 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Ignacio Martínez Ortiz (23834)

21 February 2024

Santander Consumer Finance, S.A. and Subsidiaries composing the Santander Consumer Finance Group

Consolidated Financial Statements and Consolidated Management's Report for the year ended 31 December 2023

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 to 47). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022

(Thousands of Euros)

ASSETS	Note	31/12/2023	31/12/2022 (*)
Cash, cash balances at central banks	2	**11,278,533**	**6,826,225**
Financial assets held for trading	9	**323,898**	**494,664**
Derivatives		323,898	494,664
Non-trading financial assets measured at fair value through profit or loss		**1,543**	**1,876**
Equity instruments	8	41	45
Debt securities	7	844	1,444
Loans and advances -Customers	10	658	387
Financial assets at fair value through profit or loss		**—**	**—**
Financial assets at fair value through other comprehensive income		**174,863**	**748,469**
Equity instruments	8	23,526	21,961
Debt securities	7	151,337	726,508
Financial assets at amortized cost		**121,125,887**	**113,094,548**
Debt securities	7	4,189,837	6,185,061
Loans and advances		116,936,050	106,909,487
Central banks		—	19,736
Credit institutions	6	1,428,325	390,306
Customers	10	115,507,725	106,499,445
Derivatives – Hedge accounting	29	**390,497**	**1,131,071**
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	29	**(82,622)**	**(709,133)**
Investments in associates and joint-ventures	12	**825,970**	**724,777**
Joint ventures		325,151	281,915
Associates		500,819	442,862
Assets for insurance contracts		**—**	**—**
Assets under reinsurance contracts		**—**	**—**
Tangible assets	13	**4,301,096**	**3,163,609**
Property, plant and equipment		4,295,156	3,163,609
For own use		370,591	367,958
Leased out under operating leases		3,924,565	2,795,651
Investment property		5,940	—
Memorandum items: acquired through finance lease		261,736	264,104
Intangible assets		**2,253,001**	**2,097,941**
Goodwill	14	1,715,714	1,712,426
Other intangible assets	15	537,287	385,515
Tax assets:	22	**1,542,173**	**1,675,146**
Current tax assets		866,579	1,116,612
Deferred tax assets		675,594	558,534
Other assets	16	**1,147,368**	**985,164**
Inventories		5,437	8,880
Other assets		1,141,931	976,284
Assets included in disposal groups classified as held for sale	11	**65,281**	**45,337**
Total assets		**143,347,488**	**130,279,694**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated balance sheet as at 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2023 AND 2022

(Thousands of Euros)

LIABILITIES	Note	31/12/2023	31/12/2022 (*)
Financial liabilities held for trading	9	**343,594**	**466,031**
Derivatives		343,594	466,031
Financial liabilities at fair value through profit or loss		**—**	**—**
Financial liabilities at amortized cost		**123,391,128**	**111,077,230**
Deposits		69,985,114	70,848,070
Central banks	*17*	*5,465,555*	*17,900,641*
Credit institutions	*17*	*15,675,219*	*11,620,202*
Customers	*18*	*48,844,340*	*41,327,227*
Debt securities in issue	19	51,605,223	38,855,760
Other financial liabilities	20	1,800,791	1,373,400
Memorandum items:: Subordinate liabilities	17, 18 and 19	*2,000,129*	*1,514,223*
Derivatives – Hedge accounting	29	**440,267**	**193,787**
Changes in the fair value of covered items in a hedged portfolio interest rate risk	11	—	—
Liabilities for insurance contracts		—	—
Liabilities for reinsurance contracts		—	—
Provisions	21	**667,458**	**610,875**
Pensions and other defined post-employment benefit obligations		453,105	414,385
Other long-term employee pay		30,282	31,488
Procedural issues and pending tax litigation		37,066	10,089
Commitments and guarantees granted		21,058	28,010
Remaining provisions		125,947	126,903
Tax liabilities		**1,911,989**	**1,864,753**
Current tax liabilities		285,510	581,279
Deferred tax liabilities	22	1,626,479	1,283,474
Other liabilities	16	**2,214,372**	**1,874,830**
Liabilities included in disposal groups of items that have been classified as held for sale		—	—
Total liabilities		**128,968,808**	**116,087,506**
Own funds		**12,536,885**	**12,219,470**
Capital	23	5,638,639	5,638,639
Called up Share capital		*5,638,639*	*5,638,639*
Memorandum items: uncalled: Capital		—	—
Share premium	24	1,139,990	1,139,990
Equity instruments issued other than capital	23	1,200,000	1,200,000
Equity component of hybrid securities		—	—
Other equity instruments issued		1,200,000	1,200,000
Other		—	—
Accumulated earnings	25	3,649,396	3,629,337
Revaluation reserves		—	—
Other reservations	25	4,919	20,847
Accumulated reserves or losses of investments in joint and associated ventures		*524,365*	*439,882*
Others		*(519,446)*	*(419,035)*
(-) Treasury stock		—	—
Profit or loss after tax attributable to equity holders of the parent		1,003,933	1,242,860
(-) dividends paid	4	(99,992)	(652,203)
Other comprehensive income/(loss)		**(678.242)**	**(582,107)**
Items that may be reclassified to profit or loss	26	(50,982)	(33,865)
Items not reclassified to profit or loss	26	(627,260)	(548,242)
Non-controlling interests	27	**2,520,037**	**2,554,825**
Other comprehensive income		*2,445*	*(3,715)*
Other		*2,517,592*	*2,558,540*
Equity		**14,378,680**	**14,192,188**
Total liabilities and equity		**143,347,488**	**130,279,694**
Pro-memory: Exposures out of balance		25,642,721	27,052,044
Loan commitments granted	28	24,299,144	25,756,041
Financial guarantees granted	28	90,030	84,997
Other commitments granted	28	1,253,547	1,211,006

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated balance sheet as at 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNTS
CORRESPONDING TO THE COMPLETED ANNUAL FINANCIAL YEARS
31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	Income / (Expenses)	
		31/12/2023	31/12/2022 (*)
INTEREST INCOME	30	6,431,533	4,195,233
Financial assets at fair value through other comprehensive income		7,129	767
Financial assets at amortised cost		5,727,842	4,089,331
Other		696,562	105,135
INTEREST EXPENSE	31	(3,006,380)	(624,026)
NET INTEREST INCOME		**3,425,153**	**3,571,207**
DIVIDEND INCOME		243	236
INCOME FROM COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	32	77,075	96,736
COMMISSION INCOME	33	1,124,127	1,133,025
COMMISSION EXPENSE	34	(394,803)	(349,489)
GAINS OR LOSSES IN FINANCIAL INTRUMENTS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	47,259	807
GAINS OR LOSSES ON FINANCIAL INSTRUMENTS HELD FOR TRADING, NET	35	(2,265)	(10,077)
GAINS OR LOSSES ON NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	—	—
GAINS OR LOSSES ON FINANCIAL INSTRUMETNS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	35	—	—
GAINS OR LOSSES FROM HEDGE ACCOUNTING, NET	35	95,860	86,600
CURRENCY TRANSLATION DIFFERENCES, NET	36	(4,366)	(17,644)
OTHER OPERATING INCOME	37	578,502	551,078
OTHER OPERATING EXPENSE	38	(419,380)	(415,988)
INCOME FROM ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
CHARGES FROM LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
OPERATING INCOME		**4,527,405**	**4,646,491**
ADMINISTRATION AND GENERAL EXPENSES		(1,884,565)	(1,756,232)
Staff costs	*38*	(955,293)	(884,182)
Other	*39*	(929,272)	(872,050)
DEPRECIATION AND AMORTISATION COST	13 and 15	(208,791)	(189,183)
PROVISIONS OR REVERSAL FROM PROVISIONS, NET	21	(55,108)	(20,467)
IMPAIRMENT CHARGES AND REVERSALS FROM FINANCIAL ASSETS NOT AT FAIR VALUE THROUGH PROFIT OR LOSS	10	(683,873)	(451,931)
Financial assets at fair value through other comprehensive income		60	285
Financial assets at amortised cost		(683,933)	(452,216)
IMPAIRMENT CHARGES OR REVERSAL OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES		—	—
IMPAIRMENT CHARGES OR REVERSAL OF NON-FINANCIAL ASSETS	40	(13,654)	(21,859)
Tangible assets		169	(985)
Intangible assets		(5,337)	(11,647)
Other		(8,486)	(9,227)
GAINS OR LOSSES ON NON-FINANCIAL ASSETS, NET	41	82,133	1,202
NEGATIVE GOODWILL RECOGNISED IN RESULTS	3	38,876	—
GAINS OR LOSSESS ON NON-CURRENT ASSETS HELD FOR SALE FROM DISCONTINUED OPERATIONS	42	(1,677)	(128)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS		**1,800,746**	**2,207,893**
OPERATING TAX EXPENSE OR INCOME FROM CONTINUING OPERATIONS	22	(479,596)	(606,270)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS		**1,321,150**	**1,601,623**
(LOSS)/PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS		—	—
PROFIT /(LOSS) AFTER TAX		**1,321,150**	**1,601,623**
Attributable to non-controlling interests	*27*	317,217	358,763
Attributable to equity holders of the parent		1,003,933	1,242,860
EARNIGNS PER SHARE:			
Basic	4	0.48	0.62
Diluted	4	0.48	0.62

(*) Presented for comparison purposes only

The accompanying notes, 1 to 47, and Appendices I-VI are an integral part of the consolidated income statement for the year ended 31 December 2022.

SANTANDER CONSUMER FINANCE, S.A. Y SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENDITURE FOR THE ANNUAL YEARS ENDED 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	31/12/2023	31/12/2022 (*)
Profit or loss after tax		**1,321,150**	**1,601,623**
Other comprehensive income		**(100,867)**	**57,994**
Items that will not be reclassified to profit or loss		**(25,247)**	**120,796**
Actuarial gains or losses on defined benefit pension plans	26	(33,824)	180,485
Non-current assets held for sale		—	—
Other recognised income and expense from investments in joint ventures and associates		4	35
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		(2,354)	(968)
Income tax in respect of items not reclassified to profit or loss	22	10,927	(58,756)
Items that may be reclassified to profit or loss		**(75,620)**	**(62,802)**
Hedges of net investments in joint ventures and associates (effective portion)		97,709	54,046
Revaluation gains/(losses)	*26*	*97,709*	*54,046*
Amounts transferred to the income statement		—	—
Other reclassifications		—	—
Currency translation differences		(131,637)	(154,051)
Revaluation gains/(losses)	*26*	*(137,250)*	*(154,051)*
Amounts transferred to the income statement		*5,613*	—
Other reclassifications		—	—
Cash flow hedges		(85,458)	73,002
Revaluation gains/(losses)	*26*	*(70,512)*	*41,409*
Amounts transferred to the income statement		*(14,946)*	*31,593*
Transferred to initial carrying amount of hedged items		—	—
Other reclassifications		—	—
Debt instruments at fair value through other comprehensive income		1,612	(2,082)
Revaluation gains/(losses)		*1,672*	*(1,797)*
Amounts transferred to the income statement		*(60)*	*(285)*
Other reclassifications		—	—
Assets included in disposal groups classified as held for sale		—	—
Revaluation gains/(losses)		—	—
Amounts transferred to the income statement		—	—
Other reclassifications		—	—
Share of other recognised income of joint ventures and associates	26	25,915	(18,231)
Income tax in respect of items that may be reclassified to profit or loss	22	16,239	(15,486)
Total recognised income and expenses for the year		**1,220,283**	**1,659,617**
Attributable to non-controlling interests		*320,379*	*352,891*
Attributable to equity owners of the parent		*899,904*	*1,306,726*

(*) Presented for comparison purposes only

The accompanying notes, 1 to 47, and Appendices I-VI are an integral part of- the consolidated statement of recognised income and expense for the year ended 31 December 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED TOTAL STATEMENTS OF CHANGES IN EQUITY FOR THE ANNUAL YEARS COMPLETED ON 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

Sources of changes in equity	Capital (Note 23)	Bonus of issuance (Note 24)	Equity instruments issued other than capital	Other equity instruments	Profits accumulated (Note 25)	Revaluation reserves	Others reserves	(-) Own shares	Profit or loss attributable to shareholders of the parent	(-) Interim dividends paid	Retained earnings	Non-controlling interests (Note 27)		**Total**
												Other comprehensive income	Other	
Opening balance at 31-12-2022 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Beginning of period balance (01/01/22)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Total recognised income and expenses (Note 4)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,003,933**	**—**	**(104,029)**	**3,162**	**317,217**	**1,220,283**
Other changes in equity	—	—	—	—	20,059	—	(15,928)	—	(1,242,860)	552,211	7,894	2,998	(358,165)	(1,033,791)
Common stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity instruments issued (Note 23)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption or maturity of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt conversion to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 4)	—	—	—	—	(507,477)	—	—	—	—	(99,992)	—	—	(295,290)	(902,759)
Stock buybacks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale or cancellation of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	527,536	—	55,227	—	(1,242,860)	652,203	7,894	2,998	(2,998)	—
Increases/(decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	(283,881)	(283,881)
Vesting of shares under employee share	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other increase/(decreases) of equity	—	—	—	—	—	—	(71,155)	—	—	—	—	—	224,004	152,849
Closing balance at 31-12-2023	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,649,396**	**—**	**4,919**	**—**	**1,003,933**	**(99,992)**	**(678,242)**	**2,445**	**2,517,592**	**14,378,680**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the total statement of changes in consolidated net worth for the financial year 2023.

CONSOLIDATED TOTAL STATEMENTS OF CHANGES IN EQUITY FOR THE ANNUAL YEARS COMPLETED ON 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

Sources of changes in shareholders' equity	Capital (Note 23)	Share premium (Note 24)	Equity instruments issued other than capital	Other equity instruments	Retained Earnings (Note 25)	Revaluation reserves	Other reserves	(-) Own shares	Profit or loss attributable to shareholders of the parent	(-) Interim dividends paid	Other comprehensive income	Non-controlling interests (Note 27)		**Total**
												Other comprehensive income	Other	
Balance as of 31-12-2021 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**2,985,858**	**—**	**53,909**	**—**	**1,174,689**	**(490,562)**	**(645,973)**	**2,157**	**2,335,622**	**13,394,329**
Effects of error correction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Beginning of period balance at 01-01-	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**2,985,858**	**—**	**53,909**	**—**	**1,174,689**	**(490,562)**	**(645,973)**	**2,157**	**2,335,622**	**13,394,329**
Total overall income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,242,860**	**—**	**63,866**	**(5,872)**	**358,763**	**1,659,617**
Other changes in equity	—	—	—	—	643,479	—	(33,062)	—	(1,174,689)	(161,641)	—	—	(135,845)	(861,758)
Common stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preferred stock issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other equity instruments issued (Note 23)	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Redemption or maturity of other equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Debt conversion to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reduction of capital	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends (Note 4)	—	—	—	—	—	—	—	—	—	(652,203)	—	—	(135,837)	(788,040)
Stock buybacks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale or cancellation of shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	643,479	—	40,648	—	(1,174,689)	490,562	—	—	—	—
Increases/(decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vesting of shares under employee share	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other increase/(decreases) of equity	—	—	—	—	—	—	(73,710)	—	—	—	—	—	(8)	(73,718)
Closing balance at 31-12-2022 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the total statement of changes in consolidated net worth for the financial year 2023.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED CASH FLOW STATEMENTS
CORRESPONDING TO THE COMPLETED ANNUAL FINANCIAL YEARS
31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Note	31/12/2023	31/12/2022 (*)
Cash flow from operating activities		6,970,387	(10,121,259)
Profit or loss after tax		1,321,150	1,601,623
Adjustments made to obtain the cash flows from operating activities:		1,967,556	1,605,540
Amortisation		*208,791*	*189,183*
Other		*1,758,765*	*1,416,357*
Net increase/(decrease) in operating assets		(14,661,831)	(11,940,967)
Financial assets held for trading		*110,069*	*(445,008)*
Non-trading financial assets mandatorily at fair value through profit or loss		*331*	*1,120*
Financial assets at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income	*7, 8*	*581,880*	*326,049*
Financial assets at amortised cost	*6, 7, 10*	*(15,087,677)*	*(11,240,158)*
Other operating assets		*(266,434)*	*(582,970)*
Net increase/(decrease) in operating liabilities		18,702,946	(953,502)
Financial liabilities held for trading		*(61,531)*	*409,700*
Financial liabilities at fair value through profit or loss		—	—
Financial liabilities at amortised cost		*18,249,458*	*(1,636,653)*
Other operating liabilities		*515,019*	*273,451*
Corporate income tax paid		(359,434)	(433,953)
CASH FLOWS FROM INVESTMENT ACTIVITIES		(2,190,583)	(1,022,024)
Payments		(3,588,349)	(1,321,383)
Tangible assets	*13*	*(2,114,800)*	*(1,145,924)*
Intangible assets	*14 and 15*	*(157,181)*	*(154,150)*
Investments in joint ventures and associates	*12*	*(26,976)*	—
Subsidiaries and other business units	*3*	*(1,289,392)*	*(21,309)*
Assets and liabilities included in disposal groups classified as held for sale		—	—
Other cash flows associated with investing activities		—	—
Proceeds		1,397,766	299,359
Tangible assets		*505,719*	*255,257*
Intangible assets	*14 and 15*	—	—
Investments in joint ventures and associates		*46,600*	*28,422*
Subsidiaries and other business units	*3*	*841,204*	—
Non-current assets held for sale and associated liabilities		*4,243*	*15,680*
Other cash flows associated with investing activities		—	—
CASH FLOWS FROM FINANCING ACTIVITIES		(317,252)	(937,684)
Payments		(1,166,788)	(1,537,684)
Dividends paid		*(607,469)*	*(1,259,296)*
Subordinated debt		*(124,569)*	*(32,659)*
Redemption of own equity instruments	*17*	—	—
Repurchase of own equity instruments		—	—
Other cash flows associated with financing activities		*(434,750)*	*(245,729)*
Proceeds		849,536	600,000
Subordinated debt	19	585,280	600,000
Issuance of equity instruments	23	—	—
Disposal of own equity instruments		—	—
Other cash flows associated with financing activities		*264,256*	—
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(10,244)	(57,905)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,452,308	(12,138,872)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		6,826,225	18,965,097
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		11,278,533	6,826,225
MEMORANDUM ITEMS:			
Cash and cash equivalents comprise:	2		
Of which: held by group entities but not available for the group			
Cash		*40,160*	*82,148*
Cash equivalent balances at central banks		*8,348,066*	*3,900,413*
Other financial assets		*2,890,307*	*2,843,664*
(Less)- Bank overdrafts repayable on demand			

(*) They are presented solely and exclusively for comparative purposes.

Notes 1 to 47 and Annexes I to V included in the attached consolidated report form an integral part of the consolidated statement of cash flows for the financial year 2023.

Santander Consumer Finance, S.A. And dependent companies that make up the Santander Consumer Finance Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

1. Introduction, bases for presentation of consolidated annual accounts, principles of consolidation and other information

a) Introduction

Santander Consumer Finance, S.A. (The "Bank"), was established in 1963 with the name of "Banco de Fomento, S.A.". It is a private law entity subject to the regulations and regulations of banking entities operating in Spain, which has its registered office in Avenida de Cantabria s/n, Edificio Dehesa, Boadilla del Monte, Madrid, where you can consult the corporate statutes and other public information about the Bank. The Bank is registered in the Official Register of Bank of Spain Entities under the code 0224.

Its corporate purpose is to receive funds from the public in the form of a deposit, loan, temporary transfer of financial assets or other similar activities involving the obligation to repay them, applying them, on their own account, to the granting of credits or operations of a similar nature. Likewise, as a holding company of a financial group (Grupo Santander Consumer Finance, the "Group"), it manages and manages the portfolio of shares in its subsidiaries.

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) owns, directly or indirectly, all the share capital of the Bank at 31 December 2022 and 2021 (see Note 23). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. In this regard, the Bank's activity should be considered to be carried on in the framework of its belonging to and the strategy of the Santander Group, with which it performs transactions that are relevant to its activity (see Note 46). The consolidated annual accounts of the Santander Group for the financial year 2022 were formulated by the Administrators of Banco Santander, S.A., at the meeting of its Board of Directors held on February 22, 2023, approved by its General Shareholders Meeting held on March 14 , 2023 and deposited in the Mercantile Registry of Santander. The consolidated annual accounts of Grupo Santander for the financial year 2023 were formulated on February 19, 2024 by its Administrators.

The Bank has one bank office located in Madrid, is not listed and, in 2023, it carried on most of its direct business activities in Spain.

In addition, since December 2002, the Bank has been the head of a European group of entities, mainly financial, that carry out commercial banking, consumer finance, operating and financial leasing, full-service service and others. The Group has, as of December 31, 2023, 290 offices mainly distributed throughout the European territory, 47 of them in Spain (311 offices as of December 31, 2022, 48 of them in Spain).

During 2020, a branch in Greece was established, once the relevant authorization was obtained, to finance purchases of any type of consumer goods made by third parties, financial leasing, renting, and others.

During 2021, after the merger of the Bank with its subsidiaries Santander Consumer Bank, S.A., Banco Santander Consumer Portugal, S.A. And Santander Consumer Finance Benelux, B.V. (See Note 3), branches were established in Belgium, Portugal and the Netherlands in order to give continuity to the activities that had been provided to date.

During 2022 and after the merger of the Bank with its subsidiary Santander Consumer Banque, S.A., a branch has been established in France in order to give continuity to the activities that have been provided to date.

As required by Article 21 of Royal Decree 84/2015, of 13 February, which develops Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the list of the Group's agents as at 31 December 2023 is set out in annex IV.

b) Basis for presentation of consolidated annual accounts

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU member state and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards (hereinafter "IFRSs") previously adopted by the European Union (hereinafter "EU-IFRSs").

In order to adapt the accounting regime of Spanish credit institutions with the principles and criteria established by the IFRS adopted by the European Union (IFRS-EU), the Bank of Spain issued Circular 4/2017, dated 27 November 2017, on Public and Reserved Financial Information Standards and Financial Statements Formats.

During 2021 and 2020, the Bank of Spain published Circulars 6/2021, dated December 22, 2/2020 and 3/2020, dated June 11, amending Circular 4/2017, dated November 27 to credit institutions on Public and Reserved Financial Information Standards and Financial Statements Formats.

The Group's consolidated financial statements for the 2023 financial year of the Group have been drawn up by the Bank's Administrators (at its Board of Directors meeting of 20 February 2024) in accordance with the provisions of the International Financial Reporting Standards adopted by the European Union, taking into account Bank of Spain Circular 4/2017 and its subsequent amendments, as well as the commercial regulations applicable to the Group, applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, in such a way as to show the true image of the Group's assets and financial position as at 31 December 2023 and the results of its operations, the recognised income and expenses, changes in equity and cash flows, consolidated, which occurred in the financial year 2023. These consolidated annual accounts have been drawn up from the accounting records maintained by the Bank and by each of the other entities within the Group, they include the adjustments and reclassifications necessary to homogenize the accounting policies and valuation criteria applied by the Santander Consumer Finance Group.

These notes to the consolidated annual accounts contain information in addition to that presented in the balance sheet, in the profit and loss account, in the statement of recognized income and expenditure, in the statement of changes in equity and in the statement of cash flows, all of them consolidated. It provides narrative descriptions or disaggregation of such states in a clear, relevant, reliable and comparable manner.

The Group's consolidated annual accounts for 2022 were approved by the Bank's General Shareholders' Meeting held on March 14, 2023 and deposited in the Mercantile Registry of Madrid. The consolidated annual accounts of the Group, those of the Bank and those of almost all the entities integrated in the Group for the financial year 2023 are pending approval by their respective General Shareholders Meetings. However, the Board of Directors of the Bank understands that these annual accounts will be approved without significant changes.

Adoption of new rules and interpretations issued

During 2023 the following amendments already adopted by the European Union have entered into force:

- IFRS 17 Insurance Contracts and Amendments to IFRS 17: New general accounting standard for insurance contracts, including recognition, measurement, reporting and disclosure. Insurance contracts combine financial and service delivery characteristics that, in many cases, generate variable long-term cash flows. For the proper reflection of these, IFRS 17 combines the measurement of future cash flows with the recording of the result of the contract during the period of provision of the service, it presents separately the financial results of the results for the provision of the service and allows entities, by choosing an accounting policy option, to recognize the financial results in the income statement or other comprehensive income. Applicable since 1 January 2023 retrospectively.

  The Group has carried out a project to implement the IFRS17 with all the entities of the Group and has developed an accounting policy that establishes the accounting criterion for the registration of insurance contracts. The Group has completed its analysis of the effects of this new standard without any tangible equity impacts being identified in its consolidated financial statements.

- Amendment to IAS 1 Presentation of financial statements: The amendment requires companies to disclose material information about their accounting policies rather than their significant accounting policies. It shall apply from 1 January 2023.

- Amendment to IAS 8 Accounting policies, changes in accounting estimates and errors: The amendment clarifies how to distinguish changes in accounting policies, generally retrospective, from changes in accounting estimates, generally forward-looking. It shall apply from 1 January 2023.

- Modification to IAS 12 Income Tax:

  i. The amendment requires companies to recognize deferred tax on transactions that, at the time of initial recognition, give rise to equal amounts of taxable and deductible temporary differences. In addition, entities shall recognize deferred tax assets (to the extent that they are likely to be usable) and deferred tax liabilities at the beginning of the first comparative period for all deductible and taxable temporary differences associated with:

     ◦ Right-of-use assets and lease liabilities.

     ◦ Liabilities for decommissioning, restoration and the like, and the corresponding amounts recognized as part of the acquisition cost of the related assets.

     The cumulative effect of making these adjustments shall be recognized under the accrued gains heading, or in another component of equity, as appropriate. It shall apply from 1 January 2023.

  ii. The second amendment applies to taxes on profits arising from the tax law to implement the model rules of Pillar II published by the Organization for Economic Cooperation and Development (OECD), including the tax law that implements the qualifying national minimum supplemental taxes described in those rules. The amendment includes the mandatory and temporary exception to the recognition and breakdown of deferred tax assets and liabilities arising from these Pillar II model rules (applicable from the date of publication of the amendment and with retroactive effect) and establishes additional reporting requirements:

     ◦ If the tax law has come into effect, the related tax expense will be disclosed separately.

     ◦ If the tax law is enacted or substantially enacted but has not yet entered into force, reasonably estimable qualitative and quantitative information will be disclosed to help users of the financial information understand the entity's exposure to the rules of the Pillar II model.

  The Group applies the exception to recognition and disclosure of deferred tax assets and liabilities in relation to Pillar II taxes, pursuant to the amendments to IAS 12. However, since the legislation of Pilar II is not in force on the date of submission of these consolidated annual accounts, Grupo Santander Consumer Finance does not have the corresponding exposure to current tax. However, at the end of 2023, there are geographies with tax laws for the implementation of the rules of the Pilar II model substantially promulgated that have not entered into force.

  From the application of the aforementioned amendments to the accounting standards and interpretations, no significant effects have been derived in the consolidated annual accounts of Grupo Santander Consumer Finance.

Finally, as of the date of preparation of these consolidated annual accounts, the following rules are in force, the effective date of which is after December 31, 2023:

- Amendment to IFRS 16 Leases: the lease liability on a leased sale requires a lessee-seller to subsequently measure lease liabilities arising from a leaseback so that it does not recognize any amount for gain or loss in relation to the right of use. On the other hand, the new requirements do not prevent a seller-lessee from recognizing in profit or loss related to the partial or total termination of a lease. It shall apply retrospectively from 1 January 2024.

- Amendment to IAS 1 Presentation of financial statements: Considering non-current liabilities in which the entity has the possibility of deferring payment in more than 12 months from the closing date of the reporting period.

  It also includes an additional amendment to IAS 1 on the classification of liabilities with covenants as current or non-current, specifying that covenants to be met after the reporting date do not affect the classification of liabilities as at that date; also requiring breakdowns on them.

  They should be applied retrospectively in accordance with the normal requirements of IAS 8 Accounting policies, changes in accounting estimates and errors. They shall apply from 1 January 2024

Finally, at the date of formulation of these consolidated annual accounts, the following rules were pending adoption by the European Union whose effective dates of entry into force are after December 31, 2023:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure: Additional disclosures are required for companies entering into supplier financing agreements. The purpose of the new disclosures is to provide information on Supplier Finance Arrangements (SFA) that allows investors to assess the effects on an entity's liabilities, cash flows and exposure to liquidity risk. Those amendments shall apply from 1 January 2024.

- Modification of IAS 21 Effects of Changes in Foreign Currency Exchange Rates: IAS 21 established the requirements to be applied when there is a lack of temporary interchangeability between two currencies, but did not give indications when this situation was not temporary. Given this scenario, IAS 21 has been modified establishing the criteria to identify these situations, specifying how entities should estimate the spot exchange rate, methodologies and data to be considered, as well as the associated breakdown requirements. This amendment shall apply from the financial years beginning on 1 January 2025.

Grupo Santander Consumer Finance is currently analyzing the possible effects of these new rules and interpretations.

All accounting policies and measurement bases with a material effect on the consolidated financial statements for 2023 were applied in the preparation of these consolidated annual accounts.

Use of critical estimates

The consolidated results and the determination of the consolidated assets are sensitive to the accounting principles, valuation criteria and estimates followed by the Administrators of the Santander Consumer Finance Group for the preparation of the consolidated annual accounts.

The main accounting principles and policies and valuation criteria are set out in note 2.

In the Group's consolidated financial statements, estimates were occasionally made by the senior management of the Santander Consumer Finance Group in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

1. The impairment losses on certain financial assets at fair value through other comprehensive income, non-current assets and disposal group that have been classified as held for sale, financial assets at amortized cost, investments in joint and associated ventures, tangible assets and intangible assets (see Notes 6, 7, 8, 10, 11, 12, 13, 14, 15 and 47);

2. The assumptions used in the actuarial calculation of post-employment pay liabilities and commitments and other long-term commitments held with employees (see Notes 2-r, 2-s and 21);

3. The useful life of tangible and intangible assets (see Notes 13 and 15);

4. Valuation of consolidation trading funds (see Note 14);

5. Calculation of provisions and consideration of contingent liabilities (see Note 21);

6. The fair value of certain unlisted assets and liabilities (see notes 6, 7, 8, 9, 10, 11, 12, 17, 18 and 19);

7. Recoverability of deferred tax assets and corporate tax expenditure (see Notes 2-t and 22);

8. The fair value of identifiable assets acquired and liabilities assumed in business combinations according to IFRS 3 (see Note 3).

To update the previous estimates, the Group management has taken into account the current macroeconomic scenario resulting from the complex geopolitical situation, as well as inflation and interest rate levels and supply chain difficulties, what is generating some impact on economic evolution and is a focus of follow-up, and that generates uncertainty in the Group's estimates. Therefore, the Group management has assessed in particular the uncertainties caused by the current environment in relation to credit, liquidity and market risk, taking into account the best available information, in order to estimate the impact on the impairment provisions of the credit portfolio, in interest rates, and in the valuation of debt instruments, developing in the notes the main estimates made during the period ended December 31, 2023 (see Notes 7,10,14 and 47).

Although these estimates have been made on the basis of the best information available at the end of the 2023 financial year considered updated information at the date of formulation of these consolidated annual accounts, it may be that events that, if any, take place in the future will require modification (up or down) in the coming years, which would be done, if any, prospectively recognizing the effects of the change in estimate on the corresponding consolidated profit and loss account.

c) Comparability of information presented

The information contained in this report for the financial year 2022 is presented solely and exclusively for comparative purposes with the information relating to the financial year 2023 and therefore does not constitute the annual accounts of the Group for the financial year 2022.

d) Basis of consolidation

i. Subsidiaries

Subsidiaries are defined as entities over which the Bank has the capacity to exercise control. The Bank controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This situation generally occurs when the Bank has, directly or indirectly, over half of the voting rights in the investee or situations where, without reaching that level of participation, agreement or other circumstances exist that give the Bank control over the investee.

The financial statements of the subsidiaries are fully consolidated with those of the Bank. Accordingly, all balances and effects of the transactions between consolidated companies are eliminated on consolidation.

On acquisition of control of a subsidiary, its assets, liabilities and contingent liabilities are recognised at their acquisition-date fair values. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill (see Note 14). Negative differences are recognised in profit or loss on the date of acquisition.

Additionally, the share of third parties of the Group's equity is presented under “Non-controlling interests” in the consolidated balance sheet (see Note 27). Their share of the profit for the year is presented under Profit attributable to non-controlling interests in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries for which control is lost during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

Regarding entities that, without having the majority of the voting rights, were classified as dependent entities and, therefore, consolidated in these annual accounts, such circumstance would be a consequence of the existence of agreements that affect the relevant activities of these entities and that give control to the Bank. As of December 31, 2023 and 2022, there are no companies in which the Group does not have at least 50% of the voting rights and which have been considered as Group entities.

On 31 December 2023 and 2022, no entities were identified in which the Group held over half of the voting power and were not considered subsidiaries.

Appendix I to these consolidated financial statements contains relevant information on the Group’s subsidiaries as of 31 December 2023.

ii. Interests in joint ventures

Joint ventures are deemed to be ventures that, being not dependent entities, are jointly controlled by two or more entities not related to each other. This is evidenced by contractual agreements under which two or more entities (shareholders) participate in entities or carry out operations or hold assets in such a way that any strategic financial or operational decision affecting them requires the unanimous consent of all members.

In the consolidated annual accounts, the joint ventures are valued by the “method of participation”; that is, by the fraction of their equity net representing the Group’s share in its capital, once the dividends received from them and other equity eliminations have been considered. In the case of transactions with a joint venture, the corresponding losses or gains are eliminated in the Group’s share of its capital.

Annex II to this consolidated report provides certain relevant information on the joint ventures as of 31 December 2023.

iii. Associates

They are entities over which the Bank has the capacity to exert significant influence, although not joint control or control. Usually, this capacity is manifested in a participation equal to or greater than 20% of the voting rights of the participating entity.

In the consolidated annual accounts, the associated entities are valued by the “participation method”; that is, by the fraction of their equity net representing the Group’s share in its capital, once the dividends received from them and other equity eliminations have been considered. In the case of transactions with an associated entity, the related losses or gains are eliminated in the Group’s share of its capital.

Annex II to this consolidated report provides certain relevant information from associated entities as of 31 December 2023.

iv. Structured entities

In cases where the Group constitutes or participates in entities in order to allow its clients access to certain investments, or for the transmission of risks or other purposes, also called structured entities since voting rights or similar rights are not the decisive factor in deciding who controls the entity, it is determined, according to internal criteria and procedures and taking into account the provisions of the reference regulations, whether there is control, as described above and therefore whether or not they should be consolidated. Specifically, for those entities where it is applicable (investment funds and pension funds, mainly), the Group analyzes the following factors:

– Percentage of participation maintained by the Group, with 20% generally established as a threshold.

– Identification of the fund manager, verifying whether it is a company controlled by the Group as this aspect could affect the ability to direct the relevant activities.

– The existence of agreements and/or agreements between investors that may make decision-making require joint participation by investors, not in this case being the fund manager who makes the decisions.

– Existence of exclusion rights currently exercised (possibility of removing the manager from his position) since the existence of these rights may be a limitation on the manager's power over the fund, concluding that the manager acts as an agent of investors.

– Analysis of the remuneration regime of the fund manager, considering that a remuneration scheme proportional to the service provided does not generally create an exposure of such importance as to indicate that the manager is acting as principal. On the contrary, if the remuneration is not in accordance with the service rendered, it could give rise to such a statement, which would lead the Group to a different conclusion.

These structured entities also include the asset securitization funds which are consolidated in those cases where, being exposed to variable returns, it is considered that the Group continues to exercise control.
The exposure associated with unconsolidated structured entities are not material with respect to the Group's consolidated financial statements.

Appendix I contains, amongst other information, the structured entities (securitization Funds) that are subject to consolidation in these consolidated financial statements as of 31 December 2023.

v. Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities.

Business combinations whereby the Group obtains control over an entity or business are recognised for accounting purposes as follows:

– The Group proceeds to estimate the cost of the business combination, which will normally correspond to the consideration given, defined as the fair value of the assets delivered, the liabilities incurred and the equity instruments issued, if any, by the acquiring entity. The cost of the business combination does not include expenses related to the business combination, including fees paid to auditors involved in the transaction, legal advisors, investment banks and other consultants. If, prior to the business combination, the Group maintained any investment in the capital of the acquired entity, this interest is valued at fair value, recording the differences between that fair value and the net book value at the date of the combination of counterparties in the profit and loss account, forming this investment measured at fair value part of the cost of the business combination.

– The fair value of the contingent assets, liabilities and liabilities of the acquired entity or business, including those intangible assets identified in the business combination that may not be recorded by the acquired entity, which are incorporated into the consolidated balance sheet by those securities, is estimated; as well as the amount of minority interests (non-controlling interests) and the fair value of previous holdings in the acquired one.

- The difference between these concepts is recorded in accordance with subparagraph (k) of this Note 2 if it is positive. In the event that this difference is negative, it is recorded in the negative trading fund recognized in profit or loss of the consolidated profit and loss account.

The goodwill is only recorded once when acquiring control of a business.

vi. Changes in the levels of ownership interests in dependent companies

Acquisitions and disposals that do not result in a change of control are accounted for as equity transactions in 'other reserves', not recognizing any loss or gain in the consolidated profit and loss account and not re-valuing the initially recognized goodwill. The difference between the consideration paid or received and the decrease or increase in minority interests, respectively, is recognized in reserves.

Similarly, when control of a dependent company is lost, minority assets, liabilities and interests, as well as other items that may be recognized in the company's 'other cumulative overall income' are removed from the consolidated balance sheet, recording the fair value of the consideration received as well as any remaining investment. The difference between these amounts is recognized in the consolidated profit and loss account.

vii. Acquisitions and disposals

Note 3 of this consolidated report provides information on the most significant acquisitions and disposals of holdings that have taken place in the years 2023 and 2022.

e) Capital and capital adequacy management

Management of the Bank's and the Group's capital should be understood within the framework of the management performed by the Santander Group, of which they form part (see Note 1-a). The Santander Group's capital management is performed at regulatory and economic levels.

The aim is to secure the Santander Group's solvency and guarantee its economic capital adequacy and its compliance with regulatory requirements, as well as an efficient use of capital.

To this end, the regulatory and economic capital figures and their associated metrics -return on risk weighted assets (RORWA), return on risk-adjusted capital (RORAC) and value creation of each business unit- are generated, analysed and reported to the relevant governing bodies on a regular basis.

As part of the Capital Self-assessment process Framework (to comply with the requirement of Pillar II Basel), the Santander Group uses an economic capital measurement model to ensure the sufficiency of the capital to support all the risks of its activity under different economic scenarios, with the level of solvency decided by the Santander Group. It also evaluates the compliance with regulatory capital ratios in all the different scenarios.

In order to adequately manage the Santander Group's capital, it is essential to estimate and analyze future needs, in anticipation of the various stages of the economic cycle. Projections of regulatory and economic capital are made based on the budgetary information (balance sheet, income statement, etc.) and the macroeconomic scenarios defined by the Santander Group's economic research service. These estimates are used by the Group as a reference when planning the management actions (issues, securitisations, etc.) required to achieve its capital targets.

In addition, certain stress scenarios are simulated in order to assess the availability of capital in adverse situations. These scenarios are based on sharp fluctuations in macroeconomic variables (GDP, interest rates, housing prices, etc.) that mirror historical crises that could happen again or plausible but unlikely stress situations.

Following is a brief description of the regulatory capital framework to which the Group is subject:

On 26 June 2013, the Basel III legal framework was included in European law through Directive 2013/36 (CRD IV), repealing Directives 2006/48 and 2006/49, and through Regulation 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation (CRR).

The CRD IV was transposed into Spanish legislation through Law 10/2014, on the regulation, supervision and capital adequacy of credit institutions, and its subsequent implementing regulations contained in Royal Decree-Law 84/2015 and Bank of Spain Circular 2/2016, which complete its adaptation to Spanish regulation.

The CRR, of immediate application in each European country, contemplates a gradual implementation calendar that allows a progressive adaptation to the new requirements in the European Union regarding AT1 and T2 capital instruments. These calendars have been incorporated into Spanish regulation through Bank of Spain Circular 2/2014, affecting both new deductions and those issues and equity elements that with this new regulation are no longer eligible as such.

In 2014, the Basel III came into force, which established new global capital, liquidity and leverage standards for financial institutions.

From a capital standpoint, Basel III redefined what is considered as available capital in financial institutions (including new deductions and raising the requirements for eligible equity instruments), raised the minimum capital requirements, demanded that financial institutions provide excess capital (capital buffers) and added new requirements for the risks considered.

In Europe, Basel III was implemented through Directive 2013/36/EU (CRD IV) and Regulation 575/2013 (CRR). CRD IV was transposed into Spanish regulations through Law 10/2014 on the regulation, supervision and solvency of credit institutions and its subsequent regulatory development contained in Royal Decree 84/2015. The CRR is directly applicable in the EU Member States and therefore repeals the national regulations regarding minimum capital requirements existing prior to its entry into force.

On 27 December 2017, Regulation 2017/2395 was published, amending the CRR with regard to transitional provisions to mitigate the impact of the introduction of IFRS 9, which took place on 1 January 2018. However, as a consequence of the Covid-19 health crisis, on June 24, 2020, the European Commission published Regulation (EU) 2020/873, which amends the previous one regarding the transitional adjustments arising from the application of IFRS 9 accounting standards.

The regulatory changes introduced in the new regulation are focused mainly on the dynamic approach and the extension of the phase-in until 2024 in order to mitigate the impact of the increase in the volume of provisions. In terms of how to determine their impact, the static and dynamic approach must be taken into account:

Regarding the static approach, it would correspond to apply the factor of 0.7 expected for the year 2020 while the dynamic approaches should be distinguished between:

- Dynamic approach 1: it measures the evolution of non-default provisions from the date of first application of IFRS 9 (January 1, 2018) to the reporting date (January 1, 2020), maintaining the phase-in factors for 5 years (2018-2022) provided in the previous Regulation.

- Dynamic approach 2: it measures the evolution of non-default provisions from January 1, 2020 until the reporting date, applying new phase-in factors updated until 2024.

The main objective of this modification was to isolate the effect of the increase in non-default provisions caused by the COVID-19 health crisis and thus not to harm the top-quality capital of credit institutions.

In addition, on 28 December 2017 Regulations 2017/2401 and 2017/2402 were published, incorporating the new securitisation framework. The first regulation established a new methodology for calculating capital requirements for securitisations and a transitional period ending on 31 December 2019, while the second regulation defines a type of STS securitisation which, due to characteristics ('simple, transparent and standardised')s, receives preferential treatment in terms of lower capital requirements.

With regard to Non-Performing Exposures (NPEs), rules have been published with the aim of implementing the "Action Plan for Non-Performing Exposures in Europe", published by the European Council in July 2017. The most relevant are the following:

- The ECB's supervisory expectation to address the stock of NPEs through provisioning,

- European Central Bank Guidance on Non-performing loans to credit institutions, published in March 2017: the Appendix to this Guidance, published in March 2018, sets out timetables with quantitative supervisory expectations for provisioning of this type of exposure. Applicable to exposures originated prior to 26 April 2019 and which have become NPE on or after 1 April 2018. Non-compliance could result in a higher charge for Pillar 2.

- Amendment of the RRC by Regulation 2019/630 regarding the minimum coverage of losses arising from doubtful exposures (prudential backstop), published in April 2019: this regulation includes timetables of quantitative requirements for minimum provisioning of NPE's. It applies to PPE's originated after 26 April 2019 and failure to comply would result in a deduction from the institutions' CET1.

e) *Plan for the roll-out of advanced approaches and authorisation from the supervisory authorities*

Santander Consumer Finance Group, following Santander Group policies, continues with its proposal to adopt, progressively, over the next few years, the advanced internal ratings-based (AIRB) approach for substantially all its banks, until the percentage of exposure of the loan portfolio covered by this approach exceeds 90%. The commitment assumed before the supervisor still implies the adaptation of advanced models within the key markets where it operates.

Accordingly, the Group continued in 2022 with the project for the progressive implementation of the technology platforms and methodological improvements required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the various Group units.

The Group has obtained authorisation from the supervisory authorities to use the AIRB approach for the calculation of regulatory capital requirements for credit risk for the Parent and the main subsidiaries in Spain as well as for certain portfolios in Germany, the Nordic countries (Norway, Sweden and Finland), and France.

With respect to operational risk, the Group currently uses the standardised approach for calculating regulatory capital as foreseen in the Capital Requirements Regulation (CRR).

f) Deposit Guarantee Fund and Single Resolution Fund

The Bank and other consolidated entities are integrated into the Deposit Guarantee Fund, National Resolution Funds or equivalent bodies of their respective countries.

i. Deposit Guarantee Fund

The Deposit Guarantee Fund ("FGD"), established by Royal Decree – Law 16/2011, of 14 October, creating the FGD, which was modified in accordance with the wording given by the Final Provision Tenth of Law 11/2015, of 18 June, recovery and resolution of credit institutions and investment firms (in force since 20 June 2015). This Law transposes into Spanish law Directive 2014/49/EU of 16 April on deposit guarantee systems. The annual contribution to be made by the institutions to this fund is determined by the Managing Commission of the DGF, and consists of the contribution based on the guaranteed deposits of each institution corrected by its risk profile, that includes the phase of the economic cycle and the impact of procyclical contributions, according to paragraph 3 of article 6 of Royal Decree-Law 16/2011.

The purpose of the FGD is to guarantee deposits in credit institutions up to the limit contemplated in the Royal Decree-Law. In order to meet its objectives, the FGD draws on the aforementioned annual contributions, the spillovers that the Fund makes between the entities that join it and the resources raised in the stock markets, loans and any other indebtedness operations.

Taking into account the foregoing and to strengthen the assets of the FGD, Royal Decree-Law 6/2013 of 22 March, on the protection of the holders of certain savings and investment products and other financial measures, it established a spill equivalent to 3 per thousand of the institutions' deposits as of December 31, 2012. This spill becomes effective in two sections:

i. Two fifths to be satisfied within twenty working days from December 31, 2013.

ii. Three fifths to be paid within a maximum period of seven years and according to the schedule of payments established by the Managing Commission of the FGD.

Additional information on the Bank's contributions of this type made in 2023 and 2022 can be found in the Bank's individual report of its annual accounts for 2023.

ii. Single Resolution Fund

In March 2014, the Parliament and the European Council reached a political agreement on the creation of the second pillar of the banking union, the Single Resolution Mechanism ("SRM"). The main objective of the SRM is to ensure that future bank failures in the banking union are managed efficiently, with minimal costs for the taxpayer and the real economy. The scope of the SRM is identical to that of the SSM, i.e. a central authority, the Single Resolution Board ("SRB"), is ultimately responsible for the decision to initiate the resolution of a bank, while the operational decision will be implemented in cooperation with national resolution authorities. The SRB started its work as an autonomous EU body on 1 January 2015.

The rules governing the banking union are intended to ensure that the resolutions are financed primarily by banks and their shareholders and, if necessary, also partially by the institution's creditors. However, another source of funding will also be available and can be used if the contributions of shareholders and creditors of the institution are not sufficient. This is the Single Resolution Fund ("SRF"), which is administered by the SRB. The regulation provides that banks will pay contributions to the SRF over eight years.

In this regard, on 1 January 2016, the SRF came into operation, which has been implemented by Regulation (EU) No 806/2014 of the European Parliament and of the Council. The SRB is responsible for calculating the contributions to be made by credit institutions and investment firms to the SRF. These contributions are based, from the financial year 2016, on: (A) a flat-rate contribution (or basic annual contribution), pro rata with respect to total liabilities, excluding own funds, the secured deposits of all authorized entities in the territory of the participating Member states; and (b) a risk-adjusted contribution, which shall be based on the criteria set out in Article 103(7) of Directive 2014/59/EU, taking into account the principle of proportionality, without creating distortions between banking structures in the Member states. The amount of this contribution accrues from the financial year 2016, on an annual basis.

The amount accrued for contributions to both funds as at 31 December 2023 amounted to EUR 64,982 thousand (as at 31 December 2022 it amounted to EUR 81,891 thousand), having been included under "Other operating expenses" in the profit and loss account (see Note 37).

iii. National Resolution Fund

In the year 2015, Royal Decree 1012/2015, of 6 November, was published, which developed Law 11/2015, of 18 June, on recovery and resolution of credit institutions and investment services companies, and by which Royal Decree 2606/1996, was modified. of 20 December on Deposit Guarantee Funds of Credit Institutions. The aforementioned Law 11/2015 regulates the creation of the National Resolution Fund, whose financial resources should reach, by December 31, 2024, 1% of the amount of guaranteed deposits, through contributions from credit institutions and investment services companies established in Spain. The detailed form of calculation of contributions to this Fund is regulated by Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 and is calculated by the Ordered Bank Resolution Fund ("FROB"), based on the information provided by each entity.

The expenditure incurred for the contribution made by the Bank to the National Resolution Fund in Spain in 2023 amounted to 488 thousand euros (451 thousand euros in 2022), it is recorded under "Other operating expenses" in the attached profit and loss account (see Note 37).

g) Environmental impact

Given the activities to which the Group companies are engaged, they have no liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the assets, financial situation and consolidated results of the Group. For this reason, no specific breakdowns are included in this consolidated report with regard to information on environmental issues.

h) **Events after the reporting period**

Subsequent to close of the fiscal year ended December 31, 2023 and until the date of formulation of these Consolidated Annual Accounts for that year, no event has occurred that significantly affects or modifies the information contained therein.

2. Accounting principles and policies and valuation criteria applied

The following accounting principles and policies and valuation criteria have been applied in the preparation of the consolidated annual accounts:

a) Foreign currency transactions

i. Presentation currency

The functional and presentation currency of the Bank is the euro. The Group's currency of presentation is also the euro.

ii. Criteria for the conversion of balances into foreign currency

The conversion of foreign currency balances into euros takes place in two consecutive phases:

- Conversion of the foreign currency to the presentation currency (currency of the main economic environment in which the entity operates); and

- Conversion into euros of balances held in the functional currencies of entities whose functional currency is not the euro.

iii. Conversion of foreign currency to presentation currency

Foreign currency transactions carried out by consolidated entities (or valued by the equity method) not based in countries of the Monetary Union are initially recorded in their respective currencies. Subsequently, the monetary balances in foreign currency are converted to their respective functional currencies using the year-end exchange rate.

Furthermore:

- Non-monetary items valued at their historical cost are converted to the currency of presentation at the exchange rate of the date of acquisition.

- Non-monetary items measured at fair value are converted at the exchange rate on the date on which such fair value was determined.

- Income and expenses are converted at the average exchange rates for the period for all operations within the period. In applying this criterion, the Panel considers whether there have been significant changes in exchange rates during the financial year which, due to their relevance to the accounts as a whole, make it necessary to apply exchange rates at the date of the transaction instead of such average exchange rates.

- Forward trading transactions of currencies against currencies and currencies against euros that do not cover equity positions are converted at the exchange rates established on the closing date of the financial year by the forward currency market for the corresponding maturity.

iv. Conversion of functional currencies into euros

The balances in the annual accounts of consolidated institutions (or valued by the equity method) whose functional currency is other than the euro are converted into euros as follows:

- Assets and liabilities, by application of the exchange rate at year-end.

- Income and expenditure, applying the average exchange rates for the year.

- Equity items, at historical exchange rates.

v. Recognition of exchange differences

Exchange differences arising from the translation of foreign currency-denominated balances into the reporting currency are generally recorded at their net amount in the exchange differences chapter of the consolidated income statement, net, with the exception of exchange differences in financial instruments classified at fair value through profit and loss, which are recorded in the consolidated profit and loss account without differentiating them from other changes that may occur at fair value, and exchange differences in non-monetary items whose fair value is adjusted in equity, recorded under other cumulative comprehensive income – items that may be reclassified to profit or loss – currency conversion, except for differences in exchange for equity instruments, in which the option of irrevocably being measured at fair value through other cumulative comprehensive income has been chosen, that other cumulative comprehensive income – items not to be reclassified into profit or loss – changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in the chapter (see Note 26).

The exchange differences that occur when converting financial statements denominated in the functional currencies of entities whose functional currency is other than the euro into euros are recorded under the equity heading Other cumulative overall income – elements that can be reclassified into profit or loss – conversion of consolidated balance sheet currencies, while those that originate in the conversion into euros of the financial statements of entities valued by the equity method are recorded as part of the balance of the equity heading other cumulative overall income – elements that will not be reclassified into results and elements that they can be reclassified into profit or loss – participation in other recognized income and expenses from investments in joint and associated ventures up to the balance sheet of the item to which they correspond, at which time they will be recorded in profit or loss.

Exchange differences arising from actuarial gains or losses when converting financial statements denominated in the functional currencies of entities whose functional currency is other than the euro into euros are recorded under equity heading Other cumulative comprehensive income - items other than not they will be reclassified into profit or actuarial (-) losses in defined benefit pension plans (see Note 21 and Note 26).

vi. Entities located in hyperinflationary economies

As at 31 December 2023 and 2022, none of the functional currencies of consolidated and associated entities, located abroad, were held in economies considered highly inflationary according to the criteria established in this regard by the International Financial Reporting Standards adopted by the European Union. Consequently, at the close of the accounts of the last two financial years, there has been no need to adjust the financial statements of any consolidated or associated entity to correct them for the effects of inflation.

vii. Exposure to foreign

The value in euros of the total foreign currency assets and liabilities held by the Group as at 31 December 2023 and 2022 amounts to 18,193 million euros and 11,574 million euros, respectively (20,296 million euros and 12,221 million euros, respectively). at the end of financial year 2022) –see Note 44.b–. As of December 31, 97.27% (98.80% as of December 31, 2022) of foreign currency assets and 100% (100% as of December 31, 2022) of foreign currency liabilities were Norwegian kroner (approximately 96.82%). The rest are, in their totality, other currencies quoted in the Spanish market. The effect on the consolidated profit and loss account and on the consolidated net worth by percentage changes of 1 per cent in the various foreign currencies in which the Group maintains significant balances, considering the exchange rate hedges established by the Group in this regard, it would be insignificant.

b) Definitions and classification of financial instruments

i. *Definitions*

A “financial instrument” is a contract that gives rise to a financial asset in one entity and simultaneously to a financial liability or capital instrument in another entity.

A Capital or equity instrument is a legal business that demonstrates a residual stake in the assets of the issuing entity after all its liabilities are deducted.

A “financial derivative” is a financial instrument whose value changes in response to changes in an observable market variable (such as an interest rate, exchange rate, the price of a financial instrument or a market index, including credit ratings), the initial investment of which is very small relative to that which would have to be made in other financial instruments with a similar response to changes in market conditions, and which is generally settled at a future date.

“Hybrid financial instruments” are contracts that simultaneously include a master contract other than a derivative together with a financial derivative, called an implied derivative, that it is not individually transferable and that it has the effect that some of the cash flows of the hybrid contract vary in the same way as would the implicit derivative considered in isolation.

Compound financial instruments are contracts that for their issuer generate both a financial liability and an own capital instrument (such as convertible bonds that grant their holder the right to convert them into equity instruments of the issuing entity).

The preference shares contingently convertible into ordinary shares eligible as Additional Tier 1 capital (“CCPSs”) -perpetual preference shares, which may be repurchased by the issuer in certain circumstances, the interest on which is discretionary, and would convert into a variable number of newly issued ordinary shares if the capital ratio of the Bank or its consolidated group falls below a given percentage (trigger event), as those two terms are defined in the related issue prospectuses- are recognised for accounting purposes by the Group as compound instruments. The liability component reflects the issuer's obligation to deliver a variable number of shares and the equity component reflects the issuer's discretion in relation to the payment of the related coupons. In order to effect the initial allocation, the Group estimates the fair value of the liability as the amount that would have to be delivered if the trigger event were to occur immediately and, accordingly, the equity component, calculated as the residual amount, is zero. In view of the aforementioned discretionary nature of the payment of the coupons, they are deducted directly from equity.

Also, the contingently redeemable perpetual debentures, which may be purchased by the issuer under certain circumstances, whose remuneration is discretionary, and which will be redeemed, in whole or in part, on a permanent basis if the Bank or its consolidated group has a capital ratio below a certain percentage (trigger event), as defined in the related prospectuses, are accounted for by the Group as equity instruments.

The following transactions are not treated, for accounting purposes, as financial instruments:

- Investments in joint ventures and associates in joint ventures and associated entities (see Note 12).

- Rights and obligations arising from employee benefit plans (see Note 21).

ii. *Classification of financial assets for measurement purposes*

Financial assets are presented under the different categories in which they are classified for management and valuation purposes, unless they are to be presented as "non-current assets and disposal groups that have been classified as held for sale", or correspond to "cash, cash," or "cash," or "cash," or "cash," or "cash,". cash balances in central banks and other demand deposits", "Derivatives – hedge accounting" or "Investments in joint ventures and associates", in which case, are displayed independently.

The classification criterion of financial assets depends both on the business model for their management and on the characteristics of their contractual flows.

The Group's business models refer to how the Group manages its financial assets to generate cash flows. In defining them, the Group takes into account the following factors:

- How key management personnel are evaluated and reported on the performance of the business model and the financial assets held in the business model.
- The risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, the way in which those risks are managed.
- How business managers are rewarded.
- The frequency and volume of sales in previous years, as well as the expectations of future sales.

The analysis of the characteristics of contractual flows of financial assets requires an assessment of the consistency of these flows with a basic loan agreement. The Group determines whether the contractual cash flows of its financial assets are only payments of principal and interest on the principal amount outstanding at the beginning of the transaction. This analysis takes into account four factors (performance, clauses, contractually linked products and foreign exchange). In this regard, among the most significant trials employed by the Group in carrying out this analysis, are the following:

- The return on financial assets, in particular in cases of periodic interest rate adjustment where the term of the reference interest rate does not coincide with the frequency of adjustment. In these cases, an assessment is carried out to determine whether contractual cash flows differ significantly from flows without this change in the time value of money, establishing a tolerance level of 2%.

- Financial assets whose cash flows have different payment priority due to contractual linkage to underlying assets (such as securitizations) require a look-through analysis by the Group to review that both the financial assets and the underlying assets are payments of principal and interest only, and that the credit risk exposure of the pool of underlying assets belonging to the analyzed tranche is less than or equal to the credit risk exposure of the underlying asset pool of the instrument.

On this basis, the asset can be measured at amortized cost, at fair value through other comprehensive income, or at fair value through changes in profit or loss for the period. The IFRS9 also provides for the option of designating an instrument at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "accounting asymmetry") that would otherwise arise from the measurement of assets or liabilities or from the recognition of gains and losses on different bases. The Group uses the following criteria for the classification of debt instruments:

- Amortized cost: Financial instruments under a business model whose objective is to collect principal and interest flows, for which there are no significant unjustified sales and fair value is not a key element in the management of these assets and contractual conditions result in cash flows at specific dates, which are only principal and interest payments on the outstanding principal amount. In this sense, unjustified sales are considered those other than those related to increased asset credit risk, unforeseen financing needs (liquidity stress scenarios). In addition, the characteristics of their contractual flows represent substantially a "basic financing agreement".

- Fair value with changes in other comprehensive income: Financial instruments included in a business model whose objective is achieved through the collection of principal and interest flows and the sale of such assets, fair value being a key element in the management of these assets. In addition, the characteristics of their contractual flows represent substantially a "basic financing agreement".

- Fair value with changes in profit or loss: financial instruments included in a business model whose objective is not achieved through the aforementioned ones, fair value being a key element in the management of these assets, and financial instruments whose characteristics of their contractual flows do not substantially represent a "basic financing agreement". This would include portfolios classified under the headings "Financial assets held for trading", "Non-trading financial assets obligatorily measured at fair value through profit or loss" and "Financial assets designated at fair value through profit or loss".

Equity instruments will be classified at fair value under IFRS 9, with changes in profit or loss, unless the Group decides, for non-trading assets, to classify them at fair value with changes in other comprehensive income (irrevocably) in the initial moment.

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

- Cash and balances at central banks and other demand deposits: Cash balances and immediately available debtor balances originating from deposits held in central banks and credit institutions.

- Loans and advances: Debit balances of all credits or loans granted by the Group except securities, receivables of financial leasing transactions and other financial debtor balances in favor of the Group, such as checks by credit institutions, balances outstanding from liquidating chambers and bodies for exchange transactions and organized markets, cash bonds, passive dividends required, fees for financial guarantees pending collection and debtor balances for transactions that do not originate from banking operations and services such as the collection of rents and the like. They are classified according to the institutional sector to which the debtor belongs in:

  - Central Banks: Credits of any nature, including deposits and money market operations, in the name of the Bank of Spain or other central banks.

  - Credit institutions: Credit of any nature, including deposits and money market operations, on behalf of credit institutions.

  - Customers: Collects the remaining credits, including money market operations carried out through central counterparties.

- Debt instruments: Bonds and other securities which recognize a debt for its issuer, which accrue remuneration in the form of interest, and which are set in securities or account notes.

- Equity instruments: Financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, except for interests in dependent entities, associates and joint ventures. This item includes investment fund holdings.

- Derivatives: Includes the fair value in favor of the Group of financial derivatives that are not part of accounting hedges, including segregated implicit derivatives of hybrid financial instruments.

- Temporary asset acquisitions: purchases of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as a financing granted according to the nature of the corresponding debtors, under the heading 'Loans and advances' ('central banks', 'credit institutions' or 'clientele'). The difference between purchase and sale prices is recorded as financial interest over the life of the contract.

- Changes in the fair value of covered items in a portfolio covered by interest rate risk: counterparty chapter of amounts charged to the consolidated profit and loss account resulting from the valuation of portfolios of financial instruments that are effectively covered by interest rate risk through fair value hedging derivatives.

- Derivatives – Hedge Accounting: Includes the fair value in favor of the Group of derivatives, including segregated implicit derivatives of hybrid financial instruments, designated as hedging instruments in accounting hedges.

iv. *Classification* of financial liabilities for valuation purposes

Financial liabilities are initially classified into the various categories in which they are classified for the purposes of their management and valuation, unless they must be presented as liabilities associated with non-current assets on sale, or correspond to derivatives – hedge accounting, changes in the fair value of covered items in an interest rate risk hedged portfolio, which are shown independently.

Financial liabilities are included for valuation purposes in one of the following portfolios:

- Financial liabilities held for trading (at fair value through profit and loss): financial liabilities issued with the aim of benefiting in the short term from changes in their prices, financial derivatives that are not considered book-hedging, and financial liabilities arising from the firm sale of financial assets temporarily acquired or borrowed (short positions).

- Financial liabilities designated at fair value through profit or loss: Financial liabilities are included in this category where more relevant information is obtained either because this eliminates or significantly reduces inconsistencies in recognition or valuation (also called accounting asymmetries) which would arise from the valuation of assets or liabilities or from the recognition of their gains or losses under different criteria, either because there is a group of financial liabilities, or financial assets and liabilities, and they are managed and their performance assessed on the basis of their fair value, in accordance with a documented risk management or investment strategy and information from that group is also provided on the basis of fair value to key staff of the Group's management. Liabilities may only be included in this portfolio on the date of issue or origination.

- Financial liabilities at amortized cost: Financial liabilities that are not included in any of the above categories and that respond to the typical fundraising activities of financial institutions, regardless of their form of instrumentalization and their maturity.

v. *Classification* of financial liabilities for presentation purposes

Financial liabilities are included, for the purpose of their presentation according to their nature in the consolidated balance sheet, under the following headings:

- Deposits: Includes amounts of repayable balances received in cash by the institution, including those in the nature of subordinated liabilities (the amount of financing received which, for credit priority purposes, are behind common creditors), except for debt securities. It also includes bonds and cash appropriations received whose amount can be freely invested. Deposits are classified according to the institutional sector to which the creditor belongs in:

    - Central Banks: Deposits of any nature including credits received and money market operations received from the Bank of Spain or other central banks.

- Credit institutions: Deposits of any nature, including credits received and money market transactions on behalf of credit institutions.

- Customer: includes the remaining deposits, including the amount of money market transactions carried out through central counterparties.

During the financial year 2019 the European Central Bank announced a new Targeted Long-Term Refinancing Operations Program (TLTRO III), which included special conditions, including: a reduction in the interest rate applicable between June 2020 and June 2022 subject to the fulfillment of a certain volume of computable loans.

Grupo Santander Consumer Finance chose to accrue interest according to the specific periods of adjustment to market rates, so it has recorded in the income statement from June 2020 to June 2022 the interest corresponding to that period (-1%), having met the threshold for computable loans resulting from the extratipe as at that date.

Subsequently, and following the changes made by the European Central Bank to the terms of the program, which include changes in its interest rates, the Group has updated the effective interest rate at which the interest accrues on that financial liability, maintaining the approach adopted in previous years, and considering these modifications a change in the variable interest rate (affecting the TAR) and is applied prospectively.

– Debt securities issued: Includes the amount of bonds and other debts represented by marketable securities, including those having the nature of subordinated liabilities (the amount of financing received which, for the purpose of credit priority, lie behind common creditors. It also includes the amount of financial instruments issued by the Group that, having the legal nature of capital, do not meet the requirements to qualify as equity, such as certain preferred shares issued). This item includes the financial liability component of issued securities that are composite financial instruments.

– Derivatives: Includes the fair value with unfavorable balance for the Group of derivatives, including implicit derivatives that have been segregated from the main contract, which are not part of accounting hedges.

– Short Positions: The amount of financial liabilities arising from the firm sale of financial assets temporarily acquired or borrowed.

– Other financial liabilities: Includes the amount of obligations payable in the nature of financial liabilities not included elsewhere and liabilities for financial collateral contracts, unless classified as non-performing.

– Temporary assignments of assets: sales of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as a financing received according to the nature of the corresponding creditor, under the heading 'Deposits' ('Central banks', 'Credit institutions' or 'Clientele'). The difference between purchase and sale prices is recorded as financial interest over the life of the contract.

– Changes in the fair value of covered items in a portfolio covered by interest rate risk: counterparty chapter of amounts charged to the consolidated profit and loss account resulting from the valuation of portfolios of financial instruments that are effectively covered by interest rate risk through fair value hedging derivatives.

– Derivatives – Hedge Accounting: Includes the fair value against the Group of derivatives, including segregated implicit derivatives of hybrid financial instruments, designated as hedging instruments in accounting hedges.

c) Measurement of financial assets and liabilities and recognition of fair value changes

Generally, financial assets and liabilities are initially recorded at their fair value, which, unless evidence to the contrary, is the price of the transaction. For instruments not measured at fair value through profit and loss changes it is adjusted to transaction costs.

In this regard, IFRS 9 provides that conventional purchases or sales of financial assets will be recognized and discharged according to the trading date or the settlement date. The Group has chosen to record such a record on the trading date or settlement date in accordance with the convention of each of the markets in which the transactions are made. For example, in relation to the purchase or sale of debt securities or equity instruments traded on the Spanish market, the securities market regulations establish their effective transfer at the time of settlement, therefore, the same time has been established for the accounting record.

The fair value of instruments not measured at fair value through profit and loss is adjusted to transaction costs. Subsequently, and at the time of each accounting closure, they are valued according to the following criteria:

i. *Measurement of financial assets*

Financial assets are valued primarily at fair value without deducting any transaction costs for their sale.

The fair value of a financial instrument, at a given date, is understood to be the price that would be received for the sale of an asset or paid to transfer a liability through an orderly transaction between market participants. The most objective and common reference to fair value of a financial instrument is the price that would be paid for it in an active, transparent and deep market (trading price or market price). As at 31 December 2023, there is no significant investment in listed financial instruments that has ceased to be recorded for its trading value as a result of the fact that its market cannot be considered as active.

If there is no market price for a given financial instrument, the fair value of a financial instrument is estimated to be that established in recent transactions of similar instruments and, failing that, to valuation models sufficiently contrasted by the international financial community, taking into account the specific peculiarities of the instrument to be assessed and, in particular, the different types of risk associated with the instrument.

All derivatives are recorded on the balance sheet at fair value from the date of purchase. If their fair value is positive they will be recorded as an asset and if it is negative they will be recorded as a liability. At the date of procurement, it is understood that, unless evidence to the contrary, its fair value is equal to the price of the transaction. Changes in the fair value of derivatives designated as accounting hedging from the date of procurement are recorded in return in the profit and loss account consolidated under the heading Gains or losses from hedging accounting, net. In particular, the fair value of financial derivatives traded on organized markets included in trading portfolios is assimilated to their daily trading and if, for exceptional reasons, their trading cannot be established on a given date, methods similar to those used to value derivatives contracted in non-organized markets are used to value them.

The fair value of these derivatives is assimilated to the sum of future cash flows originating in the instrument, discounted at the valuation date (present value or theoretical closing), using methods recognized by the financial markets in the valuation process: net present value, options pricing models, among other methods.

Balances of securities representing debt and loans and advances under a business model whose objective is to collect principal and interest flows are valued at their amortized cost, provided they meet the SPPI test (solely Payments of Principal and Interest) using the effective interest rate method in its determination. Amortized cost means the acquisition cost of a corrected financial asset or liability (in more or less, as the case may be) for principal repayments and the systematically charged portion of the difference between the initial cost and the corresponding maturity repayment value to the consolidated profit and loss account. In the case of financial assets, the amortized cost also includes impairment-related corrections to their value. Loans and advances covered in fair value hedging transactions record changes in fair value related to the risk or the risks covered in such hedging operations.

The effective interest rate is the refresh rate that exactly equates the initial value of a financial instrument to the totality of its cash flows estimated by all concepts throughout its remaining life. For financial instruments at fixed interest rates, the effective interest rate coincides with the contractual interest rate established at the time of their acquisition plus, where appropriate, the transaction fees and costs which, by their nature, are part of their financial performance. In variable interest rate financial instruments, the effective interest rate coincides with the rate of return in effect for all items until the first revision of the benchmark interest rate to take place.

Equity instruments and contracts related to those instruments should be measured at fair value. However, in certain specific circumstances, the Group considers that the cost is an adequate estimate of fair value. This may be the case if the newly available information is insufficient to measure such fair value, or if there is a wide range of possible fair value measurements and the cost represents the best estimate of fair value within that range. The amounts for which financial assets are recorded represent, in all significant respects, the Group's highest level of credit risk exposure at each reporting date. The Group has collateral taken and other credit improvements to mitigate its exposure to credit risk, consisting mainly of mortgage, cash, and other credit guarantees. of equity and personal instruments, assets transferred in *leasing* and *renting, assets acquired with repurchase agreement, securities loans and credit derivatives.*

ii. Measurement of financial liabilities

Financial liabilities are generally valued at their amortized cost, as defined above, except those included in the Financial liabilities held for trading chapters, financial liabilities at fair value through profit or loss and financial liabilities designated as items covered in fair value hedges (or as hedging instruments) the book value of which is modified by changes in fair value related to the risk or the risks covered in such hedging operations. Changes in credit risk arising from financial liabilities designated at fair value through profit or loss shall be recorded in other cumulative comprehensive income, unless they generate or increase accounting asymmetry, in which case, changes in the fair value of the financial liability in all its concepts shall be recorded in the income statement.

Valuation techniques

Financial instruments at fair value and determined by published quotes on active markets (Level 1), include public debt, private debt and derivatives traded on organized markets, securitized assets, shares and issued fixed income.

In cases where the fair value of a financial instrument cannot be obtained from its market quotes, the Group makes its best fair value estimate using its own internal models. In most cases, these internal models use data based on observable market parameters as significant *inputs* (Level 2) and, in limited cases, use significant unobservable *inputs* in market data (Level 3). To make this estimate, various techniques are used, including extrapolation of observable market data. The best evidence of the fair value of a financial instrument at the initial time is the price of the transaction, unless the value of that instrument can be obtained from other transactions made on the market with the same or similar instrument, or value it using a valuation technique where the variables used include only observable data in the market, mainly interest rates (see note 43).

iii. Results recognision

As a general rule, changes in the carrying value of financial assets and liabilities are recorded in return in the consolidated profit and loss account, differentiating between those originating in the accrual of interest and similar concepts (which are recorded in the chapters Interest income or interest expense, as appropriate), and those for other causes. The latter are recorded, at their net amount, in the chapter Gains or losses on financial assets or liabilities.

Adjustments for changes in fair value resulting from:

- Financial assets at fair value through other cumulative comprehensive income are recorded on a transitory basis, for debt instruments in other cumulative comprehensive income – items that may be reclassified into profit or loss – financial assets at fair value through other comprehensive income, whereas equity instruments are recorded in other cumulative comprehensive income – items that will not be reclassified into profit or loss – changes in the fair value of equity instruments measured at fair value through changes in other comprehensive income. The exchange differences of debt instruments measured at fair value through other cumulative comprehensive income are recognized in the chapter Exchange differences, net of the consolidated profit and loss account. Differences in exchange for equity instruments, in which the option of irrevocably has been chosen, if measured at fair value through other cumulative comprehensive income, the chapter recognizes other cumulative comprehensive income – Elements not to be reclassified into profit or loss – Changes in the fair value of equity instruments measured at fair value through other comprehensive income.

- Items charged or paid to equity headings Other cumulative comprehensive income – items that can be reclassified into profit or loss – financial assets at fair value through other comprehensive income and other cumulative comprehensive income – items that can be reclassified into profit or loss – currency conversion remain as part of the Group's consolidated net worth until the consolidated balance sheet deteriorates or declines the assets from which they originate, at which point they are canceled against the consolidated profit and loss account.

- Unrealized gains from financial assets at fair value through other comprehensive income classified as non-current assets held for sale as part of a disposal group or a discontinued transaction are recorded in return under equity other income cumulative global – items that can be reclassified into profit or loss – non-current assets and disposal groups of items that have been classified as held for sale.

iv. Hedging transactions

The consolidated entities use financial derivatives to manage the risks of the Group's own positions and their assets and liabilities ("derivatives – hedge accounting") or to benefit from the changes these derivatives experience in their value.

Any financial derivative that does not meet the conditions that allow it to be considered as hedging is treated, for accounting purposes, as a "trading derivative".

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of risk, and therefore they can be categorized into one of the following categories:

   - Changes in the fair value of assets and liabilities due to fluctuations, inter alia, in the interest rate and/or exchange rate at which the position or balance to be hedged is subject ("fair securities hedging");

   - Alterations in estimated cash flows originating in the financial assets and liabilities covered by the hedge, commitments and highly probable transactions to be carried out ("cash flow hedging");

   - Net investment in a foreign business ("hedge of a net investment in a foreign operation").

2. It is effectively offsetting exposure inherent in the hedged position throughout the intended term of coverage, implying that:

   - At the time of arrangement, it is expected that, under normal conditions, it will act with a high degree of effectiveness ("prospective effectiveness");

   - There is sufficient evidence that coverage was actually effective throughout the life of the covered item or position ("retrospective effectiveness"). To this end, the Group verifies that the results of the coverage have varied within a range of 80% to 125%, with respect to the hedged item.

3. The hedging operation has been properly documented, so that there is evidence that the contracting of the financial derivative took place specifically to cover certain balances or transactions and the way in which it was intended to be achieved, measuring this coverage provided that this form is consistent with the risk management carried out by the Group.

Differences in the valuation of accounting hedges are recorded according to the following criteria:

- In fair value hedges, differences in both hedging elements and covered items (as regards the type of risk covered) are recognized directly in the consolidated profit and loss account.

- In fair value hedges of the interest rate risk of a portfolio of financial instruments, the gains or losses arising from the valuation of hedging instruments are recognized directly in the consolidated profit and loss account; while gains or losses due to changes in fair value of hedged amount (attributable to hedged risk) they are recognized in the consolidated profit and loss account using as a counterpart the heading "Changes in fair value of covered items in a portfolio covered by interest rate risk (asset or liability), as appropriate.

- In cash flow hedges, the effective part of the change in the value of the hedging instrument is temporarily recorded under the equity heading "Other cumulative overall income – elements that can be reclassified into profit or loss – hedging derivatives. Cash flow hedges (effective portion)" until the time the planned transactions occur, then recorded in the consolidated profit and loss account, unless included in the cost of the non-financial asset or liability, in the event that the planned transactions end in the recognition of non-financial assets or liabilities.

– In hedges of net investments in foreign businesses, the differences in valuation arising in the effective coverage part of the hedging elements are temporarily recorded under the equity heading "Other cumulative overall income – items that can be reclassified into profit or loss – hedges of net investments in foreign businesses" until they are recorded at results the gains or losses of the covered item.

– Differences in the valuation of the hedging instrument corresponding to the ineffective part of the hedging operations of cash flows and net investments in foreign business are carried directly to the consolidated profit and loss account, under the heading "Gains or losses from hedge accounting, net".

Any adjustment to the carrying amount of a covered financial instrument to which the effective interest rate method applies (or, in the case of a portfolio covered by interest rate risk, under the item under the separate heading) it will be amortized against the result of the exercise. Depreciation may commence as soon as the adjustment is made, and shall commence no later than the time the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk. The adjustment shall be based on the effective interest rate, recalculated on the date on which the amortization begins. However, in the case of fair value coverage of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only for this form of hedging), provided that amortization using a recalculated effective interest rate is impracticable, the adjustment will be amortized using the linear method. In any event, the adjustments shall be amortized in full at the maturity of the financial instrument or, in the case of a portfolio covered by interest rate risk, at the expiry of the period of time corresponding to the revision.

If a derivative assigned as hedge, either by its termination, ineffectiveness or any other cause, does not meet the requirements indicated above, for accounting purposes, said derivative is considered as a trading derivative.

When fair value coverage is discontinued, adjustments previously recorded on the covered item are charged to profit or loss using the effective interest rate method recalculated on the date it ceases to be covered, and must be fully amortized upon maturity.

When cash flow hedges are discontinued, the cumulative result of the hedging instrument recognized in the equity chapter "Other cumulative comprehensive income" (while hedging was effective) will continue to be recognized in that chapter until the hedging transaction occurs, when it will be recorded in results, unless it is foreseen that the transaction will not be carried out, in which case they are immediately recorded in results.

v. Derivatives embedded in hybrid financial instruments

Derivatives implicit in financial liabilities or other major contracts are separately recorded as derivatives where their risks and characteristics are not closely related to those of the main contracts and provided that those major contracts are not classified in the categories of financial liabilities designated at value reasonable with changes in results.

d) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is conditioned by the extent and manner in which the risks and benefits associated with the assets being transferred are transferred to third parties:

– If the risks and profits are transferred substantially to third parties - in the case of unconditional sales, of sales with repurchase agreement at fair value on the date of repurchase, sales of financial assets with a purchase option acquired or sale issued deeply out of money, of asset securitizations, where the assignor does not retain subordinate financing or grant any credit enhancement to new holders and other similar cases-, the transferred financial asset is deregulated from the consolidated balance sheet, recognizing, simultaneously, any rights or obligations retained or created as a result of the transfer.

– If the risks and benefits associated with the transferred financial asset are substantially retained - in the case of sales of repurchase financial assets for a fixed price or for the sale price plus interest, securities loan agreements in which the borrower is obliged to repay the same or similar assets, in the case of securitizations of assets in which the assignor maintains some form of subordinated financing or grants some form of credit enhancement to new holders that involves substantially assuming the credit risk of the transferred assets and other similar cases-, the transferred financial assets are not derecognized from the consolidated balance sheet and continue to be valued using the same criteria used before the transfer. On the contrary, the following are recognized as accounting:

- An associated financial liability of an amount equal to the consideration received, which is generally valued after its amortized cost, unless it meets the requirements to be classified as other liabilities at fair value through profit and loss.

- Both income from the transferred (but not derecognized) financial asset and expenses from the new financial liability.

- If the risks and benefits associated with the transferred financial asset are not substantially transferred or retained - in the case of sales of financial assets with an acquired or issued purchase option that are not deeply in or out of money, for securitizations in which the assignor assumes subordinated financing or other credit enhancements for a portion of the transferred asset and other similar cases - a distinction is made between:

  - If the transferring entity does not retain control of the transferred financial asset: The balance sheet is removed and any rights or obligations retained or created as a result of the transfer are recognized.

  - If the transferring entity retains control over the transferred financial asset: It continues to recognize it on the balance sheet for an amount equal to its exposure to changes in value that it may experience and recognizes a financial liability associated with the transferred financial asset. The net amount of the transferred asset and the associated liability shall be the amortized cost of the rights and obligations retained, if the transferred asset is measured by its amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured by its fair value.

In accordance with the above, financial assets are removed from the balance sheet only when the rights on the cash flows they generate have been extinguished or when the risks and benefits involved have been substantially transferred to third parties. Similarly, financial liabilities are only removed from the balance sheet when the obligations they generate have expired or when they are acquired with the intention of cancelling or relocating them.

As regards contractual modifications to financial assets, the Group has differentiated them into two main categories in relation to the conditions under which a modification entails a derecognition of the financial asset (and the recognition of a new financial asset). and those under which the accounting of the original financial instrument is maintained under the modified terms:

- Contractual modifications for commercial or market reasons, which are usually conducted at the request of the debtor to apply current market conditions to the debt. The new contract is considered a new transaction and, consequently, it is necessary to decommission the original financial asset and recognize a new financial asset subject to the classification and measurement requirements set out in IFRS 9. In addition, the new financial asset shall be recorded at fair value and, if applicable, the difference between the carrying value of the decreased asset and the fair value of the new asset shall be recognized in profit or loss.

- Refinancing or restructuring modifications, in which the payment terms are modified, allowing a customer who is experiencing financial difficulties (current or foreseeable) to meet its payment obligations and who, in the absence of such change, there would be reasonable certainty that it would not be able to meet such payment obligations. In this case, the change does not result in the loss of the financial asset, but rather maintains the original financial asset and does not require a new assessment of its classification and measurement. When assessing credit impairment, the current credit risk (considering modified cash flows) should be compared with the credit risk at the initial recognition. Finally, the gross carrying amount of the financial asset (the present value of renegotiated or modified contractual cash flows that are deducted at the original effective interest rate of the financial asset) should be recalculated, recognizing a gain or loss in profit or loss for the difference.

The Group routinely conducts securitization of financial assets in which it substantially retains the risks and benefits associated with such financial assets. The details of the securitized assets held in the consolidated balance sheet as at December 31, 2023 and 2022, distributed by consolidated entity, are included in Note 10 to this report.

e) Offsetting of financial instruments

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the entities of the Group currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

As at 31 December 2023 and 2022, there are no financial assets or liabilities of significant amounts that have been offset on the consolidated balance sheet at those dates.

f) Impairment of financial assets

i. Definition

The Group associates an impairment correction to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease charges, as well as commitments and guarantees granted not measured at fair value.

The impairment correction for expected credit losses is constituted from the consolidated profit and loss account for the period in which the impairment is manifested. If it occurs, recoveries of previously recorded impairment credit losses are recognized in the consolidated income statement for the period in which the impairment ceases to exist or is reduced.

In the case of impaired credit assets originating or purchased, the Group only recognizes, at the filing date, the accumulated changes in expected credit losses over the life of the asset since initial recognition as a correction of value for losses. For assets measured at fair value through other comprehensive income, the share of fair value changes due to expected credit losses is reflected in the profit and loss account for the period in which the change occurs, reflecting the rest of the valuation in another overall result.

In general, the expected credit loss is estimated as the difference between all contractual cash flows to be recovered under the contract and all cash flows expected to be received discounted at the original effective interest rate. In the case of financial assets purchased or originated with credit impairment, this difference is deducted using the effective interest rate adjusted for their credit quality.

Depending on the classification of financial instruments, referred to in the following paragraphs, the expected credit losses may be 12 months or over the lifetime of the financial instrument:

- Expected 12-month credit losses: These are the portion of expected credit losses that result from potential default events, as defined in the following sections, estimated to occur within 12 months of the reporting date. These losses will be associated with financial assets classified as “normal risk” as defined in the following sections.

- Expected credit losses over the entire life of the financial instrument: These are expected credit losses resulting from potential default events that are estimated to occur throughout the life of the transaction. These losses are associated with financial assets classified as “normal risk under special surveillance” or “doubtful risk”.

For the purpose of estimating the expected life of a financial instrument, all contractual terms (e.g. advance payments, duration, purchase options, etc.) have been taken into account, with the contractual period (including extension options) being the maximum period to be considered to measure expected credit losses. In the case of financial instruments with an undefined contractual maturity and an available balance component (e.g. credit cards), the expected life is estimated by quantitative analysis to determine the period during which the institution is exposed to credit risk, also considering the effectiveness of management practices that mitigate such exposure (e.g. ability to unilaterally cancel such financial instruments, etc.).

The following guarantees are effective guarantees:

a) Mortgage guarantees on real estate, which are first charge, provided that they are duly constituted and registered in favor of the entity. Real estate includes:

   i) Buildings and elements of finished buildings distinguishing between:

   – Housing;
   – Offices and commercial premises and multi-purpose warehouses;
   – Other buildings such as non-polyvalent warehouses and hotels.

   ii) Urban and developable ordered land.

   iii) Rest of property that classify as: buildings and elements of buildings under construction, such as ongoing promotions and stopped promotions, and the rest of land, such as rustic estates would be classified.

b) Collateral on financial instruments such as cash deposits, debt securities of reputable issuers or equity instruments.

c) Other types of collateral, including movable property received as collateral and second and successive mortgages on immovable property, provided that the entity demonstrates its effectiveness. In order to assess the effectiveness of second and successive mortgages on real estate, the institution will apply particularly restrictive criteria. It will take into account, among others, whether or not the above charges are in favor of the entity itself and the relationship between the risk guaranteed by them and the value of the property.

d) Personal guarantees, as well as the incorporation of new holders, that cover the entire amount of the transaction and that imply direct and joint and several liability to the entity of persons or entities whose equity solvency is sufficiently verified to ensure the reimbursement of the operation in the agreed terms.

ii. Classification of financial instruments

For the purpose of calculating the impairment correction, and in accordance with its internal policies, the Group classifies its financial instruments (financial asset, risk or contingent commitment) measured at amortized cost or at fair value through other comprehensive income into one of the following categories:

– Normal risk ("Stage 1"): Includes all instruments that do not meet the requirements to be classified in the other categories.

– Normal Risk in Special Surveillance ("Stage 2"): Includes all instruments that, without meeting the criteria to be classified as doubtful or failed risk, have significant increases in credit risk since initial recognition.

For the purpose of determining whether a financial instrument has increased its credit risk since initial recognition by classifying it in stage 2, the Group considers the following criteria:

Quantitative criteria	Changes in the risk of default occurring over the expected life of the financial instrument relative to its credit level on its initial recognition are analyzed and quantified. In order to determine whether this change is considered significant, within the framework of Stage 2, each unit of the Group has defined the quantitative thresholds to be considered in each of its portfolios, taking into account corporate guides and ensuring a consistent interpretation between different geographies. Within the aforementioned quantitative thresholds, two types are considered: The relative threshold is understood to be one that compares the current credit quality with the credit quality at the time of origination in percentage terms of variation. In addition, an absolute threshold compares both references in total terms, calculating the difference between the two. These absolute/relative concepts are used homogeneously (with different values) across all geographies. The use of this type of threshold or another (or both) is determined according to the rational process explained in note 47, and is marked by the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.
Qualitative criteria	In addition to the quantitative criteria indicated, various indicators are used that are aligned with those employed by the Group in the ordinary management of credit risk. Irregular positions of more than 30 days and redirections are common criteria in all units of the Group. In addition, each unit can define other qualitative indicators, for each of its portfolios, according to the particularities and ordinary management practices in line with current policies (e.g. use of management alerts, etc.). The use of these qualitative criteria is complemented by the use of an experienced expert judgment, submitted in his case to the appropriate government.

In the case of reversals, instruments classified as "normal risk under watchlist " may generally be reclassified to "normal risk" when the following circumstances occur: A minimum period of two years has elapsed from the date of reclassification to that category or from the date of reclassification, that the client has paid the accrued principal and interest accounts, and that the client has no other instrument with overdue amounts of more than 30 days.

- Doubtful risk ("Stage 3"): Includes financial instruments, whether overdue or not, in which, without the circumstances to classify them in the category of failed risk, there are reasonable doubts as to their full reimbursement (principal and interest) by the client under the terms contractually agreed. Similarly, off-balance-sheet exposures likely to be paid and their recovery doubtful are considered at Stage 3. Within this category, two situations are differentiated:

  - Doubtful risk due to late payment: Financial instruments, whatever their holder and guarantee, that have some amount due by principal, interest or contractually agreed expenses, with more than 90 days of seniority. Also, the amounts of all transactions of a client are considered in this category where transactions with amounts due more than 90 days old are more than 20 % of the amounts outstanding.

    These instruments may be reclassified to other categories if, as a result of the recovery of part of the overdue amounts, the reasons for their classification in this category disappear and the client has no overdue amounts more than 90 days old in other transactions.

  - Doubtful risk for reasons other than late payment: This category includes doubtful recovery operations that do not present any amount due more than 90 days old.

The Group finds that a transaction is doubtful for reasons other than late payment where an event, or several events combined, has occurred with a negative impact on the estimated future cash flows of the transaction. To this end, the following indicators are considered, among others:

a) Negative net worth or decrease as a result of losses of the client's net worth by at least 50% during the last financial year.

b) Continued losses or significant decline in the customer's turnover or, in general, recurring cash flows.

c) Widespread delay in payments or insufficient cash flows to meet debts.

d) Significantly inadequate economic or financial structure, or inability to obtain additional financing from the client.

e) Existence of credit rating, internal or external, which shows that the client is in a situation of default.

f) Existence of overdue commitments of the client of significant amount toward public bodies or employees.

These transactions may be reclassified to other categories if, as a result of an individualized study, reasonable doubts about their full reimbursement in the terms contractually agreed and there are no amounts due more than 90 days old.

In the case of reversals, instruments classified as doubtful risk may be reclassified to the category of "normal risk under special surveillance" where the following circumstances occur: a minimum period of one year has elapsed from the date of referral, that the customer has paid the accrued principal and interest accounts, and that the customer has no other instrument with overdue amounts of more than 90 days.

– Default Risk: Includes all financial assets, or the part thereof, for which after an individualized analysis their recovery is considered remote due to a noticeable and irrecoverable deterioration of their solvency.

  In any event, except for transactions with collateral that cover more than 10% of the transaction amount, the Group generally considers as remote recovery: transactions of holders at the liquidation stage of the insolvency proceedings are non-performing transactions due to late payment which have a seniority in this category exceeding 2 years minimum depending on the country.

  The balances for a financial asset are kept on balance sheet until they are considered as a "failed risk", either the whole or a portion of that financial asset, and are lowered on the balance sheet.

  In the case of transactions which have only been partially derecognized, on the grounds of removal or by the fact that a part of the total amount is considered irrecoverable, the remaining amount shall be classified in full in the category of "doubtful risk", except for duly justified exceptions.

  The classification of a financial asset, or a portion thereof, as a "default risk" does not imply the interruption of negotiations and legal proceedings to recover its amount.

iii. Impairment valuation assessment

The Group has policies, methods and procedures in place to cover its credit risk, both for the insolvency attributable to counterparties and for its residence in a given country. These policies, methods and procedures are applied in the granting, study and documentation of financial assets, risks and contingent commitments, as well as in the identification of their impairment and in the calculation of the amounts necessary to cover their credit risk.

The impairment model of IFRS 9 applies to financial assets measured at amortized cost, to debt instruments measured at fair value through other comprehensive income, to lease charges, as well as commitments and guarantees granted not measured at fair value.

The impairment correction represents the best estimate of the expected credit losses of the financial instrument at balance sheet date, both individually and collectively:

– Individually: For the purpose of carrying out estimates of credit risk provisions for insolvencies of a financial instrument, the Group carries out an individualized estimate of the expected credit losses of those financial instruments that are considered significant and with sufficient information to make such calculation.

  The individualized estimate of the impairment correction of the financial asset is equal to the difference between the gross carrying amount of the operation and the value of the estimate of the cash flows expected to be collected discounted using the original effective interest rate of the operation. The estimation of such cash flows takes into account all available information on the financial asset as well as the effective guarantees associated with that asset.

– Collectively: The Group estimates the expected credit losses collectively in cases where they are not estimated on an individual basis. This includes, for example, risks to individuals, individual entrepreneurs or retail banking companies subject to standardized management.

  For the purpose of collectively calculating expected credit losses, the Group has robust and reliable internal models. For the development of such models, instruments that have similar credit risk characteristics that are indicative of the capacity to pay of the debtors are considered.

The credit risk characteristics that are considered for grouping instruments include: type of instrument, sector of activity of the debtor, geographical area of activity, type of guarantee, age of amounts due and any other factor that is relevant to the estimation of future cash flows.

The Group conducts retrospective and follow-up tests on these estimates to assess the reasonableness of the collective calculation.

On the other hand, the methodology required for the quantification of the expected loss by credit events is based on an unbiased and weighted consideration by probability of occurrence of a series of scenarios, considering a range of three to five possible future scenarios, depending on the characteristics of each unit, which could impact on the collection of contractual cash flows, always taking into account both the time value of the money, as well as all available and relevant information on past events, current conditions and predictions of the evolution of the macroeconomic factors that prove relevant for the estimation of this amount (for example: GDP (gross domestic product), housing price, unemployment rate, etc.).

Estimating expected losses requires expert judgment and the support of historical, current and future information. The probability of loss is measured considering past events, the present situation and future trends of macroeconomic factors. Grupo Santander uses forward-looking information in internal and regulatory management processes, incorporating various scenarios leveraging the experience with such information to ensure the consistency of processes.

Grupo Santander Consumer Finance uses forward-looking information in both internal risk management and prudential regulation processes, so that for the calculation of the correction for impairment of value, various scenarios are incorporated that take advantage of the experience with this information, thus ensuring consistency in obtaining the expected loss.

The complexity of the estimate in this exercise has been derived from the current macroeconomic scenario as a result of the war in Ukraine, as well as the increasing level of inflation and interest rates, and difficulties in supply chains, including the economic and economic situation. this has generated some uncertainty in the economic evolution.

Grupo Santander Consumer Finance has internally ensured the criteria to be followed on the guarantees received by the State Administrations, both through credit lines and through other public guarantees, so that when they are adequately reflected in each of the contracts, they are counted as mitigating factors of the potential expected losses, and therefore of the provisions to be provided, based on the provisions of the applicable rule. Furthermore, where appropriate, such guarantees are adequately reflected in mitigating the significant increase in risk, considering their nature as personal guarantees.

For the estimation of the parameters used in the estimation of impairment provisions (EAD (Exposure at Default), PD (Probability of Default), LGD (Loss Given Default), the Group has based on its experience in developing internal models for the calculation of parameters both in the regulatory field and for management purposes, adapting the development of the models of impairment provisions under IFRS9.

- Exposure to *default: The amount of risk incurred estimated at the time of the counterparty analysis.*

- Probability of *default: Is the estimated probability that the counterparty will default on its capital and/or interest payment obligations.*

- *Loss given default: Is the estimate of the severity of the loss produced in the event of a default. It depends mainly on the updating of the guarantees associated with the operation and the future flows expected to be recovered.*

In any case, when estimating the flows expected to recover, portfolio sales are included. It should be noted that due to the Group's recovery policy and the experience observed in relation to past sales prices in assets classified as Stage 3 and/or failed, there is no substantial divergence between the flows from recoveries from asset recovery with those from the sale of asset portfolios discounting structural costs and other costs incurred.

The definition of default implemented in the other units of the Group for the purpose of calculating the impairment provisions models is based on the definition in Article 178 of Regulation 575/2013 of the European Union (CRR), which is fully aligned with the requirements of the IFRS9, which considers that there is a "default" in relation to a certain client / contract when at least one of the following circumstances occurs: the institution considers that there are reasonable doubts about the payment of all its credit obligations or that the client/contract is in an irregularity situation for more than 90 consecutive material arrears with respect to any significant credit obligation.

Grupo Santander Consumer Finance has partially and voluntarily aligned during the 2022 financial year, both the accounting definition of stage 3, and the calculation of the impairment provisions models, to Default's New Definition incorporating the criteria defined by the EBA in its implementation guide of the default definition, capturing the economic deterioration of operations (days in default - on a daily basis - and materiality thresholds - minimum amount in arrears). The alignment of criteria has been carried out taking into account the criteria of IFRS 9, as well as the accounting principles of fair financial reporting. Grupo Santander Consumer Finance has recorded an expected increase in the NPL rate is estimated at around 23 basis points, with no material impact on credit risk provision figures.

In addition, the Group considers the risk that arises in all cross-border transactions, due to circumstances other than the usual commercial risk due to insolvency (sovereign risk, transfer risk or risks arising from international financial activity, such as wars, natural disasters, balance of payments crises, etc.).

IFRS9 includes a series of practical solutions that can be implemented by entities, with the aim of facilitating their implementation. However, in order to achieve a full and high-level implementation of the standard, and following industry best practices, the Group does not apply these practical solutions in a generalized manner:

- Rebuttable presumption of significant increase in risk from 30 days of default: This threshold is used as an additional indicator, but not as a primary indicator in determining the significant increase in risk. In addition, there are some cases in the Group, in which its use has been refuted through studies that show a low correlation of the significant increase in risk with this threshold of delay. The refuted volume does not exceed 0.1% of the Group's total exposure.

- Assets with low credit risk as of the reporting date: The Group analyzes the existence of a significant increase in risk in all its financial instruments.

This information is further broken down in Note 47.II (credit risk).

g) Detail of the individualised estimate of the correction of impairment

For the individualised estimation of the impairment correction of the financial asset, the Group has a specific methodology to estimate the value of the cash flows expected to be collected. Generally, such recovery may be estimated on the basis of:

- Recovery via debt repayment for cash flows generated by the debtor's ordinary activities (Going Concern approach).

- Recovery via repayment of the debt for the execution and subsequent sale of collateral that guarantee the operations (Gone Concern approach).

In case of estimating the recovery using a "Gone Concern" approach, each of the Group's units has developed its own methodology which is based on the following methodological principles:

a. Evaluation of the effectiveness of guarantees

The Group makes an assessment of the effectiveness of all guarantees associated with the financial asset subject to an individual impairment assessment. The following aspects are considered for this assessment:

- The time required to enforce such guarantees;
- The ability of the Group to enforce or enforce these guarantees in its favor;
- Existence of limitations imposed by the local regulation of each unit on the foreclosure of guarantees.

Under no circumstances does the Group consider that a guarantee is effective if its effectiveness depends substantially on the solvency of the debtor or its economic group, as could be the case:

- Promises of shares or other securities of the debtor itself when its valuation may be significantly affected by a debtor's default.
- Cross-personal guarantees: When the guarantor of a transaction is, at the same time, guaranteed by the holder of that transaction.

On the basis of the foregoing, the Group considers the following types of guarantees to be effective:

- Mortgage guarantees on real estate, which are first charge, provided that they are duly constituted and registered in favor of the Group. Real estate includes:
  - Buildings and elements of finished buildings distinguishing between: Homes; offices and commercial premises and multipurpose warehouses; rest of buildings such as non-polyvalent warehouses and hotels.
  - Urban land and land for development.
  - Rest of real estate where, among others, buildings and elements of buildings under construction, such as ongoing promotions and stopped promotions, and the rest of land, such as rustic estates would be classified.
- Pledges on financial instruments such as cash deposits, debt securities of reputable issuers or equity instruments.
- Other types of collateral, including movable property received as collateral and second and successive mortgages on immovable property, provided that the entity demonstrates its effectiveness. In assessing the effectiveness of second and successive mortgages on real estate, the Group will apply particularly restrictive criteria. It will take into account, among others, whether or not the above charges are in favor of the Group itself and the relationship between the risk guaranteed by them and the value of the property.
- Personal guarantees, as well as the incorporation of new holders, that cover the entire amount of the transaction and that imply direct and joint and several liability to the entity of persons or entities whose equity solvency is sufficiently verified to ensure the reimbursement of the operation in the agreed terms.

b. Valuation of guarantees

In this regard, the Group will assess the guarantees associated with financial instruments according to the nature of the guarantees in accordance with the following:

- Mortgage guarantees on properties associated with financial instruments taking into account all available information, using complete individual valuations made by independent valuation experts and under generally accepted valuation regulations. If it is not possible to obtain a complete individual valuation, alternative assessments may be used provided that they have been carried out by duly documented and approved internal valuation models.

- Personal guarantees shall be assessed individually on the basis of updated information from the guarantor.

- All other guarantees will be valued based on current market values if available or based on other management information.

c. Adjustments to the value of guarantees and estimation of future cash flow inflows and outflows

The Group applies a number of adjustments to the value of guarantees which may be positive or negative with the aim of adjusting the benchmarks:

- Adjustments based on the historical sales experience of local units for certain asset typologies. Such adjustments will be made in the same way if the current valuations are not up to date.

- Individual expert adjustments based on additional management information (for example, if there is a binding offer to acquire that asset or the asset is severely impaired).

In addition, the Group for adjusting the value of collateral shall take into account the time value of the money. Basically for this and based on the historical experience of each of the units, it is estimated:

- Period of adjudication.

- Estimated time of sale of the asset

In addition, the Group must take into account those cash inflows and outflows that such guarantee would generate until its sale. To this end, the Group considers in estimating the present value of future cash flows of this guarantee:

- Possible future incomes committed to the borrower which can be accessed after the award of assets.

- Estimated award costs.

- Asset maintenance costs, taxes and community costs.

- Estimated marketing or sales costs.

Finally, in considering that the guarantee will be sold in the future, the Group applies an additional index forward adjustment to adjust the value of the guarantees to future valuation expectations. This adjustment is made on the basis of estimated future price indices or external information.

d. Scope of application of the individualized estimation of the correction for impairment of value

Grupo Santander Consumer Finance determines the perimeter on which it makes an estimation of the correction for deterioration in an individualized way based on a threshold of relevance set by each of the geographies and the stage in which the operations are located. In general, the Group applies the individualized calculation to those relevant exposures classified in Stage 3.

It should be noted that, in any case and regardless of the stage in which their operations are located, for clients who do not receive standardized treatment, a relational risk management model is applied, with treatment and individualized follow-up by the assigned risk analyst. Within this relational management model, in addition to large companies, other segments of smaller companies are also included for which there is information and capacity to perform a more personalized and expert analysis and follow-up. As indicated in the Group's credit model, the individualized and personalized treatment of the client facilitates the continuous updating of information. The risk assumed must be monitored and monitored throughout its life cycle, allowing anticipation and action in case of possible deterioration. In this way, the client's credit quality is analyzed individually, considering the aspects that are specific to him such as his competitive position, financial performance, management, etc. In the wholesale risk management model, every client with a credit risk position has an assigned rating, which carries an associated probability of customer default. Thus, the individualized analysis of the debtor triggers a specific rating for each client, which determines the appropriate parameters for the calculation of the expected loss, so that it is the rating itself that initially modulates the necessary coverages, adjusting the severity of the possible loss to the warranties and other mitigants that the client may have. Additionally, if as a result of this individualized monitoring of the client, the analyst finally considers that his coverage is not sufficient, he has the necessary mechanisms to adjust it under his expert judgment, always under the appropriate government.

h) *Repurchase agreements and reverse repurchase agreements*

Purchases (sales) of financial instruments with the commitment of their non-optional retrocession at a given price (repos) are recorded in the consolidated balance sheet as financing granted (received) according to the nature of the corresponding debtor (creditor), under the headings "Loans and advances" (central banks, credit institutions or customers) and "deposits" (central banks, credit institutions or customers), if they exist.

The difference between purchase and sale prices is recorded as financial interest over the life of the contract using the effective interest rate method.

i) *Assets and liabilities included in disposal groups classified as held for sale*

The chapter Non-current assets and disposal groups classified as held for sale reflects the carrying value of items that are individual or integrated into a set (disposition group) or that are part of a business unit to be disposed of (operations in discontinuance) the sale of which is highly likely to take place, under the conditions under which such assets are currently located, within one year of the date to which the annual accounts refer. Therefore, the recovery of the carrying value of these items (which may be financial and non-financial in nature) is expected to take place through the price obtained from their disposal.

Symmetrically, the chapter "Liabilities included in disposal groups that have been classified as held for sale" includes the credit balances associated with assets or disposition groups and discontinued transactions.

Non-current assets sold, whether individual or integrated, if any, in a disposal group, are generally valued for the smallest amount between their fair value minus selling costs and their carrying value calculated at the date of their assignment to this category. Non-current assets for sale are not amortized while they remain in this category. Without prejudice to the foregoing, financial instruments, employee remuneration assets, deferred tax assets and reinsurance contract assets that may exist and are classified, in their case as "non-current assets and disposal groups of items that have been classified as held for sale", they continue to be valued by the same valuation criteria detailed in this Note, without modification due to the fact that they have been classified as non-current for sale. In the case of awarded real estate assets located in Spain, the Group determines their value taking into account the valuation of the time of adjudication and the period of permanence of each asset in consolidated balance sheet.

The Group has in place a corporate policy that ensures the professional competence and the independence and objectivity of the external appraisal agencies, in accordance with the regulations, which require appraisal agencies to meet neutrality and credibility requirements, so that the use of their estimates does not reduce the reliability of its valuations. This policy establishes that all the appraisal companies and agencies with which the Group works in Spain should be registered in the Official Register of the Bank of Spain and that the appraisals performed by them should follow the methodology established in Ministry of Economy Order ECO/805/2003, of 27 March. The main appraisal companies and agencies with which the Group worked in Spain in 2021 are as follows: AESVAL, Logica de valoraciones, S.A., Alia Tasaciones, S.A., Arco Valoraciones, S.A., Agrupación Técnica del Valor, S.A. (AT Valor), Sociedad de Tasación CATSA, S.A., CBRE Valuation Advisory, S.A., Compañía Hispana de Valoraciones y Tasaciones, S.A., Eurovaloraciones, S.A., Gesvalt Sociedad de Tasación, S.A., Gloval Valuation, S.A., Instituto de Valoraciones S.A., Krata, S.A., Savills Aguirre Newman Valoraciones y Tasaciones S.A.U., Sociedad de Tasación, S.A., Tasalia Sociedad de Tasaciones, S.A., Tasasur Sociedad de Tasaciones, S.A., Tasibérica, S.A., Grupo Tasvalor, S.A., Técnicos en Tasación, S.A., Tinsa, Tasaciones Inmobiliarias, S.A. (Tinsa), UVE Valoraciones, S.A., Valoraciones Mediterráneo, S.A.

Also, the aforementioned policy stipulates that the various subsidiaries abroad must work with appraisal companies that have recent experience in the local area and with the type of asset under appraisal and that meet the independence requirements established in the corporate policy. They should verify, that the appraisal company is not a party related to the Group and that its billings to the Group in the last twelve months do not exceed 15% of the appraisal company's total billings.

Impairment losses on an asset or disposal group resulting from the write-down of its carrying amount to its fair value (less costs to sell) and gains or losses on the sale thereof are recognised under “Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations” in the consolidated income statement. Any gains on a non-current asset held for sale resulting from increases in fair value (less costs to sell) subsequent to impairment increase its carrying amount and are recognised with a credit to the consolidated income statement up to an amount equal to the impairment losses previously recognised.

Assets and liabilities relating to discontinued operations are presented and measured in accordance with the criteria indicated for disposal groups. Revenue and expenses arising from these assets and liabilities are presented net of the related tax effect under “Profit or loss after tax from discontinued operations” in the consolidated income statement.

j) Tangible assets

This heading of the consolidated balance sheet includes, where appropriate, buildings, land, furniture, vehicles, computer equipment and other facilities owned by consolidated entities or acquired, where appropriate, on a financial lease basis, for own use. Tangible assets are classified, according to their destination, into:

i. Property, plant and equipment for own use

Property, plant and equipment for own use -including any tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases- are presented at acquisition cost, less the related accumulated depreciation and any estimated impairment losses (carrying amount higher than recoverable amount).

Amortisation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The period depreciation charge is recognised under "Depreciation and Amortisation cost" in the consolidated income statement and is calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Percentage
Buildings of own use	1.5% - 2%
Furniture	10 %
Vehicles	28.6 %
Computer equipment	25 %
Others	12 %
Right to use leasing	10 %

At each accounting closure, consolidated institutions analyze whether there are indications that the net value of the elements of their tangible assets exceeds their corresponding recoverable amount, in which case, reduce the carrying value of the asset in question to its recoverable amount from the consolidated profit and loss account and adjust future depreciation charges in proportion to its adjusted carrying value and its new remaining useful life; if a reestimation of the same is necessary.

Similarly, where there is evidence that the value of a previously impaired tangible asset has been recovered, consolidated entities record the reversal of impairment loss recorded in prior periods by writing off to the consolidated profit and loss account and adjust accordingly, future charges for amortization. In no case can the reversal of the impairment loss of an asset result in an increase in its carrying value above that which it would have if impairment losses had not been recognized in previous years.

Also, at least at the end of each financial year, the estimated useful life of the elements of fixed equipment for own use is reviewed, in order to detect possible significant changes in them. If they occur, redemption allocations for new useful lives are adjusted by a corresponding correction of the charge to be incurred in the consolidated profit and loss account for future periods.

The costs of maintaining and maintaining tangible assets for own use are charged to the consolidated profit and loss account for the period in which they are incurred.

ii. Investment properties

"Tangible Assets – Real Estate Investments" includes, if any, the net values of the land, buildings and other constructions that are maintained, either to exploit them on a rental basis, either to obtain a surplus value in its sale as a result of the increases that occur in the future in their respective market prices.

The criteria applied for the recognition of the acquisition cost of real estate investments, their depreciation and the estimation of their respective useful lives as well as for the recording of their possible impairment losses coincide with those described in relation to tangible assets for own use.

iii. Assets transferred under operating lease

"Tangible assets – fixed material – leased on operating leases" in the consolidated balance sheets includes the amount of assets, other than land and buildings, that are leased on operating leases.

The criteria applied for the recognition of the acquisition cost of the assets assigned under operating leasing, their amortization and the estimation of their respective useful lives as well as for the recording of their impairment losses are consistent with those described in relation to tangible assets for own use.

The period depreciation charge is recognised under ¨Other operating expense¨ in the consolidated income statement.

k) Leases

The main aspects contained in the regulations (IFRS 16) adopted by the Group are included below: when the Group acts as a lessee, a right-of-use asset is recognized, representing its right to use the leased asset and the related lease liability on the date the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the financial expense. The financial expenditure is charged to profit or loss over the lease term in such a way as to produce a constant recurring interest rate on the remaining balance of the liability for each year. The right-of-use asset is amortized over the useful life of the asset or the lease term, the smallest of the two, on a linear basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Assets and liabilities arising from a lease are initially valued on the basis of present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including inflation-linked payments), less any lease incentive to be collected.

- Variable lease payments that depend on an index or type.

- The amounts expected to be paid by the lessee as residual value guarantees.

- The exercise price of a purchase option if the lessee has reasonable certainty that he will exercise that option.

- Payments of penalties for termination of the lease, if the term of the lease reflects the exercise by the lessee of that option. Lease payments are deducted using the interest rate implied in the lease. Since in certain situations this interest rate cannot be earned, the discount rate used in such cases is the lessee's incremental borrowing interest rate to date. For these purposes, the entity has calculated this incremental interest rate based on the listed debt instruments issued by the Group; in this regard, the Group has estimated different rate curves depending on the currency and the economic environment in which the contracts are located.

Specifically, to build the incremental interest rate, a methodology has been developed at the corporate level; this methodology starts from the need for each entity to consider its economic and financial situation, for which the following factors must be considered:

- Economic and political situation (country risk).

- Credit risk of the entity.

- Monetary policy.

- Volume and seniority of the issuance of debt instruments of the entity.

The incremental interest rate is defined as the interest rate that a lessee would have to pay to borrow, for a term similar to the duration of the lease and with similar security, the funds required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group entities have a large stock and variety of financing instruments issued in different currencies to the euro (pound, dollar, etc.) that provide sufficient information to determine an all-in rate (reference rate plus adjustment for credit spread at different terms and in different currencies). In cases where the lessee has its own financing, it has been used as a starting point for the determination of the incremental interest rate. On the contrary, for those Group entities that do not have their own funding, information from the financing of the consolidated subgroup to which they belong has been used as a starting point to estimate the entity’s curve, analyzing other factors to assess whether it is necessary to make any kind of negative or positive adjustment to the initially estimated credit spread. Right-of-use assets are valued at cost, which includes the following:

- The amount of the initial valuation of the lease liability.

- Any lease payment made on or before the start date minus any lease incentive received.

- Any initial direct cost.

- Restoration costs.

Payments associated with short-term leases and low-value asset leases are recognized on a linear basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than or equal to 12 months (a purchase-option lease does not constitute a short-term lease).

l) Intangible assets

This heading includes identifiable non-monetary assets (likely to be separated from other assets), but without physical appearance, that arise as a result of a legal business or have been developed by consolidated entities and goodwill other than that which may exist in the acquisition of entities valued by the equity method. Only those intangible assets whose cost can be reliably estimated and from which consolidated entities consider it likely to obtain future economic benefits are recognised in the accounts.

Intangible assets other than goodwill are initially recognised at the cost of acquisition or production and are subsequently valued at their cost minus, as appropriate, their corresponding accumulated amortization and/or impairment losses.

i. Goodwill

The positive differences between the cost of the equity shares of consolidated entities and those valued by the equity method with respect to the corresponding theoretical and accounting values acquired, adjusted on the date of first consolidation, are imputed as follows:

- If they are assignable to specific assets of the acquired companies, increasing the value of assets (or reducing that of liabilities) whose fair values were higher (lower) than the net accounting values with which they appear on the balance sheets of the acquired entities.

- Whether they are assignable to specific intangible assets, explicitly recognizing them on the consolidated balance sheet provided that their fair value within 12 months of the date of acquisition can be reliably determined.

- The remaining differences are recorded as a goodwill, which is allocated to one or more cash generating units (these are the smallest identifiable group of assets that, as a result of their continued operation, generate cash flows in favor of the Group, regardless of those from other assets or group of assets). The cash generating units represent the geographical and/or business segments of the Group.

Funds of trade (which are recorded only when acquired for consideration) therefore represent advance payments made by the acquiring entity of future economic benefits derived from the assets of the acquired entity that are not individually and separately identifiable and recognizable.

At least annually or where there are signs of impairment, an estimate is made of whether there has been any impairment which reduces its recoverable value to an amount less than the net cost recorded and, if so, appropriate reorganization, using as a counterpart the heading impairment losses on other assets - Fund of Commerce and other intangible assets in the consolidated profit and loss account.

Impairment losses related to goodwill are not subject to subsequent reversal.

In the event of the sale or abandonment of an activity that forms part of a UGE, the part of the goodwill allocated to that activity would be removed, taking as a reference the relative value of the same on the total of the UGE at the time of sale or abandonment. In the case of applying the currency distribution of the remaining goodwill, it shall be based on the relative values of the activity

ii. Other intangible asset

Intangible assets may be of "indefinite useful life" (when, based on analysis of all relevant factors, it is concluded that there is no foreseeable limit on the period during which they are expected to generate net cash flows in favor of consolidated entities) or "defined useful life" (in the remaining cases).

Intangible assets of "indefinite useful life" are not written off, but at each accounting close, consolidated entities review their respective remaining useful lives to ensure that they remain indefinite or otherwise proceed accordingly.

Intangible assets classified as "defined useful life" are amortized on the basis of the same, applying criteria similar to those adopted for the amortization of tangible assets. The charges charged to the consolidated profit and loss accounts for the amortization of these assets are recorded under the "amortization" chapter.

In both cases, consolidated entities recognize in the accounts any loss that may have occurred in the recorded value of these assets resulting from impairment, using as a counterpart the heading impairment losses on other assets (net) in the consolidated profit and loss account. The criteria for recognition of impairment losses on these assets and, where applicable, recoveries of impairment losses recorded in prior years are similar to those applied for tangible assets (see Note 2.j).

iii. Internally developed computer software

Internally developed software is recognized as intangible assets when, among other requirements (basically, the ability to use or sell), such assets can be identified and their ability to generate economic benefits in the future can be demonstrated.

The expenses incurred during the investigation stage, if any, are directly recognized in the consolidated profit and loss account for the year in which they are incurred, and cannot subsequently be incorporated into the carrying value of the intangible asset.

m) Other assets and other liabilities

The "Other assets" chapter of the consolidated balance sheets includes, where appropriate, the amount of assets not recorded elsewhere, broken down into:

– Inventory: Includes the amount of assets, other than financial instruments, that are held for sale in the ordinary course of business, are in the process of production, construction or development for that purpose, or they will be consumed in the production process or in the provision of services. This chapter includes the assets that have been acquired in order to lease them to third parties, and at the date of the consolidated balance sheets, their corresponding operating lease agreements are pending.

  Inventories are valued at the lesser amount between their cost and their net realizable value, which is the amount expected to be obtained by leasing or selling them in the ordinary course of business, less the estimated costs to complete its production and those necessary to carry out its exploitation.

  The amount of any adjustment for valuation of inventories, such as damage, obsolescence, reduction of the sales price, to its net realizable value, as well as losses for other purposes, is recognized as expenditure for the year in which the impairment or loss occurs. Subsequent recoveries of value are recognized in the consolidated profit and loss account for the period in which they occur.

  The carrying value of the stock is removed from the balance sheet and is recorded as an expense in the period that the income from its sale is recognized.

– Other: Includes, where applicable, the balance of all asset deferred accounts, except those relating to interest and financial commissions, the net amount of the difference between pension plan obligations and the value of plan assets with favorable balance for the Group, when it is due to be presented for the net amount in the consolidated balance sheet, as well as the amount of the remaining assets not included in other items.

The "Other liabilities" chapter of the consolidated balance sheets includes the balance of the liability deferred accounts, other than those relating to interest, and the amount of the remaining liabilities not included in other chapters of the consolidated balance sheet.

n) Provisions and contingent assets and liabilities

Provisions are creditor balances covering obligations present at the consolidated balance sheet date arising from past events from which capital losses may arise for consolidated entities, which are considered likely to occur, specific in terms of their nature but indeterminate in terms of their amount and/or time of cancelation and, to cancel them, consolidated entities expect to dispose of resources that incorporate economic benefits.

Contingent liabilities are potential liabilities arising as a result of past events, the materialization of which is conditional on the occurrence or otherwise of one or more future events independent of the will of consolidated entities. They include the current obligations of consolidated entities, the materialization of which, although possible, has not been considered likely to lead to a decrease in resources that incorporate economic benefits and the amount of which cannot be quantified with sufficient reliability. The Group should not proceed to recognize an accounting obligation of a contingent nature. On the contrary, it should report the obligation in the financial statements, unless the outflow of resources incorporating economic benefits is unlikely.

Contingent assets are potential assets, arising as a result of past events, the existence of which is conditioned and must be confirmed when events that are beyond the control of the Group occur or not. Contingent assets, if they exist, are not recognized in the consolidated balance sheet or the consolidated profit and loss account, but are reported in the consolidated report provided that increased resources incorporating economic benefits from this cause are likely.

The Group's consolidated annual accounts reflect all significant provisions for which the likelihood of the obligation being met is estimated to be greater than otherwise. In accordance with current regulations, contingent liabilities are not recognized in the consolidated annual accounts, but, if they exist, are reported in the consolidated report.

The provisions (quantified taking into account the best available information on the consequences of the event in which they bring their cause and are reestimated at the time of each accounting closure) are used to meet the specific obligations for which they were originally recognized and reversed; total or partial, when such obligations cease to exist or diminish.

Provisions are classified according to the obligations covered in:

- Pensions and other defined post-employment benefit obligations: Includes the amount of provisions made for the coverage of post-employment pay defined benefit, as well as commitments made to pre-retired staff and similar obligations (see Note 21).

- Other long-term employee pay: Includes other commitments to pre-retired staff (see Notes 2.r. and 21).

- Procedural issues and pending tax litigation: Includes the amount of provisions created to cover contingencies of a tax, legal and litigation nature (see Note 21). This item includes provisions for restructuring and environmental actions, if any (see Note 21).

- Commitments and guarantees granted: Includes the amount of provisions made for contingent risk coverage, understood as operations in which the Group guarantees obligations of a third party arising as a result of financial guarantees granted or other contracts, and contingent commitments, understood as irrevocable commitments that may give rise to the recognition of financial assets (see Note 21).

- Remaining provisions: Includes the amount of the remaining provisions made by the Group (see Note 21).

The accounting, or release, if any, of provisions deemed necessary in accordance with the above criteria is recorded under or credited respectively to the “Provisions or reversal of provisions” chapter of the consolidated profit and loss account. The criteria applied for accounting for pensions and other post-employment defined benefit obligations are described in Notes 2-r and 2-s.

o) *Court proceedings and/or claims in process*

At the close of 2023 and 2022, various legal proceedings and claims were under way against consolidated entities arising from the normal conduct of their activities. Both the legal advisers of the Group and the Bank Administrators, as the Group's parent company, consider that the final economic loss that may arise from these procedures and claims, if any, is adequately provisioned (see Note 21), so it will not have a significant effect on these consolidated annual accounts.

p) Recognition of income and expenses

The most significant criteria used by the Group for the recognition of its income and expenditure are summarized below:

i. ***Interest income and expenses and similar items***

In general, interest income and expenses and concepts assimilated thereto are recognized in the accounts on the basis of their accrual period, by application of the effective interest method. Dividends received from companies other than Group companies, associates or joint ventures are recognized as income at the time the right to receive them arises.

ii. ***Commissions, fees and similar items***

These income and expenses are recognized in the consolidated profit and loss account on different criteria depending on their nature. The most significant are:

- Those linked to financial assets and liabilities measured at fair value through profit and loss are recognized at the time of disbursement.

- Those eligible to be part of the initial acquisition cost of financial instruments, other than those measured at fair value through profit and loss, are charged to the consolidated profit and loss account; applying the effective interest rate method or at the time of its sale, taking into account its nature.

- Those that originate from transactions or services that last over time, differ during the life of such transactions or services.

- Those who respond to a singular act, when the act that originates them occurs.

iii. ***Non-financial income and expenses***

They are recognized on an accrual basis. To determine the amount and time of recognition, a five-step model is followed: identification of the contract with the customer, identification of the obligations separate from the contract, determination of the transaction price, distribution of the transaction price between the identified obligations and finally recording the income as the obligations are satisfied.

iv. ***Deferred collections and payments***

They are recognized accountably for the amount that results from financially updating the anticipated cash flows at market rates.

v. ***Loan arrangement fees***

The financial commissions that originate from the formalization of loans, mainly the opening and study and information commissions, are paid to the consolidated profit and loss account, following a financial criterion, during the life of the loan.

q) Financial guarantees

"Financial guarantees" are the contracts by which an entity is obliged to pay specific amounts on behalf of a third party in the event that it does not do so, regardless of the legal form in which the obligation is implemented: Bond, financial guarantee, insurance or derivative of credit.

At the time of its initial registration, the Group accounts for the financial guarantees provided in the consolidated balance sheet liability at fair value, which, in general, is equivalent to the present value of the commissions and income to be received on such contracts over the course of their duration, taking as a counterpart, in the assets of the consolidated balance sheet, the amount of commissions and similar income collected at the beginning of operations and a credit for the accounts receivable for the present value of the commissions and income outstanding.

Financial guarantees, regardless of their holder, instrumentation or other circumstances, are periodically analyzed in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the needs to provide for them, that is determined by applying criteria similar to those established to quantify impairment losses experienced by debt instruments valued at their amortized cost explained in subparagraph (f) above.

The provisions made by these transactions are accounted for under the heading "Provisions – commitments and guarantees granted" of the consolidated balance sheet liability (see Note 21). The endowment and recovery of such provisions is recorded in return under the section "Provisions or reversal of provisions" of the consolidated profit and loss account.

In the event that it is necessary to make a provision for these financial guarantees, the outstanding accrual commissions, which are recorded in the chapter "Financial liabilities at amortized cost – Other financial liabilities" of the consolidated balance sheet, are reclassified to the corresponding provision.

r) Post-employment benefits

In accordance with the Collective Labour Agreements in force, the financial institutions integrated in the Group and some of the other consolidated entities (national and foreign) are committed to complementing the benefits of the public systems corresponding to certain employees, and their beneficiaries, in cases of retirement, permanent disability or death, as well as other post-employment social care.

Post-employment commitments maintained by the Group with its employees are considered "defined contribution plans" when contributions of a predetermined nature are made to a separate entity, it has no legal or effective obligation to make additional contributions if the separate entity is unable to meet the remuneration to employees related to the services rendered in the current and prior financial years. Post-employment commitments that do not meet the above conditions are considered "defined benefit plans" (see Note 21).

i. ***Defined contribution plans***

The Group records the contributions to the plans accrued for the year under the heading "Administration expenses – staff costs" of the consolidated profit and loss account. In the event that, at the end of the financial year, there is any amount to be contributed to the external plans in which the commitments are materialized, this is recorded at its present value, under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the consolidated balance sheet liability (see Note 21).

ii. ***Defined benefit plans***

The Group records under the heading "Provisions – Pensions and Other Defined Post-Employment Benefits Obligations" of the liabilities in the consolidated balance sheet (or in the asset, in the chapter "Other Assets", depending on the sign of the difference) the present value of the post-employment commitments of defined benefit, net of fair value of "plan assets" (see Note 21).

"Plan assets" are those with which the obligations will be liquidated directly and meet the following conditions:

- They are not the property of the consolidated entities, but of a legally separated third party without the status of a party linked to the Group.

- They are only available to pay or finance post-employment remuneration and cannot be returned to consolidated entities, except where the assets remaining in such a plan are sufficient to meet all obligations of the plan or entity relating to benefits of current or past employees or to reimburse employee benefits already paid by the Group.

If the Group may require insurance companies to pay part or all of the disbursement required to cancel a defined benefit obligation, it is virtually true that the insurer will reimburse any or all of the disbursements required to cancel that obligation, but the insurance policy does not meet the conditions to be an asset of the plan, the Group registers its right to reimbursement in the asset of the consolidated balance sheet, if any, in the chapter "Insurance contracts linked to pensions" which, in the other aspects, it is treated as an asset of the plan.

Post-employment pay is recognized as follows:

- The cost of services is recognized in the consolidated profit and loss account and includes the following components:

  - The cost of services in the current period (understood as the increase in the present value of obligations arising from the services provided in the financial year by employees) is recognized under the heading "Administrative expenses - staff costs" (see Notes 21 and 39).

  - The cost of past services, which originates from changes to existing post-employment pay or the introduction of new benefits and includes the cost of reductions, is recognized, if any, in the chapter "Provisions or reversal of provisions" (see Note 21).

  - Any gain or loss arising from a settlement, the plan is recorded in the "Provisions or Reversals of Provisions" chapter of the consolidated profit and loss account (see Note 21).

  - The net interest on the net liability (asset) of defined benefit commitments (understood as the change during the period in the net defined benefit liability (asset) arising over time), is recognized in the chapter "Interest expense" ("interest income" if income is earned) from the consolidated profit and loss account (see Notes 21 and 31).

The revaluation of the net defined benefit liability (assets) recognized in chapter "Other aggregate income accrued. Elements that will not be reclassified into results. Actuarial gains or (–) losses on defined benefit pension plans" of the net worth of the consolidated balance sheet includes:

- Actuarial gains and losses generated in the period, which are derived from the differences between previous actuarial assumptions and reality and from changes in the actuarial assumptions used.

- The return on plan assets, excluding amounts included in net interest on defined benefit liabilities (assets).

- Any change in the effects of the asset limit, excluding the amounts included in the net interest on the defined benefit liability (asset).

s) *Other long-term remuneration and other obligations*

The other long-term remuneration, understood as the commitments made to pre-retired staff (those who have ceased to serve in the entity, but who, without being legally retired, continue to have economic rights against it until it becomes the legal status of retiree), seniority awards, pre-retirement widowhood and disability commitments that depend on the employee's seniority in the entity and other similar concepts are treated accountably, where applicable, as set out above for post-employment defined benefit schemes; except that actuarial gains and losses are recognized in the chapter 'Provisions or reversal of provisions' of the consolidated profit and loss account (see Note 21).

The commitments made by certain Spanish entities of the Group for the coverage of the death and disability contingencies of their employees, during the period in which they remain active and until their retirement age, are kept in an internal fund with a renewable annual temporary coverage, therefore, no contributions are made to plans.

t) *Termination benefits*

Severance payments are recorded when a formal and detailed plan identifying the fundamental changes to be made is available, and provided that the plan has begun to be implemented or its main characteristics have been publicly announced, or objective facts about its implementation are revealed.

u) *Income tax*

The expense for Spanish Corporate Tax and for taxes of a similar nature applicable to consolidated foreign entities is recognized in the consolidated profit and loss account, except when they are the result of a transaction whose results are recorded directly in equity, in which case, its corresponding tax effect is recorded in equity.

The profit tax expenditure for the year is calculated by the sum of the current tax resulting from the application of the corresponding tax rate on the tax base for the year (after applying the tax deductions that are tax admissible) and the change in deferred tax assets and liabilities recognized in the consolidated profit and loss account.

Deferred tax assets and liabilities include temporary differences that are identified as amounts that are expected to be payable or recoverable by differences between the carrying value of assets and their corresponding tax bases (tax value), as well as the negative tax bases pending compensation and credits for tax deductions not applied fiscally. These amounts are recorded by applying to the temporary difference corresponding to the type of levy at which they are expected to be recovered or settled.

The tax assets chapter includes the amount of all assets of a tax nature, differentiating between: current (amounts to be recovered for taxes in the next twelve months) and deferred (includes the amounts of taxes to be recovered in future years, including those derived from negative tax bases or credits for tax deductions or bonuses to be compensated).

The tax liabilities chapter includes the amount of all liabilities of a tax nature, except tax provisions, which are broken down into: current (includes the amount to be paid for income tax related to the fiscal gain for the year and other taxes in the next twelve months) and deferred (includes the amount of income tax payable in future years).

Deferred tax liabilities in the case of temporary taxable differences associated with investments in dependent entities, associates or joint venture holdings are recognized except when the Group is able to control the time of reversal of the temporary difference and, in addition, it is likely that it will not reverse in the foreseeable future.

Deferred tax assets, identified as temporary differences, are recognized only if it is considered likely that consolidated entities will in the future have sufficient tax gains against which they can be effected and are not originally recognized (except in a business combination) of other assets and liabilities in a transaction that does not affect either tax or accounting income. The remaining deferred tax assets (negative tax bases and deductions to be cleared) are only recognized if it is considered likely that consolidated entities will have sufficient tax gains against which they can be paid in the future.

The differences generated by the different accounting and tax rating of some of the income and expenses directly recorded in the equity to be paid or recovered in the future are accounted for as temporary differences.

Deferred taxes, both assets and liabilities, are reviewed at the time of the accounting closure in order to check whether modifications are necessary in accordance with the results of the analyzes carried out.

v) Residual maturity terms and average interest rates

Note 44 of this consolidated report provides details of the maturities of the items that make up the balances of certain headings of the consolidated balance sheets as at 31 December 2023 and 2022, as well as their average annual interest rates for those years.

w) Statement of consolidated recognised income and expenditure

The income and expenses generated by the Group as a result of its activity during the year are presented, distinguishing between those recorded as results in the consolidated profit and loss account for the year and other income and expenses recognized directly in the consolidated net worth.

The statement presents separately the items by nature, grouping them into those which, in accordance with the implementing accounting rules, they shall not subsequently be reclassified to the consolidated profit and loss account and those subsequently reclassified to that consolidated profit and loss account upon compliance with the requirements of the relevant accounting standards.

Therefore, in this state is presented:

a. The consolidated result of the year.

b. The net amount of income and expenses recognized as 'other cumulative comprehensive income' in equity that will not be reclassified into profit or loss.

c. The net amount of income and expenses recognized in equity that can be reclassified into profit or loss.

d. The income tax accrued on the items referred to in points b and c above, except for adjustments to other comprehensive income originating in shares in associated undertakings or joint ventures valued by the equity method, which are presented in net terms.

e. The total consolidated revenue and expenditure recognized, calculated as the sum of the preceding letters, showing separately the amount attributed to the dominant entity and that corresponding to minority interests.

The statement presents separately items by nature, grouping them into those that, in accordance with the implementing accounting rules, will not be subsequently reclassified to profit or loss and those that will subsequently be reclassified to profit or loss when the requirements laid down in the corresponding accounting rules are met.

x) Total statement of changes in consolidated equity

It presents the movements that have occurred in the consolidated net worth, including those that have their origin in changes in accounting criteria and corrections of errors, if any. This statement therefore shows a reconciliation of the carrying value at the beginning and end of the financial year of all items forming the consolidated net worth, grouping the movements, depending on their nature, into the following items:

a. Adjustments for changes in accounting criteria and correction of errors: includes changes in consolidated equity arising as a result of retroactive reexpression of financial statement balances resulting from changes in accounting criteria or correcting errors, if any.

b. Revenue and expenses recognized in the financial year: It collects, in aggregate form, the total of the items recorded in the statement of consolidated income and expenses recognized above.

c. Other changes in equity: Includes the rest of the changes recorded in the consolidated net worth, such as, where applicable, increases or decreases in the Bank's capital, distribution of results, operations with own equity instruments, payments with equity instruments, transfers between consolidated equity item and any other increase or decrease in consolidated equity.

y) Consolidated cash flow statement

In consolidated cash flow statements, the following expressions are used in the following ways:

– Cash flows: Inflows and outflows of cash and their equivalents; these equivalents mean short-term investments of high liquidity and low risk of alterations in their value.

– Operating activities: Typical activities of credit institutions, as well as other activities that cannot be qualified as investment or financing.

– Investment activities: Acquisition, disposal or other disposition of long-term assets and other non-cash investments and their equivalents.

– Financing activities: Activities that result in changes in the size and composition of consolidated net assets and liabilities that are not part of operating activities.

In addition, dividends received and delivered by the Group are detailed in Notes 4 and 27, including dividends paid to minority interests (non-controlling interests).

In relation to the cash flows corresponding to the interest received and paid, it should be noted that there are no significant differences between those and those recorded in the profit and loss account, reason why they are not broken down separately in the consolidated cash flow statements, except for cash flow liabilities for financing activities which, although not significant, have been broken down in Note 17.

For the purpose of preparing the consolidated cash flow statement, "cash and cash equivalents" have been considered to be those short-term investments with high liquidity and low risk of changes in value. In this way, the Group considers "cash or cash equivalents" the following financial assets and liabilities:

- The net balances held in cash and with central banks, which are recorded under the heading "Cash, cash balances in central banks and other cash deposits" of the consolidated balance sheets as at 31 December 2023 and 2022 attached, according to their nature and currency, the following is indicated:

	Thousands of Euros	
	2023	2022
Type:		
Cash	40.160	82.148
Current accounts	6.974.338	3.900.413
Reciprocal accounts	1.444.566	1.585.659
Other accounts at credit institutions and central banks	2,819,469	1,258,005
	11.278.533	6.826.225
Currency:		
Euro	11.009.456	5.960.743
Foreign currency	269.077	865.482
	11.278.533	6.826.225

*z) **Own equity instruments***

Own equity instruments are those that meet the following conditions:

- They do not include any obligation for the issuing entity that involves: (i) handing over cash or other financial assets to a third party; or (ii) exchanging financial assets or financial liabilities with third parties on terms potentially unfavorable to the entity.

- If they can be, or will be, liquidated with the issuer's own equity instruments: (i) where it is a non-derivative financial instrument, it will not entail an obligation to deliver a variable number of its own equity instruments; or (ii) where it is a derivative, provided that it is settled for a fixed amount of cash, or other financial asset, in exchange for a fixed number of its own equity instruments.

Business carried out with equity instruments, including their issuance and amortization, is registered directly against net worth.

Changes in the value of instruments classified as equity shall not be recorded in the financial statements; consideration received or delivered in exchange for such instruments shall be added or deducted directly from the equity, including coupons associated with preferential interests contingent convertible into ordinary shares.

(aa) Assets covered by insurance or reinsurance contracts and liabilities covered by insurance or reinsurance contracts

Group has developed the accounting policy establishing the criteria for recording insurance contracts, in accordance with IFRS 17. This standard defines insurance contracts as contracts under which a party accepts a significant insurance risk from another party by agreeing to compensate the policyholder if a specific uncertain future event adversely affects the policyholder.

IFRS 17 requires a level of aggregation of contracts that the Group identifies in portfolios of contracts with similar risks and which are jointly managed. The Group then divides each portfolio into a minimum of three groups: (i) contracts that are onerous on initial recognition; (ii) contracts that, on initial recognition, have no significant chance of becoming onerous subsequently; and (iii) any remaining contracts.

For contracts that are considered to be non-onerous, a profit margin is recognized in the profit and loss account (called 'Contractual Service Margin' or 'MSC') over the period in which the entity performs the service. However, if at the time of initial recognition, or during the period in which the entity performs the service, the contract is onerous, the entity acknowledges the loss in the income statement.

The contract limits define the period up to which compliance cash flows must be considered in order to measure an insurance contract. Compliance cash flows include an impartial and probability-weighted estimate of future cash flows, a discount adjustment to the present value to reflect the time value of money from monetary and financial risks, and a risk adjustment for non-financial risks. The identification of the contractual limit under IFRS 17 is critical not only for the measurement of the compliance cash flows of a group of contracts, but also for determining the applicable measurement model, in case the contractual limits are identified in one year or more.

Cash flows are within the contractual limit of an insurance contract if they arise from substantial rights and obligations that exist during the reporting period, in which the institution may compel the holder of the insurance policy to pay premiums or in which the entity has a substantive obligation to provide services to the insured.

The Group has conducted a separate analysis of the limits of insurance and reinsurance contracts under IFRS 17, applying the General Building Block Approach to all contracts, except those eligible to be valued by the simplified model (Premium Allocation Approach), or the variable commission approach ('ECV' or variable Fee Approach).

The general model measures a group of contracts as the sum of Compliance Cash Flows and Contractual Service Margin. The MSC represents the unrecorded benefits that the entity will recognize as if it provides services under the insurance contract.

Insurance contracts with direct participation apply the CVD as a modified version of the General Model. This should reduce the volatility of results due to the asymmetry between the accounting treatment of gains and losses of underlying elements attributable to insured persons and the accounting treatment of liabilities against insured persons.

Another issue considered for measuring the present value of future cash flows from a group of insurance contracts is the discount rate applied to reflect the time value of money and the financial risks associated with those cash flows. The Group has established a generally chosen methodology and ensures that the calculation components have a homogeneous basis, previously approved by the Group, establishing the base curves provided by the Group and allowing adjustments to these curves based on the expert criteria of each local management.

In addition, a risk adjustment for non-financial risk is necessary to measure compliance cash flows. Risk adjustment for non-financial risk is the compensation necessary to withstand uncertainty about the amount and timing of cash flows arising from non-financial risks. If a change in assumptions occurs, it could affect the income statement or other Global Income, depending on its nature. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks, such as interruption risk and expense risk.

Grupo Santander Consumer Finance has concluded the analysis on the effects of this new standard without having identified material impacts on its consolidated financial statements.

3. Santander Consumer Finance Group

a) *Santander Consumer Finance, S.A.*

The Bank is the parent company of Grupo Santander Consumer Finance (see Note 1). The Bank's summary balance sheet, summary profit and loss account, summary statement of changes in equity and summary statement of cash flows for the years 2023 and 2022 are presented below for information purposes:

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

ASSETS	Exercise 2023	Exercise 2022	LIABILITIES AND EQUITY	Exercise 2023	Exercise 2022
Cash and balances at central banks	1,804,454	489,246	LIABILITIES		
Financial assets held for trading	91,585	125,187	Financial liabilities held for trading	99,626	95,224
Non-trading financial assets mandatorily at fair value through profit or loss	658	387	Financial liabilities at amortised cost	46,429,704	36,758,895
Financial assets through other comprehensive income	2,052,062	2,462,252	Derivatives – hedge accounting	206,186	60,577
Financial assets at amortised cost	41,185,022	31,833,829	Provisions	90,741	89,521
Derivatives – hedge accounting	110,354	454,166	Tax liabilities	383,631	368,899
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	(103,053)	(171,757)	Other liabilities	223,864	153,008
Investments in subsidiaries, joint ventures and associates	11,293,800	11,292,945			
Tangible assets	24,569	26,391	**TOTAL LIABILITIES**	47,433,752	37,526,124
Intangible assets	146,996	118,289			
Tax assets	439,866	365,721	Equity	9,745,235	9,534,480
Other assets	87,749	53,964	Other comprehensive income	(42,430)	(7,338)
Assets included in disposal groups classified as held for sale	2,495	2,646			
			TOTAL EQUITY	9,702,805	9,527,142
TOTAL ASSETS	57,136,557	47,053,266	**TOTAL LIABILITIES AND EQUITY**	57,136,557	47,053,266
Memorandum items: off balance sheet items					
Loans commitment granted	752,699	630,107			
Financial guarantees granted	4,088,678	4,063,980			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Income / (expenses)	
	Exercise 2023	Exercise 2022
Interest income	1,650,772	693,257
Interest expenses	(1,149,379)	(242,460)
NET INTEREST INCOME	501,393	450,797
Dividend income	889,086	899,631
Income from companies accounted for using the equity method	—	—
Commissions income	88,169	92,654
Commissions expense	(65,846)	(69.900)
Gains or losses on financial instruments not at fair value through profit or loss, net	47,128	5
Gains or losses on financial instruments held for trading, net	(1,724)	(208)
Gains or losses from hedge accounting, net	5,170	(4,735)
Currency translation differences, net	(3,794)	(17,742)
Gains or losses on derecognition of investments in subsidiaries, joint ventures or associates, net	30,522	—
Other operating income	10,135	9,583
Other operating expenses	(41,253)	(26,856)
OPERATING INCOME	1,458,986	1,333,229
Administration and general expenses	(332,941)	(293,014)
Depreciation and amortisation cost	(31,949)	(30,737)
Provisions or reversal from provisions, net	(31,925)	(13,690)
Impairment charges and reversals from financial assets not at fair value through profit or loss	(108,835)	(100,102)
NET OPERATING PROFIT	953,336	895,686
Impairment charges or reversals on investments in joint ventures and associates	—	—
Impairment charges or reversals on non-financial assets	(2,541)	(8,352)
Gains or losses on assets and liabilities included in disposal groups classified as held for sale from discontinued operations	(4,773)	(2,684)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS	946,022	884,650
Taxation	(28.799)	(32,857)
Gains or losses after tax in respect of continuing operations	917,223	851,793
PROFIT/(LOSS) AFTER TAX	917,223	851,793

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE AS

31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Exercise 2023	Exercise 2022
PROFIT OR LOSS AFTER TAX	917,223	851,793
OTHER COMPREHENSIVE INCOME	(35,092)	(17,291)
Items not reclassified to profit or loss	(630)	1,333
Actuarial gains or losses on defined benefit pension plan	(916)	4,228
Assets included in disposal groups classified as held for sale	—	—
Changes in the fair value of equity instruments at fair value through other comprehensive income	(27)	(593)
Income tax in respect of items not reclassified to profit or loss	313	(2,302)
Items that may be reclassified to profit or loss	(34,462)	(18,624)
Currency translation differences	—	—
Hedging of net investments in joint ventures and associates (effective portion)	—	—
Cash flow hedges (effective portion)	(46,416)	47,023
Financial assets available-for-sale	(2,816)	(73,627)
Assets included in disposal groups classified as held for sale	—	—
Share of other recognised income	—	—
Income tax in respect of items that may be reclassified to profit or loss	14,770	7,980
TOTAL RECOGNISED INCOME AND EXPENSE	882,131	834,502

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF TOTAL CHANGES IN EQUITY AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	Capital	Share premium	Equity instruments issued other	Other equity instruments	Retained earnings	Profit/(loss) after tax	Dividends paid	Other comprehensive income	TOTAL
Final balance as at 31 December 2022	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Fusion effect	—	—	—	—	—	—	—	—	—
Balance as at 01 January 2023	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Effects of error correction	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Adjusted opening balance	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142
Total overall income for the year	—	—	—	—	—	917,223	—	(35,092)	882,131
Other changes in equity	—	—	—	—	(406,886)	(851,793)	552,211	—	(706,468)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—
Dividends (or remuneration to partners)	—	—	—	—	(507,477)	—	(99,992)	—	(607,469)
Transferred between components of equity	—	—	—	—	199,590	(851,793)	652,203	—	—
Other increases or (-) decreases in equity	—	—	—	—	(98,999)	—	—	—	(98,999)
Final balance as at 31 December 2023	5,638,639	1,139,990	1,200,000	—	949,375	917,223	(99,992)	(42,430)	9,702,805

	Capital	Share premium	Equity instruments issued other	Other equity instruments	Retained earnings	Profit/(loss) after tax	Dividends paid	Other comprehensive income	TOTAL
Final balance as at 31 December 2021	5,638,639	1,139,990	1,200,000	—	818,484	600,855	(490,562)	9,953	8,917,359
Fusion effect	—	—	—	—	500,359	—	—	—	500,359
Balance as at 01 January 2022	5,638,639	1,139,990	1,200,000	—	1,318,843	600,855	(490,562)	9,953	9,417,718
Effects of error correction	—	—	—	—	—	—	—	—	—
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—
Adjusted opening balance	5,638,639	1,139,990	1,200,000	—	1,318,843	600,855	(490,562)	9,953	9,417,718
Total overall income for the year	—	—	—	—	—	851,793	—	(17,291)	834,502
Other changes in equity	—	—	—	—	37,418	(600,855)	(161,641)	—	(725,078)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—
Dividends (or remuneration to partners)	—	—	—	—	—	—	(652,203)	—	(652,203)
Transferred between components of equity	—	—	—	—	110,293	(600,855)	490,562	—	—
Other increases or (-) decreases in equity	—	—	—	—	(72,875)	—	—	—	(72,875)
Final balance as at 31 December 2022	5,638,639	1,139,990	1,200,000	—	1,356,261	851,793	(652,203)	(7,338)	9,527,142

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CASH FLOWS AS AT 31 DECEMBER 2023 AND 2022

(Thousands of Euros)

	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES:	1,885,361	(3,336,265)
Profit or loss after tax	917,223	851,793
Adjustments made to obtain the cash flows from operating activities	532,232	(375,033)
Net change in operating assets	(9,010,161)	(5,224,163)
Net change in operating liabilities	9,446,067	1,411,138
B. CASH FLOWS FROM INVESTING ACTIVITIES:	(168,581)	(85,960)
Payments	(249,166)	(87,062)
Proceeds	80,585	1,102
C. CASH FLOWS FROM FINANCING ACTIVITIES	(401,572)	(125,078)
Payments	(701,572)	(725,078)
Proceeds	300,000	600,000
E. NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS (A+B+C+D):	1,315,208	(3,547,303)
F. Cash and equivalents at beginning of period	489,246	4,036,549
G. Cash and equivalents at end of period	1,804,454	489,246

b) Acquisitions and sales

The most significant acquisitions, constitutions and sales that have occurred, during the financial years 2023 and 2022, of shares in the capital of entities of the Group, as well as other relevant corporate transactions that have modified the perimeter of consolidation of the Group during these periods, have been the following:

b.1) Financial year *2023*

Carmine D-Services, Unipessoal, Lda. (Originally PDC Digital, Lda.)

On January 4, 2023, Santander Consumer Services, S.A, a Portuguese subsidiary of Santander Consumer Finance, S.A, acquired 100% of the shares of PDC Digital, Lda., a Portuguese company. The share capital of PDC Digital, Lda. it was composed of 3 shares, 1 of them with a nominal value of 3,400 euros and 2 of them with a nominal value of 3,300 euros each. The amount corresponding to the acquisition amounts to 2.2 million euros, of which 2.0 million euros had been paid at the closing of the transaction, deferring the payment of the remaining amount for 4 years payable every January 1 of each year with the last payment being January 1, 2027. The acquisition has been carried out as follows:

- Acquisition of 1 share to José Ferreira Lopes and Maria Alice Ferreira Lopes for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, remaining the rest postponed as mentioned.

- Acquisition of 1 share to Maria Alice da Costa Faria for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, the rest remaining postponed as mentioned.

- Acquisition of 1 share to Miguel José Lopes and Patrice Leite Dias de Oliveira Rosas Lopes for a total amount of 0.7 million euros, having disbursed 0.6 million euros on the day of the transaction, remaining the rest postponed as mentioned.

Thus, the details of the acquired business were as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
PCD Digital, Lda.	Provision of internet, computer and multimedia services	04/01/2023	100%	2.2 (*)

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Cash	2.4
Customers	53.6
Non-current assets	21.1
Current assets	56.5
Financial liabilities at amortized cost	(165.7)
Non-current and current liabilities	(418.0)
Net assets	**(450.1)**
Purchase consideration (*)	2,230.9
Goodwill	2,681.0

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The fair value of the acquired receivables amounts to 53.6 thousand euros and does not differ from their gross contractual amounts. The parent company´s directors consider that there were no indications that they would not be fully collected at the acquisition date.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	2,230.9
Less: Cash and cash equivalents	(2.4)
Total	**2,228.5**

(*) As already indicated above, the disbursement of the price has been made and will be made at different times of time.

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

On September 21, 2023, the company name was changed to Carmine D-Services, Unipessoal, Lda.

In 2023, the partners provided a participative loan to the company of 550,000 euros without a fixed repayment deadline.

Santander Consumer Mobility AS and Santander Consumer Mobility AB

On August 14, 2023, Santander Consumer Finance, S.A has acquired 100% of the shares of NFH 230521 AS from Nytt Foretak AS for NOK 47,500 (equivalent to 4,000 euros), in Norway, in order to develop the operating leasing activity in Nordics.

The share capital of this company consisted of 3,000 shares of 10 Norwegian kroner of nominal value each, forming a capital of 30,000 Norwegian kroner (equivalent to 2,600 euros).

On September 9, 2023, the company name changed to Santander Consumer Mobility AS.

On October 6, 2023, Santander Consumer Finance, S.A transferred 10 million euros to the aforementioned company, which was finally contributed as a capital increase on December 19, 2023. This EUR 10 million is equivalent to NOK 113,655,000. The capital increase did not involve the issuance of new shares, as it has been recorded as follows:

- Capital increase by NOK 60,000 by increasing the nominal value of the shares from NOK 10 to NOK 30 each.

- Share premium of NOK 37,865 per share forming a total of NOK 113,595,000.

At the date of issuance of these consolidated annual accounts, the company has not started its activity.

Likewise, and on October 6, 2023, Santander Consumer Mobility AS has acquired 100% of the shares of Goldcup 33672 AB in Sweden from Between Bolagsrätt Sundsvall AB for 25,000 Swedish kroner (equivalent to 2,000 euros), for the purpose of developing the operating leasing activity in Sweden.

The share capital of this company consists of 25,000 shares of 1 Swedish krona of nominal value each, forming a capital of 25,000 Swedish krona (equivalent to 2,000 euros).

On October 20, 2023, the company name changed to Santander Consumer Mobility AB.

At the date of issuance of these consolidated annual accounts, the company has not started its activity.

Reorganization of the global agreement with Stellantis

On March 31, 2022, Santander Consumer Finance, S.A reached an agreement to strengthen its global cooperation with Stellantis, N.V. and Stellantis Financial Services, S.A. (Formerly PSA Finance, S.A Banque.) which was originally signed in 2014. This agreement was revised mainly due to changes in Stellantis' corporate structure since the initial firm.

After obtaining the corresponding regulatory and competition authorizations, on April 3, 2023, the signed agreements were implemented. Below is a summary of the different transactions that this agreement has involved for Santander Consumer Finance Group:

Acquisition of new business origination rights for financing products (loans, financial leasing and operational leasing to end customers) of all Stellantis brands: Abarth, Alfa Romeo, Chrysler, Citroën, Dodge, DS, Fiat, Fiat Professional, Jeep, Lancia, Maserati, Opel, Peugeot, Ram and Vauxhall in seven European countries: Belgium, France, Italy, Holland, Poland, Portugal and Spain

This acquisition has been based on legal agreements signed by each joint venture with the respective Opel and Fiat Chrysler Automobiles (FCA) companies in each country. The acquisition has been accompanied by the transfer of certain employees in contracts signed with Opel companies and, in the case of FCA companies, only in Italy. In addition, the transaction has involved the transfer of contracts, assets and associated liabilities, mainly, to employees at the time of the transaction.

The acquisition of the rights of origination has involved the recognition of an intangible asset in the consolidated balance sheet as of December 31, 2023 of 140.7 million euros, which are depreciated in the duration of the agreement (8.5 years) counted since April 3, 2023. The amount provided as amortization as at 31 December 2023 amounts to 12.3 million euros.

The set of assets and liabilities that have been transferred to the joint ventures of the Santander Consumer Finance Group represented a payment by the corresponding companies of Opel and FCA to the joint ventures of 0.3 million euros and 6 million euros, respectively, on the closing day of the transaction, April 3, 2023, having been calculated on estimated amounts and subject to review. At the date of issuance of these consolidated annual accounts, all transfers of assets and liabilities have been closed which have resulted in an additional payment by the joint ventures to the corresponding Opel companies of 0.1 million euros and an additional payment by FCA to the Italian joint venture of 0.2 million euros.

All the above amounts incorporate transactions made by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is an associated entity of the Santander Consumer Finance Group.

Sale of the origination rights of the Operational Lease B2B (Vision Client) business carried out by Belgium, France, Italy, the Netherlands, Poland and Spain to Leasys companies

As part of the aforementioned reorganization, joint ventures from Belgium, France, Italy, the Netherlands, Poland and Spain sold, *on* April 3, 2023, the origination rights of the operational lease business (Vision Client) B2B to the corresponding companies of Leasys in each country for a total amount of 64.5 million euros, which have been recorded as profit on sale in the consolidated income statement as of December 31, 2023.

The sale of *these* origination rights has been accompanied, in the case of Spain and France, by the transfer of employees and their corresponding assets and liabilities associated with the aforementioned employees. This transfer involved the payment by the joint ventures of the Santander Consumer Finance Group of a total amount of 3.8 million euros to the corresponding companies of Leasys on the day of the closing of the transaction, on April 3, 2023. Since the aforementioned payment based on estimated amounts was made, after obtaining the final amounts, the company of Leasys paid the French joint venture an amount of EUR 0.4 million.

All the above amounts incorporate transactions made by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is *an* associated entity of the Santander Consumer Finance Group.

Acquisition of Opel portfolios by joint ventures in Italy and Spain

In addition and as part of the aforementioned reorganization, the joint ventures of Italy and Spain have proceeded to acquire Opel's portfolios in the aforementioned countries as of July 3, 2023 and May 31, 2023, respectively. *Likewise, this purchase of portfolios has been accompanied by the acquisition of assets and liabilities associated with the portfolio at the aforementioned dates. In the case of the purchase of Italy, part of the financing of the aforementioned portfolio has also been acquired.*

The detail of the portfolio acquired by Spain and registered at the initial time (date of acquisition) and after the final adjustment after the determination of the final amounts, is as follows:

	Millions of Euros	
Spain	**Start**	**Final**
Portfolio	259.6	258.8
Net of assets and liabilities	(0.7)	(0.6)
Funding	-	-
Total amount paid	258.9	258.2

The amount paid on the day of the transaction was made on the basis of estimated amounts. After obtaining the final amounts, the Opel company has paid the Spanish joint venture an amount of 0.7 million euros.

The detail of the portfolio acquired by Italy and recorded at the initial time (date of acquisition) and after the final adjustment after the determination of the final amounts, is as follows:

Italy	Millions of Euros	
	Start	Final
Portfolio	879.9	896.3
Net of assets and liabilities	(4.5)	(4.3)
Funding	(770.3)	(770.4)
Total amount paid	105.1	121.6

The amount paid on the day of the transaction was made on the basis of estimated amounts. After obtaining the final amounts, the Italian joint venture has paid Opel an amount of 16.5 million euros.

Sale of the shares of the joint ventures of Germany and the United Kingdom to Opel companies

Finally and as part of the aforementioned restructuring, on April 3, 2023, Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.) has sold its stake in 100% of the capital of PSA Finance UK Limited to an Opel company. Stellantis Financial Services, S.A. (Formerly Banque PSA Finance S.A.) and Santander Consumer Bank Aktiengesellschaft have sold their shares (each 50%) in the share capital of PSA Bank Deutschland GmbH to another Opel company.

The share capital of PSA Finance UK Limited consisted of 437,280 shares of 1 pound of nominal value each. The estimated selling price at the closing date of the transaction amounted to 368,614,513.41 pounds sterling equivalent to 419,261,275.48 euros.

The share capital of PSA Bank Deutschland GmbH consisted of 1,464,448 shares with a nominal value of 1 euro each. The estimated selling price at the closing date of the transaction has amounted to 613,896,021.62 euros.

The gain recorded for both transactions in the consolidated profit and loss account as at 31 December 2023 is not significant.

Both sales prices are subject to review based on the final data corresponding to the transaction date. At the date of issuance of these consolidated annual accounts, the review process has not been closed.

Santander Consumer Finance, Inc.

On March 17, 2023, Santander Consumer Finance, S.A. has acquired from Banco Santander, S.A., 100% of the shares of Santander Consumer Finance, Inc., a Canadian company. Santander Consumer Finance, Inc. It also shares 100% of the share capital of Santander Consumer, Inc. The share capital of Santander Consumer Finance, Inc. it consists of 30,451,553 actions.

The acquisition has been made for 215,747,722 Canadian dollars equivalent to 148,758,054.32 euros.

Thus, the details of the acquired business were as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
Grupo Santander Consumer Finance, Inc.	Consumer finance	17/03/2023 (*)	100%	148.7

(*) The acquisition was made retroactively on March 1, 2023, so the company's results as of March 1, 2023 belong entirely to Santander Consumer Finance.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Cash	4.8
Customers	639.0
Non-current assets	1.6
Current assets	47.9
Financial liabilities at amortized cost	(512.5)
Non-current and current liabilities	(43.0)
Net assets	**137.8**
Purchase consideration	148.7
Goodwill	10.9

The fair value of the acquired receivables amounts to 639 million and does not differ from their gross contractual amounts. The Managers of the parent company do not consider that at the date of acquisition there were indications that they would not be collected in full.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	148.7
Less: Cash and cash equivalents	(4.8)
Total	**143.9**

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

MCE Bank Group

In November 2022, Santander Consumer Bank AG reached an agreement to acquire 100% of the shares of MCE Bank, GmbH effective March 31, 2023. The company's share capital consists of 40,903,360 shares with a total value of 40,903,360 euros, with a nominal value of 1 euros each.

MCE Bank GmbH was the captive financial institution of Mitsubishi in Germany with a bank license and dedicated to the provision of financial services mainly related to the automotive sector and the activity of deposit-raising, being its shareholders several companies of the Mitsubishi Group. MCE Bank GmbH in turn has the following subsidiaries with a direct or indirect participation rate of 100%:

- MCE Verwaltung GmbH dedicated to the management of Real Estate for the Group in Germany.
- Midata Service GmbH is dedicated to the provision of IT services especially to dealers.
- AMS Auto Mark am Schieferstein GmbH dedicated to remarketing activities.
- TVG-Trappgroup Versicherungsvermittlungs GmbH is dedicated to the insurance intermediation of retail customers and dealers.

After obtaining the corresponding authorizations from the regulatory authorities, on 31 May 2023 the acquisition took place for a total amount of 94,768,237 euros.

The acquisition has been made as follows, with retroactive accounting effect 1 April 2023:

- Acquisition of MC-V Beteiligung Verwaltungsgesellschaft mbH of its total equity stake (45%) consisting of 18,406,512 shares with a nominal value of 18,406,512 euros for an amount of 40,243,434 euros.

- Acquisition of MC Automobile (Europe) N.V. of its total share capital (45%) consisting of 18,406,512 shares with a nominal value of 18,406,512 euros for an amount of 40,243,434 euros.

- Acquisition from Mitsubishi International GmbH of its total share capital (10%) consisting of 4,090,336 shares with a nominal value of 4,090,336 euros for an amount of 8,942,985 euros.

In this way the details of the acquired business are as follows:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
MCE Bank Group	Financial services associated with the automotive sector and the collection of deposits	31/05/2023 (*)	100%	95.4 (**)

(*) The acquisition was made retroactively on April 1, 2023, so the company's results belong entirely to Santander Consumer Finance since the aforementioned date.
(**) Includes cash disbursement of the purchase price of the shares plus other transaction costs.

The detail of the net assets of the acquired business is as follows:

	Value in Books (Millions of euros)
Cash	61.6
Customers	881.4
Non-current assets	56.3
Current assets	22.2
Financial liabilities at amortized cost	(856.5)
Non-current and current liabilities	(31.1)
Net assets	**133.9**
Purchase consideration (*)	95.4
Difference in purchase	38.5

(*) Includes cash disbursement of the purchase price of the shares plus other transaction costs.

At the date of issuance of these consolidated annual accounts, the accounting for the business combination has been closed. The adjustments identified in the study conducted by the management of the Group on the allocation of the price to the net assets acquired have not been considered significant. Accordingly, the Group management has considered recording a purchase difference as a negative consolidation difference in the consolidated income statement without considering such intangible fair value adjustments.

The Managers of the parent company do not consider that at the date of acquisition there were indications that the acquired receivables would not be collected in full.

The amount contributed by this business to the Group's net attributable profit from the date of acquisition is intangible. Similarly, the result that this business would have brought to the group if the transaction had been made on January 1, 2023 is also immaterial.

Likewise, in November 2022, Santander Consumer Bank AG entered into an agreement with Emil Frey Automobil Holding Deutschland GmbH to sell 9.99% of its stake in MCE Bank GmbH. On August 11, 2023, the aforementioned sale was made effective for a price amounting to 14.5 million euros.

Stellantis Financial Services Belux, S.A. (Formerly PSA Finance Belux, S.A) and Stellantis Financial Services Nederland, B.V. (Formerly PSA Financial Services Nederland, B.V.)

On May 30, 2023, a corporate reorganization was carried out in the Group by which Banque Stellantis France, S.A. (Former PSA Banque France, S.A. And owned 50% by Santander Consumer Banque, S.A. And 50% by Stellantis Financial Services, S.A.) has acquired 100% of the stake of Stellantis Financial Services Belux, S.A. and Stellantis Financial Services Nederland, B.V. prior to the acquisition, both were already controlled entities, 100% owned by Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.), which in turn is 50% owned by Santander Consumer Finance S.A. and 50% owned by Stellantis Financial Services, S.A, both transactions were carried out at consolidated accounting values after obtaining the corresponding authorizations from the European and local authorities.

Vizolution

As of December 31, 2022, Santander Consumer Finance, S.A held a 10.99% share (3,239,956 shares) in the share capital of Vizolution Limited, a British company whose corporate purpose was to create software products that would facilitate the closure of online financing operations. This share was acquired at the end of 2018 for a value of £6,500 thousand.

During the first half of 2023, Lightico, Ltd. (Based in Israel) submitted an offer to the shareholders of Vizolution for the acquisition of all shares of the company Vizolution in exchange for shares of the company Lightico, Ltd.

As a result of the agreements reached on June 12, 2023, during the month of July 2023, Santander Consumer Finance, S.A has assumed 2.28% (29,070 shares) of the company Lightico worth 2,380 thousand US dollars, in exchange for participation in Vizolution Limited. At the time of the transaction, Santander Consumer Finance, S.A adjusted the value of the stake in Vizolution Limited, having recorded a loss of a non-significant amount for the purposes of the 2023 consolidated annual accounts.

Santander Consumer Leasing Belgium Branch

On July 20, 2023, Santander Consumer Leasing, B.V *(formerly Riemersma Leasing, B.V) has established a branch in* Belgium, called Santander Consumer Leasing Belgium Branch for the development of the operating leasing activity in Belgium. The branch began its activity in July 2023.

Ethias Lease N.V.

On June 19, 2023, Santander Consumer Leasing B.V. *(formerly Riemersma Leasing, B.V) it signed a Memorandun of* Understanding with Ethias Lease Corporation N.V. a company dedicated to the insurance business in Belgium to set up a Joint Venture in Belgium to develop the business of operational leasing of electric cars in Belgium.

After obtaining the corresponding regulatory authorizations, on September 13, 2023, Santander Consumer Leasing B.V. (through its branch in Belgium constituted on July 20, 2023) and Ethias Lease Corporation N.V. constituted Ethias Lease, a company that was incorporated into the company Ethias Lease. N.V. By issuing 4,500,000 fully subscribed and disbursed shares that make up a capital of 4,500,000 euros:

- Santander Consumer Leasing B.V., through its Belgian branch, subscribed 2,250,000 shares disbursing 2,250,000 euros holding a share of 50%.
- Ethias Lease Corporation N.V. subscribed 2,250,000 shares disbursing 2,250,000 euros holding a share of 50%.

The company began its activity in the same month of September 2023.

Drive, S.r.l. and Santander Consumer Renting, S.r.l.

On May 31, 2023, Santander Consumer Bank, S.p.A reached an agreement with the companies Agba, S.p.A, and AutoTorino S.p.A. to enter these companies into the share capital of Drive, s.r.l. To do this, it was agreed to carry out a capital increase of 7 million euros that was subscribed and disbursed as follows, without issuing new shares:

- Santander Consumer Bank, S.p.A contributed 5 million, of which 4 million euros are contributed through the conversion of the capital increase made in 2022 mentioned above into share capital and disbursed 1 million euros.
- Agba, S.p.A disbursed 1 million euros.
- AutoTorino S.p.A disbursed 1 million euros.

After the capital increase, the share capital of Drive, S.r.l. is 8 million euros, holding Santander Consumer Bank, S.p.A 75% of the share capital and Agba, S.p.A and AutoTorino S.p.a, each hold 12.5% of the share capital.

Also, in December 2023, in Santander Consumer Renting, S.r.l, a capital increase was carried out directly under the heading RESERVES and without issuing any shares amounting to 4.5 million euros.

Drive Revel, S.L

In June 2022, Andaluza de Inversiones, S.A. entered to participate in the share capital of Drive Revel, S.L., through a capital increase of 386 shares made by the aforementioned company, through the acquisition of 192 shares of 1 euro of nominal value each and an assumption premium of 5,196.51 euros per share, disbursing a total of 997,921 euros and going to hold 2.98% of the aforementioned company.

The main corporate purpose of this company is the leasing and subleasing of cars and light motor vehicles.

In August 2023, Andaluza de Inversiones, S.A. signed the second capital increase already agreed in 2022 by Drive Revel, S.L. 770 shares of 1 euro of nominal value each and an assumption premium of 5,196.51 euros per share, having paid a total of 4,002,079 euros, held after this extension a total of 962 shares representing 10.76% of the share capital of the aforementioned company.

Athlon Sweden AB

On 20 December 2023, the Group, through the norwegian subsidiary Santander Consumer Mobility AS, has signed an agreement to acquire 100% of the shares representing the share capital of Athlon Sweden AB, owned by Athlon Beheer International B.V. (Dutch company). Athlon Sweden AB is located in Sweden, its main focus being the multi-brand provision of operating leasing and associated services as well as fleet management, for private vehicles and commercial vehicles.

The sale transaction is subject to certain suspensive conditions, including the approval of the transaction by the competition authorities in Sweden. It is expected that the suspensive conditions will be fulfilled during the first quarter of 2024, at which time the closure of the operation and the taking of control of the indicated participation will occur.

There have been no other significant changes in the Group's consolidation perimeter during 2023.

b.2) Financial Year 2022

Santander Consumer Leasing, B,V.. (Formerly Riemersma Leasing, B.V.)

On April 15, 2022, Santander Consumer Finance, S.A., through its branch in the Netherlands, reached an agreement to acquire 100% of the share capital of Riemersma Leasing, B.V., consisting of 45,400 shares of 1 euro of nominal value. The main purpose of this company was to provide, through its platform, operational leasing services on the Dutch market.

After obtaining the corresponding authorizations from the Dutch authorities, on 9 June 2022 the acquisition took place for a total amount of 21,308,805 euros.
The acquisition took place as follows:

- Acquisition from Lathouwers Beheer B.V. of its total share capital (66.67%) consisting of 30,268 shares for an amount of 14,206,496 euros.
- Acquisition of ING Corporate Investments Participations B.V., of its total share capital (33.33%) formed by 15,132 shares for an amount of 7,102,309 euros.

Thus the details of the acquired business were as follows:

Company acquired	**Core business**	**Acquisition date**	**% shareholding (voting rights) acquired**	**Purchase consideration (million euro)**
Riemersma Leasing, B.V.	Operational leasing services	9/06/2022 (*)	100%	21.3

(*) The acquisition was made retroactively on January 1, 2022, so that the company's results for the financial year 2022 belonged entirely to Santander Consumer Finance from the aforementioned date with the exception of the agreed dividend.

The details of the net assets of the acquired business were as follows:

	Value in Books (Millions of euros)
Customers	0.4
Non-current assets	63.7
Current assets	1.2
Financial liabilities at amortized cost	(49.6)
Non-current and current liabilities	(2.7)
Provisions	(2.0)
Net assets	**11.0**
Agreed dividend (*)	(3.6)
Net assets after dividend	**7.4**
Purchase consideration	21.3
Goodwill	13.9

(*) corresponds to the dividend agreed with the sellers before the closing of the transaction

The fair value of the acquired receivables amounts to 0.4 million and does not differ from their gross contractual amounts. The Managers of the parent company do not consider that at the date of acquisition there were indications that they would not be collected in full.

Net cash flow on acquisition:

	Millions of Euros
Cash paid	21.3
Less: Cash and cash equivalents.	-
Total	**21.3**

As of December 31, 2022, this company contributed a profit of €2.3 million to the consolidated Group's profit.

On May 11 , 2023, the company name of Riemersma Leasing, B.V was changed to Santander Consumer Leasing, B.V.

Drive, S.r.l. and Santander *Consumer Renting, S.r.l.*

On April 26, 2022 and March 30, 2022, respectively, Santander Consumer Bank, S,p.A, constituted two companies for the development of the activity of operational leasing, DRIVE, S.r.l. and Santander Consumer Renting, S.r.l. By issuing 1,000,000 of shares and 2,000,000 of shares, respectively, of 1 euro of nominal value each. Both companies began their activity at the end of the second quarter of 2022.
In December 2022, capital increases were carried out in both companies directly under the heading reserves and without issuing any shares:

- Drive. S.r.l.: Extension of 4 million euros.
- Santander Consumer Renting, S.r.l.: Extension of 2 million euros.

Vinturas Group

In 2020 and 2021, Santander Consumer Finance, S.A., participated in several capital increases of the Dutch company Vinturas Holding, B.V. (whose corporate purpose consisted, among others, of in having shares in companies that developed the establishment of a logistics platform following the blockchain technology that intended to digitize the supply chain) reaching a stake of 14.75% at december 31, 2021, for a total amount of 500,000 euros.

During the financial year 2022, an impairment of the total amount of the participation was made.

Merger Santander Consumer Finance, S.A. and Santander Consumer Banque, S.A. (France)

On February 22 and 24, 2022, the members of the Boards of Directors of Santander Consumer Banque, S.A. And Santander Consumer Finance, S.A. Approved the joint draft of merger between Santander Consumer Finance, S.A. (As an absorbing company) and Santander Consumer Banque, S.A. (As an absorbed company).

Consequently, on the occasion of the registration of this merger, and with effect date on October 14, 2022, there was the extinction without liquidation of Santander Consumer Banque, S.A and the transmission in block of all its assets to Santander Consumer Finance, S.A., that acquired it by universal succession and without solution of continuity. Also, on that same date, the assets of Santander Consumer Banque, S.A were automatically assigned to the branch that Santander Consumer Finance, S.A had established in the framework of the merger in France.

In accordance with the provisions of the implementing accounting regulations, for accounting purposes, 1 January 2022 was set as the date from which the transactions of the company being acquired were to be considered to have been carried out by the acquiring company.

There were no other significant changes in the Group's consolidation perimeter during 2022.

4. Bank´s profit distribution and earnings per share

a) *Bank´s profit distribution*

The distribution of the Bank's net profit for 2023 that the Board of Directors will propose to the General Shareholders' Meeting for approval and the proposal approved for the financial year 2022 by the Bank's General Shareholders' Meeting, held on March 31, 2023, it is as follows:

	EUR Thousands	
	2023	2022
Distributable profit:		
Balance per the income statement	917,223	851,793
Appropriation:		
To dividends paid	99,992	652,203
To legal reserve	91,722	85,179
To voluntary reserve	725,509	114,411
Total	917,223	851,793

On March 14, 2023, the Extraordinary General Shareholders Meeting agreed, on a proposal from the Board of Directors, to pay a dividend from freely available reserves of 507,477 thousand euros. This dividend was paid on 29 March 2023.

On October 9, 2023, in view of the Company's liquidity statement, the Board of Directors agreed to a distribution of dividends on account of the profit or loss of 2023 of 99,992 thousand euros. This dividend was paid on November 13, 2023.

The provisional accounting statement, which, in accordance with article 277 of the consolidated text of the Capital Companies Act, was formulated by the Bank's Administrators, showing the existence of sufficient resources for the distribution of the dividend on account, was as follows:

	Thousands of
	31/08/2023
Estimated profit before tax	570,973
Less:	
Estimated income tax	(20,475)
Appropriation to legal reserve	(55,050)
Distributable profit	—
Interim dividend to be distributed	**495,448**
Gross dividend per share (euros) (*)	**0.05**

(*) Estimated with the number of Bank shares existing at the date of approval of the dividend on account.

b) *Basic and diluted earnings per action*

The basic profit per share (EPS) is determined by dividing the net income for the year attributable to the parent entity adjusted by the after-tax amount corresponding to the equity remuneration of the contingent convertible preferential units (see Note 23), between the weighted average number of Bank shares in circulation in that financial year, excluding, where appropriate, the average number of own shares held therein.

Accordingly:

	Thousands of Euros	
	2023	2022
Consolidated profit attributable to the parent	1,003,933	1,242,860
Remuneration of contingently convertible preferred equity (Note 23)	(94,103)	(72,875)
	909,830	1,169,985
Dilutive effect of changes in profit for the year arising from potential conversion of ordinary shares	—	—
Profit or loss from discontinuing operations (net of		
Profit or loss from continuing operations (net of	—	—
Weighted average number of shares outstanding	*909,830*	*1,169,985*
Adjusted number of shares	1,879,546,172	1,879,546,172
Basic and diluted EPS (Euro)	1,879,546,172	1,879,546,172
Of which:	*0.4840*	*0.6225*
From continued operations		
Consolidated profit attributable to the parent	*0.4840*	*0.6225*

5. Remuneration and other benefits to the Board of Directors and the Bank's senior management

a) Bylaw-stipulated emoluments and other fees

In accordance with the criteria established on the proposal of the Remuneration Committee, certain criteria are established for fixing the remuneration of directors. Those who perform executive functions in any of the companies of the Santander Group, will not receive any amount as remuneration for the performance of their positions in the Board of Directors and in their commissions. Directors not affiliated to the Santander Group and Independents will receive remuneration for the performance of their position as Director, as well as for each of the positions held in the different Commissions.

In 2023 the members of the Board of Directors of the Bank received 1,326 thousand euros in respect of statutory care and subsistence allowance (656 thousand euros in 2022), all of them corresponding to eight and six directors not related to the Santander Group and independent as of December 31, 2023 and 2022, respectively, according to the following detail:

	Thousands of euros	
	2023 (*)	2022
Antonio Escamez Torres	301	150
Jean Pierre Landau	112	112
Benita Ferrero-Waldner (**)	—	82
Luis Alberto Salazar-Simpson Bos	112	112
José Manuel Robles	192	97
Javier Monzon de Caceres	429	103
Marta Elorza Trueba	62	—
Emma Fernandez Alonso	60	—
Michael Rhodin	58	—

(*) In the financial year 2023 the form of payment to the Board of Directors has been modified, going from annual to expired financial year, to monthly. The amounts accrued in the financial year 2022, as well as in the financial year 2023, have been settled for the directors appointed on 22 May 2023.

(**) The amount actually accrued by this director has not been settled in the financial year 2023.

b) Post-employment and other long-term benefits

The obligations assumed by the Santander Group in respect of supplementary pensions to all its staff, both active and retired, include those corresponding to the current and previous Directors of the Bank, who perform (or have performed) executive functions in the Santander Group. Those directors who perform these functions in any of the companies of the Santander Group, will not receive any amount in post-employment benefits and other benefits as remuneration for the performance of their positions in Santander Consumer Finance, S.A.

In 2023, pension payments to members of the Board of Directors of the Bank amounted to 775 thousand euros in 2023 (775 thousand euros in 2022) and were made, mainly, by other entities of the Santander Group not belonging to the Santander Consumer Finance Group.

c) Loans and deposits

The balances corresponding to the direct risks of the bank and other entities of the Santander Group as of December 31, 2023 and 2022 in respect of loans, credits and guarantees provided to directors of the Bank are included in Note 47.

In all cases, the transactions with the Group have been carried out on market terms or the corresponding remuneration in kind has been charged.

d) *Senior management*

The remuneration received by the members (non-directors) of the Bank's senior management (15 persons in 2023 and 14 persons in 2022, respectively) amounted to 8,947 thousand euros and 9,417 thousand euros in 2023 and 2022, respectively, and they have been fully paid by other entities of the Santander Group other than the Consumer Group. In addition, no compensation has been received in 2023 for non-competition agreements of any member of the senior management.

In-kind remuneration paid to members (non-Directors) of the Bank's senior management amounted to 180 thousand euros in 2023, which were paid by other Santander Group entities other than the Group (99 thousand euros in 2022).

In 2023, contributions were made to the members (non-Directors) of the Bank's senior management to defined contribution pension plans amounting to 908 thousand euros (1,023 thousand euros in 2022). These contributions have been made by other entities of the Santander Group other than the Group. No payments have been made in 2023 and 2022.

The amount of share payments to senior management members during the 2023 financial year amounted to 379,792 shares corresponding to 1,410 thousand euros and 291,132 options amounting to 232 thousand euros. The total number of shares during the 2022 financial year was 465,858 corresponding to 1,738 thousand euros.

In all cases, the transactions with the Group have been carried out on market terms or the corresponding remuneration in kind has been charged.

e) *Termination of contract compensation*

The contracts of executive directors and senior managers with entities of the Santander Group are of indefinite duration. The termination of the relationship by breach of its obligations by the director or manager or by his free will not give right to any financial compensation. In the event of termination of the contract for any other reason, they will be entitled only to the legal compensation that, if applicable, corresponds.

f) *Information on investments held by the directors in other companies and conflicts of interest*

None of the members of the Board of Directors has stated that they are in a situation of conflict of interest of those established in article 229 of the Law of Capital Company, direct or indirect, that they or people linked to them could have with the interest of Santander Consumer Finance, S.A.

6. Loans and advances – credit institutions

The breakdown of the balance under the heading "Loans and advances – credit institutions" of the consolidated balance sheets as at 31 December 2023 and 2022 attached, according to their nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Type:		
Time deposits	1,080,763	62,135
Reverse repurchase agreements	60,531	67,249
Other accounts	287,031	260,922
	1,428,325	390,306
Currency:		
Euro	1,350,852	283,237
Foreign currency	77,473	107,069
	1,428,325	390,306

As of December 31, 2023, the balances held under this heading correspond mainly to Santander Consumer Finance, S.A (Spain) and Santander Consumer Bank A.S. (Nordics) for an amount of 1,254,706 thousand euros and 74,560 thousand euros respectively (as at December 31, 2022, at the same time, the following year: 96,768 thousand euros for Santander Consumer Bank A.S. and 73,439 thousand euros for PSA Bank Deutschland GmbH).

Note 44 of this consolidated report shows a detail of the maturity of these assets at the end of financial years 2023 and 2022 and their estimated fair value as at 31 December 2023 and 2022.

A significant part of deposits in credit institutions corresponds to balances with associates and entities of the Santander Group (see Note 46).

The breakdown as of December 31, 2023 of the exposure by impairment stage of the assets recorded under IFRS9 is 1,431,021 thousand euros, all of which are recorded in stage 1 (392,325 thousand euros in stage 1 in the financial year 2022) and of the provision fund per deterioration stage is 2,696 thousand euros, all of which are registered in stage 1 (2,130 thousand euros in stage 1 in 2022).

This section also includes: irrevocable payment commitments to the Single Resolution Fund made in accordance with Article 70.3 of Regulation 806/2014 laying down uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms within the framework of a single resolution mechanism and a Single Resolution Fund, for which, according to the rule, no provision has been recorded, these commitments being not significant in relation to the consolidated annual accounts.

7. Debt securities

The breakdown of the "debt securities" balance of the accompanying consolidated balance sheets as at 31 December 2023 and 2022, based on their classification, nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Classification:		
Financial assets at fair value through other comprehensive income	151,337	726,508
Non-trading financial assets mandatorily measured at fair value through profit or loss	844	1,444
Financial assets at amortised cost	4,189,837	6,185,061
	4,342,018	6,913,013
Type:		
Spanish sovereign debt	786,697	921,128
Foreign sovereign debt	3,180,400	5,347,062
Issued by financial institutions	128,337	141,587
Other fixed income securities	246,653	503,362
Impairment losses	(69)	(126)
	4,342,018	6,913,013
Currency:		
Euro	3,640,332	6,582,093
Foreign currency	701,755	331,046
Gross total	4,342,087	6,913,139
Less - Impairment losses	(69)	(126)
	4,342,018	6,913,013

As of 31 December 2023 and 2022, the entire impairment exposure balance for "debt securities" and the impairment provision fund were in stage 1.

The balance as of December 31, 2023 and 2022 of the Account “Spanish Public Debt” in the previous table corresponds, mainly, to other annotated debts issued by the Spanish State, acquired by Santander Consumer Finance, S.A.

The balance as at December 31, 2023 of the “Foreign Public Debt” account in the table above corresponds mainly to Italian bonds acquired by Santander Consumer Finance, S.A, for 1,179,112 thousand euros by Santander Consumer Bank AG for 732,030 thousand euros, by Santander Consumer Bank S.p.A. for 350,542 thousand euros and Stellantis Financial Services Italia S.p.A. for 101,671 thousand euros. In addition, Danish and Swedish bonds purchased by Santander Consumer Bank AS for 110,062 thousand euros and 414,237 thousand euros, respectively.

The balance as at 31 December 2022 of the “Foreign Public Debt” account in the table above corresponds mainly to Italian bonds acquired by Santander Consumer Finance, S.A, for 1,157,907 thousand euros, to Finnish Treasury bonds, Belgian and Norwegian acquired by the dependent entity Santander Consumer Bank AS (Norway) for about 43,672 thousand euros, 72,477 thousand euros and 70,896 thousand euros, respectively, German, Italian, Luxembourg, and Italian Treasury bonds. Belgian and French acquired by the German subsidiary Santander Consumer Bank AG for 1,583,068 thousand euros, 718,290 thousand euros, 222,574 thousand euros, 316,592 thousand euros and 268,148 thousand euros respectively, and Italian Treasury bonds acquired by Italian subsidiaries Santander Consumer Bank S.p.A. and Stellantis Financial Services Italia S.p.A. for about 448,845 thousand euros.

Note 44 of this consolidated report shows a detail of the maturity of these financial assets at the close of financial years 2023 and 2022.

8. Equity instruments

The corresponding balance “equity instruments” of the consolidated balance sheets as at 31 December 2023 and 2022 accompanying, taking into account their classification and nature, is as follows:

	Thousands of Euros	
	2023	2022
Classification:		
Financial assets at fair value through other comprehensive	23,526	21,961
Mandatory to VR with results changes	41	45
	23,567	22,006
Type:		
Spanish companies	5.000	998
Foreign companies	18.567	21.008
	23,567	22,006
TOTAL	23,567	22,006

The movement under the heading “Financial assets at fair value through other comprehensive income – equity instruments” as at 31 December 2023 and 2022 of the accompanying consolidated balance sheet is as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	21,961	22,591
Net additions (disposals)	3,919	337
Valuation adjustments	(2,354)	(967)
Currency translation and other differences	—	—
Balance at end of period	23,526	21,961

9. Financial assets and liabilities held for trading

a) *Derivatives held for trading*

The following is a breakdown of the fair value of derivatives contracted by the Group, as at 31 December 2023 and 2022, classified according to inherent risks:

	Thousands of Euros			
	2023		2022	
	Balance	Balance	Balance	Balance
Interest rate risk	322,498	335,101	463,159	466,009
Exchange rate risk	1,400	8,493	31,505	22
	323,898(*)	343,594(*)	494,664(*)	466,031(*)

(*) Of which, as at 31 December 2023, 223,678 thousand euros and 241,094 thousand euros of debtor and creditor balances, respectively, correspond to amounts held with companies of the Santander Group (334,747 thousand euros and 307,105 thousand euros of debtor and creditor balances, respectively, it corresponded to entities of the Santander Group as of December 31, 2022) -see Note 46.

The table above shows the maximum level of credit risk exposure for debtor balances.

b) Notional and market value of trading derivatives

The following is a breakdown of the notional and market value of trading derivatives contracted by the Group as at 31 December 2023 and 2022, classified according to inherent risks:

	Thousands of Euros			
	2023		2022	
	Notional value	Market value	Notional value	Market value
Trading derivatives:				
Inherent rate risk-				
Forward rate agreements	—	—		—
Interest rate swaps	23,739,116	(12,582)	19,353,32	(4,682)
Options and futures and other	2,396,571	(21)	3,414,24	1,832
Credit risk	—	—		—
Credit Default Swap	—	—		—
Exchange risk	—	—		—
Buy foreign exchange	519,695	*(7,093)*	1,797,74	31,489
Currency options	—	—	1	(6)
Foreign exchange swaps	76,425	—	48,62	—
Derivatives on securities and commodities (*)	—	—		—
	26,731,807	**(19,696)**	**24,613,96**	**28,633**

10. Loans and advances - clientele

a) *Composition of the balance*

The composition of the balance under this heading of the consolidated balance sheets, according to their classification, is:

	Thousands of Euros	
	2023	2022
Financial assets at amortized cost	115,507,725	106,499,445
Non-trading financial assets mandatorily measured at fair valor through profit or loss	658	387
Which:		
Value corrections for impairment	*(2,133,317)*	*(1,956,054)*
Loans and advances to customers without considering value corrections for impairment	117,641,700	108,455,886

Note 44 shows the details of the maturity of financial assets at amortized cost, as well as their average interest rates.

Note 47 shows the Group's total exposure, depending on the issuer's geographical origin. There are no credits to customers of indefinite duration for significant amounts.

b) *Detail*

The following is the breakdown of loans and advances granted to the Group's clients, which reflect the Group's credit risk exposure in its core business, without taking into account the balance of the impairment value corrections, taking into account the modality and situation of the operations, the geographical area of their residence and the mode of the interest rate of the operations:

	Thousands of Euros	
	2023	2022
Loan type and status:		
Commercial credit	489,498	358,983
Secured loans	24,921,345	20,956,543
Other terms loans	62,641,060	56,323,555
Finance leases	23,608,177	25,347,169
Receivables on demand and other	1,453,272	1,139,088
Credit card receivables	2,015,430	2,150,500
Impaired assets	2,512,918	2,180,048
	117,641,700	108,455,886
Geographical area:		
Spain and Portugal	16,158,921	14,951,535
Italy	15,541,847	10,351,612
France	19,411,560	15,940,474
Germany and Austria	44,171,926	42,099,289
Scandinavia	17,390,189	17,815,074
United Kingdom	—	2,819,118
Other	4,967,257	4,478,784
	117,641,700	108,455,886
Interest rate formula:		
Fixed rate	87,335,953	79,507,813
Floating rate	30,305,747	28,948,073
	117,641,700	108,455,886
Currency:		
Euros	101.748.489	90.628.942
Foreign currency	15.893.211	17.826.944
	117.641.700	108.455.886
Less:		
Impairment changes	*(2,133,317)*	*(1,956,054)*
TOTAL	115.508.383	106.499.832

As of December 31, 2023 and 2022, the Group had EUR 860 and EUR 919 thousand, respectively, of loans and advances granted to Spanish Public Administrations with a rating of A and EUR 204,713 and EUR 198,952 thousand, respectively, granted to the public sector in other countries (as of December 31, 2023, this amount was composed, depending on the rating of the issuer, as follows: 63% AAA, 32% AA, 0% A and, 5% BBB and 0% without rating).

Without considering the Public Administrations, the amount of loans and advances as of December 31, 2023 and 2022 amounts to 117,436,127 and 108,256,015 thousand euros.

On May 22, 2014, the Bank subscribed 4,152 mortgage shares issued by Banco Santander, S.A., for an amount of 424,397 thousand euros, they were recorded under the heading "Loans and receivables – clientele" of the balance sheet and are included under the heading "Secured debtors" in the table above. These mortgage shares correspond to loans with maturities between 3 and 39 years and accrue annual interest between 0.20% and 4.523%.

On April 26, 2012, the Bank subscribed 3,425 mortgage shares, issued by Banco Santander, S.A., for an amount of 416,625 thousand euros, they were recorded under the heading "Loans and receivables – clientele" of the balance sheet and are included under the heading "Secured debtors" in the table above. These mortgage shares correspond to loans with maturities between 1 and 38 years and accrue annual interest between 0.002% and 3.273%. The outstanding balance of these shares amounts to 244,518 thousand euros as of December 31, 2023 (eur 303,311 thousand as at 31 december 2022).

As of 31 December 2023 and 2022, there were no indefinite claims to clients for significant amounts.

Note 46 includes certain information regarding the restructured/refinanced portfolio, as well as the distribution of the loan to the client by activity, net of impairment, as at 31 December 2023 and 2022.

The movement of gross exposure by impairment stage of loans and customer advances recorded under the headings "Financial assets at amortized cost" for 2023 and 2022 is then broken down:

2023	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	102,230,428	4,045,023	2,180,048	108,455,499
Movements				
Transfers:				
Transfer to Stage 2 from Stage 1	(2,210,312)	2,210,312	—	—
Transfer to Stage 3 from Stage 1	(908,358)	—	908,358	—
Transfer to Stage 3 from Stage 2	—	(571,731)	571,731	—
Transfer to Stage 1 from Stage 2	1,265,864	(1,265,864)	—	—
Transfer to Stage 2 from Stage 3	—	149,575	(149,575)	—
Transfer to Stage 1 from Stage 3	47,154	—	(47,154)	—
Net changes in financial assets	17,070,169	(236,639)	(266,392)	16,567,138
Write-offs	—	—	(629,361)	(629,361)
Exchange differences and other	(6,412,303)	(285,194)	(54,737)	(6,752,234)
Balance at end of period	111,082,642	4,045,482	2,512,918	117,641,042

In addition, the group has 25,642,721 thousand euros of commitments and financial guarantees granted subject to impairment, of which 25,528,907 thousand euros are in Stage 1, 85,960 thousand euros in Stage 2 and 27,854 thousand euros in Stage 3.

2022	Thousands of Euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	96.229.354	3.412.057	2.033.052	101.674.463
Movements				
Transfers:				
Transfer to Stage 2 from Stage 1	(2.549.410)	2.549.410	—	—
Transfer to Stage 3 from Stage 1	(721.064)	—	721.064	—
Transfer to Stage 3 from Stage 2	—	(514.371)	514.371	—
Transfer to Stage 1 from Stage 2	1.140.767	(1.140.767)	—	—
Transfer to Stage 2 from Stage 3	—	137.777	(137.777)	—
Transfer to Stage 1 from Stage 3	28.108	—	(28.108)	—
Net changes in financial assets	8.935.179	(366.402)	(153.166)	8.415.611
Write-offs	—	—	(749.860)	(749.860)
Exchange differences and other	(832,506)	(32,681)	(19,528)	(884,715)
Balance at end of period	102,230,428	4,045,023	2,180,048	108,455,499

As of December 31, 2022, the group had 27,052,044 thousand euros of commitments and financial guarantees granted subject to impairment, of which 26,865,725 thousand euros were in phase 1, 127,214 thousand euros in stage 2 and 59,105 thousand euros in stage 3.

c) *Impairment losses on loans and advances to clients at amortized cost and at fair value through other comprehensive income*

Next, it shows the movement that has occurred in the balance of provisions covering impairment losses on the assets that make up the balance of the headings Financial assets at amortized cost and at fair value through changes in other comprehensive income in the clientele line:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	1.956.054	2,115,180
Impairment losses through profit or loss	840.662	641.332
Of which:		
Impairment charges to profit or loss	*2.258.845*	*2,334,407*
Reversal of impairment charges to profit or loss	*(1.418.183)*	*(1,693,075)*
Write-off impaired balances against recorded impairment allowance	*(37.452)*	—
Currency translation differences and other changes	*(629.361)*	*(749,860)*
Balance at end of period	3.414	(50,598)
Of which:	2.133.317	1.956.054
By asset class:		
Impaired Assets		
Other	*1.413.375*	*1,228,609*
By calculation method:	*719.942*	*727,445*
Calculated individually		
Calculated collectively	*149.221*	*143,520*
Balance at beginning of period	*1.984.096*	*1,812,534*

The following is the breakdown of the movement of the gross amount of the fund for loan insolvencies and client advances recorded under the heading "Financial assets at amortized cost" under IFRS9 for the financial years 2023 and 2022:

2023				
	Thousands of euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	476.717	250.728	1.228.609	1.956.054
Transfers:				
Transfer to Stage 2 from Stage 1	(64.839)	373.723	—	308.884
Transfer to Stage 3 from Stage 1	(18.592)	—	270.096	251.504
Transfer to Stage 3 from Stage 2	—	(195.080)	406.693	211.613
Transfer to Stage 1 from Stage 2	43.479	(195.500)	—	(152.021)
Transfer to Stage 2 from Stage 3	—	21.633	(86.968)	(65.335)
Transfer to Stage 1 from Stage 3	1.119	—	(19.454)	(18.335)
Net changes in financial assets and changes in credit risk	1,565	(15,315)	318,102	304,352
Write-offs	—	—	(629.361)	(629.361)
Exchange differences and other	14.256	26.048	(74.342)	(34.038)
Balance at end of period	453.705	266.237	1.413.375	2.133.317

2022				
	Millions of euros			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	528,498	294,101	1,292,581	2,115,180
Transfers:				—
Transfer to Stage 2 from Stage 1	(61,758)	307,013	—	245,255
Transfer to Stage 3 from Stage 1	(18,621)	—	226,461	207,840
Transfer to Stage 3 from Stage 2	—	(191,044)	400,045	209,001
Transfer to Stage 1 from Stage 2	38,894	(140,762)	—	(101,868)
Transfer to Stage 2 from Stage 3	—	20,220	(96,059)	(75,839)
Transfer to Stage 1 from Stage 3	881	—	(13,340)	(12,459)
Net changes in financial assets and changes in credit risk	(9,044)	(28,753)	207,199	169,402
Write-offs			(749,860)	(749,860)
Exchange differences and other	(2,133)	(10,047)	(38,418)	(50,598)
Balance at end of period	476,717	250,728	1,228,609	1,956,054

As at 31 December 2023 and 2022, the Group did not present significant amounts in impaired assets purchased with impairment.

In 2023, a reversal of 56 thousand euros (endowment of 272 thousand euros in 2022) and income on assets in hold recovered of 156,733 thousand euros (189,129 thousand euros in 2022) was recorded in fixed income. In addition, no amounts have been recognized for renegotiation or contractual modification during the years 2023 and 2022. This includes the amount recorded under impairment or reversal of impairment of financial assets not measured at fair value through profit or loss or net gain on change in: financial assets at fair value through other comprehensive income and financial assets at amortized cost (IFRS9) and, in loans and receivables (NIC39); amounts to 683,873 thousand euros (451,931 thousand euros in 2022).

In the years 2023 and 2022, the Group has sold the following portfolios of bad loans:

Society	Thousands of Euros	
	31/12/2023	31/12/2022
	Nominal	Nominal
Santander Consumer Bank AG (Germany)	85,000	258,000
Santander Consumer Bank S.p.A. (Italy)	40,000	16,600
Santander Consumer Bank A.S. (Norway)	105,000	58,700
Santander Consumer Finance OY (Finland)	23,000	10,600
Santander Consumer Bank GmbH (Austria)	44,000	41,800
Financiera El Corte Inglés, E.F.C., S.A. (Spain)	68,000	—
Banque Stellantis France (France)	—	40,000
Stellantis Financial Services España, E.F.C., S.A. (Spain)	—	64,300
Stellantis Bank Deutschland GmbH (Germany)	—	21,400
Santander Consumer Finance Inc. (Canada)	19,000	—
Transolver Finance EFC, S.A.	1,407	—
Santander Consumer Finance, S.A. (Spain)	144,900	151,300
Of which:		
Spanish subsidiary in Portugal (*)	*17,300*	*25,400*
Spanish subsidiary in Netherlands (*)	*8,500*	*7,900*
	530,307	662,700

(*) See note 1.A.

The sale price of the failed loan portfolios made in 2023 was 127,000 thousand euros (145,600 thousand euros as of December 31, 2022). The profit or loss obtained from such sales (profit) has been recorded by credit to the chapter "Impairment of the value or reversing impairment of financial assets not measured at fair value through profit or loss – financial assets at amortized cost" in the attached consolidated profit and loss account.

Home purchase loans granted to those households by the main business in Spain

The quantitative information regarding the credit granted by the Group to households for the acquisition of homes by the main businesses in Spain, as of December 31, 2023 and 2022, is as follows:

	31-12-2023		31-12-2022	
	Thousands of Euros		Thousands of Euros	
	Gross amount	Of which: Doubtful	Gross amount	Of which: Doubtful
Loans for housing acquisition				
- No mortgage guarantee	—	—	—	—
- With mortgage guarantee	1,056,134	50,420	1,216,220	55,421
	1,056,134	50,420	1,216,220	55,421

The breakdown of the Group's loans with mortgage guarantee to households for home acquisition in Spain, according to the percentage of total risk on the amount of the last available valuation (loan to value), as of December 31, 2023 and 2022, are as follows:

	2023					
	Risk on last available valuation amount (value of debt)					
In millions of Euros	Not more than 40 per cent	More than 40 per cent and less than or equal to 60	More than 60 per cent and less than or equal to 80	More than 80 per cent and less than or equal to 100	Above 100%	TOTAL
Gross amount	278	268	182	148	180	1,056
- Of which: Doubtful	4	8	8	9	21	50

	2022					
	Risk on last available valuation amount (value of debt)					
In millions of Euros	Not more than 40 per cent	More than 40 per cent and less than or equal to 60	More than 60 per cent and less than or equal to 80	More than 80 per cent and less than or equal to 100	Above 100%	TOTAL
Gross amount	299	315	218	169	215	1.216
- Of which: Doubtful	5	9	11	8	22	55

Securitisations

The balance of financial assets classified as financial assets at amortized cost – clientele in the consolidated balance sheets as of December 31, 2023 and 2022 attached includes, among others, those loans transmitted to third parties by securitization on which risk is maintained, even partially, this is why, according to current regulations, they cannot cancel the consolidated balance sheet. The details of the amounts securitized as at 31 December 2023 and 2022, classified according to the dependent entity that originated the securitized portfolio, and whether or not they have met the requirements for cancelation of the consolidated balance sheet, as described in Note 2-d of this consolidated report, the following is indicated:

	Thousands of Euros	
	2023	2022
Derecognized	—	—
Held on the balance sheet:	28,138,864	32,479,951
Of which:		
Santander Consumer Bank AG	*8.694.299*	*11,985,025*
Compagnie Generale de Credit Aux particuliers - Credipar S.A.	*6.938.694*	*5,772,604*
Santander Consumer Bank S.p.A.	*2.878.783*	*2,362,857*
Santander Consumer Finance, S.A.	*2.253.650*	*2,346,467*
Stellantis Financial Services Italia S.p.A.	*1.711.197*	*1,391,508*
Financiera El Corte Inglés, E.F.C., S.A.	*1.375.104*	*1,342,660*
Santander Consumer Bank GmbH	*1.290.471*	*1,341,132*
Santander Consumer Finance Oy	*1.079.807*	*1,196,631*
Stellantis Financial Services, Spain, E.F.C., S.A.	*645.536*	*1,121,800*
PSA Bank Deutschland GmbH	—	*1,673,300*
PSA Finance UK Limited	—	*1,252,528*
Hyundai Capital Bank Europe GmbH	*861.190*	*379,537*
Allane SE	*410.133*	*313,902*
Total	28,138,864	32,479,951

The nature of the securitised assets is essentially vehicle financing and consumer financing.

In the financial years 2023 and 2022, the dependent entities indicated in the table above have securitized claims amounting to EUR 8,827,500 thousand and EUR 5,026,660 thousand, respectively. As the risks and benefits associated with these credit rights have not been substantially transferred, they have not been removed from the consolidated balance sheet.

Note 19 of this consolidated report reports liabilities associated with securitization operations.

Impaired assets

The movement that has occurred in the balance of financial assets classified as financial assets at amortized cost – clientele and considered as impaired due to their credit risk (non-performing assets) is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	2,180,048	2,033,052
Additions net of recoveries	1,016,968	916,383
Written-off assets	(629,336	(749,860)
Perimeter changes	(41,499)	—
Exchange differences and other movements (net)	(13,238)	(19,527)
Balance at year-end	2,512,918	2,180,048

This amount, after deducting its corresponding provisions, represents the Group's best estimate of the discounted value of the flows expected to be recovered from impaired assets.

The delinquency rate calculated as the result of dividing the financial assets at amortized cost (clientele) in stage 3 and contingent risks recorded in the consolidated balance sheets as at 31 December of this year by the total balance of financial assets at amortized cost (clientele and contingent risks), it stood at 2.15 per cent as at 31 december 2023 (2.06 per cent as at 31 december 2022).

11. Assets and liabilities in disposal groups classified as held for sale

The balance of the chapter "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheets as at 31 December 2023 and 2022 attached, it includes the amount of assets awarded and recovered by consolidated entities from non-performing claims, net of impairment value corrections, as well as the assets of those dependent entities that have been classified as interrupting operations, according to the following detail:

	Thousands of Euros	
	31/12/2023	31/12/2022
Enclosed tangible assets	5.199	8.477
Of which Foreclosed tangible assets in Spain	*2.399*	*2.568*
Other tangible assets held for sale	60.082	36.860
	65.281	45.337

The balance of provisions as at 31 December 2023 is 15,491 thousand euros (15,534 thousand euros in December 2022). The allocations made during the financial years 2023 and 2022 amounted to 3,210 and 753 thousand euros respectively and the recoveries made during these periods amounted to 2,622 and 1,405 thousand euros (see Note 42).

Disclosures on assets received by the businesses in Spain in payment of debts

The details of the origin of the assets awarded by the Group's Spanish businesses according to the destination of the loan or credit initially granted from which they originate, as of December 31, 2023 and 2022, are as follows:

EUR Thousand	31/12/2023				31/12/2022			
	Gross book value	Impairment losses	Of which: impaired since acquisition	Carrying value	Gross book value	Impairment losses	Of which: impaired since acquisition	Carrying value
Property assets arising from financing granted for construction and property development	—	—	—	—	—	—	—	—
Of which:	—	—	—	—	—	—	—	—
Completed buildings	—	—	—	—	—	—	—	—
Residential	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Land	—	—	—	—	—	—	—	—
Developed land	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Property assets arising from home purchase mortgage financing granted to households	14,214	12,025	8,874	2,189	14,744	12,364	8,973	2,380
Other property assets received in payment of debts	1,287	1,077	1,060	210	1,267	1,079	1,062	188
Total property assets	15,501	13,102	9,934	2,399	16,011	13,443	10,035	2,568

12. Investments in joint ventures and associates

The details of the balance of this heading of the consolidated balance sheets as of December 31, 2023 and 2022 attached, taking into account the company that originates it, are as follows:

	Thousands of Euros	
	2023	2022
Associates:		
Santander Consumer Bank S.A. (Poland)	454.754	401.297
Santander Consumer Multirent Sp. z o.o. (Poland)	29.765	24.270
Stellantis Financial Services Polska Sp. z o.o. (Poland)	12.194	8.393
Santander Consumer Finanse Sp. z o.o. (Poland)	—	6.124
Ethias Lease (Belgium)	1.988	—
Pavever GmbH (Germany)	1.548	1.480
Stellantis Consumer Financial Services Polska Sp. z o.o. (Poland)	807	717
Santander Consumer Financial Solutions Sp. z o.o. (Poland)	(237)	550
Other associated entities	—	31
	500.819	442.862
Of which goodwill:		
Pavever GmbH (Germany)	1.238	1.238
Santander Consumer Bank S.A. (Poland)	104.674	97.049
	105.912	98.287
Joint ventures:		
Fortune Auto Finance Co. Ltd. (China)	254.178	244.333
Stellantis Insurance Europe Ltd (Malta)	52.582	30.621
Stellantis Life Insurance Europe, Ltd (Malta)	18.072	6.681
Other joint ventures	319	280
	325.151	281.915
	825.970	724.777

The movement in the balance under this heading of the accompanying consolidated balance sheets during the years 2023 and 2022 is shown below:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	724.777	682.414
Purchases and capital increases	1.988	—
Sales	—	—
Dividends paid	(38.468)	(3.894)
Effect of equity method accounting (Note 32)		
Changes in the consolidation perimeter	77.075	96.736
Value impairment adjustments (Note 3.b)	—	—
Currency translation differences and other	—	—
Balance at end of period	60.598	(50.479)
Balance at beginning of period	825.970	724.777

Impairment value corrections

In the years 2023 and 2022 there is no evidence of significant deterioration in the Group's shares.

A summary of the financial information of associates and joint ventures is as follows:

	Millions of Euros	
	2023 (*)	2022
Data on 31 December		
Total assets	10,981	8,589
Total liabilities	(9,154)	(6,932)
Equity	(1,827)	(1,657)
Group's share of the net assets of associates	720	626
Goodwill	106	99
Total Group share	826	725
Data for the year		
Total income	1,712	1,585
Total profit	129	194
Group's share of the profit of associates	77	97

(*) This information has been obtained from the annual accounts of each of the entities, which were pending approval by their respective Control Bodies at the date of formulation of these consolidated annual accounts. However, the Bank Administrators consider that they will be approved without modification.

Other information

A summary of the financial information as at 31 December 2023 for major associates and joint ventures (derived from information available at the date of formulation of the consolidated annual accounts) is as follows:

	Joint ventures	Associated entities
Thousands of euros	SANTANDER CONSUMER BANK SPOLKA AKCYJNA	FORTUNE AUTO FINANCE CO., LTD.
Current assets	192,448	186,401
Non-current assets	4,434,657	2,035,859
Total assets	4,627,105	2,222,260
Current liabilities	355,119	20,858
Non-current liabilities	3,345,424	1,693,047
Total liabilities	3,700,543	1,713,905
Net attributable profit for the period	14,677	50,955
Other comprehensive income	(30,176)	(18,952)
Other	942,061	476,352
Total equity	926,562	508,355
Total liabilities and equity	4,627,105	2,222,260

Income from ordinary activities	485,501	218,454
Profit for the period from continuing operations	14,745	50,955
Income after taxes from discontinued operations	—	—

13. Tangible assets

The movement in the balance of this chapter in the consolidated balance sheets as at 31 December 2023 and 2022 attached, during the years 2023 and 2022, was as follows:

Thousands of euros	Tangible assets				Of which: Right of use for the operating lease			
	Of own use	Other assets transferred under	Real estate investments	Total	Of own use	Other assets transferred under	Real estate investments	Total
Cost:								
Balances as at 31 December 2021	765,006	2,091,073	—	2,856,079	429,145	—	—	429,145
Additions/Disposals(net)	15,435	736,533	—	751,968	2,964	—	—	2,964
Additions	24,652	1,129,494	—	1,154,146	8,222	—	—	8,222
Disposals	(9,217)	(392,961)	—	(402,178)	(5,258)	—	—	(5,258)
Net Additions/disposals due to changes in the consolidation perimeter	2,419	59,504	—	61,923	1,048	—	—	1,048
Currency Transaction differences	(3,112)	2,922	—	(190)	(2,446)	—	—	(2,446)
Transfers and other	(40,345)	388,298	—	347,953	2,092	—	—	2,092
				—		—	—	
Balances as at 31 December 2022	739,403	3,278,330	—	4,017,733	432,803	—	—	432,803
Additions/Disposals (net)	50,282	1,436,388	—	1,486,670	35,695	—	—	35,695
Additions	*72,304*	*2,089,156*		*2,161,460*	*46,660*	—	—	46,660
Disposals	*(22,022)*	*(652,768)*	—	*(674,790)*	*(10,965)*	—	—	(10,965)
Net Additions/disposals due to changes in the consolidation perimeter	*4,636*	*47,554*	*5,940*	58,130	(13,224)	—	—	(13,224)
Currency Transaction differences	*(1,389)*	*6,186*	—	4,797	*(1,103)*	—	—	(1,103)
Transfers and other	*6,783*	*105,497*	—	112,280	*7,557*	—	—	7,557
Balances as at 31 December 2023	799,715	4,873,955	5,940	5,679,610	461,728	—	—	461,728
Accrued amortization:								
Balances as at 31 December 2021	(363,641)	(180,641)	—	(544,282)	(138,511)	—	—	(138,511)
Net Additions/disposals due to changes in the consolidation perimeter	(1,383)	—	—	(1,383)	291	—	—	291
Charges	(71,061)	—	—	(71,061)	(42,523)	—	—	(42,523)
Disposals and retirements	6,402	139,519	—	145,921	3,787	—	—	3,787
Currency translation differences	1,871	(1,358)	—	513	1,333	—	—	1,333
Transfers and others	57,298	(436,889)	—	(379,591)	7,854	—	—	7,854
Balances as at 31 December 2022	(370,514)	(479,369)	—	(849,883)	(167,769)	—	—	(167,769)
Net Additions/disposals due to changes in the consolidation perimeter	(5,660)	(10,621)	—	(16,281)	6,853	—	—	6,853
Charges	(72,609)	—	—	(72,609)	(45,682)	—	—	(45,682)
Disposals and retirements	11,492	150,931	—	162,423	4,314	—	—	4,314
Currency translation differences	826	(1,944)	—	(1,118)	631	—	—	631
Transfers and others	7,466	(605,667)	—	(598,201)	1,785	—	—	1,785
Balances as at 31 December 2023	(428,999)	(946,670)	—	(1,375,669)	(199,868)	—	—	(199,868)
Impairment losses								
Balances as at 31 December 2021	(1,035)	(4,423)	—	(5,458)	(1,034)	—	—	(1,034)
Net Additions/disposals due to changes in the consolidation perimeter	—	—	—	—		—	—	
Charges	(968)	(1,397)	—	(2,365)	(353)	—	—	(353)
Releases	18	1,362	—	1,380	18	—	—	18
Disposals and retirements	1,025	805	—	1,830	416	—	—	416
Transfers and other	29	343	—	372	23	—	—	23
Balances as at 31 December 2022	(931)	(3,310)	—	(4,241)	(930)	—	—	(930)
Net Additions/disposals due to changes in the consolidation perimeter	422	—	—	422	422	—	—	422
Charges	(552)	(1,874)	—	(2,426)	(156)	—	—	(156)
Releases	104	2,491	—	2,595	104	—	—	104
Disposals and retirements	855	105	—	960	443	—	—	443
Transfers and other	(23)	(132)	—	(155)	(7)	—	—	(7)
Balances as at 31 December 2023	(125)	(2,720)	—	(2,845)	(124)	—	—	(124)
Net tangible assets:						—	—	
Balances as at 31 December 2022	367,958	2,795,651	—	3,163,609	264,104	—	—	264,104
Balances as at 31 December 2023	370,591	3,924,565	5,940	4,301,096	261,736	—	—	261,736

(1) The depreciation appropriations are made under the heading “depreciation” of the consolidated profit and loss account.

The balance of tangible assets acquired through the execution of leases amounts to 261,736 thousand as at 31 December 2023 (264,104 thousand as at 31 December 2022). The Group's policy is to formalize insurance policies to cover the possible risks to which the various elements of its fixed material are subject.

The Group has earned net gains of EUR 143 thousand in 2023 (EUR 570 thousand of net losses in 2022) on sales of plant and equipment (Note 42).

The breakdown, according to their nature, of the items in the balance under the heading "Tangible assets – fixed assets – tangible assets – for own use" as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros				
	Cost	Accumulated depreciation	Fund	Carrying amount	Of which: Right-of-use for operating lease
Buildings	436,328	(164,762)	—	271,566	261,036
Furniture	195,987	(123,586)	—	72,401	4,017
Computer equipment	88,724	(70,748)	—	17,976	—
Others	18,364	(11,418)	(931)	6,015	(949)
Balances as at 31 December 2022	739,403	(370,514)	(931)	367,958	264,104
Buildings	485,639	(211,392)	—	274,247	259,649
Furniture	203,918	(129,306)	—	74,612	2,186
Computer equipment	92,296	(75,880)	—	16,416	—
Others	17,862	(12,421)	(125)	5,316	(99)
Balances as at 31 December 2023	799,715	(428,999)	(125)	370,591	261,736

The net balance of tangible assets for own use as of December 31, 2023, includes approximately 342,114 thousand euros (337,732 thousand euros as of December 31, 2022) corresponding to fixed assets owned by the Group's foreign subsidiaries.

14. Goodwill

The balance of this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, depending on the cash generating units that originate it, is as follows:

	Thousands of Euros	
	2023	2022
Germany	1,297,469	1,297,469
Austria	98,074	98,074
Nordics (Scandinavia)	205,561	215,443
Netherlands	13,897	13,897
Spain	87,123	87,543
Portugal (*)	2,681	—
Canada (*)	10,909	—
Total	1,715,714	1,712,426

(*) corresponds to the goodwill originated by the acquisition of Camine D - Services, Unipessoal Lda. In Portugal and acquisition of Carfinco in Canada (see note 3).

The Group, at least annually (and whenever there are signs of impairment), conducts an analysis of the potential loss of value of the goodwill it has registered in respect of its recoverable value. The first step in carrying out this analysis requires the identification of the cash generating units, which are the Group's smallest identifiable asset groups that generate cash inflows that are, to a large extent, independent of cash flows from other assets or groups of assets.

The carrying value of each cash-generating unit is determined by taking into account the book value (including any fair value adjustment arising in the business combination) of all assets and liabilities; of the set of independent legal entities that make up the cash generating unit, together with the corresponding goodwill.

This carrying value to be recovered from the cash generating unit is compared with its recoverable amount in order to determine if there is impairment.

The Group's managers evaluate the existence of any evidence that could be considered as evidence of deterioration of the cash generating unit by reviewing certain information, including: (i) various macro-economic variables that may affect your investment (including, among others, population data, data, and data). political situation and economic situation – including the degree of banking –) and (ii) various micro-economic variables that compare the Group's investment with the financial sector of the country where the cash generating unit mainly carries out its activities (balance sheet composition, total managed resources, results, efficiency ratio, etc.) ratio of solvency and return on own resources, among others).

Irrespective of the existence or otherwise of signs of impairment, the Group annually calculates the recoverable amount of each cash generating unit that it has allocated goodwill for which it uses quotations, if available, market references (multiples), internal estimates, o assessments made by independent experts other than external auditors.

First, the Group determines the recoverable amount by calculating the fair value of each cash generating unit from the quotation of the cash generating units, if available, and the Price Earnings Ratio of comparable local entities.

In addition, the Group makes estimates of the recoverable amount of certain cash generating units by calculating their value in use by discounting cash flows. The main assumptions used in this calculation are: (i) Projections of results based on the financial budgets approved by the Administrators that usually cover a period of between 3 and 5 years (unless there is a justification for the use of a longer time horizon), (ii) discount rates determined as the cost of capital taking into account the risk-free rate plus a risk premium according to the market and business in which they operate; and (iii) constant growth rates in order to estimate the results in perpetuity, which do not exceed the long-term average growth rate for the market in which the cash-generating unit in question operates.

The cash flow projections used by the Group Management in obtaining the values in use are based on the financial budgets approved by both the local directorates of the respective units and the Group administrators. The Group's budget estimation process is common for all cash-generating units. Local bureaus prepare their budgets based on the following key assumptions:

a) Micro-economic variables of the cash generating unit: The existing balance sheet structure, the mix of products offered and the business decisions taken by local directorates in this regard are taken into account.

b) Macroeconomic variables: The estimated growth is based on the evolution of the environment considering the expected evolutions in the gross domestic product of the geographical location of the unit and the forecasts of the behavior of interest rates and exchange rates. Such data is provided by the Group's Research Service, which is based on external information sources.

c) Variables of past behavior: Additionally, the projection considers the past differential behavior (both positive and negative) of the cash generating unit with respect to the market.

During the 2023 period, the Group has not recorded any impairment losses.

The following are the main assumptions used in determining the recoverable amount, at the close of 2023 and 2022, of the most significant cash generating units that have been valued by discounting cash flows:

	2023		
	Projected period	Discount rate (*)	Growth rate at nominal perpetuity
Austria	3 years	9.8 %	2.3 %
Germany	5 years	9.7%	2.3%
Nordics (Scandinavia)	5 years	11.2 %	2.5%

(*) Discount rate after tax in order to be uniform with the projections of results used.

	2022		
	Projected period	Discount rate (*)	Growth rate at nominal perpetuity
Austria	3 years	9.4%	2.3%
Germany	5 years	9.4%	2.3%
Nordics (Scandinavia)	5 years	11.0 %	2.5%

(*) Discount rate after tax in order to be uniform with the projections of results used.

The changes reflected in the assumptions used in the 2023 period are mainly a consequence of the current macroeconomic scenario, as well as the rising level of inflation and difficulties in supply chains, which have led to a rapid increase in central bank reference interest rates in the main countries where the Group's GEU are located.

Given the degree of uncertainty of the main assumptions mentioned above on which the recoverable amount of the cash generating units is based, the Group carries out a sensitivity analysis consisting of adjusting the discount rate +/- 50 basis points, adjust +/-50 basis points the growth rate in perpetuity and reduce cash flow projections by 5%. These changes in key assumptions in isolation mean that the recoverable amount of all cash generating units continues to exceed their carrying value and have been considered by the Group as reasonably possible in a stable and non-performing economic environment they contemplate non-recurring events and unrelated to the operation of the business of the cash generating units.

The movement in the balance sheet under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached during the years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	1,712,426	1,707,480
Acquisitions	13,590	13,897
Additions	—	—
Impairment value (Note 41)	—	—
Currency translation differences and other	(10,302)	(8,951)
Balance at year-end	1,715,714	1,712,426

Grupo Santander Consumer Finance has trading funds generated by cash generating units located in countries with currencies other than the euro (mainly in Nordics) and consequently generate exchange differences when converting to euros, at the closing exchange rate, the amount of such goodwill expressed in foreign currency. Thus, during the 2023 financial year there has been a decrease due to exchange differences and other concepts amounting to 10,302 thousand euros (decrease of 8,951 million euros in 2022), which, in accordance with the current regulations, they have been recorded under the heading 'Other cumulative comprehensive income - items that can be reclassified to profit or loss - currency conversion from equity', through the attached consolidated statement of recognized income and expenditure.

15. Other intangible assets

The balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 appended is as follows:

	Useful life Estimated	Thousands of Euros	
		2023	2022
With defined useful life:			
Client portfolio	2 years	19.929	23.349
Computer developments	3 years	391.384	360.170
Others	8.5 years	125.974	1.996
		537.287	385.515

The balance included under the heading "Other" includes 124,071 thousand euros corresponding to the acquisition on April 3, 2023 of the new business origination rights for financing products of all Stellantis brands. This acquisition has taken place in the context of the reorganization of the global agreement with Stellantis (see Note 3).

The movement in the balance sheet under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached was as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	385,515	356,033
Net additions and others	292,871	158,831
Depreciation allowance (1)	(135,762)	(117,702)
Impairment losses (Note 40)	(5,337)	(11,647)
Balance at year-end	537,287	385,515

(1) The depreciation appropriations are accounted for under the heading "depreciation" of the consolidated profit and loss account.

Most of the additions in 2023 and 2022 relate to the implementation of computer applications in certain Group companies in Germany, Spain, Italy and Norway, as well as the acquisition of the origination rights of new business by Stellantis. In 2022, there were additions amounting to 64,542 thousand euros corresponding in part to the incorporation of the branches in De Santander Consumer Finance S.A.

During the 2023 financial year, the Group has removed elements of the intangible assets that have generated losses amounting to 5,337 thousand euros (11,647 thousand euros in the 2022 financial year) due to obsolescence. recorded under the heading "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss" of the consolidated profit and loss accounts (see Note 40).

16. Other assets and other liabilities

The composition of the balance of these chapters of the accompanying consolidated balance sheets, as at 31 December 2023 and 2022, is as follows:

	Thousands of Euros			
	Active		*Liabilities*	
	2023	*2022*	*2023*	*2022*
Inventories	*5,437*	*8,880*	—	—
Prepaid expenses	*190,133*	*200,307*	—	—
Accrued expenses	—	—	*1,120,997*	*967,856*
Transactions in transit	*8,216*	*3,894*	*92,975*	*76,225*
Other	*943,582*	*772,083*	*1,000,400*	*830,749*
	1,147,368	*985,164*	*2,214,372*	*1,874,830*

17. Deposits of central banks and credit institutions

The composition of the balance under the heading “Financial liabilities at amortized cost – Deposits – Credit institutions” of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature and currency, is as follows:

	Thousands of Euros	
	2023	2022
Central banks		
Type:		
Term deposits	5,465,555	17,900,641
	5,465,555	17,900,641
Credit institutions		
Nature:		
Demand deposits	527,637	273,895
Term deposits	14,388,006	10,890,128
Reverse repurchase agreements	83,910	—
Subordinated deposits	675,666	456,179
	15,675,219	11,620,202
Currency:		
Euro	20,838,668	29,452,984
Foreign currency	302,106	67,859
	21,140,774	29,520,843

As of 31 December 2023, the balance of the European Central Bank TLTRO (Targeted Longer-Term Refinancing Operation) amounts to EUR 5,329 million, with the balance totaling under the TLTRO III program.

As at 31 December 2023, the expenditure recognized in the consolidated profit and loss account for TLTRO III amounts to 395,714 thousand euros (83,202 thousand euros of income as at 31 December 2022).

A significant part of these deposits at 31 December 2023 and 2022 in credit institutions corresponds to transactions with entities of the Santander Group (see Note 46).

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the close of financial years 2023 and 2022 and their estimated fair values for those financial years.

As of 31 December 2023 and 2022, consolidated institutions had outstanding credit lines amounting to EUR 568,017 thousand and EUR 368,650 thousand respectively.

The details of the liabilities subordinated to 31 December 2023 and 2022 according to their currency of issue are as follows:

	Thousands of Euros		2023		2022	
Currency of issue	2023	2022	Outstanding amount (millions)	Annual interest rate (31/12/2023)	Outstanding amount (millions)	Annual interest rate (31/12/2022)
Euros	675,666	456,179	648,500	5.73 %	431,000	2.34 %
Balance at year-end	675,666	456,179				

The details of the balance of subordinated liabilities denominated in euros per company as at 31 December 2023 and 2022 are as follows:

Financial year 2023				
Company	Thousands of Euros	Counterparty	Date Early Cancellatio	Maturity date
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	06/06/2029
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	08/05/2029
Stellantis Financial Services S.P.A.	11,000	Stellantis Financial Services	(2)	22/11/2029
Stellantis Financial Services S.P.A.	22,500	Stellantis Financial Services	(2)	13/12/2027
Stellantis Financial Services S.P.A.	45,000	Stellantis Financial Services	(2)	27/07/2033
Stellantis Financial Services Spain EFC SA	20,000	Stellantis Financial Services	(2)	19/12/2027
Banque Stellantis France	105,000	Stellantis Financial Services	(2)	28/02/2033
Banque Stellantis France	45,000	Stellantis Financial Services	(2)	20/12/2033
More- Adjustments by valuation	27,166			
Total	675,666			

(1) It cannot be canceled in advance.
(2) It may be canceled in advance.

Financial year 2022				
Society	Thousands of Euros	Counterpart	Date of Early Cancellation	Expiration date
Santander Consumer Finance S.A.	200.000	Banco Santander. S.A.	(2)	06/06/2029
Santander Consumer Finance S.A.	200,000	Banco Santander, S.A.	(2)	08/05/2029
Stellantis Financial Services Italia S.p.A. (*)	11.000	Banque Stellantis France (*)	(2)	22/11/2029
Stellantis Financial Services España, E.F.C., S.A. (*)	20.000	Banque Stellantis France (*)	(2)	19/12/2027
More- Adjustments by valuation	25,179			
Total	456,179			

(1) It cannot be canceled in advance.
(2) It may be canceled in advance.
(*) previously called Banca PSA Italia S.p.A., PSA Financial Services Spain, E.F.C., S.A. and Banque PSA France

The movement in the balance of the consolidated balance sheets under this heading as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	456.179	455.224
Additions	217.500	—
Banque Stellantis France	150.000	—
Stellantis Financial Services S.P.A.	67.500	—
Amortisations (*)	—	—
Net additions / withdrawals due to modifications of the consolidation	(89)	—
Differences of change and others	6.576	955
Balance at year-end	680.166	456.179

(*) During the financial year 2023 and 2022 there have been no depreciations. The interest paid in remuneration of these issues is 31,132 thousand euros (10,627 thousand euros in the financial year 2022). The balance relating to amortizations and interest paid is reflected in the cash flow of financing activities.

18. Customer deposits

The composition of the balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature, geographical area and currency of operations, is as follows:

	Thousands of Euros	
	2023	2022
Type:		
In sight-		
Current accounts	20,695,019	20,183,923
Savings accounts	13,877,669	12,490,865
Other funds in sight	2,328	1,453
Term deposits		
Fixed-term and other deposits	14,176,650	8,510,920
Term deposits	92,674	140,066
	48,844,340	41,327,227
Geographical area:		
Spain and Portugal	4,285,564	2,070,991
Germany	28,071,751	25,201,401
Italy	1,505,041	1,357,795
France	4,282,987	3,387,033
Scandinavia	7,898,486	7,217,679
Austria	2,741,311	2,060,958
Rest	59,200	31,370
	48,844,340	41,327,227

Within the account "Taxes and other term deposits" as of December 31, 2022, in the table above, there were registered single mortgage bonds issued by the Bank on July 20, 2007 for a nominal amount of 150,000 thousand euros that matured on July 20 from 2022 and which were secured by mortgages registered in favor of the Bank (see Notes 10 and 19). These ballots were signed by Santander Investment Bolsa, Sociedad de Valores, S.A., which gave them, in turn, to the Asset Securitisation Fund, Independent Mortgage Securitisation Programme. The annual interest rate on these ballot cards was 5.135% and their maturity on July 20, 2022. There were no early repayment options for either the Bank or the holder, excluding legally established assumptions.

Likewise, on December 31, 2023, this heading includes bonds received in the amount of 95,238 thousand euros (141,255 thousand euros as of December 31, 2022) and other installment debits in the amount of 21,722 thousand euros (eur 18,625 thousand as at 31 december 2022).

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the end of the financial years 2023 and 2022, as well as their average annual interest rates for those years as well as their fair value estimate as at 31 december 2023 and 2022.

19. Debt securities issued

The composition of the balance under this heading of the consolidated balance sheets as at 31 December 2023 and 2022 attached, taking into account their nature, is as follows:

.	Thousands of Euros	
	2023	2022
Bonds and debentures outstanding	37,145,196	31,242,461
Promissory notes and other securities	13,228,238	6,695,321
Subordinates	1,231,789	917,978
	51,605,223	38,855,760

Bonds and obligations in circulation

The balance of "Bonds and Debentures Outstanding" account in the table above includes, among other things, the outstanding balance of the Bonds and Obligations issued by the Group's subsidiaries – Banque Stellantis France, S.A. (France), Santander Consumer Bank AG (Germany) and Santander Consumer Bank AS (Norway), for an amount of EUR 6,643 million as at 31 December 2023 (EUR 6,112 million as at 31 December 2022) and the balance, as at that date, of the financing obtained by the Group in securitization operations carried out by the Group's subsidiaries, for an amount of eur 15,037 million (eur 12,584 million as at 31 december 2022).

The General Meeting of the Bank's Shareholders, at its meeting held on March 14, 2023, agreed to empower the Board of Directors of the Bank to issue multi-currency fixed income securities up to an amount of 45,000 million euros. For its part, the Board of Directors, at its meeting held on May 22, 2023, delegated these powers to the Executive Committee of the Bank. The Executive Committee, at its meeting held on 12 June 2023, agreed to issue a Euro Medium Term Notes Programme, replacing the one described above, with a nominal maximum outstanding balance that could not exceed 25,000 million euros. The Programme was listed on the Irish Stock Exchange on 14 June 2023.

As at 31 December 2023, the outstanding balance of these notes amounted to 16,019,535 thousand euros (12,942,874 thousand euros as at 31 December 2022), with their maturity from 27 February 2024 to 29 March 2033. The annual interest rate on these financial liabilities ranged from 0 to 6.080 per cent (0 to 4.110 per cent as at 31 December 2022).

Promissory notes and other securities

The balance of the "promissory notes and effects" account in the table above corresponds to issues made by the Bank, admitted to trading, which have accrued an average annual interest of 3.55% in 2023 (0.19% in 2022), according to the following detail:

– During the year 2023, the Bank's Executive Committee, at its meeting held on June 19, 2023, agreed to issue a "Euro Commercial Paper" Issuance Program, replacing the current one, for a nominal maximum outstanding balance that may not exceed eur 10,000 million. These fixed income securities have a maturity ranging from a minimum of one day to a maximum of 364. The Programme was listed on the Irish Stock Exchange on 14 June 2023.

As at 31 December 2023, the outstanding balance of these promissory notes amounted to EUR 6,890,500 thousand (EUR 4,408,500 thousand as at 31 December 2022).

– During the year 2023, the Bank's Executive Committee, at its meeting held on October 18, 2023, agreed to issue a "Notes Program", replacing the current one, with a nominal maximum outstanding balance that may not exceed 5,000 million euros. These promissory notes, whose unit nominal value amounts to 100,000 euros, have a maturity ranging from a minimum of 3 working days to a maximum of 731 calendar days (two years and one day). This program was registered in the official registers of the National Securities Market Commission on November 16, 2023.

The balance of promissory notes quoted on the AIAF market amounted to 1,751,200 thousand euros as at 31 December 2023 (523,300 thousand euros as at 31 December 2022).

- On December 14, 2023, Santander Consumer SA issued Credit Link Notes (CLNS) for the amount of 1,262,612 thousand Danish kroner (169,379 thousand euros). These notes refer to a vehicle financing loan portfolio originating from Santander Consumer Bank AS (Danish branch) of DKK 13,649,857 thousand. The annual interest rate of the notes issued is a variable interest rate of Cibor at 3 months plus a spread of 8.50%. As at 31 December 2023, the outstanding balance of notes issued by third parties outside the Group amounts to DKK 1,262,612 thousand (EUR 169,404 thousand). This issue was authorized by the Bank's Executive Committee at its meeting held on November 15, 2023.

Likewise, on December 31, 2023, Santander Consumer Bank, A.G., Banque Stellantis France and Santander Consumer Bank AS (Norway) maintained issues in promissory notes and negotiable securities amounting to 4,744 million euros (1,815 million euros as at December 31, 2022).

Subordinated negotiable securities

The program includes three subordinated notes with outstanding balance of EUR 1,200,000 thousand with an average maturity of September 1, 2031 and an average annual interest rate of 3.76%.

Other information

As of December 31, 2023 and 2022, none of the issues indicated are convertible into shares of the Bank, nor do they grant privileges or rights that may, in the event of any contingency, make them convertible into shares.

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at amortized cost at the end of the financial years 2023 and 2022, as well as their average annual interest rates for those years as well as their fair value estimate as at 31 december 2023 and 2022.

Information on issues, repurchases or redemptions of debt securities

The following is a detail, as at December 31, 2023 and 2022, of the outstanding balance of the debt securities issued by the Bank or any other entity of the Group, at those dates, depending on the market in which they are traded, if any. A detailed account of the movement in this balance during the years 2023 and 2022 is also shown:

Santander Consumer Finance	Thousands of Euros					
	Financial year 2023					
	Living balance at 01-01-2023	Perimeter	Emissions	Repurchases or refunds	Adjustments for Exchange Rate	Living balance at 31-12-2023
Bonds and obligations in circulation	31,242,461	(1,467,263)	13,842,012	(6,588,276)	116,262	37,145,196
Total bonds and outstanding obligations	31,242,461	(1,467,263)	13,842,012	(6,588,276)	116,262	37,145,196
Promissory notes and other securities	6,695,321	—	14,095,471	(7,457,300)	(105,254)	13,228,238
Subordinates	917,978	—	300,000	—	13,811	1,231,789
Total	38,855,760	(1,467,263)	28,237,483	(14,045,576)	24,819	51,605,223

Santander Consumer Finance	Thousands of Euros					
	Financial year 2022					
	Living balance at 01-01-2022	Perimeter	Emissions	Repurchases or refunds	Adjustments for Exchange Rate	Living balance at 31-12-2022
Bonds and obligations in circulation	34,756,330	—	5,330,095	(8,589,994)	(253,970)	31,242,461
Mortgage bonds	450,012	—	—	(450,000)	(12)	—
Total bonds and outstanding obligations	35,206,342	—	5,330,095	(9,039,994)	(253,982)	31,242,461
Promissory notes and other securities	5,142,670	—	7,331,200	(5,720,600)	(57,949)	6,695,321
Subordinates	303,219	—	600,000	—	14,759	917,978
Total	40,652,231	—	13,261,295	(14,760,594)	(297,172)	38,855,760

Other issues guaranteed by the Group

As of December 31, 2023 and 2022, the Group guarantees certain debt securities issued by Group companies.

Information required by Royal Decree 716/2009

Article 21 of Royal Decree 716/2009, of 24 April, establishes that institutions issuing bonds or mortgage bonds shall keep a special accounting record of loans and mortgage credits that serve as collateral for such issues, the replacement assets that support them and the derivative financial instruments linked to each issue. This special accounting record must also indicate whether loans and mortgage credits are eligible or not in accordance with Article 3 of the aforementioned Royal Decree 716/2009. The Bank of Spain will determine the essential data of the aforementioned register that must be incorporated into the annual accounts of the issuing entity, having defined several statements of public information on the mortgage market in Circular 4/2017 of the Bank of Spain.

C Mortgage relief

The mortgage bonds issued by the Bank were securities whose capital and interest were especially secured by mortgage, without registration, without prejudice to the Bank's universal patrimonial responsibility. All the mortgage bonds issued matured during the 2022 financial year.

20. Other financial liabilities

The composition of the balance under this heading "'Financial liabilities at amortized cost – other financial liabilities' in the consolidated balance sheets as at 31 December 2023 and 2022 accompanying, is as follows:

	Thousands of Euros	
	2023	2022
Declared dividends payable	—	—
Trade payables	195,565	180.029
Collection accounts	45,216	25.934
Other financial liabilities (*)	1,560,010	1.167.437
	1,800,791	1,373,400

(*) As of December 31, 2023, the balance includes 37,954 thousand euros, corresponding to credit balances for fiscal consolidation with Banco Santander, S.A., being the amount recorded for this concept 3,718 thousand euros as of December 31, 2022.

Note 44 of this consolidated report shows a detail of the maturity of these financial liabilities at the end of financial years 2023 and 2022 and the estimate of their fair value as at 31 December 2023 and 2022.

Lease liabilities

The cash outflow per lease 2023 was 45,357 thousand euros (37,017 thousand euros in 2022).

The maturity analysis for lease liabilities as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Maturity Analysis – Discounted payments		
Within 1 year	32,483	45,351
Between 1 year and 3 years	78,374	93,687
Between 3 years and 5 years	49,435	43,577
More than 5 years	98,916	75,522
Recognised lease liabilities as of December 31	259,208	258,137

During the years 2023 and 2022, no significant variable payments have been made not included in the valuation of lease liabilities.

Information on the average payment period to suppliers. Additional provision third "duty of information" of Law 15/2010, of July 5

The Third Additional Provision of Law 15/2010, of July 5, amending Law 3/2004, of December 29, establishing measures to combat late payment of commercial transactions, modified by Final Provision Second of Law 31/2014, of December 3, it establishes the duty of information to commercial companies to expressly include in the report of their annual accounts their average payment period to suppliers and that the Institute of Accounting and Audit of Accounts ("ICAC"), by resolution, will indicate the adaptations that are necessary, in accordance with the provisions of this Law, so that commercial companies not framed in article 2.1 of Organic Law 2/2012, of April 27, on budgetary stability and financial sustainability, properly apply the methodology for calculating the average payment period to suppliers determined by the Ministry of Finance and Public Administrations. In the case of companies that formulate consolidated annual accounts, this duty of information is also extended for consolidated annual accounts, but in this case, exclusively for companies based in Spain that are consolidated by the method of global integration.

The ICAC resolution referred to in the previous paragraph *(resolution of 29 January 2016 on the information to be incorporated in the annual accounts report in relation to the average payment period to suppliers in commercial transactions), which was published in the Official State Gazette of February 4, 2016, develops, among other aspects, the* methodology to be applied for the calculation of the average payment period to suppliers, which has been applied, therefore, by the Bank for the purpose of preparing the information on this subject included in these consolidated annual accounts.

For the purpose of the proper understanding of the information contained in this Note, in accordance with the provisions of the applicable regulations indicated above, note that "suppliers" are understood exclusively to be those suppliers of goods and services to the Spanish companies of the Group whose expenditure is accounted for, mainly, under the heading "Administrative expenses – other administrative expenses" of the consolidated profit and loss account, not including in this Note, therefore, information on payments in financial transactions that constitute the object and main activity of the Group or to fixed assets suppliers, that, where appropriate, may exist, which have been carried out in any case, in accordance with the deadlines established in the corresponding contracts and in the current legislation.

In addition, note that, in application of the provisions of the aforementioned ICAC Resolution, only transactions for goods or services received accrued since the entry into force of Law 31/2014 have been taken into account and that, given the nature of the services received by the Spanish entities of the Group consolidated, the period between the date of receipt of invoices and the date of payment has been considered as "payment days" for the purpose of the preparation of this information.

The information required by the regulations indicated above is presented below for the financial years 2023 and 2022, in the format required by the ICAC resolution, which has been mentioned in the preceding paragraphs for the Spanish companies of the Consolidated Group in these consolidated annual accounts:

	Financial year 2023	Financial year 2022
	Days	Days
Average period of payment to suppliers	24.37	20.82
Ratio of transactions settled	24.30	20.80
Ratio of transactions not yet settled	27.89	21.26
	Thousands of Euros	Thousands of Euros
Total payments made	523,082	349,897
Total payments outstanding	10,144	12,410

Indicate that although according to Law 3/2014, of December 29, the maximum payment term to suppliers is 60 days, Law 11/2013, of July 26, established the maximum payment term in 30 days, expandable, by agreement between the parties, a maximum of 60 days.

The average period and ratios of paid and unpaid transactions included in the table above have been calculated according to the definitions and methodology defined in the resolution of 29 January 2016 of the ICAC mentioned above.

In addition, in accordance with Law 18/2022 of September 28, listed companies must inform in the average payment period to suppliers, in addition, the monetary volume and number of invoices paid in a period less than the maximum established in the late payment regulations and the percentage it assumes on the total number of invoices and on the total monetary payments to its suppliers.

	Thousands of euros	Thousands of euros
	2023	2022
Paid Invoices	43,156	39,693
Invoices paid in a period less than the maximum over the total number of invoices paid	97.35 %	98.97 %
Total payments made	475,810	400,925
Invoices paid in a period less than the maximum on the total amount of invoices paid	99.02 %	96.71 %

Commercial creditors are considered suppliers, for the sole purpose of providing the information provided for in this resolution, for debts to suppliers of goods or services.

"Average period of payment to suppliers" means the period from the delivery of the goods or the provision of services by the supplier and the material payment for the transaction.

21. Provisions

The composition of the balance of this chapter of the consolidated balance sheets as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Provision for pensions and other employment defined benefit obligations	453.105	414.385
Provisions for other long-term employee benefits	30.282	31.488
Provisions for taxes and other legal contingencies	37.066	10.089
Provisions for commitments and guarantees given	21.058	28.010
Provision for pensions and other employment defined benefit obligations	125.947	126.903
	667.458	610.875

The following shows the movement in the balance of these headings in the accompanying consolidated balance sheets during the years 2023 and 2022:

	2023					
	Pensions and similar obligations	Other long term employee	Taxes and other legal contingencies	Contingent liabilities and commitments	Other provisions (****)	Total
Balances at beginning of period	414,385	31,488	10,089	28,010	126,903	610,875
Net inclusion (exclusion) of Entities in (from) the Group	(4,140)	(93)	1,041	—	1,048	(2,144)
Additions/(Reversals) charged (credited) to income:	22,986	7,237	13,010	(6,350)	43,322	80,205
Interest expense (Note 31)	*16,534*	*1,011*	—	—	—	*17,545*
Other Interest	—	—	—	—	—	—
Staff costs (Note 39)	*6,435*	*1,117*	—	—	—	*7,552*
Net additions to provisions (amounts used) (*) (***)	*17*	*5,109*	*13,010*	*(6,350)*	*43,322*	*55,108*
	433,231	38,632	24,140	21,660	171,273	688,936
Changes in value recognised in equity	34,383	—	—	—	—	34,383
Payments to retired employees and pre-retirees with a charge to internal provisions (**)	*(16,372)*	*(8,313)*	—	—	—	*(24,685)*
Insurance premiums paid, return premiums received and payments to external funds	(1,983)	—	—	—	—	(1,983)
Amounts used	—	—	(3,124)	—	(54,184)	(57,308)
Transfers, exchange differences and other changes	3,846	(37)	16,050	(602)	8,858	28,115
	19,874	(8,350)	12,926	(602)	(45,326)	(21,478)
Balances at end of year	*453,105*	*30,282*	*37,066*	*21,058*	*125,947*	*667,458*

(*) The balance of net allowances (applications) for pension provisions and other post-employment defined benefit obligations, as well as long-term employee allowances related to the years 2023 and 2022 is broken down as follows.
(**) The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:
(***) This amount is recorded under the heading "Provisions or reversal of provisions" of the consolidated profit and loss account.
(****) Includes provisions provided in the various companies of the Group, derived from their usual operations.

	2022					
	Pensions and similar obligations	Other long term employee	Taxes and other legal contingencies	Contingent liabilities and commitments	Other provisions (****)	Total
Balances at beginning of period	598,456	44,442	9,576	39,403	134,033	825,910
Net inclusion (exclusion) of Entities in (from) the Group	—	—	—	—	—	—
Additions/(Reversals) charged (credited) to income:	*17,850*	*(2,447)*	*12,939*	*(11,332)*	*25,449*	*42,459*
Interest expense (Note 31)	*8,105*	*575*	—	—	—	*8,680*
Other Interest	—	—	—	—	—	—
Staff costs (Note 39)	*11,999*	*1,313*	—	—	—	*13,312*
Net additions to provisions (amounts used) (*) (***)	*(2,254)*	*(4,335)*	*12,939*	*(11,332)*	*25,449*	*20,467*
	616,306	41,995	22,515	28,071	159,482	868,369
Changes in value recognised in equity	(177,950)	—	—	—	—	*(177,950)*
Payments to retired employees and pre-retirees with a charge to internal provisions (**)	(15,232)	(10,193)	—	—	—	*(25,425)*
Insurance premiums paid, return premiums received and payments to external funds	(2,935)	—	—	—	—	*(2,935)*
Amounts used	—	—	*(13,106)*	—	*(47,964)*	*(61,070)*
Transfers, exchange differences and other changes	(5,804)	(314)	*680*	*(61)*	*15,385*	*9,886*
	(201,921)	(10,507)	(12,426)	(61)	(32,579)	(257,494)
Balances at end of year	*414,385*	*31,488*	*10,089*	*28,010*	*126,903*	*610,875*

(*) The balance of net allowances (applications) for pension provisions and other post-employment defined benefit obligations, as well as long-term employee allowances related to the years 2023 and 2022 is broken down as follows.
(**) The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:
(***) This amount is recorded under the heading "Provisions or reversal of provisions" of the consolidated profit and loss account.
(****) Includes provisions provided in the various companies of the Group, derived from their usual operations.

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Post-employment remuneration – Spanish entities:		
Past service cost	—	—
Pre-retirements	—	—
Curtailments/settlements	—	—
Return premiums received on defined contribution pension plans	—	—
	—	—
Other long-term remuneration – Spanish entities:		—
Recognised actuarial losses/(gains) (obligations and assets)	(181)	(1,370)
Pre-retirements	5,298	—
Past service cost	490	45
Curtailments/settlements	—	—
	5,607	(1,325)
Foreign entities:		
Recognised actuarial losses/(gains) (obligations and assets)	(43)	(4,804)
Past service cost	97	—
Pre-retirements	—	—
Curtailments/settlements	(536)	(459)
	(482)	(5,263)
	5,125	(6,588)

The balance of payments to pensioners and pre-retired staff from internal funds is broken down as follows:

	Thousands of Euros	
	2023	2022
Post-employment remuneration – Spanish entities	1,998	2,024
Other long-term remuneration – Spanish entities	7,626	9,712
Foreign entities	15,061	13,689
	24,686	25,425

a) Provisions for pensions and similar obligations

i. Post-employment remuneration: Defined contribution plans – Spanish entities

The Group guarantees the following post-employment commitments of defined contribution:

Santander Consumer Finance, S.A.

Commitments guaranteed from effective retirement after May 1996, which are insured in an externalization policy signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). At present, the entire insured group is already receiving the retirement benefit.

No premiums have been paid to the insurance company in 2023 and 2022 (see Note 2-r).

Spanish entities

The Collective Agreement of the Spanish entities of the Group, signed on February 2, 2012, has established a supplementary social security system for active staff who meet certain conditions, which has been implemented through a defined contribution pension plan. This Pension Plan covers the following contingencies: Retirement, death, and permanent disability (total, absolute or great disability). The Spanish entities of the Group have assumed the commitment to make an annual contribution of 900 euros for each of the participants. In the financial year 2023, contributions were made for this concept in the amount of 707 thousand euros (716 thousand euros in the financial year 2022), recorded under the heading "Administrative expenses – staff costs" in the attached consolidated profit and loss account (see Note 39).

In addition, some of the branches abroad have defined contribution plans (mainly Santander Consumer Holanda, Santander Consumer Benelux). The contributions made to these plans, in the years 2023 and 2022 amounted to 3,099 and 3,034 thousand euros, respectively, which are recorded under the heading "Administration expenses - personnel expenses" of the consolidated profit and loss account for both years (see Note 39).

ii. Post-employment remuneration: Defined benefit plans – Spanish entities

The Group guarantees as defined provision the following commitments of the Spanish entities:

Santander Consumer Finance, S.A.

- Pension commitments arising from the Collective Banking Agreement with active staff, pre-retired staff (including future life risk insurance premiums) and passive staff, in addition to other commitments made to pre-retired staff and liabilities prior to May 1996, fully covered by internal fund.

- Life insurance guaranteed to passive personnel from Banco de Fomento, S.A., insured in a policy that does not meet the requirements of externalization, subscribed with an unrelated entity (Axa España, S.A.). The present value of future premiums is covered by internal fund.

- Commissary and coal gas guaranteed to pensioners under the Internal Regime Regulations of the Banking Labour Commissary, covered in domestic fund.

In addition, post-employment commitments of defined benefit have branches abroad: Belgium, France and Greece.

Autodescuento, S.L.

- Commitment consisting of a retirement benefit included in the Collective Agreement of Offices and Offices.

The present value of the commitments made by the Spanish consolidated entities in the field of post-employment remuneration, as of December 31, 2023 and 2022, is shown below:

	Thousands of Euros	
	2023	2022
Present value of the obligations: To current employees		
Active employees	—	—
Vested obligations to retired employees and pre-retirees	16,411	21,006
Other obligations to retired employees	—	—
Provisions - Pensions and similar obligations for defined contribution plans (Note 2-r)	16,411	21,006

The present value of liabilities has been determined by independent actuaries, who have applied the following criteria to quantify them:

Method of calculation: "Of the projected unit of credit", which contemplates each year of service as generator of an additional unit of entitlement to benefits and values each unit separately.

Actuarial assumptions used: Not biased and compatible with each other. Specifically, the most significant actuarial assumptions they considered in their calculations were:

	2023	2022
Annual discount rate	3.35 %	3.70 %
Mortality tables	PERM/F-2020	PERM/F-2020
Cumulative annual CPI growth	2 %	2 %
Annual salary increase rate	N/A.	N/A.
Annual social security pension increase rate	2 %	2 %

(*) Maximum quotation base growth 2024: 5% / 3% according to exit agreement; rest of years CPI + 1.2% / 3%

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The estimated retirement age of each employee is the first to which they are entitled to retire or the agreed, if any.

The amounts recognized in the consolidated profit and loss accounts in respect of these pension commitments for the financial years 2023 and 2022 are shown below:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Notes 2-r and 39)	242	374
Net interest cost (Note 31)	752	369
Expected return on assets	(188)	—
Extraordinary charges	—	—
Cost of past services/early retirements	—	—
Other interests	(174)	—
Amount recognised in the financial year	632	743

In addition, during the 2023 financial year the heading "Another cumulative comprehensive income – actuarial gains or losses on defined benefit pension plans" recorded a net payment of 875 thousand euros in respect of defined benefit commitments (net charge of 1,945 thousand euros in 2022).

The movement that has occurred, during the years 2023 and 2022, in the present value of the obligation accrued by commitments of defined provision of the Spanish entities of the Group, has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	21,323	27,513
Increase or decrease by acquisition	—	418
Current service cost (Notes 39 and 2-r)	242	374
Interest cost (Note 31)	752	429
Pre-retirements	—	—
Effect of curtailments/settlements	—	—
Benefits paid	(2,261)	(2,429)
Past service cost	—	—
Actuarial (gains)/losses (Note 2-r) (*)	731	(5,097)
Other	(252)	115
Present value of the obligations at end of year	20,535	21,323

(*) In 2023 it includes actuarial losses of 377 thousand euros and actuarial losses by financial assumptions of 354 thousand euros (actuarial losses of 185 thousand euros and actuarial financial gains of 5,283 thousand euros in post-employment plans in 2022).

The movement in the fair value of assets affected by defined provision commitments of the Spanish entities of the Group during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	5,424	6,341
Increase or decrease by acquisition	—	—
Expected return on plan assets	188	59
Actuarial (gains)/losses	(185)	(874)
Contributions	272	408
Benefits paid	(263)	(405)
Other	—	(105)
Fair value of plan assets at the end of year	5,436	5,424

iii. Other long-term remuneration – Spanish entities

The long-term commitments, other than post-employment remuneration, guaranteed by the Group's Spanish subsidiaries and classified as defined benefit are as follows:

Santander Consumer Finance, S.A.

- Commitments to pre-retired staff up to the effective date of retirement, covered by an internal fund.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by an internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by an internal fund.
- Seniority award guaranteed to active staff under the Group's Collective Agreement, covered by an internal fund.

Santander Consumer Renting, S.L.

- Commitments to pre-retired staff up to the effective date of their retirement, covered by internal funds.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by internal fund.

Transolver Finance, E.F.C.

- Commitments to pre-retired staff up to the effective date of their retirement, covered by internal funds.
- Life insurance guaranteed to pre-retired staff, under the Group's Collective Agreement, signed with an unrelated entity (Generali Spain, Sociedad de Seguros y Reaseguros). The present value of future premiums is covered by internal fund.
- Health insurance guaranteed to pre-retired staff under the Group's Collective Agreement. The present value of future premiums is covered by internal fund.

– Commitments to pre-retired staff up to the effective date of retirement, covered by an internal fund.

The present value of the above-mentioned obligations as at 31 December 2023 and 2022 is shown below:

	Thousands of Euros	
	2023	2022
Present value of the obligations:		
To pre-retirees	19,574	20,921
Long-service	144	145
Provisions - Pensions and similar obligations for [illegible]	19,718	21,066

The present value of liabilities has been determined by independent qualified actuaries, who have applied the following criteria to quantify them:

Method of calculation: "Of the projected unit of credit".

Actuarial assumptions used: Unbalanced and mutually compatible. Specifically, the most significant actuarial assumptions they considered in their calculations were:

	2023	2022
Annual discount rate	3.35 %	3.70 %
Mortality tables	PERM/F-2020	PERM/F-2020
Cumulative annual CPI growth	2 %	2 %
Annual salary increase rate	N/A.	N/A.
Annual social security pension increase rate	2 %	2 %

(*) Maximum quotation base growth 2024: 5% / 3% according to exit agreement; rest of years CPI + 1.2% / 3%

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The estimated retirement age of each employee is the first to which he or she is entitled to retire or the agreed age, if any.

The amounts recognized in the consolidated profit and loss account for the years 2023 and 2022 in respect of these long-term commitments are shown below:

	Thousands of Euros	
	2023	2022
	Expenses /(income)	
Current service cost (Note 39)	8	26
Net interest cost (Note 31)	663	472
Expected return on insurance contracts linked to pensions	—	—
Extraordinary charges	—	—
Actuarial (gains)/losses recognised in the year	(181)	(1,370)
Past service cost	490	45
Pre-retirement cost	5,298	—
Curtailments/settlements	—	—
Amount recognised in the year	6,278	(827)

The movement that has occurred, during the years 2023 and 2022, in the present value of the obligation accrued for other long-term remuneration in the Spanish entities of the Group has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	21.066	31.657
Current service cost (Note 39)	8	26
Interest cost (Note 31)	663	472
Pre-retirement cost	5.298	—
Effect of curtailments/settlements	(79)	—
Benefits paid	(7.626)	(9.712)
Past service cost	239	45
Actuarial (gains)/losses recognised in the year	151	(1,370)
Other	(2)	(52)
Present value of the obligations at end of year	19.718	21.066

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of euros
2024	9.194
2025	8.313
2026	6.146
2027	4.402
2028	4.212
2029-2033	8.194

iv. Post-employment remuneration - Other foreign dependent entities

Some of the consolidated foreign entities have commitments with their staff similar to post-employment pay and other long-term defined benefit pay. The technical bases applied by these entities (interest rates, mortality tables, and cumulative annual CPI) in their actuarial estimates of these commitments are consistent with the economic and social conditions in the countries in which they are based.

The present value of these commitments as of December 31, 2023 and 2022, net of the assets that meet the requirements established in the applicable regulations to be considered as assets of the plan, is presented below:

	Thousands of Euros	
	2023	2022
Present value of obligations:	494,122	502,741
Of which:		
Germany	*420,481*	*404,410*
Nordics (Scandinavia)	24,601	27,576
Less-		
Plan assets	(53,614)	(111,764)
Provisions - Pensions and Other Defined Post-Employment Benefit Obligations (Note [illegible])	440,508	390,977
Of which:		
Internal Pension Funds	*446,198*	*406,972*
Net assets of the Plan	(5,690)	(15,995)

The main categories of plan assets as a total percentage of plan assets of foreign entities are as follows:

	2023	2022
Equity instruments	16 %	9 %
Debt instruments	27 %	47 %
Investment property	13 %	18 %
Other	43 %	26 %

The most significant actuarial assumptions, used by Group companies based in Germany in estimating the value of their commitments, are detailed below:

	2023	2022
Annual technical interest rate	3.57 %	4.21 %
Mortality tables	Heubeck RT 2018	Heubeck RT 2018
Annual cumulative I.P.C.	1.90 %	1.90 %
Annual growth rate of LOS	2.75 %	2.75 %
Annual rate of revision of Social Security pensions	2.00 %	2.00 %
Estimated retirement age	60/63(M/F)	60/63(M/F)

The interest rate used to update flows has been determined by reference to high-quality corporate bonds.

The amounts recognized in the consolidated profit and loss account in respect of these defined benefit pension commitments held by foreign entities in Germany during the financial years 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Note 39)	5.356	9.486
Net interest cost (Note 31)	15.608	8.271
Extraordinary charges	—	—
Actuarial gains or losses recognised	—	(2.530)
Past service cost	—	—
Early retirements	—	—
Effect of curtailments/settlements	(450)	(134)
Expected return on plan assets (Note 31)	—	(417)
Other interests	—	—
Amount recognised in the year	**20.514**	**14.676**

The movement in the present value of the obligation accrued for defined performance commitments of foreign entities in Germany during the years 2023 and 2022:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	404.410	583.341
Net inclusion/(exclusion) of entities in/(from) the Group	(25.198)	—
Current service cost (Note 39)	5.356	9.486
Interest cost	15.608	7.854
Effect of curtailments/settlements	(450)	(134)
Benefits paid	(13.268)	(13.720)
Actuarial (gains)/losses (*)	34.104	(182.821)
Exchange differences, transfers and other items	(81)	404
Present value of the obligations at end of year	**420.481**	**404.410**

(*) In 2023 it includes demographic losses amounting to 2,209 thousand euros (demographic losses amounting to 15,024 thousand euros in 2022) and actuarial financial losses of 31,895 thousand euros (actuarial financial gains of 197,845 thousand euros in 2022).

The movement in the fair value of the plan assets associated with these defined benefit commitments of foreign entities dependent on Germany during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Fair value of plan assets at beginning of year	20,965	30,057
Expected return on plan assets	(20,965)	417
Actuarial gains/(losses) arising in the year	—	(9,199)
Contributions	—	786
Benefits paid	—	(1,096)
Fair value of plan assets at end of year	—	20,965

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of
2024	14.751
2025	15.975
2026	17.291
2027	18.853
2028	19.810
2029-2033	113.195

The amounts recognized in the consolidated profit and loss account in respect of these defined benefit pension commitments held by the Group's foreign entities, excluding Germany, during the years 2023 and 2022 are shown below:

	Thousands of Euros	
	2023	2022
	Expenses / (income)	
Current service cost (Note 39)	1,945	3,426
Net interest cost (*)	1,562	2,357
Extraordinary endowments		
Actuarial Gains/losses during period	(43)	(2,274)
Past service cost	97	—
Effect of curtailments/settlements	(86)	(325)
Expected return on plan assets (*)	(679)	(2,371)
Other interests	—	—
Amount 106ecognized in the year	2,796	813

(*) These items are recorded for their net amount (883 thousand euros in 2023 and 15 thousand euros in 2022) under the heading "Interest expenses" of the consolidated profit and loss accounts for those years (see Note 31).

The movement during the years 2023 and 2022 in the present value of the obligation accrued for defined performance commitments of foreign companies excluding Germany, as well as in the assets of the plan, has been as follows:

	Thousands of Euros	
	2023	2022
Present value of the obligations at beginning of year	98,330	151,034
Net inclusion/(exclusion) of entities in/(from) the Group	(23,810)	—
Current service cost (Note 39)	1,945	3,426
Interest cost	1,562	2,357
Pre-retirements	(86)	—
Effect of curtailments/settlements	—	(325)
Benefits paid	(2,911)	(5,111)
Benefits paid in case of liquidation	(471)	(2,040)
Past service cost	—	—
Actuarial (gains)/losses (*)	(4,162)	(48,281)
Exchange differences, transfers and other items	3,245	(2,730)
Present value of the obligations at end of year	73,642	98,330

(*) In 2023 it includes demographic actuarial earnings of 1,477 thousand euros (demographic actuarial earnings of 5,665 thousand euros in 2022) and financial actuarial earnings of 5,665 thousand euros (financial actuarial earnings of 42,616 thousand euros in 2022).

The movement in the fair value of the plan assets associated with these defined performance commitments of foreign entities not including Germany during the financial years 2023 and 2022 was as follows:

	Thousands of Euros	
	2023	2022
Fair value of plan assets at beginning of year	90.799	138.679
Net additions / (disposals) of Group's companies	(36.572)	—
Expected return on plan assets	679	2.371
Actuarial gains/(losses) arising in the year	(3.526)	(43.372)
Contributions	1.687	2.383
Benefits paid	(1.590)	(4.045)
Exchange differences and other items	2.137	(5.217)
Fair value of plan assets at end of year	53.614	90.799

The following table shows the estimated benefits payable as of December 31, 2023 for the next ten years:

	Thousands of euros
2024	2,710
2025	2,282
2026	2,385
2027	3,546
2028	9,856
2029-2033	20,615

In addition, some foreign entities have defined contribution plans (mainly Santander Consumer Bank, S.p.A., Santander Consumer Bank AS, Santander Consumer Bank, AG, Compagnie Generale de Credit Aux Par). The contributions made to these plans in the years 2023 and 2022 amounted to 38,553 and 37,868 thousand euros respectively, which are recorded under the heading "Administration expenses - personnel costs" of the consolidated profit and loss account for both years (see Note 38).

In addition, during the financial year 2023, the heading "Other cumulative overall income – items not to be reclassified into profit or loss – actuarial gains or losses in defined benefit pension plans" has recorded a net charge change of 22,316 thousand euros in respect of benefit commitments defined for the Group's foreign companies (net payment of 119,532 thousand euros in 2022).

v. Sensitivity analysis

Changes in the main assumptions used in the valuation may affect the calculation of commitments. As of December 31, 2023, if the discount interest rate had been decreased or increased by 50 p.b., there would have been an increase or decrease in the present value of post-employment obligations of +6.81% and -7.64%, respectively.

vi. Status of the pension fund for the current and four preceding years

The position of the defined benefit commitments for the financial year 2023 and the four preceding financial years, at the end of each financial year, is shown below:

1. Spanish entities

	Thousands of Euros									
	Post-employment remuneration					Other long-term remuneration				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
Present value of the obligation:										
To current employees	—	—	—	—	—	—	—	—	—	—
Vested obligations to retired employees	20,535	21,006	27,512	25,023	25,601	19,574	20,921	31,527	—	—
To pre-retirees	—	—	—	—	—	—	—	—	31,527	33,766
Long-service bonuses and other obligations	—	—	—	—	—	144	145	130	130	141
Other	—	—	—	—	113	—	—	—	—	—
Fair value of plan assets	5,436	5,424	6,341	—	—	—	—	—	—	—
Provisions for pensions	15,099	15,582	21,171	25,023	25,714	19,718	21,066	31,657	31,657	33,907
Of which:										
Internal pension funds	16,411	16,997	22,360	—	—	19,718	21,066	—	—	—
Net pension assets	(1,312)	(1,415)	(1,188)	—	—	—	—	—	—	—

2. Foreign entities

	Thousands of Euros				
	2023	2022	2021	2020	2019
Present value of obligations less-	494,122	502,741	734,375	725,050	687,925
Fair value of plan assets	(53,614)	(111,764)	(168,735)	(98,721)	(95,192)
Provisions – Pension funds	440,508	390,977	565,640	626,329	592,733
Of which:					
Internal pension funds	446,198	406,972	588,520	—	—
Net pension assets	(5,690)	(15,995)	(22,880)	—	—

b) Other provisions

The balance under the headings "Procedural issues and pending tax disputes" and "Remaining provisions" in the chapter "Provisions", which, inter alia, include those relating to restructuring provisions and tax and legal disputes, have been estimated using prudent calculation procedures consistent with the uncertainty conditions inherent in the obligations they cover, determining the final time of the departure of resources that incorporate economic benefits for the Group for each of the obligations in some cases without a fixed cancelation period, and in other cases, depending on the ongoing disputes.

The balance of these headings by geographical area is broken down as follows:

	Thousands of euros	
	2023	2022
Recognised in Spanish companies	66.015	55.779
Recognised in other foreign companies	96.998	81.212
	163.013	136.991

The following is the breakdown of the balance as at 31 December 2023 and 2022 under the headings "Provisions for taxes and other legal contingencies" and "Remaining provisions" for each type of provision. The types of provisions have been determined by grouping those items of a similar nature:

	Thousands of euros	
	2023	2022
Tax provisions	20.505	7.862
Provision for other legal processes	16.560	2.227
Provision for operational risks	49.559	65.107
Provision for restructuring	32.038	18.097
Other	44.351	43.698
	163.013	136.991

Likewise, below, relevant information is broken down for each of the types of provision shown in the previous table:

- Tax provisions include provisions for processes of a tax nature.

- The provisions for other legal proceedings include provisions for judicial, arbitral or administrative proceedings (other than those included in other categories or types of provision separately broken down) initiated against the companies of the Santander Consumer Finance Group.

As of December 31, 2023, the main legal processes affecting the Group are as follows:

Mortgage Portfolio in Swiss Francs (CHF) in Poland: on 3 October 2019, the Court of Justice of the European Union (CJEU) decided a preliminary ruling in connection with a legal proceeding brought against a bank not affiliated with the Santander Group, declaring certain clauses in the loan contracts indexed to CHF to be unfair. The CJEU has left to the Polish courts the decision on whether the contract can survive without the unfair clause, for which they must in turn decide whether the effects of the cancelation of the contract are harmful to the consumer. In the event of the continuation of the contract, the court may only integrate it with supplementary provisions of national law and decide, in accordance with them, the applicable rate.

In 2021, the Supreme Court was expected to take a position on key issues in foreign-currency-based loan disputes, clarifying discrepancies and unifying jurisprudence. The Supreme Court met several times, with the last sitting taking place on 2 September 2021. However, the Supreme Court did not resolve the issue and instead submitted to the CJEU preliminary questions on certain constitutional aspects of the Polish judicial system. No new hearing has been scheduled and a full Supreme Court ruling on this matter is not expected in the short term. In the absence of a ruling by the Supreme Court, it is difficult to expect a full unification of the decisions issued by the courts, so it will be the decisions of the Supreme Court and the CJEU on individual issues, which will shape the jurisprudence on this matter, although the case law of the Polish courts has not yet been consolidated, the majority trend is toward the declaration of nullity of loan contracts.

On 15 June 2023, the CJEU delivered its judgment in Case C-520/21 in which it confirmed that, in order to determine the effects of the declaration of invalidity of a contract, national law must be applied in the light of the principles derived from Directive 93/13/EEC. Likewise, the CJEU ruled that, in the event of termination of a loan contract for the cancelation of an unfair clause, claims by the bank that exceed the repayment of the nominal amount of the principal of the loan and, where appropriate, the payment of interest on late payment, they are contrary to the objectives of Directive 93/13/EEC as they would make it possible to obtain a benefit similar to that intended to be obtained from the normal performance of the contract and thus eliminate the deterrent effect.

At the same time, the CJEU ruled that, in accordance with European law, there is no objection to the consumer being able to claim compensation from the bank in excess of the refund of the fees paid, although, stipulated that such a claim must be assessed in the light of all the circumstances of the case, so that the possible benefits of the consumer arising from the nullity of the contract do not exceed what is necessary to restore the factual and legal situation in which he would have found himself if the defective contract had not been concluded, and do not constitute an excessive sanction for the professional (principle of proportionality).

On 17 February and 15 June 2023, the Polish Financial Supervision Authority (KNF) disagreed with the Advocate General's findings prior to the judgment of the CJEU of 15 June 2023 and subsequently also in relation to the judgment in question, stating that it is contrary to the principles of proportionality and balance between the protection of securities protected by Directive 93/13 and higher values such as the stability and security of the financial system.

The case law of national courts in application of the CJEU rulings (including the judgment of 15 June 2023) and the potential position of the Supreme Court will be crucial for the final assessment of the legal risk associated with this case.

As of the date of these consolidated annual accounts, it is not possible to predict the decisions to be taken by the Supreme Court and the CJEU in the individual cases raised. Santander Consumer Bank S.A. (Poland) estimates the legal risk using a model that considers different possible outcomes and regularly reviews judgments on this matter in order to verify changes in jurisprudence.

As of December 31, 2023, Santander Consumer Bank S.A. (Poland) presents a portfolio of mortgages denominated in or indexed to CHF for an amount of approximately PLN 1,521 million (EUR 350 million). On the same date, there is a provision of PLN 991 million (EUR 228 million) to cover the mortgage portfolio in CHF.

As of December 31, 2022, Santander Consumer Bank S.A. presented a portfolio of mortgages denominated in or indexed to CHF for an amount of approximately PLN 1,891 million (EUR 404 million). On the same date, there is a provision of PLN 745 million (EUR 159 million) to cover the mortgage portfolio in CHF.

The Group integrates its participation in Santander Consumer Bank, S.A (Poland) by the method of putting in equivalence, with its percentage of participation in it as of December 31, 2023 and 2022 being 40%.

In addition, provisions for other operational risks mainly include provisions for the risks arising from the business operations of the Group companies, corresponding to the most significant amounts as of December 31, 2023 to those registered with Santander Consumer S.A. for an amount of 30,604 thousand euros (27,107 thousand euros as of December 31, 2022), Santander Consumer Bank GmbH (Austria) for an amount of 5,958 thousand euros (1,023 thousand euros as of December 31, 2022), Santander Consumer Bank, A.G. (Germany) for an amount of 8,080 thousand euros (12,367 thousand euros as of December 31, 2022). Santander Consumer Bank A.S. (Norway) presented an amount of 14,400 thousand euros as of December 31, 2022.

The provisions for restructuring include only expenses arising from restructuring processes carried out by the various entities of the Group. During 2020, 2021 and 2023 the Group has carried out different restructuring processes in some companies to adapt the business to current market conditions in these geographies. In these cases, the Group companies offer their employees the possibility of ceasing through offers of early retirement and incentive discounts. As at 31 December 2023, the outstanding balance for this item is mainly held by Santander Consumer Bank S.P.A. (Italy), amounting to 9,371 thousand euros; Stellantis Italia, amounting to 6,075 thousand euros, Santander Consumer Bank, A.G (Germany), amounting to 9,600 thousand euros (15,678 thousand euros as of 31 December 2022), and Compagnie Generale de Credit Aux particuliers - Credipar S.A. (France), amounting to 1,745 thousand euros (1,898 thousand euros as of 31 December 2022).

The Group's general policy is to record provisions for tax and legal processes in which the risk of loss is assessed as likely and no provisions are recorded when the risk of loss is possible or remote. The amounts to be provisioned are calculated on the basis of the best estimate of the amount required to settle the relevant claim, based, inter alia, on in an individualized analysis of the facts and legal opinions of internal and external advisers or taking into account the historical average figure of losses arising from claims of this nature. The final date of the departure of resources incorporating economic benefits for the Group depends on each of the obligations. In some cases, obligations do not have a fixed settlement period and in other cases depend on ongoing legal processes.

22. Tax matters

a) *Current tax receivables and payables*

The balance under the heading “Tax assets – Current tax assets” of the consolidated balance sheets as of December 31, 2023 and 2022 includes, basically, payments on account of the income tax made by the consolidated entities to the Public Administrations of the countries where they reside. The balance under the heading “Tax liabilities – current tax liabilities” in that consolidated balance includes the liability for the different taxes that are applicable to the Group.

b) *Reconciliation of the accounting profit to the income tax expense recognised in the consolidated income statement*

The reconciliation between the consolidated accounting income and the profit tax expense in the corresponding consolidated profit and loss account for the financial years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Continued operations	Continued operations
Consolidated income before tax	1.800.746	2.207.893
Accounting result by Corporate Tax Rate (*)	540,224	662,368
Differences, permanent adjustments (**)	(60.628)	(56.098)
Consolidated Corporate Tax Expenditure	479.596	606.270
Effective tax rate	26.63%	27.46%

(*) Calculated by applying the nominal rate applicable to the Bank (30%)

(**) Includes the net tax effect of permanent differences in consolidated entities as well as differences arising from the existence of different tax rates in the countries in which the Group operates, the effects derived from consolidation, tax adjustments from previous years, and the effect of considering existing exemptions, deductions, bonuses according to the corresponding tax jurisdictions where the Group companies operate.

c) *Years open for review by the Tax Authorities*

The Bank is part of the Tax Group whose head is Banco Santander, S.A.According to current legislation, taxes cannot be considered definitively settled until the tax returns submitted have been inspected by the tax authorities or the limitation period of four years has elapsed.

With respect to the party signed in disagreement both for these years and for the previous years (corporate tax for the years 2003 to 2015), Banco Santander, S.A., as the dominant entity of the Consolidated Tax Group, considers, in accordance with the advice of its external lawyers, that the regularizations carried out should not have a significant impact on the consolidated annual accounts, since there are solid arguments of defense in the appeals filed against them before the National High Court (financial years 2003 to 2011) and before the Central Administrative Economic Court (financial years 2012 to 2015), as well as in relation to the minutes that are still pending review by the Tax Administration (financial years 2017-2019). Consequently, no provision has been made for this concept. Moreover, it should be noted that, in those cases where it has been considered appropriate, the mechanisms empowered to avoid international double taxation have been used.

At the date of formulation of these consolidated annual accounts, subsequent years up to 2023, including, are subject to review.

The rest of the entities are subject to inspection for the corresponding years in accordance with the tax rules that apply to them in each country.

The individual annual accounts of the companies consolidated in the Group include other relevant information on tax aspects affecting these companies.

Due to the possible different interpretations that may be given to tax rules, the results of tax inspections by the tax authorities for the remaining years subject to verification may give rise to contingent tax liabilities the amount of which cannot be quantified objectively. However, in the opinion of the Group's tax advisors, the possibility of such tax liabilities materializing is remote and, in any event, the tax debt arising therefrom would not significantly affect the Group's consolidated annual accounts.

f) Deferred taxes

The detail of deferred taxes as of December 31, 2023 and 2022 is as follows:

	Thousands of Euros					
	2023			2022		
	Monetisable	Other	Total	Monetisable	Other	Total
Tax assets (*)	241,866	433,728	675,594	263,740	294,794	558,534
Tax losses and tax credits	—	9,898	9,898	—	8,569	8,569
Temporary differences	241,866	423,830	665,696	263,740	286,225	549,965
Of which:						
Non-deductible provisions	—	*45,798*	*45,798*	—	*48,333*	*48,333*
Valuation of financial instruments	—	*85,224*	*85,224*	—	*23,419*	*23,419*
Credit losses	*195,194*	*32,312*	*227,506*	*217,068*	*20,054*	*237,122*
Pensions	*34,655*	*99,918*	*134,573*	*34,655*	*107,431*	*142,086*
Valuation of tangible and intangible assets	*12,017*	*82,352*	*94,369*	*12,017*	*75,435*	*87,452*
Tax liabilities	—	1,626,479	1,626,479	—	1,283,474	1,283,474
Temporary differences	—	1,626,479	1,626,479	—	1,283,474	1,283,474
Of which:						
Valuation of financial instruments	—	*224,589*	*224,589*	—	*181,899*	*181,899*
Valuation of tangible and intangible assets	—	*876,815*	*876,815*	—	*690,442*	*690,442*
Gains on disposal of investments	—	—	—	—	—	—
Valuation of Group investments	—	*140,752*	*140,752*	—	*134,495*	*134,495*

(*) as at 31 December 2023 and 2022, 148 million euros in both years are considered monetizable tax assets corresponding to Spanish companies and 93 million euros and 136 million euros is considered monetizable tax assets corresponding to an Italian entity as of december 31, 2023 and 2022, respectively.

The movement in the balance of deferred tax assets and liabilities over the past two years is as follows:

	Balance as at 31-12-2022	(debit)/ credit to the income statement	Conversion differences on foreign currency balances and other items	(debit) / credit to asset and liability valuation reserve	Acquisitions (net) for the year	Balance as at 31-12-23
Active deferred taxes	558,534	185,619	8,381	11,110	(88,050)	675,594
BIN's and deductions	8,569	1,338	(9)	—	—	9,898
Temporary differences	549,965	184,281	8,390	11,110	(88,050)	665,696
of which monetizable	*263,740*	*(22,481)*	—	*608*	—	*241,867*
Passive deferred taxes	(1,283,474)	(386,562)	4,398	2,318	36,841	(1,626,479)
Temporary differences	(1,283,474)	(386,562)	4,398	2,318	36,841	(1,626,479)
Total	(724,940)	(200,943)	12,779	13,428	(51,209)	(950,885)

	Balance as at 31-12-2021	(debit)/ credit to the income statement	Conversion differences on foreign currency balances and	(debit) / credit to asset and liability valuation reserve	Acquisitions (net) for the year	Balance as at 31-12-22
Active deferred taxes	587,912	(24,177)	(1,439)	(3,762)	—	558,534
BIN's and deductions	5,546	2,872	151	—	—	8,569
Temporary differences	582,366	(27,049)	(1,590)	(3,762)	—	549,965
of which monetizable	*283,871*	*(20.131)*	—	—	—	*263,740*
Passive deferred taxes	(1,072,514)	(167,717)	18,685	(61,928)	—	(1,283,474)
Temporary differences	(1,072,514)	(167,717)	18,685	(61,928)	—	(1,283,474)
Total	(484,602)	(191,894)	17,246	(65,690)	—	(724,940)

The balance under the heading "Tax assets – deferred tax assets" of the consolidated balance sheets includes the debtor balances against the Public Treasury corresponding to taxes on anticipated profits; in turn, the balance under the heading "Tax liabilities" in these consolidated balance sheets includes the liability for the different deferred taxes of the Group.

On June 26, 2013, the Basel III legal framework was incorporated into European law through Directive 2013/36 (CRD IV) and Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR) which are directly applicable in Member states from 1 January 2014, while establishing a gradual timetable for the implementation and implementation of the various requirements.

This regulation states that deferred tax assets that depend on their use for future profits must be deducted from regulatory capital.

In this regard, in recent years various countries under the umbrella of Basel III, they have modified their tax regimes with respect to certain deferred tax assets so that they could continue to count as regulatory capital since their use does not depend on the future profits of the entities that generate them (hereinafter referred to as monetizable tax assets). Thus, Italy has a regime in this regard introduced by Decree Legge No. 225 of 29 December 2010 as amended by Legge No. 10 of 26 February 2011.

Likewise, during 2013 in Spain, through Royal Decree-Law 14/2013, of November 29, and confirmed by Law 27/2014 of November 27, a tax regime was established by which certain assets for deferred taxes -derived from endowments of insolvencies provisions, endowments of provisions for awarded goods, commitments for pensions and early retirement, may be converted, under certain circumstances, into credits against the Public Treasury, not depending on their use of the future profits of the entities and being, therefore, exempt from their deduction from regulatory capital.

During 2015 Spain completed its regulation on monetizable tax assets by introducing a wealth benefit that will involve the payment of an annual amount of 1.5% for maintaining the right to monetization and will be applied on part of the deferred tax assets that meet the requirements legal requirements to be considered monetizable generated before 2016.

Similarly, Italy, by decree of 3 May 2016, has introduced a 1.5% annual fee to maintain monetization of part of deferred tax assets.

The Group only recognizes deferred tax assets arising from temporary differences or negative tax bases and deductions pending compensation when it considers it likely that the consolidated entities that generated them will have sufficient tax gains against which they can be paid in the future.

Deferred taxes, both assets and liabilities, are reviewed at the time of the accounting closure in order to check whether modifications are necessary in accordance with the results of the analyzes carried out.

These analyzes take into account, among others, (i) the results generated by the different entities in previous years, (ii) the projections of results of each fiscal entity or group, (iii) the estimation of the reversal of the different temporary differences according to their nature and (iv) the period and limits established in the legislation of each country for the recovery of the different deferred tax assets, concluding in this way on the ability of each entity or tax group to recover its assets for registered deferred taxes.

The results projections used in this analysis are based on the financial budgets approved by both the local directorates of the respective units and the Group managers. The Group's budget estimation process is common for all units. The Group management draws up its financial budgets based on the following key assumptions:

a) Microeconomic variables of the entities that make up the tax group in each location: it takes into account the existing balance sheet structure, the mix of products offered and the commercial strategy at all times defined by the local directorates in this sense based on the competition, regulatory and market environment.

b) Macroeconomic variables: The estimated growth is based on the evolution of the economic environment considering the expected evolutions in the gross domestic product of each location and the forecasts of behavior of interest rates, inflation and exchange rates. Such data is provided by the Group's Research Service, which is based on external information sources.

In addition, the Group performs retrospective contrasts (back testing) on the variables projected in the past. The differential behavior of these variables with respect to the actual market data is considered in the estimated projections in each year. Thus, in relation to Spain, the deviations identified by the management in recent past years are due to non-recurrent events and outside the operation of the business, such as the impacts for the first application of new applicable regulations, the costs incurred for accelerating restructuring plans and the changing effect of the current macroeconomic environment.

Finally, and given the degree of uncertainty of these assumptions, the Group carries out a sensitivity analysis of the most significant ones considered in the analysis of the recoverability of deferred tax assets, considering reasonable changes in the key assumptions on which the income projections of each fiscal entity or group and the estimate of the reversal of the different temporary differences are based. In relation to Spain, the sensitivity analysis consisted of adjusting growth (gross domestic product) by 50 basis points and adjusting inflation by 50 basis points.

Regardless of the income tax on the consolidated profit and loss accounts, in the years 2023 and 2022, the Group has applied the following amounts to its consolidated net worth for the following:

	Thousands of Euros	
	Credits (Charges) to Consolidated	
	2023	2022
Actuarial gains and losses on pension plans	(9,951)	12,289
Coverage of cash flows	(15,846)	5,036
Debt instruments measured at fair value through other	(523)	677
Others	2,994	(2,910)
Total	(23,326)	15,092

23. Registered share capital and equity instruments other than capital

a) Paid-up capital

As of December 31, 2023 and 2022, the Bank's capital stock consisted of 1,879,546,172 registered shares, each with a par fair value of 3 euros, fully subscribed and paid up, with identical political and economic rights.

On December 20, 2019, Holneth, B.V. sold the registered shares held over the Bank, of which 469,886,523 registered shares were acquired by Banco Santander, S.A. And 20 by Cantabro Catalana de Inversiones, S.A.. Thus, as of December 31, 2023 and 2022 Banco Santander, S.A owned 1,879,546,152 shares and Cantabrian Catalana de Inversiones, S.A. 20 shares.

b) Non-capital equity instruments

At the meeting held on 3 December 2020, the Shareholders agreed to issue preferred participations, contingently convertible into newly issued ordinary shares (henceforth "PPCC"), for a nominal amount of EUR 150,000 thousand. The payment of PPCC is subject to certain conditions, especially the availability of sufficient funds, and which is also discretionary, was set at 5% annual for the first five years, revised thereafter by applying a yearly margin of 5.551% over the 5-year Mid-Swap Rate.

On 14 December 2018, the Annual General Meeting of the Bank approved an issuance of contingently convertible preferred shares in ordinary shares of the newly issued Bank (the "PPCC") for a nominal amount of EUR 200,000 thousand. The remuneration of the PPCCs, whose payment is subject to compliance with certain conditions for their distribution linked mainly to the availability of the necessary funds, as well as the decision by the Bank, was fixed at an annual 8.25% for the first five years, being revised thereafter applying a margin of 8.22% per year plus the Mid-Swap rate to five years (5 year Mid-Swap Rate).

On 6 February 2019, the European Central Bank approved the computability of these PPCCs as Tier 1 capital (additional tier 1) under the new European regulations on own resources of the European Regulation 575/2013. The PPCCs are perpetual, although they can be amortized early if the Bank or its consolidated group presents a ratio of less than 5.125% of ordinary capital (common equity Tier 1 ratio) calculated according to the applicable regulations. In this case and subject to compliance with certain requirements, the shares would be converted into ordinary shares of new issue of Santander Consumer Finance, S.A. in accordance with the value established in the brochure of issuance of the shares. In addition, these shares may be redeemed by the Bank's decision only when there is a change in the rules for calculating regulatory capital or the tax framework applicable to preferred shares, and with the prior approval of the European Central Bank.

On 14 December 2017, the Annual General Meeting of the Bank approved an issuance of contingently convertible preferred shares in ordinary shares of the newly issued Bank (the "PPCC") for a nominal amount of EUR 850,000 thousand. The remuneration of the PPCCs, whose payment is subject to compliance with certain conditions for their distribution linked mainly to the availability of the necessary funds, as well as the decision by the Bank, was fixed at an annual 5.75% for the first five years, being revised thereafter applying a margin of 5.545% per year plus the Mid-Swap rate to five years (5 year Mid-Swap Rate).

On 7 February 2018, the European Central Bank has approved the computability of these PPCCs as Tier 1 capital (additional tier 1) under the new European regulations on own resources of the European Regulation 575/2013. The PPCCs are perpetual, although they can be amortized early if the Bank or its consolidated group presents a ratio of less than 5.125% of ordinary capital (common equity Tier 1 ratio) calculated according to the applicable regulations. In this case and subject to compliance with certain requirements, the shares would be converted into ordinary shares of new issue of Santander Consumer Finance, S.A. in accordance with the value established in the brochure of issuance of the shares. In addition, these shares may be redeemed by the Bank's decision only when there is a change in the rules for calculating regulatory capital or the tax framework applicable to preferred shares, and with the prior approval of the European Central Bank. PPCCs are traded on the Frankfurt Stock Exchange. All of the preferred shares have been fully subscribed by Banco Santander, S.A. as of 31 December 2018 and 2017.

The accrued income on the shares issued, as at 31 December 2023 and 31 December 2022, amounted to EUR 419,478 thousand and EUR 325,375 thousand euros respectively, and was recognised under "Retained Earnings" having accrued EUR 72,875 thousand and EUR 72,873 thousand in the years 2022 and 2021, respectively.

24. Share premium

The balance under this heading of the accompanying consolidated balance sheets as of December 31, 2023 and 2022 includes the amount disbursed by the Bank's shareholders in capital issues made above the nominal. The recast text of the Capital Companies Act expressly allows the use of the issue premium balance to expand the share capital of the entities in which it is registered and does not establish any specific restriction as to its availability.

25. Retained earnings and other reserves

The balance of "Shareholders' Equity - Reserves - Retained Earnings" of the accompanying consolidated balance sheets includes the net amount of the accumulated income attributed to the Group recognized in prior years through the consolidated profit and loss account which, in the distribution of profit, they were used for consolidated net worth, as well as, where appropriate, the costs of issuing own equity instruments and the differences between the amount for which own securities are sold and their acquisition price, in the event of such operations and distributions of profits to Bank shareholders made from reserves.

The balance under the heading "Own funds – Other reserves – Reserves or accumulated losses on investments in joint and associated ventures" in the accompanying consolidated balance sheets, includes the net amount of accumulated results in previous years, generated by entities valued by the equity method and corresponding to the Group, recognized through the consolidated profit and loss account, which have not been distributed.

The composition of the balance under both headings of the consolidated balance sheets, as at 31 December 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Retained earnings:		
Legal reserve of the Bank	804,803	716,069
Unrestricted, voluntary and other reserves	536,899	575,350
Consolidation reserves attributable to the Bank	(194,085)	166,373
Reserves of subsidiaries	2,501,779	2,171,545
	3,649,396	**3,629,337**
Other reserves		
Others	(519,446)	(419,035)
Reserves or accumulated losses from investments in:		
Joint ventures and associates	*524,365*	*439,882*
	4,919	**20,847**

Legal reserve

According to the consolidated text of the Capital Companies Act, Spanish entities that obtain profits in the financial year must provide 10% of the net profit for the financial year to the legal reserve. These endowments must be made until the reserve reaches 20% of the share capital. The legal reserve may be used to increase the share capital in the part of its balance that exceeds 10% of the share capital already increased. Except for this purpose, and as long as it does not exceed 20% of the share capital, this reserve may only be used for loss compensation, provided that there are no other reserves available sufficient for this purpose.

Reserves of subsidiaries

The breakdown by company of this balance, based on the contribution of the same to the Group (considering the effect of the consolidation adjustments), is as follows:

	Thousands of Euros	
	2023	2022
Santander Consumer Holding GmbH	(1.332.792)	(1.243.743)
Santander Consumer Bank S.p.A.	57.518	134.787
Auto ABS UK Loans Plc.	—	(65,982)
Stellantis Financial Services UK Limited	—	90.913
Santander Consumer Bank GmbH	281.488	213.468
Compagnie Generale de Credit Aux particuliers - Credipar S.A.	470.063	321.492
Stellantis Financial Services España, E.F.C., S.A.	42.647	37.253
Santander Consumer Finance OY	304.131	255.561
Santander Consumer Leasing GmbH	17.195	21.013
Santander Consumer Bank A.S.	1.411.970	1.391.900
Santander Consumer Bank AG	776.815	575.757
Banque Stellantis France	136.084	106.062
Financiera El Corte Inglés, E.F.C., S.A.	63.208	52.359
Stellantis Financial Services Italia S.p.A.	76.839	42.528
Stellantis Bank Deutschland GmbH	—	85.985
Santander Consumer Finance Inc.	104.965	—
Santander Consumer Finance Schweiz AG	29.793	23.941
Santander Consumer Technology Services GmbH	27.655	31.129
Other companies	34.200	97.124
	2.501.779	**2.171.547**

26. Other comprehensive income

The balances in the other comprehensive accumulated income chapter include the amounts, net of tax effect, of adjustments made to assets and liabilities recorded in equity through the statement of consolidated recognized income and expenses. The amounts from the dependent entities are presented, line by line, in the corresponding items according to their nature.

With respect to items that may be reclassified to profit or loss, the Statement of Recognized Consolidated Revenue and Expenditure includes variations in the Valuation Adjustments, as follows:

- Valuation gains (losses): This includes the amount of income, net of expenses incurred in the financial year, recognized directly in equity. The amounts recognized in equity for the year are maintained under this heading, although in the same period they are either transferred to the profit and loss account or to the initial value of assets or liabilities or reclassified to another item.

- Amounts transferred to the profit and loss account: This includes the amount of valuation gains (losses) previously recognized in equity, even in the same financial year, which are recognized in the profit and loss account.

- Amounts transferred to the initial value of hedged items: This includes the amount of valuation gains (losses) previously recognized in equity, even in the same financial year, recognized in the initial value of assets and liabilities as a result of cash flow hedges.

- Other reclassifications: Includes the amount of transfers made in the year between the different items of other cumulative overall income.

The amounts of these items are recorded in their gross amount and include the amount of other aggregate income accumulated for minority interest (non-controlling interests), with their corresponding tax effect shown in a separate item, except for those for entities valued by the equity method, that are presented net of the tax effect.

a) Breakdown of Other comprehensive income - Items that will not be reclassified in results and Items that can be classified in results

	Thousands of euros	
	31-12-2023	31-12-2022
Other comprehensive income	(678,242)	(582,107)
Items that will not be reclassified to profit or loss	(50,982)	(33,865)
Actuarial gains or losses on defined benefit pension plans	(61.399)	(41,487)
Assets included in disposal groups classified as held for sale	—	—
Other recognised income and expense in investments in joint ventures and associates	199	195
Changes in the fair value of equity instruments at fair value through other comprehensive income	10,218	7,427
Other valuation adjustments		—
Items that may be reclassified to profit or loss	(627,260)	(548,242)
Hedges of net investments in foreign operations (effective portion)	37,543	(46,397)
Currency translation differences	(634,720)	(495,612)
Derivatives – hedge accounting. Cash flow hedges (effective portion)	(2,512)	62,111
Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income	(60)	(1,149)
Hedging instruments (items not designated)	—	—
Assets included in disposal groups classified as held for sale	—	—
Share in other recognised income and expenses in investments in joint ventures and associates	(27,511)	(67,195)

b) Other cumulative comprehensive income - items that will not be reclassified into profit or loss - actuarial gains or (-) losses on defined benefit pension plans

The balance under the heading "Other cumulative comprehensive income-items not reclassified into profit or loss – actuarial gains or losses on defined benefit pension plans" includes actuarial gains and losses and the return on the plan's assets, less administration costs and plan taxes, and any change in the effects of the asset limit, excluding the amounts included in the net interest on the net liability (asset) for post-employment commitments of defined benefit of consolidated companies.

Its variation is shown in the statement of consolidated recognized income and expenses. The most significant changes during the 2023 financial year correspond mainly to the evolution experienced by the main actuarial assumptions of the entities dependent in Germany – actuarial losses due to a decrease in interest rates from 4.21% to 3.57% – , as well as mainly financial actuarial gains in Nordics (Scandinavia) – interest rate increase from 3.50% to 4.10% in Sweden - and actuarial losses in Spanish entities - interest rate decrease from 3.70% to 3.35% (in 2022, mainly, the following year: a The evolution of the main actuarial assumptions of the German dependent entities Actuarial gains from experience and interest rate increase from 1.45 per cent to 4.21 per cent, as well as actuarial earnings mainly financial in Nordics (Scandinavia) – interest rate increase from 2.00% to 3.50% in Sweden) and actuarial earnings in Spanish entities).

c) Elements that can be reclassified into results

c.1) Coverage of net investments in foreign business (effective portion)

The balance under the heading "Other cumulative comprehensive income – items that can be reclassified into profit or loss – coverage of net investments in foreign businesses (effective portion)" of the consolidated net worth includes the net amount in the variation in the derivatives contracted by the Group and designated as hedging instruments considered effective in hedging of this type. His movement during exercises 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Balance at beginning of period	46,397	100,443
Valuation gains/(losses)	(83,940)	(54,046)
Transferred to the income statement	—	—
Balance at end of period	(37,543)	46,397

c.2) Currency conversion

The balance under the heading reflects the amount of exchange differences originating in non-monetary items whose fair value is adjusted in return for equity and in those that occur when the balances of consolidated entities whose currency is different are converted into euros of the euro (see note 2-a).

c.3) Coverage derivatives. Cash flow hedges (effective portion)

The balance under this heading reflects the net amount of changes in the value of financial derivatives designated as cash flow hedge instruments, in the part of those changes considered as "effective hedging".

Its movement, during exercises 2023 and 2022, is presented as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	62,112	10,170
Valuation gains / (losses)	(70,512)	41,409
Amounts transferred to the profit and loss account	(14,946)	31,593
Taxes on profits	20,835	(21,060)
Balance at year-end (Note 29)	(2,511)	62,112

c.4) Changes in the fair value of debt instruments at fair value through other comprehensive income

The balance under this heading reflects the net amount of unrealized changes in fair value of financial assets classified as items that can be reclassified into profit or loss – changes in the fair value of debt instruments measured at fair value through other comprehensive income.

Its movement, without considering valuation adjustments attributed to minority interests, during the years 2023 and 2022, is presented as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	(1,149)	256
Valuation gains / (losses)	1,672	(1,797)
Amounts transferred to the consolidated profit and loss account	(60)	(285)
Taxes on profits	(523)	677
Balance at year-end	(60)	(1,149)

27. Non-controlling interests

This chapter of the accompanying consolidated balance sheets as of December 31, 2023 and 2022 includes the net amount of the net worth of dependent entities attributable to equity instruments not directly or indirectly belonging to the Group, including the share attributed to them of the consolidated income for the financial year.

The details, by company of the Group, of the balance of this chapter of the consolidated balance sheets as of December 31, 2023 and 2022 annexed, are presented below:

	Thousands of Euros	
	2023	2022
Banque Stellantis France	994,824	884,248
Hyundai Capital Bank Europe GmbH	458,998	352,332
Stellantis Financial Services Italia S.p.A.	343,743	196,277
Stellantis Financial Services España, E.F.C.,	235,886	340,674
Financiera El Corte Inglés, E.F.C., S.A.	131,346	136,517
Transolver Finance E.F.C., S.A.	36,459	34,813
TIMFin S.p.A.	30,343	22,233
MCE BANK GMBH	13,740	—
Suzuki Servicios Financieros, S.L.	6,671	5,668
Stellantis Renting Italia S.p.A.	6,443	3,581
Allane SE	(40,406)	(41,627)
Santander Consumer Bank AG	(12,890)	—
Stellantis Financial Services Nederland B.V.	(2,764)	(6,253)
Stellantis Financial Services Belux SA	(1,214)	(10,273)
Stellantis Bank Deutschland GmbH	—	276,059
STELLANTIS FINANCE UK LIMITED	—	1,847
Other companies	1,641	(34)
	2,202,820	2,196,062
Result of the exercise attributed to the		
Banque Stellantis France	173,470	180,290
Stellantis Financial Services España, E.F.C.,	40,559	24,200
Stellantis Financial Services Italia S.p.A.	27,256	30,922
Financiera El Corte Inglés, E.F.C., S.A.	20,020	28,639
Santander Consumer Bank AG	12,890	—
Stellantis Financial Services Belux SA	9,769	7,362
Hyundai Capital Bank Europe GmbH	9,696	8,108
Stellantis Renting Italia S.p.A.	8,590	5,706
Stellantis Financial Services Nederland B.V.	7,889	6,279
Allane SE	4,252	3,501
Transolver Finance EFC, S.A.	2,592	1,646
Suzuki Servicios Financieros, S.L.	543	1,003
TIMFin S.p.A.	5	(1,690)
MCE BANK GMBH	(186)	—
Stellantis Finance UK Limited	—	36,685
Stellantis Bank Deutschland GmbH	—	26,080
Other companies	(128)	32
	317,217	358,763
	2,520,037	2,554,825

The movement in the balance of this chapter of the consolidated balance sheets during the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Balance at the beginning of the year	2,554,826	2,337,779
Dividends	(295.290)	(135.837)
Exchange and other differences (*)	(56.716)	(5.876)
Result of the exercise attributed to the minority	317,217	358,760
Balance at year-end	2.520.037	2.554.826

(*) The variation mainly corresponds to the exit of the perimeter of PSA Bank Deutschland GmbH (see note 3).

28. Memorandum items

The details of the balances recorded under the headings "Pro-Memoria" of the consolidated balance sheets as at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	31/12/2023	31/12/2022
Loan commitments granted	24,299,144	25,756,041
Memorandum item: of which,	*26,138*	*56,500*
Financial guarantees granted	90,030	84,997
Memorandum item: of which,	—	—
Financial guarantees	90,030	84,997
Credit derivatives sold	—	—
Other commitments granted	1,253,547	1,211,006
Memorandum item: of which,	*1,716*	*2,604*
Technical guarantees	597,501	552,398
Other commitments	656,046	658,608

The breakdown as at 31 December 2023 of the exposures and the provisioning fund (see note 10) off-balance sheet by impairment stage under IFRS 9 is EUR 25,528,907 thousand and EUR 17,299 thousand in stage 1, 85,960 thousand euros and 1,270 thousand euros in stage 2 and 27,854 thousand euros and 2,489 thousand euros in stage 3, respectively as at 31 december 2023 (26,865,725 thousand euros and 21,000 thousand euros in stage 1,127,214 thousand euros and 1,570 thousand euros in stage 2 and 59,105 thousand euros and 5,440 thousand euros in stage 3, respectively as of december 31, 2022).

A significant part of these amounts will expire without any payment obligation for consolidated companies materializing, therefore, the combined balance of these commitments cannot be considered as a real future need for financing or liquidity to be granted to third parties by the Group.

The income earned from the guarantee instruments is recorded in the commission income chapter of the consolidated profit and loss accounts and is calculated by applying the rate established in the contract for which they cause on the nominal amount of the guarantee.

i. Loan commitments granted

Firm commitments to grant credit on pre-established terms and conditions, except those that meet the definition of derivatives by being able to be settled in cash or by the delivery or issuance of another financial instrument. They include those available on credit lines and future deposits.

ii. Financial guarantees granted

Includes financial collateral contracts such as financial collateral, credit derivatives sold, derivative risks contracted on behalf of third parties and others.

iii. Other commitments granted

They include all commitments that could result in the recognition of financial assets not included in the preceding headings, such as technical guarantees and those for the import and export of goods and services.

29. Derivatives – Hedge accounting

The Group, within its financial risk management strategy and in order to reduce asymmetries in the accounting treatment of its operations, contracts derivatives of hedges on interest risk, exchange rate or equity, depending on the nature of the risk covered.

Based on its objective, the Group classifies its coverages into the following categories:

- Cash flow hedges: These cover exposure to the change in cash flows associated with an asset, liability or a highly probable expected transaction. This covers variable-rate issues in foreign currencies, fixed-rate issues in non-local currencies, interbank financing at variable rates and variable-rate assets (bonds, trade credits, etc.).

- Fair value hedges: Cover exposure to change in the fair value of assets or liabilities, attributable to an identified and covered risk. This covers the interest risk of assets or liabilities (bonds, loans, bills, issues, deposits, etc.). (etc.) with coupons or fixed interest rates, interests in entities, foreign currency issues and deposits or other fixed-rate liabilities.

- Hedging of net investments abroad: Cover the exchange rate risk of investments in dependent entities with a functional currency other than the Euro.

	Thousands of euros				
	2023				
	NOMINAL VALUE	MARKET VALUE		Changes in fair value used to calculate hedge ineffectiveness	Balance sheet line items
		ASSETS	LIABILITIES		
Fair value hedges	20,674,973	280,270	242,220	(560,695)	
Interest rate risk	18,978,957	264,393	204,415	(448,671)	
Interest Rate Swap	18,978,957	264,393	204,415	(448,671)	Derivatives - hedge
Exchange rate risk	339,788	247	13,259	—	
FX Forward	339,788	247	13,259	—	Derivatives - hedge
Interest rate and exchange risk	1,356,228	15,630	24,546	(112,024)	
Currency Swap	1,356,228	15,630	24,546	(112,024)	Derivatives - hedge
Hedges Cash flows	5,224,393	108,189	127,466	(80,098)	
Interest rate risk	1,230,360	19,346	7,554	(83,589)	
Interest Rate Swap	1,230,360	19,346	7,554	(83,589)	Derivatives - hedge
Exchange rate risk	1,516,937	27,939	67,037	(2,505)	
Currency swap	1,516,937	27,939	67,037	(2,505)	Derivatives - hedge
Interest rate and exchange risk	2,477,096	60,904	52,875	5,996	
Currency swap	2,477,096	60,904	52,875	5,996	Derivatives - hedge
Hedges of net investments in foreign operations	2,104,843	2,038	70,581	(2,669)	
Exchange rate risk	2,104,843	2,038	70,581	(2,669)	
FX Forward	2,104,843	2,038	70,581	—	Derivatives - hedge
Deposits taken	—	—	—	(2,669)	Deposits
	28,004,209	390,497	440,267	(643,462)	

	Thousands of euros				
	2022				
	NOMINAL VALUE	MARKET VALUE		Changes in fair value used to calculate hedge ineffectiveness	Balance sheet line items
		ASSETS	LIABILITIES		
Fair value hedges	20,979,888	876,855	143,425	679,319	
Type of interest risk	19,694,967	869,796	113,915	705,127	
Interest Rate Swap	19,694,967	869,796	113,915	705,127	Derivatives - hedge
Exchange rate risk	456,210	7,059	1,259	—	
FX Forward	456,210	7,059	1,259	—	Derivatives - hedge
Interest rate and exchange risk	828,710	—	28,251	(25,808)	
Currency Swap	828,710	—	28,251	(25,808)	Derivatives - hedge
Hedges Cash flows	5,646,185	209,136	49,584	74,001	
Type of interest risk	1,663,660	51,038	3,000	84,861	
Interest Rate Swap	1,663,660	51,038	3,000	84,861	Derivatives - hedge
Exchange rate risk	695,276	2,406	46,137	2,787	
Currency swap	695,276	2,406	46,137	2,787	Derivatives - hedge
Interest rate and exchange risk	3,287,249	155,692	3,444	(13,647)	
Currency swap	3,287,249	155,692	3,444	(13,647)	Derivatives - hedge
Hedges of net investments in foreign operations	1,960,672	45,080	778	20	
Exchange rate risk	1,960,672	45,080	778	20	
FX Forward	1,960,672	45,080	778	163	Derivatives - hedge
Deposits taken	—	—	—	(143)	Deposits
	28,586,744	1,131,071	193,787	753,341	

Group entities mainly have long-term loan portfolios at fixed interest rates and are therefore exposed to fair value changes due to movements in market interest rates. Institutions manage this risk by contracting Interest Rate Swaps in which they pay fixed rate and receive variable rate. Only interest rate risk is covered and therefore other risks, such as credit risk, are managed but not covered by institutions. The interest rate risk component is determined as the change in the fair value of fixed-rate loans arising only from changes in a reference rate. This strategy is designated as fair value hedging and its effectiveness is measured by comparing changes in the fair value of loans attributable to changes in reference interest rates with changes in the fair value of interest rate swaps.

In addition, some entity of the Group, in order to access international markets in order to obtain sources of financing, issues debt at fixed rate in its own currency and in currencies other than its functional currency. Therefore, it is exposed to changes in both interest rates and exchange rates, which mitigate with derivatives (Interest Rate Swaps, Fx Forward and Cross Currency Swaps) in which they receive fixed interest rate and pay variable interest rate and which they instrumentalize with fair value coverage.

The cash flow hedges of Consumer Group entities cover exchange rate risk of loans and financing. These hedges are mainly carried out through Interest Rate Swaps and Cross Currency Swaps.

In any case, in the event of ineffectiveness in fair value or cash flow hedges, the entity mainly contemplates the following causes:

- Possible economic events affecting the entity (e.g.: Default).
- For movements and possible market-related differences in collateralized and non-collateralized curves used in the valuation of derivatives and covered headings, respectively.
- Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging element.

Finally, it has hedges of net investments abroad, to cover the exchange risk of the participation in the currencies NOK and CNY.

In the case of this type of coverage, the ineffectiveness scenarios are considered low probability, since the hedging instrument is designated considering the determined position and the spot rate at which it is located.

Below, we show a table with the expiration profile of the Group's hedging instruments' nominals:

	Thousands of euros					
	2023					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges	645,705	1,095,935	4,546,656	13,686,998	699,678	20,674,972
Type of interest risk	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,956
Interest Rate Swap	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,956
Exchange rate risk	199,938	44,909	94,941	—	—	339,788
FX Forward	199,938	44,909	94,941	—	—	339,788
Interest rate and exchange risk	—	—	150,047	1,206,181	—	1,356,228
Currency Swap	—	—	150,047	1,206,181	—	1,356,228
Hedges Cash flows	360,513	616,113	2,017,914	2,204,917	24,936	5,224,393
Type of interest risk	51,846	93,243	447,769	612,566	24,936	1,230,360
Interest Rate Swap	51,846	93,243	447,769	612,566	24,936	1,230,360
Exchange rate risk	30,071	54,768	289,539	1,142,559	—	1,516,937
Currency swap	30,071	54,768	289,539	1,142,559	—	1,516,937
Interest rate and exchange risk	278,596	468,102	1,280,606	449,792	—	2,477,096
Currency swap	278,596	468,102	1,280,606	449,792	—	2,477,096
Hedges of net investments in foreign operations	265,664	408,592	1,430,587	—	—	2,104,843
Exchange rate risk	265,664	408,592	1,430,587	—	—	2,104,843
FX Forward	265,664	408,592	1,430,587	—	—	2,104,843
	1,271,882	**2,120,640**	**7,995,157**	**15,891,915**	**724,614**	**28,004,208**

	Thousands of Euros					
	2022					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges	524,237	905,355	3,602,301	15,247,675	700,319	20,979,887
Interest rate risk	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Interest rate swap	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Exchange rate risk	213,375	109,944	132,891	—	—	456,210
FX forward	213,375	109,944	132,891	—	—	456,210
Interest rate and exchange risk	—	200,308	—	628,402	—	828,710
Currency swap	—	200,308	—	628,402	—	828,710
Hedges Cash flows	285,796	625,702	2,373,983	2,360,704	—	5,646,185
Interest rate risk	40,180	92,465	629,612	901,403	—	1,663,660
Interest rate swap	40,180	92,465	629,612	901,403	—	1,663,660
Exchange rate risk	63,332	27,332	283,388	321,223	—	695,275
Currency swap	63,332	27,332	283,388	321,223	—	695,275
Interest rate and exchange risk	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Currency swap	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Hedges of net investments in foreign operations	181,047	648,059	1,131,566	—	—	1,960,672
Exchange rate risk	181,047	648,059	1,131,566	—	—	1,960,672
FX forward	181,047	648,059	1,131,566	—	—	1,960,672
	991,080	2,179,116	7,107,850	17,608,379	700,319	28,586,744

Additionally, we show both the maturity profile and the average interest and exchange rates of the hedging instruments by maturity buckets:

	2023					
	Thousands of euros					
	Up to 1 month	Between 1 and 3 months	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	445,767	1,051,026	4,301,668	12,480,817	699,678	18,978,957
Average fixed interest rate (%) EUR.	0.760	0.570	0.650	2.300	1.020	
Average fixed interest rate (%) CHF	1.470	1.380	1.500	1.580	—	
Average fixed interest rate (%) CAD	—	—	3.870	3.710	4.000	
Exchange rate risk						
Exchange rate instruments						
Nominal	199,938	44,909	94,941	—	—	339,788
Average exchange rate NOK/EUR.	11.842	11.81	—	—	—	
Average CAD/EUR exchange rate	—	—	1.487	—	—	
Average exchange rate PLN/ EUR.	—	—	4.439	—	—	
Average exchange rate CNH/ EUR.	—	—	7.793	—	—	
Exchange rate and interest risk						
Instruments of type of interest						
Nominal	—	—	150,047	1,206,181	—	1,356,228
Average exchange rate DKK/EUR.	—	—	7.451	7.451	—	
Average fixed interest rate (%) DKK	—	—	2.880	2.880	—	
Average fixed interest rate (%) SEK	—	—	—	4.880	—	
Cash flow hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	51,846	93,240	447,769	612,566	24,936	1,230,357
Average fixed interest rate (%) EUR.	8.543 %	7.170 %	5.691 %	4.682 %	— %	
Average fixed interest rate (%) CAD	— %	— %	— %	4.370 %	4.660 %	
Exchange rate risk						
Exchange rate instruments						
Nominal	30,071	54,768	289,539	1,142,559	—	1,516,937
Average exchange rate NOK/EUR.	—	—	—	10.590	—	
Average exchange rate CHF/EUR.	1.047	1.075	1.080	0.977	—	
Average CAD/EUR exchange rate	1.440	1.421	1.458	1.412	—	
Average exchange rate JPY/EUR.	—	—	121.570	157.278	—	
Exchange rate and interest risk						
Exchange rate instruments						
Nominal	278,596	468,102	1,280,606	449,792	—	2,477,096
Average exchange rate SEK/EUR.	11.130	11.680	11.270	10.690	—	
Average exchange rate NOK/EUR.	11.580	11.470	11.100	10.230	—	
Average exchange rate DKK/EUR.	7.450	7.450	7.460	—	—	
Average fixed interest rate (%) SEK	—	—	1.660	1.940	—	
Hedges of net investments in foreign operations						
Exchange rate risk						
Exchange rate instruments						
Nominal	265,664	408,592	1,430,587	—	—	2,104,843
Average exchange rate NOK/EUR.	11.465	11.715	11.651	—	—	
Average exchange rate CNY/EUR.	—	—	7.704	—	—	
Average CAD/EUR exchange rate	1.461	—	—	—	—	
Average exchange rate CHF/EUR.	0.940	—	—	—	—	
Average exchange rate PLN/EUR.	—	—	4.659	—	—	

	2022					
	Thousands of Euros					
	Up to 1 month	Between 1 and 3	Between 3 and 12	Between 1 and 5 years	More than 5 years	Total
Fair value hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	310,862	595,102	3,469,411	14,619,273	700,319	19,694,967
Average fixed interest rate (%) EUR.	(0.002)	—	0.002	0.006	0.002	—
Average fixed interest rate (%) CHF	(0.627)	(0.628)	1.200	1.419	—	—
Average fixed interest rate (%) GBP	0.015	0.014	0.013	0.019	—	—
Exchange rate risk						
Exchange rate instruments						
Nominal	213,375	109,944	132,891	—	—	456,210
Average exchange rate DKK/EUR.	—	—	7.000	—	—	—
Average exchange rate NOK/EUR.	—	—	—	—	—	—
Average exchange rate CHF/EUR.	1.034	—	—	—	—	—
Average exchange rate SEK/EUR.	—	1.027	0.992	—	—	—
Average CAD/EUR exchange rate	—	—	10.767	—	—	—
Average GBP/EUR exchange rate	—	1.412	—	—	—	—
Exchange rate and interest risk						
Instruments of type of interest						
Nominal	—	200,308	—	628,402	—	828,710
Average exchange rate DKK/EUR.	—	—	—	0.004	—	
Average fixed interest rate (%) DKK	—	—	—	7.439	—	
Average fixed interest rate (%) SEK	—	—	—	0.001	—	
Cash flow hedges						
Interest rate risk						
Instruments of type of interest						
Nominal	40,180	92,465	629,612	901,403	—	1,663,660
Average fixed interest rate (%) EUR.	0.121 %	0.541 %	0.299 %	1.465 %	— %	—
Exchange rate risk						
Exchange rate instruments						
Nominal	63,332	27,332	283,388	321,223	—	695,276
Average exchange rate NOK/EUR.	—	—	—	10.590	—	—
Average exchange rate CHF/EUR.	1.077	1.084	1.064	1.059	—	—
Average CAD/EUR exchange rate	—	—	1.454	1.427	—	—
Average exchange rate JPY/EUR.	—	—	—	121.570	—	—
Exchange rate and interest risk						
Exchange rate instruments						
Nominal	182,284	505,905	1,460,983	1,138,077	—	3,287,249
Average exchange rate SEK/EUR.	10.360	10.390	10.580	10.700	—	—
Average exchange rate NOK/EUR.	9.600	9.940	10.310	10.280	—	—
Average exchange rate CHF/EUR.	—	—	—	1.090	—	—
Average CAD/EUR exchange rate	—	—	—	1.370	—	—
Average exchange rate DKK/EUR.	—	—	7.410	—	—	—
Average exchange rate PLN/EUR.	—	—	4.290	—	—	—
Average fixed interest rate (%) EUR.	— %	— %	— %	— %	— %	—
Average fixed interest rate (%) CHF	— %	— %	— %	2.000 %	— %	—
Hedges of net investments in foreign operations						
Exchange rate risk						
Exchange rate instruments						
Nominal	181,047	648,059	1,131,566	—	—	1,960,672
Average exchange rate NOK/EUR.	10.225	10.084	10.458	—	—	—
Average exchange rate CNY/EUR.	—	7.059	—	—	—	—

For the part of the items covered, in the following table we have the detail of the type of coverage, the risk that is covered and what products are being covered as of December 31, 2023:

	Thousands of euros							
	2023							
	Carrying amount of hedged items		Accumulated fair value adjustments to the hedge items		Balance Sheet line item	Changes in the fair value of hedged item for ineffectiveness assessment	Cash flow hedge/currency translation reserve	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets
Fair value hedges	18,662,557	2,425,182	(120,782)	75,182	Loans and advances	653,865	—	—
Interest rate risk	18,310,467	1,071,138	(120,782)	71,138		544,469	—	—
Exchange rate risk	352,090	—	—	—		—	—	—
Interest rate risk and Exchange rate risk	—	1,354,044	—	4,044	Equity portfolio	109,396	—	—
Cash flow hedges	—	—	—	—	Financial liabilities at amortized cost	13,708	(13,265)	14,454
Interest rate risk	—	—	—	—		7,826	(3,591)	14,377
Exchange rate risk	—	—	—	—		1,195	(1,195)	—
Interest rate risk and Exchange rate risk	—	—	—	—		4,686	(8,478)	77
Hedges of net investments in foreign operations	2,423,022	—	—	—	Heritage instruments	—	2,505	—
Exchange rate risk	2,423,022	—	—	—		—	2,505	—
	21,085,579	2,425,182	(120,782)	75,182		667,573	(10,760)	14,454

The cumulative amount of adjustments for fair value hedging instruments remaining on the balance sheet for hedged items that have no longer been hedging loss and gain adjustments as at 31 December 2023 is (41) million euros.

	Thousands of Euros							
	2022							
	Carrying amount of hedged items		Accumulated fair value adjustments to the hedge items		Balance Sheet line item	Changes in the fair value of hedged item for ineffectiveness assessment	Cash flow hedge/currency translation reserve	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets
Fair value hedges	18,103,217	4,288,729	(766,024)	151,263	Loans and advances	(568,406)	—	—
Interest rate risk	17.635.515	3.460.019	(766.024)	104.224		(615.816)	—	—
Exchange rate risk	467.703	—	—	—		—	—	—
Interest rate risk and Exchange rate risk	—	828,710	—	47,039	Equity portfolio	47,409	—	—
Cash flow hedges	—	—	—	—	Financial liabilities at amortized cost	(112,488)	43,197	43,450
Interest rate risk	—	—	—	—		18.087	51.093	43.416
Exchange rate risk	—	—	—	—		43.731	3.980	—
Interest rate risk and Exchange rate risk	—	—	—	—		(174,307)	(11,876)	34
Hedges of net investments in foreign operations	1,958,236	—	—	—	Heritage instruments	—	—	—
Exchange rate risk	1.958.236	—	—	—		—	—	—
	20.061.454	4.288.729	(766.024)	151.263		(680.894)	43.197	43.451

The cumulative amount of adjustments for fair value hedging instruments remaining on the balance sheet for hedged items that have no longer been hedging loss and gain adjustments as at 31 December 2022 is (4) million euros.

The net impacts of hedges are seen in the following table:

	Thousands of euros				
	2023				
	Gains/(losses) recognised in other comprehensive	Ineffective coverage recognised in the	Income statement line item that includes the ineffectiveness of cash flows	Amount reclassified to profit or loss due to: Covered transaction affecting	Income statement line that includes reclassified items
Fair value hedges	—	93,170	Asset gains or losses/financial liabilities	—	Interest margin/lost earnings Assets/liabilities FIN
Interest rate risk	—	95,798		—	
Interest rate and exchange risk	—	(2,628)		—	
Hedges Cash flows	(85,458)	2,690	Asset gains or losses/financial liabilities	14,872	Interest margin/lost earnings Assets/liabilities FIN
Interest rate risk	(83,723)	134		36,449	
Exchange rate risk	(5,175)	—		(9,092)	
Interest rate and exchange risk	3,440	2,556		(12,485)	
Hedges of net investments in foreign operations	2,505	—	Asset gains or losses/financial liabilities	—	Interest margin/lost earnings Assets/liabilities FIN
Exchange rate risk	2,505	—		—	
	(82,953)	95,860		14,872	

	2022				
	Thousands of Euros				
	Gains/(losses) recognised in other comprehensive	Ineffective coverage recognised in the	Income statement line item that includes the ineffectiveness of cash flows	Amount reclassified to profit or loss due to: Covered transaction affecting	Income statement line which includes reclassified elements
Fair value hedges	—	86,252	Asset gains or losses/financial liabilities	—	Interest margin/gains or losses assets/financial liabilities
Interest rate risk	—	89,020		—	
Interest rate and exchange risk	—	(2,768)		—	
Hedges Cash flows	73,003	348	Asset gains or losses/financial liabilities	(31,593)	Interest margin/gains or losses assets/financial liabilities
Interest rate risk	84,513	348		5,650	
Exchange rate risk	2,645	—		(7,705)	
Interest rate and exchange risk	(14,155)	—		(29,538)	
Hedges of net investments in foreign operations	—	—	Asset gains or losses/financial liabilities	—	Interest margin/gains or losses assets/financial liabilities
Exchange rate risk	—	—		—	
	73,003	86,600		(31,593)	

The impact in shareholder's equity in 2023 is as follows

	Thousands of euros
Balance at the beginning of 2022	10,170
<u>Cash flow hedges</u>	73,003
Interest rate risk	84,513
Transferred to results	(5,650)
Other reclassifications	90,163
Exchange rate risk	2,645
Transferred to results	6,891
Other reclassifications	(4,246)
Interest rate and exchange risk	(14,155)
Transferred to results	29,538
Other reclassifications	(43,693)
Non-controlling interests	(6,334)
Taxes	(14,727)
Balance at year-end 2022	62,112
Hedges Cash flows	(85,458)
Interest rate risk	(83,723)
Transferred to results	(36,523)
Other reclassifications	(47,200)
Exchange rate risk	(5,175)
Transferred to results	9,092
Other reclassifications	(14,267)
Interest rate and exchange risk	3,440
Transferred to results	12,485
Other reclassifications	(9,045)
Non-controlling interests	4,989
Taxes	15,846
Balance at year-end 2023	(2,511)

30. Interest income

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes interest earned in the financial year on all financial assets whose return, implicit or explicit, is derived from the application of the effective interest rate method, regardless of whether they are valued at fair value, except for trading derivatives; as well as corrections of products as a result of accounting hedges. Interest is recorded on the gross amount, without deducting, where applicable, tax withholdings made at source.

The origin of the most significant interest income earned by the Group in the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Loans and advances, central banks	—	—
Loans and advances, credit institutions	220.153	26.960
Debt securities	67.436	39.031
Loans and advances, clientele	5.443.476	4.018.879
Of doubtful assets	4.778	3.548
Rectification of income for hedging operations and other interests	695,690	106,815
	6,431,533	4,195,233

Most of the interest income has been generated by the Group's financial assets measured at amortized cost or at fair value through other cumulative comprehensive income.

31. Interest expense

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes interest earned in the financial year on all financial liabilities with return, implicit or explicit, including those arising from remuneration in kind, they are obtained by applying the effective interest rate method, irrespective of whether they are valued at fair value, with the exception of trading derivatives; as well as the cost rectifications as a result of accounting hedges, and the interest cost attributable to the pension funds constituted.

The origin of the most significant interest expenses accrued by the Group in the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Bank of Spain and other central banks	395.714	29.514
Credit institutions	561.755	55.488
Customer deposits	734.131	165.595
Debits represented by negotiable securities	1,212,303	318,350
Subordinated liabilities	36.498	13.633
Pension funds (Notes 2-r. 2-s and 21) (*)	17.545	8.680
Rectification of expenses for operations coverage	(5,633)	801
Other interests	54.067	31.965
	3.006.380	624.026

(*) Includes interest on post-employment and other long-term remuneration of Spanish entities in the amount of 390 and 663 thousand euros, respectively, in the financial year 2023 (369 and 472 thousand euros, respectively, in the financial year 2022) and of foreign entities for 16,492 thousand euros (7,837 thousand euros in the financial year 2022) - see Note 21-.

Most of the interest expenses have been generated by the Group's financial liabilities that are valued at amortized cost.

32. Income from entities accounted for using the equity method

The balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 includes the amount of profits or losses generated in the year by the associated entities and joint ventures, attributable to the Group.

The breakdown of the balance in this chapter as at 31 December 2023 and 2022 is as follows (see Note 12):

	Thousands of Euros	
	2023	2022
Santander Consumer Bank S.A. (Poland)	5,886	32,941
Fortune Auto Finance Co., Ltd.	25,478	28,335
Stellantis Insurance Europe, Ltd.	29,623	20,260
Stellantis Life Insurance Europe Ltd.	11,643	12,032
Santander Consumer Multirent, S.A.	3,434	2,093
Stellantis Finance Polska Sp. Z O.O.	1,926	1,060
Other companies	(915)	15
	77,075	96,736

33. Income from commissions

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 includes the amount of commissions accrued in the financial year, except those that form an integral part of the effective interest rate of financial instruments, included in the "Interest income" chapter of the attached consolidated profit and loss accounts.

The breakdown of the balance in this chapter of the consolidated profit and loss account for the financial years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Collection and payment services:		
Bills	4,333	5,543
Demand accounts	17,454	17,794
Cards	77,450	65,237
Checks and orders	28,334	25,240
	127,571	113,814
Marketing of non-banking financial products:	845,220	876,323
	845,220	876,323
Securities services:		
Securities trading	32,571	24,261
Administration and custody	1,018	1,046
Equity management	8,669	8,599
	42,258	33,906
Other:		
Financial guarantees	7,572	6,065
Commitment fees	7,115	4,899
Other fees and commissions	94,391	98,018
	109,078	108,982
	1,124,127	1,133,025

34. Commission expenses

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 reflects the amount of commissions paid or payable in the financial year, except those that form an integral part of the effective interest rate of financial instruments, included in the "Interest expense" chapter of the attached consolidated profit and loss accounts.

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Brokerage fees on lending and deposit transactions	948	771
Fees and commissions assigned in respect of off-balance-	24,544	15,928
Fees and commissions assigned for collection and return of	8,432	7,640
Fees and commissions assigned in other concepts	15,646	16,275
Fees and commissions assigned for cards	13,135	11,084
Fees and commissions assigned for securities	26,009	17,045
Fees and commissions assigned to intermediaries	67,690	71,782
Other fees and commissions for placement of insurance	192,653	164,298
Other fees and commissions	45,746	44,666
	394,803	349,489

35. Gains and losses associated with financial assets and liabilities

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022, according to the origin of the items that make up it, is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Gains/(losses) on financial instruments not at fair value through profit or loss, net	47,259	807
Financial assets at amortised cost	*—*	*2*
Other	*47,259*	*805*
Gains/(losses) on financial instruments held for trading, net	(2,265)	(10,077)
Gains/(losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	—	—
Gains/(losses) on financial instruments at fair value through profit or loss, net	—	—
Gains/(losses) from hedge accounting, net (Note 29)	95,860	86,600
	140,854	77,330

36. Currency translation differences (net)

The balance in this chapter of the consolidated profit and loss accounts for the financial years 2023 and 2022 basically reflects the results obtained in the sale of foreign exchange, the differences that arise when converting currency items in foreign currency to the functional currency and those from non-monetary assets in foreign currency at the time of their disposal.

37. Other operating income and other operating expenses

The breakdown of the balance in these chapters of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Other operating income	578,502	551,078
Income from non-financial services	342,293	356,959
Other exploitation products, others	236,209	194,119
Other operating expenses	(419,380)	(415,988)
Non-financial service expenses	(219,422)	(218,459)
Deposit guarantee fund and single resolution fund	(64,982)	(81,891)
Other operating loads, others	(134,976)	(115,638)
Other operating charges	—	—
	159,122	135,090

38. Staff costs

The balance under this heading in the consolidated profit and loss accounts for the years 2023 and 2022 reflects the remuneration of staff on payroll, fixed or contingent, irrespective of their function or activity, accrued in the period whatever its concept.

The composition of staff costs as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Wages and salaries	704,265	649,661
Social security costs	112,271	101,065
Additions to pension provisions (Note 21) (*)	7,552	13,312
Contributions to defined contribution pension funds (Note 21)	42,359	40,902
Contributions to plans - Spanish entities	*3,806*	*3,034*
Contributions to plans - foreign entities	*38,553*	*37,868*
Share-based payment costs	—	7
Other staff costs	85,553	77,280
Termination benefits	3,293	1,955
	955,293	884,182

(*) of which:

- 242 thousand euros in 2023 (374 thousand euros in 2022) correspond to the "Cost of services of the current period of post-employment pay of defined benefit – Spanish entities" (see Notes 2-r and 21).

- 5,356 thousand euros in the financial year 2023 (9,486 thousand euros in the financial year 2022) correspond to the "Service cost of the current period of long-term remuneration and post-employment pay of defined benefit – Germany" (see Notes 2-r and 21).

- 1,945 thousand euros in the financial year 2023 (3,426 thousand euros in the financial year 2022) correspond to the "service cost of the current period of long-term remuneration and post-employment remuneration of defined benefit – other foreign entities" (see Notes 2-r and 21).

- 8 thousand euros in the financial year 2023 (26 thousand euros in the financial year 2022), correspond to the "Cost of services of the current period of other long-term remuneration of defined benefit – Spanish entities" (see Notes 2-s and 21).

The average number of employees of the Group in the years 2023 and 2022, distributed by professional categories, was as follows:

	Average number of employees	
	2023	2022
The Bank:		
Senior executives	41	43
Middle management	234	237
Clerical staff	867	829
	1.142	1.109
Other companies	10.831	10.168
	11.973	11.277

The functional and gender distribution of the number of employees in the Group as at 31 December 2023 and 2022 is as follows:

	2023			2022		
	Total	Men	Women	Total	Men	Women
Senior executives	98	74	24	97	73	24
Middle	2,005	1,283	722	1,262	772	490
Clerical staff and	9,948	4,723	5,225	10,061	4,914	5,147
	12.051	6.080	5.971	11.420	5.759	5.661

As at 31 December 2023, the Board of Directors of the Bank consisted of 10 Directors, of whom 4 were women (10 as at 31 December 2022, of whom one was a woman).

The employment relations between the employees and the different companies of the Group are regulated in the corresponding collective agreements or related rules.

As of December 31, 2023 and 2022, certain employees of subsidiaries of the Group are beneficiaries of the remuneration plans described in Note 5.

39. Other administrative expenses

The breakdown of the balance under this heading in the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Property, fixtures and supplies	49,426	46,235
Other administrative expenses	47,427	8,408
Communications	35,296	37,325
Taxes other than income tax	58,732	55,737
Technology and systems	329,949	319,454
Public relations, advertising and publicity	76,941	80,634
Per diems and travel expenses	17,005	13,436
External services	223,334	214,419
Technical reports	80,032	86,194
Insurance premiums	7,617	7,584
Other	3,513	2,624
	929,272	872,050

Included in the balance of technical reports, fees for the services provided by LOS are reflected
Auditors to the different companies of the Santander Consumer Finance Group (detailed in the attached annexes), as follows:

	Millions of Euros	
	2023	2022
Audit	16.3	17.4
Audit-related services	0.8	0.6
Tax services	—	—
Other services	0.1	0.2
Total	17.2	18.2

The audit services and major non-audit services included, where appropriate, under each concept in the table above are detailed below:

- Audit services: Audit of the individual and consolidated annual accounts of Santander Consumer Finance and the companies that are part of the Group in which PricewaterhouseCoopers Auditores, S.L or another firm in the PwC network is an external auditor; audit of the interim consolidated financial statements of Santander Consumer Finance; reporting for the purposes of the integrated audit of the consolidated financial statements and the internal control over financial information (SOx) of Banco Santander, S.A; for those Group entities that are required to do so; limited reviews of financial statements; E Regulatory reports required to the auditor for different entities of the Group.

- Audit-related services: Issuance of comfort letters, financial and non-financial information verification services required by regulators or other documentation reviews to be submitted to supervisory bodies, both domestic and foreign, which by their very nature are normally provided by the external auditor.

- Tax services: Tax advice and compliance services allowed in accordance with the applicable independence regulations and that have no direct impact on the audited financial statements, provided to Group companies outside Spain.

- Other services: Issuance of reports of agreed procedures, assurance reports and special reports, made under accepted standards of the profession; as well as other reports required by the regulator.

The concept 'Audit' includes the fees corresponding to the audit of the year, regardless of its end date. In the event of subsequent adjustments to these, which are not significant in any case, for the purpose of facilitating comparison, they are presented in this note in the year for which the audit is concerned. The rest of the services are included depending on the time of their approval by the audit committee.

The services contracted to the auditors comply with the independence requirements established in the applicable European and Spanish regulations, as well as by the rules of the SEC and the Public Accounting Oversight Board (PCAOB) that apply to the Group and, in no case, they include the performance of work incompatible with the role of the auditor.

40. Impairment or reversal of impairment of non-financial assets

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Tangible assets (*)	(169)	985
Intangible assets (Note 15)	5.337	11.647
Others	8.486	9.227
	13,654	21,859

(*) As at 31 December 2023 and 2022, no amounts have been recorded for loss of valuation corrections due to impairment of tangible property for own use (see Note 13).

The amount recorded in the chapter "Impairment or reversal of impairment of non-financial assets – intangible assets" as at 31 December 2023 corresponds mainly to impairments due to obsolescence of elements of the intangible asset – (see note 15).

41. Gains or (losses) on deregistration of non-financial assets and equity accounts, net

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Gains:		
Tangible and intangible fixed assets (Notes 13 and 15)	837	791
Participations	81.990	632
	82.827	1.423
Losses:		
Tangible and intangible fixed assets (Notes 13 and 15)	(694)	(221)
	(694)	(221)
	82,133	1,202

The amount recorded in the chapter "Earnings or (losses) on cancelation of non-financial assets and equity accounts, net" as of December 31, 2023 corresponds mainly to the result obtained in the sale of the origination rights of the Operational Lease business by the joint ventures of Belgium, France, Italy, the Netherlands, Poland and Spain in the context of the reorganization of the Stellantis agreement - (see note 3). It also includes the result obtained in the sale of the shares of the joint ventures of Germany and United Kingdom A within the framework of the aforementioned agreement.

42. Gains or (losses) from non-current assets and disposal groups classified as held for sale not eligible as discontinued activities

The breakdown of the balance in this chapter of the consolidated profit and loss accounts for the years 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
	Income/(Expenditure)	
Net gains (losses) on sales	(1.089)	(780)
Endowment of impairment losses (net) (Note 11)	(588)	652
	(1.677)	(128)

43. Fair value of financial instruments

The following table summarizes the fair values, as at 31 December 2023 and 2022, of the financial instruments (assets and liabilities) that, according to the above criteria, are presented as measured in these consolidated annual accounts at fair value, classified according to the different valuation methodologies followed by the Group to determine their fair value:

	Thousands of euros					
	31/12/2023			31/12/2022		
	Published quotes In active markets	Internal models (*)	Total	Published quotes In active markets	Internal models (*)	Total
Financial assets held for trading	—	323,898	323,898	—	494,664	494,664
Non-trading financial assets obligatorily measured at fair value through profit or loss	4	1,539	1,543	6	1,870	1,876
Financial assets designated at fair value through other comprehensive income	165,936	8,927	174,863	735,775	12,694	748,469
Derivatives – Coverage Accounting (Assets)	—	390,497	390,497	—	1,131,071	1,131,071
Financial liabilities held for trading	—	343,594	343,594	—	466,031	466,031
Financial liabilities designated at fair value through profit or loss	—	—	—	—	—	—
Derivatives – Hedge Accounting (Liabilities)	—	440,267	440,267	—	193,787	193,787

(*) In their entirety, the main variables (inputs) used by the models are derived from observable market data (Level 2, according to IFRS 7 – Financial Instruments: Disclosure).

During the years 2023 and 2022, the Group has not made significant transfers of financial instruments between the different valuation methodologies. No changes have been made to the valuation techniques of financial instruments. Moreover, the movement of Tier 3 financial assets was not significant during the years 2023 and 2022.

General evaluation criteria

The Santander Group, of which the Group is part, has developed a formal process for the systematic valuation and management of financial instruments, implemented globally in all units, including the Group's units. The governance scheme of this process The Group distributes responsibilities between two independent divisions: Financial Management (responsible for the daily management of financial products) and Risk (which assumes the periodic validation of valuation models and market data, the process of calculating risk metrics, approving policies for new operations, managing market risk and implementing valuation adjustment policies).

The approval of a new product involves a sequence of several steps (application, development, validation, integration into corporate systems and quality review) before its commissioning into production. This process ensures that the valuation systems have been properly reviewed and are stable before they can be used.

The following sections detail the most important products and instrument families, together with their respective valuation techniques and inputs by asset type. In the case of the Group, the main positions are derived from simple (simple) instruments, mainly interest rate *swaps* and *cross currency swaps*.

Interest rate and fixed income

The type of interest rate assets includes simple instruments, such as interest rate *forwards*, interest rate *swaps* and *cross currency swaps, valued at the net present value of estimated future flows discounted on spreads basis* (swap and *cross currency). determined according to the frequency of payments and the currency of each leg of the derivative. In general, in Grupo Santander, simple options (vanilla), including caps* and *floors* and *swaptions, are valued using the Black-Scholes model, which is one of the reference models in the industry. For the valuation of more exotic derivatives, more complex models generally accepted as standard among institutions are used, although in Grupo Santander Consumer derivatives are generally simple (plain vanilla).*

These valuation models are fed with observable market data such as deposit interest rates, futures rates, cross *currency swaps* and *constant maturity swaps, as well as spreads basis, from which different interest rate curves are calculated, as well as the exchange rates. depending on the frequency of payments, and discount curves for each currency. In the case of options, implicit volatilities are also inputs to the model. These volatilities are observable in the market, both for caps* and *floors options* and for *swaptions, making interpolations and extrapolations of volatilities from the quoted ranges using models generally accepted in the industry. The valuation of more exotic derivatives may require the use of unobservable data or parameters, such as correlation (between interest rates and between asset classes), reversal rates to the average and prepayment rates, which are generally defined from historical data or by calibration.*

Inflation-related assets include bonds and swaps linked to zero or annual coupon inflation, valued using the present value method through forward estimation and discount. Inflation index derivatives are valued with standard models or more complex models as appropriate. The valuation inputs of these models consider the swap spreads linked to observable inflation in the market and estimates of seasonality in inflation, from which a forward inflation curve is calculated. Likewise, the implicit volatilities extracted from zero and annual coupon inflation options are also inputs for the valuation of more complex derivatives.

Fixed income instruments include products such as bonds, bills or promissory notes whose valuation, as described above, can be done by observing their price in listed markets, models constructed from observable data or other techniques in cases where neither of the above two alternatives is possible.

Equities and exchange rate

The most important products in these asset classes are *forward* and futures contracts, as well as simple derivatives (vanilla), listings and OTC (Over-The-Counter), on individual underlying and asset baskets. Simple options (vanilla) are valued using the standard *Black-Scholes* model, while more exotic derivatives, involving future yields, average performance or digital characteristics, barrier or repurchase possibility (callable) are valued using generally accepted industry models or custom models, as appropriate. For derivatives on illiquid shares, the hedging is done considering the liquidity restrictions in the models.

Equity model inputs generally consider interest rate curves, spot prices, dividends, repo margin spreads, implicit volatilities, stock-index correlation, and cross-asset correlation. The implicit volatilities are obtained from market quotes of simple options (vanilla) *call* and *put* of European and American type. Through various interpolation and extrapolation techniques, continuous volatility surfaces for illiquid stocks are obtained. Dividends are generally estimated in the medium and long term. As for correlations, they are obtained, where possible, implicitly from market quotes of products dependent on the correlation, in other cases, proxies are made to correlations between reference underlying or obtained from historical data.

As for the inputs of the exchange rate models include the interest rate curve of each currency, the spot exchange rate and the implied volatilities and the correlation between assets of this class. Volatilities are obtained from European call and put options that are listed on the markets such as *at-the-money, risk reversal or butterfly* options. *Illiquid currency pairs are usually treated using liquid pair data from which the illiquid currency can be broken down*.

Credit

The most common instrument of this class is the *Credit Default Swap* (CDS), which is used to cover credit exposure against a third game. In addition, models are also available for *First-to-Default* (FTD), *N-to-Default* (NTD) and *Single-tranche Collateralized Debt Obligation* (CDO) products. These products are valued with industry standard models, which estimate the probability of default of an individual issuer (for CDS) or the probability of joint default of more than one issuer for FTDs, NTDs and CDOs.

The valuation *inputs* are the interest rate curve, the CDS *spread* curve and the recovery rate. The CDS *spread* curve is obtained in the market for major individual indices and issuers. For less liquid issuers, the *spread* curve is estimated using *proxies* or other credit-linked instruments. Recovery rates are usually set to standard values. For CDO listings of individual *tranches*, the joint default correlation of several issuers is implicitly obtained from the market. For custom FTD, NTD and CDO, the correlation is estimated by *proxies* (quoted instruments similar to the instruments to be valued) or historical data when there is no other possible alternative.

Adjustment to the counterparty risk or non-compliance valuation

Credit Valuation Adjustment (CVA) is an adjustment to the valuation of OTC (Over The Counter) derivatives as a consequence of the risk associated with the credit exposure assumed with each counterparty.

The calculation of AVC is made taking into account the potential exposure with each counterparty in each future term. The AVC for a given counterpart is equal to the sum of AVC for all deadlines. For its calculation the following *inputs* are taken into account:

- Expected exposure: Including, for each trade, the current market value (MTM) as well as the potential future risk (ADD-ON) to each term. Mitigants such as collateral and netting contracts are taken into account, as well as a temporary decay factor for derivatives with intermediate payments.

- Severity: Percentage of final loss assumed in case of credit/default event of the counterparty.

- Probability of default/default: For cases where there is no market information (spread curve quoted by CDS, etc.) probabilities are used from ratings, preferably internal.

- Discount factor curve.

The *Debt Valuation Adjustment* (DVA) is an adjustment to the valuation similar to AVC, but in this case as a result of the Group's own risk assumed by its counterparties in OTC derivatives.

At the end of December 2023 and 2022, no CVA and DVA adjustments have been recorded for significant amounts.

In addition, in the Santander Group the Financing Fair Value Adjustment (FFVA) is calculated by applying the market's future financing margins to the expected future financing exposure of any unsecured component of the OTC derivatives portfolio. This includes the unsecured component of guaranteed derivatives, in addition to derivatives that are not fully guaranteed. The expected future financing exposure is calculated using a simulation methodology, when available. The impact of the FFVA on the Group is not significant for the consolidated financial statements as of December 31, 2023 and 2022.

Valuation adjustments for model risk

The fair value of financial instruments derived from previous internal models takes into account, inter alia, the terms of contracts and observable market data, including interest rates, credit risk, exchange rates and prepayments.

The valuation models described above do not incorporate significant subjectivity, since such methodologies can be adjusted and calibrated, where appropriate, by internal calculation of fair value and subsequent comparison with the corresponding actively traded price, however, valuation adjustments may be necessary when quoted market prices are not available for comparison purposes.

The sources of risk to consider are generally associated with uncertain model parameters, illiquid underlying issuers, low-quality market data or unavailable risk factors (sometimes the best possible alternative is to use limited models with controllable risk). In these situations, the Group calculates and applies valuation adjustments in accordance with general industry practice. The following are the main sources of model risk that could exist:

– In fixed income markets, model risks include correlation between fixed income indices, *basis* modeling, *model parameter calibration risk, and treatment of near-zero or negative interest rates. Other sources of risk stem from the estimation of market data, such as volatilities or interest rate curves, both estimation and flow discount. The price disparity depending on different market contributors, or the concentration of the asset in it, could also be sources of risk to consider in the fixed income market.*

– Currency markets are exposed to model risk by modeling *forward skew, and the impact of stochastic interest rate modeling and correlation for multi-asset instruments. Market data risk may also arise, from the illiquidity of specific currency pairs or different price contributors in the composition of the curve.*

– The most important source of model risk in credit derivatives comes from estimating the correlation between odds of default of different underlying issuers. For illiquid underlying issuers, the CDS *spread* may not be well defined.

The financial instruments at fair value whose valuation is based on internal models (Tier 2 and Tier 3) as at 31 December 2023 and 2022 are shown below:

	Thousands of Euros			
	Reasonable values calculated using internal models as of 31/12/2023	Reasonable values calculated using internal models as of 31/12/2023	Valuation Techniques	Main assumptions
ASSETS:				
Financial assets held for trading	323,898	—		
Derivatives	323,898	—		
Swaps	*274,279*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Interest rate options	*48,219*	—	*Black Sholes SLN*	*Interest rate curves, volatilities*
Others	*1,400*	—	*Method of the present value*	*Interest rate curves, volatility surface*
Non-trading financial assets obligatorily measured at fair value through profit or loss	—	1,539		
Heritage Instruments	—	36	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Debt securities	—	845	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Loans and advances	—	658	Method of the present value	*Interest rate curves, market prices Fx, Basis*
Derivatives - hedge accounting	390,497	—		
Swaps	*363,717*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*26,780*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Financial assets designated at fair value through other comprehensive .	1,772	7,155		
Heritage Instruments	*1,772*	*7,155*	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
TOTAL ASSETS	716,167	8,694		
LIABILITIES:				
Financial liabilities held for trading	343,594	—		
Derivatives	343,594	—		
Swaps	*286,862*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Exchange rate options	—	—	*Black Sholes SLN*	*Interest rate curves, volatilities*
Interest rate options	*48,240*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*8,492*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Derivatives - hedge accounting	440,267			
Swaps	*331,881*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
Others	*108,386*	—	*Method of the present value*	*Interest rate curves, market prices Fx, Basis*
TOTAL LIABILITIES	783,861	—		

	Thousands of Euros			
	Reasonable values calculated using internal models 31/12/2022	Reasonable values calculated using internal models 31/12/2022	Valuation Techniques	Main assumptions
ASSETS:				
Financial assets held for trading	494,664	—		
Derivatives	494,664	—		
Swaps	*425,843*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Interest rate options	*37,316*	—		
Others	*31,505*	—	Method of the present value	Interest rate curves, volatility surface
Non-trading financial assets obligatorily measured at fair value through profit or loss	—	1,870		
Heritage Instruments	—	39	Method of the present value	Interest rate curves, FX and EQ market prices, dividends, others
Debt securities	—	1,444		
Loans and advances	—	387		
Derivatives - hedge accounting	1,131,071	—		
Swaps	*1,068,242*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Others	*62,829*	—	Method of the present value	Interest rate curves, volatility surface, market prices Fx
Financial assets designated at fair value through other comprehensive income	1,205	11,489	Method of the present value	Interest rate curves, FX and EQ market prices, dividends, credit, others
Heritage Instruments	*1,205*	*11,489*		
TOTAL ASSETS	1,626,940	13,359		
LIABILITIES:				
Financial liabilities held for trading	466,031	—		
Derivatives	466,031	—		
Swaps	*430,526*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Exchange rate options	*6*	—		
Interest rate options	*35,484*	—		
Others	*15*	—		
Derivatives - hedge accounting	193,787			
Swaps	*163,493*	—	Method of the present value	Interest rate curves, market prices Fx, Basis
Others	*30,294*	—	Method of the present value	Interest rate curves, volatility surface, market prices Fx
TOTAL LIABILITIES	659,818	—		

44. Other information

a) Residual deadlines for operations

The breakdown, by maturity, of the balances of certain headings of the consolidated balance sheets as at 31 December 2023 and 2022 is as follows:

	2023						
	Thousands of Euros						
	On demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5+ Years	Total
Assets:							
Cash and balances at central banks	11,278,533	—	—	—	—	—	11,278,533
Financial assets at fair value through other	—	49,983	50,828	49,525	—	1,001	151,337
Debt instruments (Note 7)	—	49,983	50,828	49,525	—	1,001	151,337
Financial assets at amortised cost	4,923,370	6,217,335	9,171,609	26,004,145	65,666,609	9,142,819	121,125,887
Debt instruments (Note 7)	—	583,658	850,126	1,086,388	1,669,665	—	4,189,837
Loans and advances	4,923,370	5,633,677	8,321,483	24,917,757	63,996,944	9,142,819	116,936,050
Central banks	—	—	—	—	—	—	—
Credit institutions (Note 6)	147,235	232,768	210,788	637,865	199,663	6	1,428,325
Customers (Note 10)	4,776,135	5,400,909	8,110,695	24,279,892	63,797,281	9,142,813	115,507,725
	16,201,903	6,267,318	9,222,437	26,053,670	65,666,609	9,143,820	132,555,757
Liabilities:							
Financial assets at amortised cost. Deposits							
Deposits	35,731,940	2,178,794	4,828,020	10,956,154	14,557,349	1,732,857	69,985,114
Central banks (Note 17)	—	4	2,007,603	3,365,682	89,287	2,979	5,465,555
Credit institutions (Note 17)	261,352	556,110	568,297	2,049,167	10,910,182	1,330,111	15,675,219
Customers (Note 18)	35,470,588	1,622,680	2,252,120	5,541,305	3,557,880	399,767	48,844,340
Debt instruments in issue (Note 19)	—	2,444,016	3,940,929	13,251,301	20,258,188	11,710,789	51,605,223
Other financial liabilities	988,808	592,178	15,530	21,937	101,687	80,651	1,800,791
	36,720,748	5,214,988	8,784,479	24,229,392	34,917,224	13,524,297	123,391,128
Difference (assets – liabilities)	(20.518.845)	1,052,330	437,958	1,824,278	30,749,385	(4,380,477)	9,164,629

	2022						
	Thousands of Euros						
	On demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5+ Years	Total
Assets:							
Cash and balances at central banks	6,826,225	—	—	—	—	—	6,826,225
Financial assets at fair value through other comprehensive income	—	19,144	409,678	296,686	—	1,000	726,508
Debt instruments (Note 7)	—	19,144	409,678	296,686	—	1,000	726,508
Financial assets at amortised cost	6,957,723	5,517,489	7,836,587	22,883,416	56,688,948	13,210,385	113,094,548
Debt instruments (Note 7)	—	105,025	1,086,118	2,106,033	2,887,885	—	6,185,061
Loans and advances	6,957,723	5,412,464	6,750,469	20,777,383	53,801,063	13,210,385	106,909,487
Central banks	—	19,736	—	—	—	—	19,736
Credit institutions (Note 6)	248,388	13,777	11,483	18,282	98,279	97	390,306
Customers (Note 10)	6,709,335	5,378,951	6,738,986	20,759,101	53,702,784	13,210,288	106,499,445
	13,783,948	5,536,633	8,246,265	23,180,102	56,688,948	13,211,385	120,647,281
Liabilities:							
Financial assets at amortised cost-Deposits							
Deposits	31,982,008	2,789,937	3,198,629	12,254,331	20,370,972	252,193	70,848,070
Central banks (Note 17)	—	13	66	9,140,720	8,750,588	9,254	17,900,641
Credit institutions (Note 17)	487,358	330,687	1,558,296	788,927	8,304,618	150,316	11,620,202
Customers (Note 18)	31,494,650	2,459,237	1,640,267	2,324,684	3,315,766	92,623	41,327,227
Debt instruments in issue (Note 19)	—	274,496	4,272,678	7,616,878	17,583,722	9,107,986	38,855,760
Other financial liabilities (Note 20)	426,276	750,831	602	30,698	87,623	77,370	1,373,400
	32,408,284	3,815,264	7,471,909	19,901,907	38,042,317	9,437,549	111,077,230
Difference (assets – liabilities)	(18.624.336)	1,721,369	774,356	3,278,195	18,646,631	3,773,836	9,570,051

For the purpose of an adequate understanding of the information shown in the above tables, note that they have been constructed considering the contractual maturity of the financial instruments included therein, and that they do not take into account, therefore, the stability of certain liabilities such as customer current accounts and the renewal capacity historically shown by the Group's financial liabilities. Since they exclusively include financial instruments at the balance sheet date, they do not include participations, nor the cash flows generated by them, nor the cash flows from the results generated by the Bank.

b) *Euro value of assets and liabilities*

The breakdown of the euro equivalent of the main balances of the consolidated balance sheets as at 31 December 2023 and 2022 attached held in foreign currency, taking into account the nature of the items comprising it, is as follows:

	Equivalent value in EUR millions			
	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Cash and balances at central banks	269	—	865	—
Financial instruments held for trading	—	—	38	39
Financial assets at fair value through	1	—	1	—
Derivatives - hedge accounting	18	33	63	31
Assets included in disposal groups	8	—	7	—
Investments in joint ventures and	751	—	686	—
Tangible assets	208	—	104	—
Intangible assets	226	—	221	—
Tax assets and liabilities	140	278	261	212
Financial instruments at amortised cost	16,494	11,016	17,999	11,650
Liabilities included in disposal groups	—	—	—	—
Provisions	—	6	—	25
Others	78	241	51	264
	18,193	11,574	20,296	12,221

c) *Fair value of unrecorded financial assets and liabilities at fair value*

Financial assets owned by the Group are recorded in the accompanying consolidated balance sheets at fair value, except for items included under cash headings, cash balances in central banks and other demand deposits, financial assets at amortized cost - loans and advances - clients, equity instruments whose market value, where applicable, cannot be reliably estimated and financial derivatives which have these instruments as their underlying asset and are settled through delivery thereof, if any.

Similarly, except for financial liabilities in the trading book and financial derivatives, the Group's financial liabilities are recorded in the consolidated balance sheets attached to their amortized cost.

i. Financial assets measured on a non-fair value basis

The following is a comparison between the value of the Group's financial assets measured on a basis other than fair value as at 31 December 2023 and 2022 and their corresponding fair value at the close of those years:

	Thousands of euros									
	2023					2022				
Active	Carrying amount	Fair Value	Level 1	Level 2	Level 3	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Financial assets at amortised cost										
Loans and advances	116,936,050	115,589,091	—	1,294,702	114,294,389	106,909,487	104,883,727	—	246,580	104,637,147
Debt instruments	4,189,837	4,154,302	4,154,302	—	—	6,185,061	6,097,660	6,097,660	—	—
	121,125,887	119,743,393	4,154,302	1,294,702	114,294,389	113,094,548	110,981,387	6,097,660	246,580	104,637,147

ii. Financial liabilities measured other than fair value

The following is a comparison between the value of the Group's liabilities measured on a non-fair value basis and their corresponding fair value at year-end:

	Thousands of euros									
	2023					2022				
Liabilities	Amount Carrying	Value Fair Value	Level 1	Level 2	Level 3	Amount Carrying	Value Fair Value	Level 1	Level 2	Level 3
Financial liabilities at amortized cost										
Deposits	69,985,114	69,993,948	—	30,769,147	39,224,801	70,848,070	69,483,115	—	33,413,317	36,069,798
Debt securities in issue and other financial	51,605,223	51,579,484	4,845,601	43,743,689	2,990,194	38,855,760	37,826,675	4,979,748	29,533,203	3,313,724
	121,590,337	121,573,432	4,845,601	74,512,836	42,214,995	109,703,830	107,309,790	4,979,748	62,946,520	39,383,522

(*) In addition, other financial liabilities amounting to EUR 1,800,791 and EUR 1,373,400 thousand are recorded in December 2023 and December 2022 respectively

iii. Valuation methods and inputs used

The main measurement methods and *inputs* used in the 31 December 2023 and 2022 estimates of the fair value of financial assets and liabilities in the above tables are as follows:

- Financial assets at amortized cost - loans and advances: Fair value has been estimated using the present value technique. Factors such as expected maturity of the portfolio, market interest rates, *spreads* of new concession of trades, or market *spreads* – if available – have been considered in the estimate.

- Financial liabilities at amortized cost:

    i) The fair value of central bank deposits has been assimilated to their carrying value as they are mainly short-term balances.

    ii) Deposits of credit institutions: Fair value has been obtained by the present value technique by applying interest rates and market *spreads*.

iii) Customer deposits: Fair value has been estimated using the present value technique. Factors such as the expected maturity of operations and the Group's current financing cost in similar operations have been considered in the estimate.

iv) Debt securities issued: Fair value has been determined on the basis of market quotes for such instruments – where available – or by the present value technique, applying interest rates and market *spreads*.

45. Information segmented by geographic areas and by business

a) *Geographical areas*

In the main level of segmentation, derived from the management of the Group, six segments are presented, corresponding to five operational areas, each of them collecting the totality of businesses that the Group develops in them: Spain, Italy, Germany, Nordics (Scandinavia), France and the rest.

The preparation of the financial statements of each operating segment is made from the aggregation of the units that exist in the Group. The basic information corresponds both to the accounting data of the legal units that are integrated in each segment and to that available from the management information systems. In all cases, the financial statements are consistent with the accounting criteria used in the Group. Consequently, the sum of the profit and loss accounts of the different segments coincides with the consolidated profit and loss accounts. As for the balance sheet, the necessary process of opening the different business units, which are integrated into a single consolidated balance sheet, implies reflecting the different amounts borrowed and taken between them as a greater volume of the assets and liabilities of each business. These amounts, corresponding to inter-group liquidity, are eliminated in the column Intergroup eliminations of the following table, in order to reconcile the amounts contributed by each business unit to the balance sheet of the consolidated Group.

In addition, and for presentation purposes, each geographical unit is maintained as its own resources corresponding to its individual financial statements, offsetting them as a capital endowment made by the Spain area that acts as the holding of the rest of the businesses; reflecting, therefore, the Group’s total own resources.

The balance sheet and profit and loss account, summarized, for the different geographical areas are as follows:

Consolidated balance sheet (Condensed)	Thousands of Euros															
	2023								2022							
	Spain	Italy	Germany	Nordics	France	Rest	Intra-group eliminations	Total	Spain	Italy	Germany	Nordics	France	Rest	Intra-group eliminations	Total
Financial assets at amortised cost – Customers	29,092,539	15,409,421	45,897,181	18,643,312	18,913,021	21,703,111	(34,150,860)	115,507,725	13,435,196	10,180,074	38,654,354	17,394,410	16,353,163	5,794,708	6,643,981	108,455,886
Financial assets held-for-trading	105,746	65,756	97,049	3,500	21,280	30,568	(1)	323,898	3,540	—	120,854	9,916	3,394	—	356,960	494,664
Debt instruments	4,771,162	452,212	6,160,791	947,556	4,664,444	1,000	(12,655,147)	4,342,018	1,926,404	450,751	3,619,344	492,215	249,295	1,000	174,004	6,913,013
Financial assets at amortised cost – Central banks and credit institutions	15,710,622	91,259	10,843,405	107,837	9,471,122	1,050,885	(35,846,805)	1,428,325	2,444,141	944,262	2,451,564	1,807,037	209,173	853,300	(8,299,435)	410,042
Tangible and intangible assets	320,110	208,429	3,736,548	247,302	106,185	271,606	1,663,917	6,554,097	150,372	71,370	2,990,795	129,642	31,549	55,075	1,832,747	5,261,550
Cash and other	14,532,746	1,939,892	11,678,096	742,938	4,564,959	2,997,479	(21,264,685)	15,191,425	1,352,435	519,595	3,143,859	1,088,397	1,711,537	657,028	271,688	8,744,539
Total assets	64,532,925	18,166,969	78,413,070	20,692,445	37,741,011	26,054,649	(102,253,581)	143,347,488	19,312,088	12,166,052	50,980,770	20,921,617	18,558,111	7,361,111	979,945	130,279,694
Customer deposits	5,112,359	1,507,115	42,911,768	8,978,293	4,282,987	4,442,503	(18,390,685)	48,844,340	304,790	1,390,953	25,209,910	7,217,679	3,386,021	3,899,821	(81,947)	41,327,227
Debt securities in issued	27,601,048	3,218,110	5,487,778	2,931,184	11,974,532	13,693,973	(13,301,402)	51,605,223	1,791,678	684,647	6,901,467	4,476,361	4,775,402	384,083	19,842,122	38,855,760
Deposits from central banks and credit institutions	19,504,388	10,429,607	15,993,283	5,403,084	14,994,066	4,708,483	(49,892,137)	21,140,774	15,490,700	8,172,755	11,124,669	5,904,385	7,175,670	1,830,484	(20,177,820)	29,520,843
Other liabilities and equity accounting	1,272,925	1,136,119	3,014,656	63,865	3,220,030	1,685,159	(1,172,488)	9,220,266	1,258,558	749,020	2,816,140	478,134	2,573,047	244,552	236,943	8,356,394
Shareholders' equity	11,042,203	1,876,017	11,005,583	3,316,018	3,269,396	1,524,531	(19,496,863)	12,536,885	466,362	1,168,677	4,928,585	2,845,057	647,970	1,002,171	1,160,648	12,219,470
Total funds under management	64,532,923	18,166,968	78,413,068	20,692,444	37,741,011	26,054,649	(102,253,575)	143,347,488	19,312,088	12,166,052	50,980,771	20,921,616	18,558,110	7,361,111	979,946	130,279,694

Consolidated income statement (Condensed)	2023							2022						
	Spain	Italy	Germany	Nordics	France	Rest (*)	Total	Spain	Italy	Germany	Nordics	France	Rest (*)	Total
NET INTEREST INCOME	521,664	361,279	781,217	674,063	553,671	533,259	3,425,153	540,404	357,183	1,025,770	668,299	532,357	447,194	3,571,207
Income from entities accounted for using the equity method	14,368	4,300	32,119	855	13,160	12,273	77,075	16,049	3,489	28,486	1,865	10,115	36,732	96,736
Net commissions	71,147	91,816	381,122	26,918	104,368	53,953	729,324	62,799	80,755	439,316	36,344	104,558	59,764	783,536
Profit/(loss) from financial operations	(2,290)	10,371	17,669	(363)	5,759	105,342	136,488	8,244	12,277	12,215	(3,273)	48,989	(18,766)	59,686
Other operating income/(expense)	7,094	1,016	159,139	15,385	(7,839)	(15,430)	159,365	9,618	(5,564)	152,164	(1,972)	(15,614)	(3,306)	135,326
OPERATING INCOME	611,982	468,782	1,371,266	716,859	669,119	689,397	4,527,405	637,114	448,140	1,657,950	701,262	680,405	521,620	4,646,491
Administrative and general expenses	(233,372)	(188,151)	(709,259)	(278,317)	(209,944)	(265,522)	(1,884,565)	(229,462)	(145,216)	(708,889)	(242,502)	(194,244)	(235,919)	(1,756,232)
Staff costs	(99,233)	(97,532)	(424,992)	(138,968)	(89,885)	(104,683)	(955,293)	(92,691)	(72,383)	(418,797)	(134,750)	(87,748)	(77,813)	(884,182)
Other	(134,139)	(90,618)	(284,267)	(139,349)	(120,059)	(160,840)	(929,272)	(136,771)	(72,833)	(290,092)	(107,752)	(106,496)	(158,106)	(872,050)
Amortisation	(19,157)	(28,916)	(91,340)	(29,388)	(11,361)	(28,629)	(208,791)	(14,150)	(16,716)	(101,587)	(25,451)	(8,003)	(23,276)	(189,183)
Provisions or reversal from provisions and impairment loss charges (net)	(186,763)	(62,371)	(206,325)	(93,342)	(6,951)	(77,551)	(633,303)	(118,174)	(47,661)	(157,005)	(73,645)	(48,466)	(48,232)	(493,183)
PROFIT OR LOSS BEFORE TAX	172,691	189,344	364,342	315,811	440,863	317,695	1,800,746	275,329	238,547	690,470	359,664	429,692	214,191	2,207,893
PROFIT OR LOSS IN RESPECT OF CONTINUING OPERATIONS	157,245	130,729	257,135	241,183	318,413	216,445	1,321,150	205,405	165,600	469,856	272,881	340,528	147,353	1,601,623
Profit or loss in respect of discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CONSOLIDATED PROFIT OR LOSS	157,245	130,729	257,135	241,183	318,413	216,445	1,321,150	205,405	165,600	469,856	272,881	340,528	147,353	1,601,623
Attributable to the parent	109,042	93,191	234,676	241,183	144,618	181,223	1,003,933	149,887	129,422	433,407	272,881	160,238	1,241,714	2,387,549

(*) Includes reconciliation between the Group's segmented information and consolidated financial statements, as well as corporate activities.

Also, in accordance with the requirements of the regulations applicable to the Bank, the following is broken down:

1. For the geographical areas indicated in the aforementioned regulations, the balance of "interest income" recorded in the consolidated profit and loss accounts for the years 2023 and 2022:

	Thousands of Euros	
	2023	2022
Internal market	1,332,389	761,812
Export:		
European Union	3,839,028	1,546,563
OECD countries	1,167,979	886,859
Other countries	—	—
	5,007,007	2,433,422
Total	6,339,396	3,195,234

2. A distribution of revenue (interest income, dividend income, commission income, gains or (-) losses on derecognition of financial assets and liabilities, gains or losses on financial assets held for trading, gains or losses on non-trading financial assets obligatorily measured at fair value through profit or loss, gains or (-) losses resulting from hedge accounting and other operating income) by the geographical segments used by the Group. For the purposes of the following table, 2023 and 2022:

	Revenue (thousands of Euros)					
	Revenue from external customers		Inter-segment revenue		Total Revenue	
	2023	2022	2023	2022	2023	2022
Spain and Portugal	1,600,435	969,368	806,354	206,602	2,406,789	1,175,970
Italy	927,805	599,648	33,923	23,652	961,728	623,300
Germany	2,397,860	2,051,454	565,810	441,713	2,963,670	2,493,167
Scandinavia	1,252,932	845,036	35,700	94,663	1,288,632	939,699
France	1,177,556	798,404	590,707	523,491	1,768,263	1,321,895
Rest	771,190	702,770	322,004	256,753	1,093,194	959,523
Adjustments and eliminations of regular income between	—	—	*(2,354,498)*	*(1,546,874)*	(2,354,498)	(1,546,874)
Total	8,127,778	5,966,680	—	—	8,127,778	5,966,680

b) Business segments

At the secondary level of segmented information, the Group is organized into 2 main business lines and a grouping of other smaller businesses.

The "Automotive" area contains all businesses associated with financing new and used vehicles including operating and financial leasing, as well as the contribution to the consolidated profit or loss of all the activities carried out by the Group related to the financing granted with collateral received as well as the stock credit of vehicles marketed by the distributors.

The area of "Consumer Financing" reflects the returns derived from the business of financing consumer products, the results derived from direct financing to consumers, by any of the distribution channels, whether physical or online and including all the products marketed for it: fixed-term loans, credit cards, etc.

The area of "Other business" includes the operation that is not included in any of the above categories, mainly mortgages and corporate loans.

The summary consolidated profit and loss accounts, distributed by business, for the years 2023 and 2022 are presented below:

Consolidated profit and loss account (summarized)	Thousands of Euros			
	2023			
	Vehicles	Consumer	Other (*)	Total
NET INTEREST INCOME	2,266,995	923,330	234,828	3,425,153
Income from entities accounted for using the equity method	82,869	14,352	(20,146)	77,075
Net commissions	439,709	234,995	54,620	729,324
Profit/(loss) from financial operations	4,639	3	131,846	136,488
Other operating income	252,561	15,343	(108,539)	159,365
OPERATING INCOME	3,046,773	1,188,023	292,609	4,527,405
Administrative and general expenses	(1,089,706)	(438,106)	(356,753)	(1,884,565)
Staff cost	(562,469)	(219,889)	(172,935)	(955,293)
Other	(527,237)	(218,217)	(183,818)	(929,272)
Depreciation	(81,421)	(44,692)	(82,678)	(208,791)
Provisions, Impairment losses on financial assets	(179,469)	(404,560)	(49,274)	(633,303)
PROFIT/(LOSS) BEFORE TAX	1,696,176	300,666	(196,096)	1,800,746
Profit(/loss) in respect of discontinued operations	—	—	—	—
CONSOLIDATED PROFIT/(LOSS)	1,232,646	212,251	(123,747)	1,321,150

Consolidated income statement (Condensed)	Thousands of Euros			
	2022			
	Vehicles	Consumer	Other (*)	Total
NET INTEREST INCOME	2,263,273	972,172	335,762	3,571,207
Income from entities accounted for using the equity method	71,275	12,293	13,168	96,736
Net commissions	450,423	282,422	50,691	783,536
Profit/(loss) from financial operations	16,649	6,878	36,159	59,686
Other operating income	202,696	8,648	(76,018)	135,326
OPERATING INCOME	3,004,316	1,282,413	359,762	4,646,491
Administrative and general expenses	(961,574)	(472,428)	(322,230)	(1,756,232)
Staff cost	(453,899)	(229,598)	(200,685)	(884,182)
Other	(507,675)	(242,830)	(121,545)	(872,050)
Depreciation	(65,290)	(43,210)	(80,683)	(189,183)
Provisions, Impairment losses on financial assets	(171,312)	(283,029)	(38,842)	(493,183)
PROFIT/(LOSS) BEFORE TAX	1,806,140	483,746	(81,993)	2,207,893
PROFIT/(LOSS) IN RESPECT OF CONTINUING OPERATIONS	1,350,989	342,973	(92,339)	1,601,623
Profit(/loss) in respect of discontinued operations	—	—	—	—
CONSOLIDATED PROFIT/(LOSS)	1,350,989	342,973	(92,339)	1,601,623

(*) It mainly includes the results of the deposits and managed assets business, which are not individually significant in the context of the Group, as well as those derived from the Group's financial management activity.

46. Related parties

The following are the transactions made by the Group with the parties linked to it, distinguishing between associated entities, entities of the Santander Group, members of the Board of Directors of the Bank and members of the Bank's senior management, as of December 31, 2023 and 2022, as well as the income and expenses derived from the transactions made with those related parties in the years 2023 and 2022. The terms of related party transactions are equivalent to those of market-based transactions.

	Thousands of euros							
	2023				2022			
	Associates	Santander group entities	Board Members (*)	Senior manageme nt (**)	Associates	Santander Group Entities	Board Members (**)	Senior Manageme nt (**)
Assets:								
Cash, cash balances at central banks and other deposits on demand	—	666,386	—	—	—	727,896	—	—
Debt instruments	—	—	—	—	—	—	—	—
Loans and advances:	181,615	1,206,895	13	5	58,675	584,591	14	7
Customers	158,415	10,659	13	5	37,111	341,326	14	7
Credit institutions	23,200	1,196,236	—	—	21,564	243,265	—	—
Trading Derivatives (Note 9)	—	223,678	—	—	—	334,747	—	—
Hedging derivatives	—	154,742	—	—	—	580,245	—	—
Other assets	8,533	6,817	—	—	9,710	7,369	—	—
Liabilities:								
Financial liabilities at amortized cost	37,873	12,264,841	—	213	59,398	9,827,561	—	259
Deposits from credit institutions (Note 17)	10,003	12,188,919	—	—	—	9,761,171	—	—
Customer deposits	27,870	75,922	—	213	59,398	66,390	—	259
Marketable debt securities	—	9,447,056	—	—	—	6,720,540	—	—
Other financial liabilities	24,643	64,653	—	—	25,603	17,327	—	—
Trading Derivatives (Note 9)	—	241,094	—	—	—	307,105	—	—
Hedging Derivatives	—	296,706	—	—	—	150,346	—	—
Other liabilities	16	50,041	—	—	1,989	42,959	—	—
Income statement								
Interest income	3,053	245,480	—	—	5,160	7,908	—	—
Interest expenses	(38)	(595,366)	—	—	—	(105,415)	—	—
Commission income	133,575	39,015	—	—	135,902	158,051	—	—
Commission expense	—	(10,202)	—	—	(2)	(5,758)	—	—
Gains or losses on financial assets and liabilities no measured at fair value through profit or loss, net	—	5,285	—	—	—	—	—	—
Gains or losses of financial assets and liabilities held for trading, net	—	(6,868)	—	—	—	1,161	—	—
Gains or losses from hedge accounting, net	—	(237,240)	—	—	—	319,060	—	—
Exchange differences	—	124,838	—	—	—	152,469	—	—
Other operating income	590	7,434	—	—	353	10,735	—	—
Other operating expenses	—	(78)	—	—	—	(3)	—	—
Administrative expenses	(3,939)	(170,292)	—	—	(3,386)	(167,230)	—	—
Other gains/losses	—	—	—	—	—	—	—	—
Memorandum items								
Contingent commitments	—	38,197	—	—	—	29,298	—	—
Contingent liabilities	—	—	—	—	—	—	—	—
Other commitments	—	749,846	—	—	—	750,238	—	—

(*) Excluding those entities belonging to the Santander Group that have been considered as associates in this consolidated report,

(**) See Notes 5-b and 5-c,

47. Risk management

I. Risk management

Corporate principles

Grupo Santander, of which Santander Consumer Finance is a part, has set itself as a strategic objective to achieve excellence in risk management, It has always been a priority axis of action throughout its more than 150 years of experience.

In recent years, it has accelerated its evolution to anticipate and respond to the great challenges of an ever-changing economic, social and regulatory environment.

Consequently, the risk function is more important than ever for Grupo Santander to remain a solid, safe and sustainable bank, an example for the entire financial sector and a benchmark for all those who aspire to turn leadership into risks into a competitive advantage.

Santander Consumer Finance aims to build the future through early management of all risks and to protect the present through a robust control environment. Thus, it has determined that the risk function is based on the following pillars, which are aligned with the strategy and business model of the Santander Group and take into account the recommendations of the supervisory bodies, regulators and best market practices:

1. The business strategy is defined within the risk appetite. The Board of Santander Consumer Finance determines the amount and typology of the risks it considers reasonable to assume in the execution of its business strategy and its development in objective limits, verifiable and consistent with the risk appetite for each relevant activity.

2. All risks must be managed by the units that generate them through advanced models and tools integrated into the different businesses. Santander Consumer Finance is promoting advanced risk management with innovative models and metrics, in addition to a control, reporting and scaling framework, which allow to identify and manage risks from different perspectives.

3. Anticipatory vision for all types of risks must be integrated into the processes of risk identification, assessment and management.

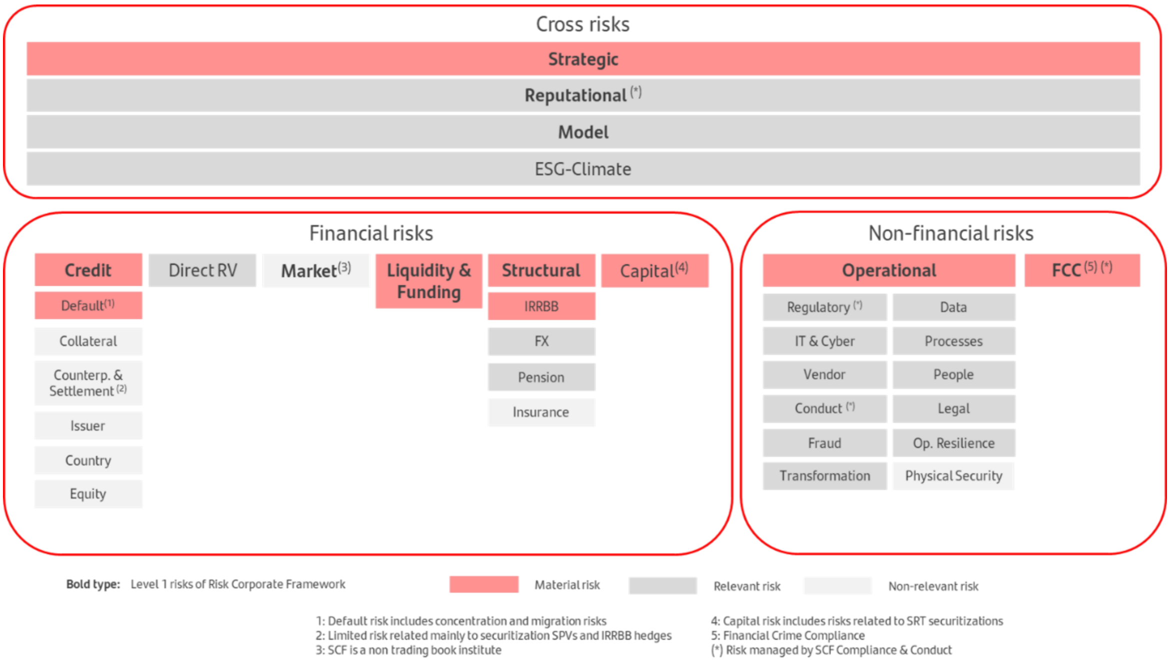
4. The independence of the risk function encompasses all risks and provides an adequate separation between the risk generating units and those responsible for their control. It implies that it has sufficient authority and direct access to the management and governance bodies responsible for setting and overseeing risk strategy and policies.

5. Risk management needs to have the best processes and infrastructures. Santander Consumer Finance aims to be the reference model in the development of infrastructures and processes to support risk management.

6. A risk culture integrated throughout the organization, comprising a series of attitudes, values, skills and guidelines for action against all risks. Santander Consumer Finance understands that advanced risk management cannot be achieved without a strong and constant risk culture that is present in each and every one of its activities.

Risk map

Santander Consumer Finance has a recurring process for the identification of the material risks to which it is or may be exposed, which is reflected in the risk map. Material risks should be incorporated into risk appetite, risk strategy, risk profile assessment exercise and ICAAP/ILAAP. Below is the latest update of the Santander Consumer Finance risk map.



In its first level the risk map includes the following (General Risk Framework):

- **Credit risk** is the risk of financial loss caused by the default or impairment of the credit quality of a client or other third party, to which Santander Consumer Finance has financed or for which a contractual obligation has been assumed.

- **Market risk** is the risk incurred as a result of changes in market factors affecting the value of positions in trading portfolios. This risk is not relevant in Santander Consumer Finance because it is not a trading institution.

- **Liquidity risk** is the risk that Santander Consumer Finance does not have the liquid financial assets necessary to meet its obligations at maturity, or can only obtain them at a high cost.

- **Structural risk** is the risk derived from the management of the different balance sheet items, both in the bank portfolio and in relation to insurance and pension activities.

- **Capital Risk** is the risk that Santander Consumer Finance does not have sufficient capital, in quantity or quality, to meet its internal business objectives, regulatory requirements, or market expectations.

- **Operational risk** is defined as the risk of loss due to inadequacy or failure of internal processes, personnel and systems or due to external events. This definition includes legal risk.

- **Financial crime risk** is the risk arising from actions or the use of the group's means, products and services in criminal or illegal activities. These activities include, inter alia, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery and tax evasion.

- **Strategic Risk** is the risk of loss or damage arising from strategic decisions, or their poor implementation, affecting the long-term interests of our main stakeholders, or an inability to adapt to the evolving environment.

- **Reputational risk** is defined as the risk of a negative economic impact, current or potential, due to an impairment in the perception of the bank by employees, customers, shareholders/investors and society in general.

- **Model risk** is the risk of loss derived from inaccurate predictions, which may result in the bank making sub-optimal decisions, or from improper use of a model.

The material risks in Santander Consumer Finance are: Credit, default (including concentration and migration), liquidity and funding, structural, structural interest rate, capital, operational, financial and strategic crime.

The relevant risks in Santander Consumer Finance are: Direct residual value, structural exchange rate, pensions, legal, fraud, IT and cyber risk, suppliers, operational resilience, transformation, people, data, processes, regulatory compliance, conduct, reputational, model and ESG risks (related to environmental and climate, social and governance factors).

There are two types of risk whose relevance is increasing in recent times and for which Santander Consumer Finance is strengthening its management and control: Direct residual value risk and ESG/climate risks.

Direct residual value risk is defined as the risk of loss that an entity may have if at any time during the life of an automobile contract (loan, lease, etc.) the customer has the option or obligation to return the vehicle as a full and final settlement, due to uncertainty about the sale price of the vehicle made at that time.

ESG factors (environmental and climate, social and governance) can influence traditional risk types (credit, liquidity, operational, reputational, etc.) arising from the physical effects of climate change, generated by specific events as well as chronic changes in the environment, such as environmental and environmental factors. or the process of transition to a model of development of lower emissions, including legislative, technological or behavioral changes of economic agents, as well as the failure to meet the expectations and commitments acquired.

Corporate Risk Governance

The objective of the governance of the risk function is to establish adequate and efficient risk decision-making as well as effective risk control and to ensure that risks are managed according to the level of risk appetite approved by the Board of administration of Santander Consumer Finance.

To this end, the following principles are established:

- Segregation of decision-making and risk control.

- Strengthening the responsibility of risk-generating functions in decision-making.

- Ensure that all risk decisions have a formal approval process.

- Ensure an aggregate view of all types of risks.

- Strengthen risk control committees.

- Maintain an agile and efficient committee structure, ensuring:

  - Participation and involvement in risk decisions, as well as in their supervision and control, of management bodies and senior management.

  - Coordination between the different lines of defense that configure the functions of risk management and control.

- Alignment of objectives, monitoring of compliance and implementation of corrective measures when necessary.

- Existence of an adequate environment for managing and controlling all risks.

In order to achieve these objectives, the Model Governance Committees scheme must ensure adequate:

- Structure, which implies, at least, stratification according to levels of relevance, balanced delegation capacity and incident elevation protocols.

- Composition, with members of sufficient level of interlocution and sufficient representation of the business and support areas.

- Operability, that is, frequency, minimum attendance level and appropriate procedures.

The governance of risk activity should establish and facilitate the channels of coordination between the units and Santander Consumer Finance , as well as the alignment of risk management and control models.

The governing bodies of Santander Consumer Finance units will be structured according to local regulatory and legal requirements and the size and complexity of each unit.

There are special situations committees (Gold, Silver and Bronze) that will be activated to follow up immediately on any event that may affect the business and activity of the entity.

Roles and responsibilities

The risk function is structured in three lines of defense, according to corporate policy, to manage and control risks effectively:

- First line of defense: Business functions that take or generate risk exposure constitute the first line of defense. The first line of defense identifies, measures, controls, monitors and reports the risks that arise and applies the internal regulations that regulate risk management. Risk generation should be adjusted to the approved risk appetite and associated limits.

- Second line of defense: Formed by the risk functions, which independently supervise and question the risk management activities carried out by the first line of defense. This second line of defense should ensure, within their respective areas of responsibility, that risks are managed according to the risk appetite defined by senior management and promote a strong risk culture throughout the organization.

- Third line of defense: The Internal Audit function is independent to assure the board of directors, and senior management, the quality and effectiveness of internal controls, government and risk management systems, helping to safeguard our value, solvency and reputation.

Structure of Risk Committees

Responsibility for risk control and management lies ultimately with the Board of Directors, from which the powers delegated to commissions and committees emanate. At Santander Consumer Finance, the Board relies on the Risk Supervision, Regulation and Compliance committee, as an independent risk control and oversight committee. In addition, the Executive Committee devotes special attention to risk management. These statutory bodies form the highest level of risk governance.

<u>Bodies for independent control</u>

- *Risk, Regulation and Compliance Supervision Commission (CSRRC):*

  The Commission's mission is to assist the Board of Directors in the supervision and control of risks, in the definition and evaluation of risk policies, as well as in the determination of risk propensity and risk strategy.

  It is composed of external or non-executive directors, with a majority representation of independent directors and chaired by an independent director.

The functions of the Risk, Regulation and Compliance Supervision Commission are:

- Support and advise the Board of Directors in the definition and evaluation of risk policies affecting Santander Consumer Finance and in the determination of risk propensity and risk strategy.

- Ensure that the pricing policy for assets and liabilities offered to clients takes full account of the business model and risk strategy.

- Know and evaluate management tools, improvement initiatives, project evolution and any other relevant activity related to risk control.

- Determine, together with the Management Board, the nature, quantity, format and frequency of risk information to be received by the Commission and the Management Board.

- Collaborate to establish sound remuneration policies and practices. For this purpose, the Risk Supervision, Regulation and Compliance Commission shall examine, without prejudice to the functions of the Remuneration Commission, whether the incentive policy provided for in the remuneration system takes into account risk, capital, liquidity and probability and opportunity of profits.

- *Risk Control Committee (CCR):*

  This collegiate body is responsible for the supervision and global risk control of Santander Consumer Finance in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A.

  Its objectives are:

  - To be the instrument for effective risk control, ensuring that risks are managed according to the Bank's level of risk appetite approved by the Board of Directors of Santander Consumer Finance, S.A., and allowing a comprehensive view of all the risks identified in the risk map of the general risk framework, including the identification and monitoring of both current and emerging risks and their impact on the risk profile of the Santander Consumer Finance Group.

  - Ensure the best estimate of the provision and its proper registration.

  This committee is chaired by the Chief Risk Officer (CRO) of Santander Consumer Finance and is composed of executives of Santander Consumer Finance. They are represented, at least, among others, the risk function, which the presidency exercises, and the functions of compliance, financial and management control, as well as representatives of the business areas. The CROs of local entities may participate periodically in order to report, among others, the risk profile of the different entities.

  The Risk Control Committee reports to the Risk Supervision, Regulation and Compliance Committee and assists it in its role of supporting the Board of Directors.

- *Provisions Committee:*

  The Provisions Committee is the collegiate decision-making body responsible for the global management of the provisions in accordance with the powers delegated by the Executive Committee of Risks of Santander Consumer Finance S.A. and will supervise, within its area of action and decision, all topics related to Santander Consumer Finance provisions. Its objective is to be the instrument for decision-making, ensuring that they are within the government of provisions established in Santander Consumer Finance, as well as to inform the Board of Directors or its committees of their activity when necessary.

<u>Decision-making bodies</u>

- *Executive Risk Committee (ERC):*

  The Risk Executive Committee is the collegiate decision-making body responsible for global risk management in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A., and will continue, in its scope of action and decision, all risks identified by the Bank.

Its objective is to be the instrument for making risk-taking decisions at the highest level, ensuring that they are within the limits set in the risk appetite of the Santander Consumer Finance Group, as well as report its activity to the Council or its commissions when required.

This committee is chaired by the Head of Santander Consumer Finance and is composed of executive directors, and other executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance. The CRO of Santander Consumer Finance has the right of veto over the decisions of this committee.

- *Proposal Sub-committee (RPSc):*

  Santander Consumer Finance's Sub-Committee on Risk Proposals is the collegiate decision-making body responsible for making decisions relating to business operations and countries, in terms of credit, market, liquidity and structural risk (or any other type of risk if necessary), ensuring that they are within the limits set in Santander Consumer Finance's risk appetite as well as reporting their activity to the Risk Executive Committee when required.

  This committee is chaired by the CRO of Santander Consumer Finance, and is composed of executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance.

The Risk Committee structure of the Western Hub branches:

Under the merger agreements and for the purpose of ensuring proper governance and continuity of the risk function of the branches of the Western Hub by Santander Consumer Finance, S.A (absorbing company):

- As many powers, powers and attributions in matters of risk were granted individually or collectively in the branches, they will remain in force under the same terms and conditions.

- What is particularly established in its approval and risk control committees shall remain in force with the same functions, unless one or more powers are expressly claimed by a higher-ranking body.

- Any discrepancy in the understanding of the powers and competence of the committees shall be interpreted in the sense that it best favors the governance functions of the company as a whole and, in any case, subject to the practices and uses of the bodies of higher hierarchy of the entity Santander Consumer Finance S.A.

Structural organisation of the risk function

The Group Chief Risk Officer (GCRO) is responsible for the risk function in Santander Consumer Finance and reports to the Head of Santander Consumer Finance, who is a member of the Board.

The GCRO advises and challenges the executive line and also reports independently to the Risk, Regulatory and Compliance Committee and to the Board.

Advanced risk management is based on a holistic, forward-looking approach to risks, based on intensive use of models, to foster a robust control environment that meets the requirements of the regulator and the supervisor.

Santander Consumer Finance's risk management and control model shares certain core principles via its corporate frameworks. These frameworks are established by the Group and Santander Consumer Finance adheres to them through its management bodies. They shape the relationship between the subsidiaries and Santander Consumer Finance, including the role played by the latter in validity.

The Group-Subsidiaries Governance Model and good governance practices for subsidiaries recommend that each subsidiary should have a bylaw-mandated risk committee and an executive risk committee chaired by the Chief Executive Officer (CEO). This is in line with best corporate governance practices and consistent with those already in place in the Group, as set out in the corporate framework, to which Santander Consumer Finance has signed up.

Under the Group's internal governance framework, the management bodies of Santander Consumer Finance have their own model of risk powers (both quantitative and qualitative), which must follow the principles set out in the benchmark models and frameworks developed at the corporate level.

Given its capacity for comprehensive and aggregated oversight of all risks, the corporation exercises a validation and questioning role with regard to the operations and management policies of the units, insofar as they affect the Group's risk profile.

Identifying and evaluating risks is a cornerstone for controlling and managing risk. The main risk types to which the Group is exposed are credit risk, market risk, operational risk and compliance and conduct risk.

Santander Consumer Finance has taken several initiatives to improve the relationship between Santander Consumer Finance and its subsidiaries, and to improve the model of advanced risk management.

- **Credit Risk**

Credit risk stems from the possibility of losses arising from the failure of clients or counterparties to meet their financial obligations with the Group, in full or in part.

The risk function in Santander Consumer Finance is organised by customer type, distinguishing between individualised and standard customers throughout the risk-management process:

- Individualised customers are those assigned to a risk analyst, mainly because of the risk they entail. This category includes Wholesale Banking companies and some Retail Banking companies. Risk management involves expert analysis, complemented by decision-making support tools based on internal risk assessment models.

- Standard risks are those customers to whom no risk analyst is expressly assigned. They generally include risk with individuals, individual businesspeople and non-individualised retail banking companies. Management of these risks is based on internal-assessment and automatic-decision models, complemented by teams of analysts specialized in specific risk types when the model does not cover the risk or is not sufficiently accurate.

Key figures in 2023

The trend in non-performing assets and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has generally kept these figures lower than those of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate level of coverage to meet the expected loss from the credit risk portfolios managed.

As of December 2023, the default rate was 2.15%, based on controlled risk, despite the upward trend due to adverse situations that have been experienced throughout 2023, the measures applied in the units and the

Santander Consumer Finance risk appetite. Doubtful loans (2,477 million euros) are distributed by units as follows: Nordics represents 21% of the total, Spain and Portugal 26%, Germany and Austria 37%, France 8% and Italy 8%. Regarding the type of portfolio, Auto represents 46% of the total, Direct 35%, Cards 7%, Stock Finance 1%, Mortgages 3%, Durables 3% and others 5%.

Despite the macroeconomic environment due to interest rate hikes, inflation and the war between Russia and Ukraine, the non-performing loan ratio has closed slightly above the December 2022 data (9 basis points).

In terms of cost of credit, this ratio has a low risk profile thanks to the granularity and predictability of Santander Consumer Finance's portfolios. The 12-month cost of credit at the end of December 2023 was 0.59%.

Highlights and trends

The profile of Santander Consumer Finance's credit risk portfolio is characterised by a diversified geographic distribution and the predominance of retail banking.

Global Credit Risk Map 2023

The following table details the global map of Santander Consumer Finance's gross credit exposure by geographic area:

a) Global Credit Risk Map 2023

The following table details the global map of gross credit exposure by geographical area:

Group- Gross exposure to credit risk			
	2023 (million euros)	Variation December 2022	% Portfolio
Spain and Portugal (*)	16.159	8.07 %	13.74 %
Italy	15.542	50.14 %	13.21 %
France	19.412	21.78 %	16.50 %
Germany and Austria	44.172	4.92 %	37.55 %
Nordics (Scandinavia)	17.390	(2.39) %	14.78 %
United Kingdom	—	— %	— %
Rest	4,967	10.90 %	4.22 %
Total	117,642	8.47 %	100.00 %

In terms of vision by products at the end of December 2023, Auto represents 62% of the total gross exposure, direct 11%, mortgages 3%, durables 2%, Stock Finance 14%, cards 2% and others 6%. Germany concentrates the largest percentage of the portfolio with 38% along with Austria. On the other hand Nordics (Scandinavia) represents 15%, and includes the units of Norway, Denmark, Sweden and Finland. France, including Stellantis Joint Ventures, accounts for 17% of the total. Spain, Portugal and their respective units resulting from cooperation with Stellantis, account for 14% of the total.

Estimation of impairment losses

Calculation of expected credit losses:

Grupo Santander Consumer Finance calculates expected credit losses using parameters (mainly PD and LGD) based on internal models according to specific requirements of IFRS 9 and other guidelines by regulators, supervisors and other international organizations (EBA, NCAs, BIS, GPPC). Models are built using internal information with sufficiently representative historical depth and granularity, regulatory and management experience, as well as forward-looking information based on macroeconomic scenarios, and allow estimating losses throughout the life of the operation. They follow a defined life cycle that includes, among others, a process of internal validation, monitoring and governance models to ensure their robustness and suitability for use.

Determination of significant increase in credit risk

In order to determine the classification in stage 2, the Group assesses whether there has been a significant increase in credit risk (SICR) since the initial recognition of the transactions, considering a series of common principles throughout the Group that guarantee that all financial instruments are subject to this assessment, which considers the particularities of each portfolio and type of product on the basis of various quantitative and qualitative indicators. Furthermore, transactions are subject to the expert judgement of the analysts, who set the thresholds under an effective integration in management and implemented according to the approved governance. The criteria thresholds used by the Group are based on a series of principles, and develop a set of techniques. The principles are as follows:

- Universality: all financial instruments subject to a credit rating must be assessed for their possible SICR.
- Proportionality: the definition of the SICR must take into account the particularities of each portfolio.
- Materiality: its implementation must be also consistent with the relevance of each portfolio so as not to incur **in** unnecessary costs or efforts.
- Holistic vision: the approach selected must be a combination of the most relevant credit risk aspects (e.g. quantitative and qualitative).
- Application of IFRS 9: the approach must take into consideration IFRS 9 characteristics, focusing on a comparison with credit risk at initial recognition, as well as considering forward-looking information.
- Risk management integration: the criteria must be consistent with those metrics considered in the day-to-day risk management.
- Documentation: Appropriate documentation must be prepared. The techniques are summarised below:
  - Stability of stage 2: in the absence of significant changes in the portfolios credit quality, the volume of assets in stage 2 should maintain a certain stability as a whole.
  - Economic reasonableness: at transaction level, stage 2 is expected to be a transitional rating for exposures that could eventually move to a deteriorating credit status at some point or stage 3, as

well as for exposures that have suffered credit deterioration and whose credit quality is improving and returns to stage 1.

– Predictive power: it is expected that the SICR definition avoids, as far as possible, direct migrations from stage 1 to stage 3 without having been previously classified in stage 2.

– Time in stage 2: it is expected that the exposures do not remain categorized as stage 2 for an excessive time.

The application of the aforementioned techniques, conclude in the setting of one or several thresholds for each portfolio in each geography. Likewise, these thresholds are subject to a regular review by means of calibration tests, which may entail updating the thresholds types or their values. Identifying a significant increase in credit risk: when classifying financial instruments under stage 2, Santander considers:

– Quantitative criteria: Santander Consumer Finance reviews and quantifies changes in the risk of default during their expected life based on their credit risk level on initial recognition. To recognize significant changes so instruments can be classified in stage 2, each subsidiary set quantitative thresholds for its portfolios based on Santander's guidelines for consistent interpretation across all our geographies These thresholds can be expressed as an absolute or relative increase in the probability of default.

  Of those quantitative thresholds, Grupo Santander considers two: the relative threshold, which shows the difference in credit quality since the transaction was approved as a percentage of variation; and the absolute threshold, which calculates the total difference in credit quality. All subsidiaries apply them (with different values) in the same manner. The use of one or both depends on portfolio type and other aspects, such as the starting point for average credit quality.

– Qualitative criteria: Several indicators aligned with ordinary credit risk management indicators (e.g. past due for over 30 days, forbearance, etc.). Each subsidiary defined these criteria for its portfolios. Santander supplements these qualitative criteria with expert opinions. When the presumption of a significant deterioration of credit risk is removed, due to a sufficient improvement of the credit quality, the obligor can be re-classified to Stage 1, without any probationary period in Stage 2.

– Definition of default: Santander incorporated the new definition to provisions calculation according to the EBA's guidelines; the Group is also considering applying it to prudential framework. In addition, the default definition and stage 3 have been aligned.

  This definition considers the following criteria to classify exposures as stage 3: financial instruments with one or more payments more than 90 consecutive days past due, representing at least 1% of the client's total exposure or the identification of other criteria demonstrating, even in the absence of defaults, that it is unlikely that the counterparty is unlikely to meet all of its financial obligations. The Group applies the default criteria to all exposures of the impaired client. Where an obligor belongs to a group, the default criteria may also be applied to all exposures of the group. The default classification is maintained during the 3-month test period following the disappearance of all default indicators described above, and this period is extended to one year for forbearances that have been classified as default.

- Expected life of financial instruments: Santander estimates the expected life of financial instruments according to their contractual terms (e.g. prepayments, duration, purchase options, etc.). The contractual period (including extension options) is the maximum time frame for measuring the expected credit loss. If financial instruments have an undefined maturity period and available balance (e.g. credit cards), Santander estimates its expected life based on the total exposure period and effective management practices to mitigate exposure.

- Forward-looking vision

To estimate expected losses, Grupo Santander requires a great deal of expert analysis as well as past, present and future data. Santander quantifies expected losses from credit events using an unbiased, weighted consideration of up to five future scenarios that could affect our ability to collect contractual cash flows. These scenarios take into account the time value of money, the relevant information available about past events and current conditions, and projections of macroeconomic factors that are considered important to estimate this amount (e.g. GDP, house prices, rate of unemployment, among others).

Santander uses forward-looking information in internal management and regulatory processes under several scenarios. The Group's guidelines and governance ensure synergy and consistency between these different processes.

During 2023, the Group has updated the macroeconomic scenarios included in the provision models with the most up-to-date information on the current environment. Consequently, the Group uses a prospective vision to estimate expected losses.

- Additional elements

Additional elements such an analysis of sectors or other pilars of credit risk analysis are included when necessary if they have not been captured by the two elements explained in the paragraph above, and their impacts has not been captured sufficiently by the macroeconomic scenarios. Collective analysis techniques are also used, when the potential impairment in a group of clients cannot be identified individually.

Based on the elements described above, Grupo Santander Consumer Finance has evaluated the performance of the credit quality of its customers in each of the geographical areas, for the purposes of their staging classification and consequently, the expected credit loss calculation.

The detail of the exposure and the impairment losses associated with each of the phases as of December 31, 2023 is shown below. In addition, based on the current credit quality of the operations, the exposure is divided in three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 (Millions of Euros)				
Credit quality (*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	123 604	—	—	123 604
Degree of speculation	13 008	4 131	—	17 139
Non-payment	—	—	2 541	2 541
Total risk (**)	136 612	4 131	2 541	143 284
Impairment losses	454	266	1 413	2 133

Exposure and impairment losses by stage 2022 (Millions of Euros)				
Credit quality (*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	116 422	—	—	116 422
Degree of speculation	12 674	4 172	—	16 846
Non-payment	—	—	2 239	2 239
Total risk (**)	129 096	4 172	2 239	135 508
Impairment losses	477	250	1 229	1 956

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

As at 31 December 2023 and 2022, the Group did not present significant amounts in impaired assets purchased with impairment.

Provision sensitivity test

Regarding the evolution of losses due to credit risk, the Group carries out a sensitivity analysis through simulations in which immediate variations (shocks) of +/- 100 bps take place in the main macroeconomic variables, assuming constant distribution phases of each portfolio of financial assets. In this way, a set of specific and complete scenarios is used, where different impacts that affect both the reference variable and the rest of the macroeconomic variables are simulated. These impacts may originate from productivity factors, taxes, wages or exchange rates and interest rates. Sensitivity is measured as the average variation of the expected loss corresponding to the aforementioned scenarios. Following a conservative approach, negative movements take into account an additional standard deviation to reflect the possible greater variability of losses. Finally, in order to provide a measure of comparable sensitivity between portfolios, when using the statistical models for scenario analysis, the advances and lags of the model are eliminated, thus avoiding capturing only part of the simulated shock.

Additionally, the Group performs stress test exercises and sensitivity analysis on a recurring basis in exercises such as ICAAP, strategic plans, budgets and recovery and resolution plans. In these exercises, a prospective vision of the sensitivity of each of the Group's portfolios is created in the event of a possible deviation from the baseline scenario, considering both the macroeconomic evolution materialized in different scenarios, and the three-year business evolution. These exercises include potentially more adverse scenarios as well as more plausible scenarios.

Detail of the main geographical areas

Following is the risk information related to the most relevant geographies in exposure and credit risk allowances.

- **Germany**

Information on the estimate of impairment losses

Below is the details of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of Santander Consumer Bank AG and Santander Consumer Leasing, GmbH. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

	Exposure and impairment losses by stage 2023 *(Millions of Euros)*			
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	39,935	79	—	40,014
Degree of speculation	—	834	—	834
Non-payment	—	—	722	722
Total exposure (**)	39,935	913	722	41,570
Impairment losses	104	56	374	534

	Exposure and impairment losses by stage 2022 *(Millions of Euros)*			
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	37,009	12	—	37,021
Degree of speculation	—	1.145	—	1.145
Non-payment	—	—	566	566
Total exposure (**)	37,009	1,157	566	38,732
Impairment losses	88	38	272	398

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

The default rate for Germany stood at 2.06% at the end of December 2023 (1.78% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. Specifically, in the case of the most significant units in Germany (Santander Consumer Bank AG and Santander Consumer Leasing, GmbH) they consider five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution in 2023 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate (interbank 12m)	4.33%	3.86%	3.11%	2.84%	2.70%
Unemployment rate	7.00%	6.08%	5.18%	4.83%	4.46%
GDP growth	(0.18%)	0.31%	1.29%	2.22%	2.69%
Growth in housing prices	(2.66%)	(0.99%)	2.35%	4.52%	5.61%

The following is the projected evolution in 2022 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate (interbank 12m)	4.04%	3.19%	2.33%	1.71%	1.09%
Unemployment rate	7.70%	6.42%	5.14%	4.84%	4.54%
GDP growth	(0.45%)	0.45%	1.36%	2.08%	2.80%
Growth in housing prices	(4.54%)	(2.55%)	1.70%	3.73%	5.80%

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of their allocation, Santander Consumer AG and Santander Consumer Leasing, GmbH associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5%
Worse-case scenario	20%
Base-case scenario	50%
Better-case scenario	20%
Best-case scenario	5%

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Germany is shown:

	Change in expected loss (IFRS9)			
	Vehicles New	Vehicles New	Vehicles New	Direct
GDP growth:				
(100) p.b.	1.33%	1.36%	10.29%	7.18%
100 p.b.	(0.62%)	(0.63%)	(2.92%)	(3.08%)
Unemployment rate:				
(100) p.b.	(1.17%)	(1.19%)	(2.41%)	(6.44%)
100 p.b.	1.34%	1.36%	4.88%	10.15%

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The institution, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions > of 30 days. These criteria depend on the risk management practices of each portfolio.

- **Nordics (Scandinavia)**

Information on the estimate of impairment losses

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant unit of Nordics (Santander Consumer Bank AS). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	14,176	—	—	14,176
Degree of speculation	1,492	408	—	1,900
Non-payment	—	—	419	419
Total exposure (**)	15,667	408	419	16,494
Impairment losses	78	40	236	355

Exposure and impairment losses by stage 2022 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	14,738	6	—	14,744
Degree of speculation	1,701	575	—	2,276
Non-payment	—	—	391	391
Total exposure (**)	16,439	581	391	17,411
Impairment losses	77	57	222	356

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

Nordics (Scandinavia) default rate stood at 2.94% at the end of December 2023 (2.70% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. In particular, Santander Consumer Bank AS considers five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

- **Norway**

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.24%	3.75%	3.15%	2.63%	2.34%
Unemployment rate	4.33%	4.09%	3.90%	3.55%	3.40%
Growth in housing prices	(0.49%)	0.12%	1.24%	2.07%	3.22%
GDP growth	0.29%	0.98%	1.80%	2.42%	2.97%

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.23%	4.05%	3.30%	3.10%	2.80%
Unemployment rate	5.24%	4.82%	3.85%	3.39%	3.03%
Growth in housing prices	(1.22%)	(0.49%)	0.22%	0.55%	1.06%
GDP growth	0.36%	1.06%	1.90%	2.52%	3.10%

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5%
Worse-case scenario	20%
Base-case scenario	50%
Better-case scenario	20%
Best-case scenario	5%

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Norway is shown:

	Expected loss variation IFRS9
	Auto Physical persons
GDP growth:	
(100) p.b.	2.00%
100 p.b.	(1.55%)
Housing price growth:	
(100) p.b.	4.84%
100 p.b.	(2.32%)

- **Denmark**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.53%	3.95%	3.48%	3.10%	2.81%
Unemployment rate	6.57%	5.66%	4.52%	4.13%	3.75%
Growth in housing prices	(2.50%)	(0.03%)	3.19%	5.16%	7.08%
GDP growth	(0.14%)	0.50%	1.32%	1.86%	2.40%

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.88%	3.23%	2.58%	1.96%	1.34%
Unemployment rate	5.74%	5.24%	4.72%	4.22%	3.90%
Growth in housing prices	(1.67%)	0.27%	2.17%	4.15%	5.87%
GDP growth	0.19%	0.80%	1.59%	2.11%	2.60%

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

GDP growth:	5 %
(100) p.b.	20 %
100 p.b.	50 %
Housing price growth:	20 %
(100) p.b.	5%

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Denmark is shown:

	Expected loss variation IFRS9
	Auto Physical persons
GDP growth:	
(100) p.b.	2.90%
100 p.b.	(2.18%)

- **Sweden**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.94%	3.61%	2.98%	2.69%	2.41%
Unemployment rate	7.80%	7.46%	7.01%	6.81%	6.61%
Growth in housing prices	(1.18%)	0.60%	4.52%	5.40%	8.16%
GDP growth	0.35%	1.04%	1.97%	2.56%	3.19%

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.33%	3.51%	3.19%	2.74%	2.11%
Unemployment rate	7.61%	7.36%	7.08%	6.80%	6.48%
Growth in housing prices	(0.57%)	0.39%	1.60%	2.70%	3.73%
GDP growth	0.45%	0.95%	1.78%	2.33%	2.83%

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of its allocation, Santander Consumer AS associates the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for Sweden's most relevant portfolios is shown:

	Expected loss variation IFRS9	
	Auto Individuals	Direct
GDP growth:		
(100) p.b.	6.70%	1.88%
100 p.b.	(0.19%)	(0.79%)

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

- **Spain**

Information on the estimate of impairment losses

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant units in Spain (Santander Consumer Finance S.A.). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 (Millions of Euros)				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	4,316	—	—	4,316
Degree of speculation	11,017	268	—	11,285
Non-payment	—	—	509	509
Total exposure (**)	15,333	268	509	16,110
Impairment losses	97	45	303	445

(*) Detail of credit quality grades calculated for Group management purposes.
(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.

Exposure and impairment losses by stage 2022 (Millions of Euros)				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	4,069	5	—	4,074
Degree of speculation	10,967	236	—	11,203
Non-payment	—	—	477	477
Total exposure (**)	15,035	241	477	15,753
Impairment losses	121	32	288	441

(*) Detail of credit quality grades calculated for Group management purposes.
(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.

The default rate in the case of the geography of Spain stood at 3.47% at the end of December 2023 (3.46% at the end of 2022).

For the estimation of expected losses, forward-looking information should be taken into account. Specifically, for Santander Consumer Finance, S.A's portfolio in Spain, five prospective macroeconomic scenarios are considered, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2023 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.54%	4.00%	3.48%	3.34%	3.11%
Unemployment rate	16.40%	14.28%	10.97%	9.52%	7.96%
Growth in housing prices	(0.20%)	0.54%	2.09%	2.64%	3.38%
GDP growth	(0.88%)	(0.04%)	1.54%	2.71%	3.56%

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2022 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.39%	2.98%	2.59%	2.25%	2.00%
Unemployment rate	19.43%	16.61%	12.20%	10.65%	9.46%
Growth in housing prices	1.72%	2.34%	3.31%	3.83%	4.29%
GDP growth	(0.57%)	0.53%	2.05%	3.34%	4.15%

Each macroeconomic scenario is associated with a given probability of occurrence. As for their allocation, Santander Consumer Finance, S.A's portfolios of business in Spain associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5%
Worse-case scenario	20%
Base-case scenario	50%
Better-case scenario	20%
Best-case scenario	5%

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Spain is shown:

	Expected loss variation IFRS9			
	New car	Used car	Mortgages	Cards
GDP growth:				
(100) p.b.	4.33%	2.50%	1.15%	3.20%
100 p.b.	(3.28%)	(2.00%)	(0.87%)	(2.56%)

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

As an example in the case of Santander Consumer Finance S.A., for its main portfolios, an operation shall be considered to be classified in Stage 2 when the PD of the entire expected life of the operation at any given time exceeds that it had at the time of initial recognition in absolute and relative terms, depending on the sub-segment.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

II. Credit risk

a. Evolution of magnitudes in 2023

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

The following is the distribution of the loan to customers by activity as of December 31, 2023(*):

	Thousands of Euros								
		Secured credit							
		Net exposure		*Loan to Value (***)*					
	Unsecured loans	Property Collateral	Other collateral	Less than or Equal to 40%	40% and Less than or Equal to 60%	60% and Less than or Equal to 80%	80% and Less than or Equal to 100%	More than 100%	Total
Public sector	122,426	—	20,791	70	289	961	6,464	13,007	143,217
Other financial institutions	578,406	2,164	170,271	4,351	4,882	14,624	45,465	103,113	750,841
Non-financial companies and individual traders	18,378,937	61,106	21,013,088	160,740	461,534	1,220,743	12,625,794	6,605,383	39,453,131
Of which:									
Construction and property development	*88,025*	—	*164,289*	*180*	*940*	*3,998*	*155,723*	*3,448*	*252,314*
Civil engineering construction	—	—	*7,797*	—	—	—	*7,797*	—	*7,797*
Large companies	*8,381,720*	*32,954*	*7,944,459*	*76,223*	*225,889*	*601,618*	*4,447,121*	*2,626,562*	*16,359,133*
SMEs and individual traders	*9,909,192*	*28,152*	*12,896,543*	*84,337*	*234,705*	*615,127*	*8,015,153*	*3,975,373*	*22,833,887*
Other households and non-profit institutions serving households	45,346,923	3,444,475	25,571,024	2,010,447	2,305,166	2,483,399	12,222,343	9,994,144	74,362,422
Of which:									
Residential	*374,477*	*3,319,727*	*1,638*	*1,457,749*	*793,289*	*508,492*	*337,038*	*224,797*	*3,695,842*
Consumer loans	*44,872,031*	*36,326*	*25,131,415*	*465,936*	*1,501,212*	*1,945,527*	*11,518,443*	*9,736,623*	*70,039,772*
Other purposes	*100,415*	*88,422*	*437,971*	*86,762*	*10,665*	*29,380*	*366,862*	*32,724*	*626,808*
Total (*)	64,426,692	3,507,745	46,775,174	2,175,608	2,771,871	3,719,727	24,900,066	16,715,647	114,709,611
Memorandum item									
Refinancing, refinanced and restructured transactions (**)	*283,675*	*21,570*	*82,181*	*3,540*	*7,478*	*13,631*	*36,654*	*42,448*	*387,426*

(*) The credit distribution does not include an amount of 798,772 thousand euros corresponding to advances to customers.
(**) Includes the net balance of accumulated impairment or accumulated fair value losses due to credit risk.
(***) Ratio resulting from dividing the carrying value of transactions as at 31 December 2023 on the amount of the last available valuation or valuation of the guarantee.

The following is the distribution of the loan to customers by activity as of December 31, 2022(*):

	Thousands of Euros								
		Secured credit							
		Net exposure		*Loan to Value (***)*					
	Unsecured loans	Property Collateral	Other collateral	Less than or Equal to 40%	40% and Less than or Equal to 60%	60% and Less than or Equal to 80%	80% and Less than or Equal to 100%	More than 100%	Total
Public sector	136,345	—	12,683	37	305	1,040	5,074	6,227	149,028
Other financial institutions	711,093	736	156,638	2,344	5,835	15,755	53,936	79,504	868,467
Non-financial companies and individual traders	14,235,811	100,505	19,145,123	180,124	455,899	1,184,261	12,289,895	5,135,449	33,481,439
Of which:									
Construction and property development	*79,637*	—	*131,929*	*180*	*638*	*2,819*	*125,203*	*3,089*	*211,566*
Civil engineering construction	—	—	*6,675*	—	—	—	*6,675*	—	*6,675*
Large companies	*6,087,747*	*45,847*	*6,191,419*	*76,711*	*200,148*	*510,680*	*3,369,847*	*2,079,880*	*12,325,013*
SMEs and individual traders	*8,068,427*	*54,658*	*12,815,100*	*103,233*	*255,113*	*670,762*	*8,788,170*	*3,052,480*	*20,938,185*
Other households and non-profit institutions serving households	43,632,578	3,618,739	24,165,622	1,959,454	2,380,446	2,463,870	12,275,055	8,705,536	71,416,939
Of which:									
Residential	*335,960*	*3,373,757*	*2,018*	*1,356,494*	*902,311*	*501,296*	*343,124*	*272,550*	*3,711,735*
Consumer loans	*43,225,042*	*76,473*	*23,971,430*	*447,471*	*1,459,818*	*1,944,024*	*11,773,101*	*8,423,489*	*67,272,945*
Other purposes	*71,576*	*168,509*	*192,174*	*155,489*	*18,317*	*18,550*	*158,830*	*9,497*	*432,259*
Total (*)	58,715,827	3,719,980	43,480,066	2,141,959	2,842,485	3,664,926	24,623,960	13,926,716	105,915,873
Memorandum item									
Refinancing, refinanced and restructured transactions (**)	*314,772*	*23,693*	*97,304*	*3,947*	*7,074*	*17,549*	*53,987*	*38,440*	*435,769*

(*) The credit distribution does not include an amount of 583,959 thousand euros corresponding to advances to customers.
(**) Includes the net balance of accumulated impairment or accumulated fair value losses due to credit risk.
(***) Ratio resulting from dividing the carrying value of transactions as at 31 December 2022 on the amount of the last available valuation or valuation of the guarantee.

***Forborne* loan portfolio**

The term “forborne loan portfolio” refers, for the purposes of the Group's risk management, to those transactions in which the customer has, or might foreseeably have, financial difficulty in meeting its payment obligations under the terms and conditions of the current agreement with Santander Consumer Finance and, accordingly, the agreement has been modified or cancelled or even a new transaction has been entered into.

The Santander Group, which Santander Consumer Finance Group belongs to, has a detailed customer debt forbearance policy that serves as a reference for the various local adaptations made for all the financial institutions forming part of the Group. This policy is adapted to the bank regulation establish by the EBA, like it is said in the "Guidelines relating to the management of non-performing and restructured or refinanced exposures" (EBA/GL/2018/06) of October, 31 2018. It is also adapted the Bank of Spain Circular 6/2021 that modifies 4/2017.

This policy establishes strict prudential criteria for the assessment of these loans:

– A restricted use of this practice should be made, avoiding actions that entail postponing recognition of the deterioration.

– The main objective should be the recovery of the amounts due, recognizing as soon as possible the amounts deemed irrecoverable.

– The maintenance of existing guarantees should always be considered and, if possible, improved. Effective safeguards can not only serve as mitigants of severity, but may reduce the likelihood of non-compliance.

– This practice should not involve the granting of additional financing, or serve to refinance debt of other entities, or be used as a cross-selling instrument.

– It is necessary to evaluate all alternatives to the redirection and its impacts, ensuring that the results of the same exceed those that would be expected if not performed.

– More stringent criteria are applied for the classification of redirected transactions, which, prudentially, ensure the restoration of the customer’s capacity to pay, from the moment of the redirection and for an appropriate period of time.

– In addition, in the case of those clients who have assigned a risk analyst, it is of particular relevance the individualized analysis of each case, both for its correct identification and for its subsequent classification, monitoring and adequate provision.

It also sets out various criteria related to the determination of the perimeter of operations considered as a referral, by defining a detailed set of objective indicators to identify situations of financial difficulty.

Thus, transactions that are not classified as doubtful at the date of the recoupment are generally considered to be financially difficult if they were not paid for more than one month at that date. In the event that there is no default or that it does not exceed the month of seniority, other indicators are taken into account, including:

– Operations of customers who already have difficulties with other operations.

– When the modification becomes necessary prematurely without a previous and satisfactory experience with the customer.

– In the event that the necessary modifications involve the granting of special conditions such as the need to establish a temporary deficiency in payment or when these new conditions are considered more favorable for the client than would have been granted in an ordinary admission.

– Request for successive modifications at unreasonable time intervals. In the case of Consumer Finance, a maximum of 1 restructuring agreement is established in a year or 3 in a 5-year period.

– In any case, once the modification has been made, if there is any irregularity in the payment during a certain period of observation, even if there are no other symptoms, the operation within the perimeter of the reconductions ('backtesting') will be considered.

Once it has been determined that the reasons for the modification of the client's debt conditions are due to financial difficulties of the client, regardless of whether or not the client has overdue payments and the number of days of payment arrears present, the client will be considered a customer redirected for all purposes and as such will be managed based on the criteria established in this policy.

Where the referral has been carried out, where those transactions must remain classified as a doubtful risk because they do not comply at the time of the referral with the regulatory requirements for their reclassification to another category, they must comply with a prudential continuous payment schedule to ensure a reasonable certainty of the recovery of capacity to pay, called a cure period (in this case, it will be 12 months).

Once this period has passed, conditioned by the situation of the client and the characteristics of the operation (term and guarantees provided), the operation is no longer considered doubtful, although it remains subject to a trial period in which a special follow-up is carried out.

This monitoring is maintained as long as a number of requirements are not met, including: A minimum observation period of 24 months, in the case of operations restructured in stage 2 and 12 months in stage 3; amortization of a substantial percentage of the outstanding amounts and, to satisfy the unpaid amounts at the time of the recertification. If it is justified that, while a transaction is in the 24-month cure period of Stage 2, there is no longer a significant increase in its credit risk, that transaction can be reclassified to Stage 1 and Non-Default risk, no need to complete the aforementioned cure period. However, it is important to note that restructuring at the time of origination can only be classified in stage 2 or stage 3, never in stage 1.

The original dates of non-compliance are still considered for all purposes in the conduct of a non-performing transaction, irrespective of whether the transaction is up to date as a result of such a transaction. Likewise, the re-conduct of a dubious operation does not result in any release of the corresponding provisions.

Reconductions can be long-term or short-term (less than two years). Redirections with terms not exceeding two years shall be taken into account when the borrower meets the following criteria:

– Experiencing temporary liquidity restrictions, for which the client's recovery will be evidenced in the short term.

– The application of long-term recertification measures is not effective given the temporary financial uncertainty of a general or specific nature of the customer.

– That it has been fulfilling the contractual obligations before the recertification

– Demonstrate a clear willingness to cooperate with the entity.

As a result of the analysis to be carried out, both of the client's situation and of the characteristics of the forwarding operation used, it must be ensured that the forwarding will facilitate the reduction of the client's debt, and therefore will be viable. In this regard, the feasibility of the operation will be assessed by:

a. That can be demonstrated with evidence that the proposed redirection is within the reach of the client, that is, that the full refund is expected.

b. Payment by the customer of outstanding amounts, in full or for the most part, and a considerable reduction in exposure in the medium to long term.

c. The absence of repeated non-compliance with payment plans resulting in successive recourses (more than three recourses over a three-year period).

d. In the temporary application of short-term relief measures, it can be proved by evidence that the client has sufficient capacity to pay to meet the debt, principal and interest, once the term of application of the temporary relief has expired.

e. The measure does not result in the successive application of several refinancing or restructuring measures for the same exposure.

In the event that operations are carried out that do not comply with the foregoing, they will be considered non-viable operations and will form part of the category of Non-performing Conductions.

The quantitative information required by Bank of Spain is shown below, in relation to the restructured operations in force as of December 31, 2023 and 2022, taking into account the above criteria:

Current restructuring balances as at 31 December 2023:

	TOTAL							Of which: Non-performing/Doubtful							TOTAL				Of which: Non-performing/Doubtful			
	With real guarantee		Impairment				Without real guarantee Gross amount	With real guarantee		With real guarantee				Impairment of accumulated value or accumulated losses in fair value due to credit risk.	Without real guarantee				With real guarantee			
	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.	Gross carrying amount	Number of transactions: Property guarantee	Number of transactions: Other security rights		Maximum amount of the actual collateral that can be considered.	Gross carrying amount	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.: Property guarantee	Maximum amount of the actual collateral that can be considered.: Other security rights		Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.	Carrying value (net)	Gross carrying amount	TOTAL GUARANTEES	Accumulated impairment or accumulated fair value losses due to credit risk	Carrying value (net)
REFINANCING AND RESTRUCTURING																						
1. Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Public sector	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Other financial institutions and: individual shareholder	23	267	19	227	—	183	197	19	216	12	165	—	126	194	494	183	197	297	381	126	194	187
4. Non-financial institutions and individual shareholder	3,784	42,470	3,525	55,673	3,238	32,909	22,186	2,301	20,573	1,677	14,955	1,897	5,026	20,377	98,143	36,147	22,186	75,957	35,528	6,923	20,377	15,151
Of which: Financing for constructions and property development	32	293	4	26	—	7	131	17	130	3	12	—	7	119	319	7	131	188	142	7	119	23
5. Other warehouses	57,258	413,742	4,858	74,729	17,621	36,839	177,299	32,960	228,412	2,293	39,802	6,908	14,297	153,766	488,471	54,460	177,299	311,172	268,214	21,205	153,766	114,448
6. Total	**61,065**	**456,479**	**8,402**	**130,629**	**20,859**	**69,931**	199,682	**35,280**	**249,201**	**3,982**	**54,922**	**8,805**	**19,449**	**174,337**	**587,108**	**90,790**	**199,682**	**387,426**	**304,123**	**28,254**	**174,337**	**129,786**
ADDITIONAL INFORMATION	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Financing classified as non-current assets and disposable groups of items that have been classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Current restructuring balances as at 31 December 2022

	TOTAL							Of which: Non-performing/Doubtful							TOTAL				Of which: Non-performing/Doubtful			
	With real guarantee		Impairment				Without real guarantee Gross amount	With real guarantee		With real guarantee				Impairment of accumulated value or accumulated losses in fair value due to credit risk.	Without real guarantee				With real guarantee			
	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.	**Gross carrying amount**	Number of transactions: **Property guarantee**	Number of transactions: **Other security rights**		Maximum amount of the actual collateral that can be considered.	**Gross carrying amount**	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.: **Property guarantee**	Maximum amount of the actual collateral that can be considered.: **Other security rights**		Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered.	**Carrying value (net)**	**Gross carrying amount**	**TOTAL GUARANTEES**	**Accumulated impairment or accumulated fair value losses due to credit risk**	**Carrying value (net)**
REFINANCING AND RESTRUCTURING																						
1. Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Public sector	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3. Other financial institutions and: individual shareholder	63	699	20	276	—	200	344	24	289	8	85	—	67	256	975	200	344	631	374	67	256	118
4. Non-financial institutions and individual shareholder	7,632	76,197	6,055	77,004	3,209	39,386	33,122	2,519	22,466	1,631	17,156	1,611	6,408	24,171	153,201	42,595	33,122	120,079	39,622	8,019	24,171	15,451
Of which: Financing for constructions and property development	299	2,740	26	285	—	213	805	36	364	7	41	—	23	323	3,025	213	805	2,220	405	23	323	82
5. Other warehouses	107,193	418,382	4,224	71,992	19,844	30,641	175,315	51,861	215,346	1,954	34,282	6,869	11,582	152,590	490,374	50,485	175,315	315,059	249,628	18,451	152,590	97,038
6. Total	114,888	495,278	10,299	149,272	23,053	70,228	208,780	54,404	238,101	3,593	51,523	8,480	18,057	177,017	644,550	93,281	208,780	435,770	289,624	26,537	177,017	112,607
ADDITIONAL INFORMATION	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Financing classified as non-current assets and disposable groups of items that have been classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The operations presented in the table above are classified, as of 31 December 2023 and 2022, according to their characteristics as follows:

- Non-performing: Transactions are based on an inadequate payment plan, include contractual clauses that delay the reimbursement of the transaction through regular payments or have amounts removed from the balance sheet as they are considered irrecoverable.

- Normal: Transactions in which they are not classified as non-performing or because they have been reclassified from the non-performing risk category by meeting the specific criteria set out below shall be classified within the normal risk category:

  a) A period of one year has elapsed from the date of refinancing or restructuring.

  b) The incumbent has paid the accrued principal and interest contributions, reducing the renegotiated principal, from the date on which the restructuring or refinancing operation was formalized.

  c) The holder does not have any other transactions with amounts due more than 90 days on the date of reclassification to the normal risk category.

c) Metrics and measurement tools

Credit rating tools

In keeping with the Santander Group tradition, which has witnessed the use of proprietary rating models since 1993, at Santander Consumer Finance Group the credit quality of customers and transactions is also measured by internal scoring and rating systems. Each credit rating assigned by models relates to a certain probability of default or non-payment, based on the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are based primarily on scoring models or tables which, combined with other credit policy rules, issue an automatic decision on the loan applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required for a purely manual analysis.

Apart from the scoring models used in the admission and portfolio management stages (rating of the operations that make up them for the assessment of their credit quality and estimation of their potential losses), there are also tools for evaluating existing accounts or clients that are used in the recovery or recovery stage of defaults. In this way, we try to provide coverage on the entire "credit cycle" (admission, follow-up and recovery) through statistical rating models based on the Group's internal historical information.

For the segments of Companies and Institutions that, in the Group, mainly include prescribers, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant aspects to take into account when evaluating, so that the allocation process generates consistent valuations, comparable between customers and summarizing all relevant information. Throughout 2023 all units have carried out reviews of these portfolios where all areas of the Group have participated. These meetings included the largest exposures, special surveillance firms and the main credit indicators of this portfolio.

The ratings given to the client are reviewed periodically, incorporating the new financial information available and the experience in the development of the banking relationship. The frequency of reviews is increased in the case of clients who reach certain levels in automatic alert systems and in those qualified as special monitoring. Similarly, the qualification tools themselves are also reviewed to adjust the accuracy of the rating they grant.

In a more residual way, the global rating tools that cover the Global Wholesale Banking segment are also applied to certain exposures, whose management is carried out centrally in the Risks Division of the Santander Group, both in determining your rating and in monitoring risk. These tools assign a rating to each client resulting from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, which is complemented by the expert judgment provided by the analyst.

The Group's portfolio of carterized companies is very unrepresentative of the total risks managed, mostly corresponding to stock financing risks to vehicle dealers.

d) Credit risk parameters

The valuation of the client or the transaction, by rating or scoring, constitutes a judgment of its credit quality, which is quantified through the probability of default (probability of default or PD in Basel terminology).

In addition to the client's assessment, the quantification of credit risk requires the estimation of other parameters such as exposure at default (EAD) and the percentage of the EAD that cannot be recovered (LGD). Other relevant aspects of the risk of the operations are included, such as the quantification of the off-balance sheet exposures, which depends on the type of product or the analysis of the expected recoveries related to the existing guarantees and other properties of the operation: type of product, term, etc.

These factors make up the main parameters of credit risk. Its combination allows the calculation of the probable loss or expected loss (PE). This loss is considered as an additional cost of the activity, which reflects the risk premium and must be passed on to the price of the transactions.

The risk parameters also allow the calculation of regulatory capital according to the rules derived from the new Basel Capital Agreement (BIS II). Regulatory capital is determined as the difference between the unexpected loss and the expected loss.

Unexpected loss is the basis for capital calculation and refers to a very high but unlikely level of loss, which is not considered recurring and must be met with own resources.

Observed loss: Credit cost measurements

In addition to the predictivity provided by the advanced models previously described, other common metrics are used that allow prudent and effective management of credit risk based on the observed loss.

In terms of loss recognition, the cost of credit risk at Santander Consumer Finance is measured through different approaches: VMG - Variation of the Management Loan (late entries - cures - recovery of failures), DNI - net endowment for insolvencies (gross provisions - recovery of failures), net failures (passes to failures - recovery of failures) and expected loss. In order to obtain a monitoring ratio, the first two indicators (in 12 months) are divided by the average of 12 months of the total portfolio to obtain the risk premium and the cost of credit. These allow the manager to form a complete idea about the evolution and future prospects of the portfolio.

It should be noted that, unlike delinquency, the VMG (final doubtful – initial doubtful + failed – recovery of failures) refers to the total of the deteriorated portfolio in a period, regardless of the situation in which it is located (doubtful and failed). This makes the metric a primary driver when establishing measures for portfolio management.

The two approaches measure the same reality, and therefore approach in the long run although they represent successive moments in the measurement of the cost of credit risk: Delinquency flows (VMG) and doubtful coverage (DNIS), respectively. Although they converge in the long term within the same economic cycle, at certain times they may present differences as observed in this period. These differences are explained by the different time of calculation of losses, which is basically determined by accounting regulations (for example, mortgages have a coverage schedule and pass to failure more "slower" than consumer portfolios). In addition, the analysis can be complicated by changes in hedging policy and passing to failures, portfolio composition, changes in accounting regulations (IFRS9), portfolio sale and parameter adjustments for the calculation of expected loss etc.

e) Credit risk cycle

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding, where applicable, the risks incurred by the Group's operations. During the process, both risk-taking areas and senior management intervene, as well as the risk function.

Being the member group of the Santander Group, the process starts from the senior management, through the Board of Directors and the Executive Committee of Risks, who establishes the risk policies and procedures, the limits and delegations of powers, and approves and monitors the risk function framework.

In the risk cycle three phases are differentiated: Pre-sale, sale and after-sale. The process is constantly fed back, incorporating the results and conclusions of the after-sales phase into the risk study and pre-sale planning.

- ***Pre-sale***

- **Study of risk and credit rating process**

Generally speaking, risk study consists of analysing a customer's capacity to meet their contractual commitments with the Group and other creditors. This entails analysing the customer's credit quality, risk operations, solvency and profitability on the basis of the risk assumed.

With this objective, the Group has used rating models for classifying customer solvency since 1993. These mechanisms are applied in the wholesale segment (sovereign, financial entities, corporate banking) and to SMEs and individuals.

The rating results from a quantitative model based on balance sheet ratios or macroeconomic variables, complemented by the expert judgement of analysts.

The ratings given to customers are regularly reviewed, incorporating the latest available financial information and experience in the development of the banking relationship. The regularity of the reviews increases in the case of customers who trigger certain levels in the automatic warning systems and who are classified as special watch. The rating tools are also reviewed in order to adjust the accuracy of the rating.

While ratings are used in the wholesale sector and for companies and institutions, scoring techniques predominate for individuals and smaller companies. In general, these techniques automatically assign a score to the customer for decision-making purposes, as explained in the Decisions on operations section.

- **Planning and setting limits**

The purpose of this phase is to limit the levels of risk assumed by the Group, efficiently and comprehensively. The credit risk planning process serves to set the budgets and limits at the portfolio level for subsidiaries. Planning is carried out through a dashboard that ensures that the business plan and lending policy are achieved, and that the resources needed to achieve these are available. This arose as a joint initiative between the Sales area and the Risk function, providing a management tool and a way of working as a team.

Incorporating the volatility of macroeconomic variables that affect portfolio performance is a key aspect in planning. The Group simulates this performance under a range of adverse and stressed scenarios (stress testing), enabling assessment of the Group's solvency in specific situations.

Scenario analysis enables senior management to understand the portfolio's evolution in the face of market conditions and changes in the environment. It is a key tool for assessing the sufficiency of provisions in stress scenarios.

Limits are planned and established using documents agreed between the Business and Risk areas and approved by the Group, setting out the expected business results in terms of risk and return, the limits to which this activity is subject and management of the associated risks, by group or customer.

- ***Sales***

- **Decisions and operations**

The sales phase consists of the decision-making process, analysing and deciding on operations. Approval by the risk area is a prior requirement before the contracting of any risk. This process must take into account the policies defined for approving operations, the risk appetite and the elements of the operation that are relevant to the search for the right balance between risk and profitability.

In the sphere of standardised customers (individuals and businesses and SMEs with low turnover), large volumes of credit operations can be managed more easily by using automatic decision models for classifying the customer/transaction pair. The ratings these models give to transactions enable lending to be classified consistently into homogeneous risk groups, based on information on the characteristics of the transaction and its owner.

- ***After-sales***

- **Monitoring**

The Monitoring function is based on a continuous process of ongoing observation, enabling early detection of changes that could affect the credit quality of customers, in order to take measures to correct deviations with a negative impact.

This monitoring is based on customer segmentation, and is carried out by dedicated local and global risk teams, supplemented by internal audit.

The function includes, among other tasks, the identification, monitoring and assignment of policies at customer level to anticipate surprises and manage them in the most appropriate way for their situation, credit policies, rating reviews and continuous monitoring of indicators.

The system called Santander Customer Assessment Notes (SCAN) distinguishes between four levels depending on the level of concern of the circumstances observed (Specialized Follow-up, Intensive Follow-up, Ordinary Follow-up, Do Not Attend). The inclusion of a position in SCAN does not imply that non-compliance has been recorded, but rather the convenience of adopting a specific policy with the same, determining the person responsible and the time frame in which it must be carried out. SCAN qualified clients are reviewed at least semi-annually, being such review quarterly and/or monthly for the most serious grades. The ways in which a firm qualifies in SCAN are the monitoring work itself, the review carried out by the internal audit, the decision of the commercial manager who oversees the firm or the entry into operation of the established system of automatic alarms.

Ratings are reviewed at least every year, but this may be more frequent if weaknesses are detected or based on the rating itself.

The main risk indicators for individual customers, businesses and SMEs with low turnover are monitored to detect changes in the performance of the loan portfolio with respect to the projections in the commercial strategic plans (CSPs).

- ***Measurement and control***

In addition to monitoring the customers' credit quality, the Group puts in place the necessary control procedures to analyse the current credit risk portfolio and its performance throughout the different stages of credit risk.

This function assesses risks from a range of interrelated standpoints. The key vectors of control are geographies, business areas, management models, products, etc. The approach allows for early detection of specific focal points, and the framing of action plans to correct any impairment.

Each control axis supports two types of analysis:

1.- Quantitative and qualitative portfolio analysis

Portfolio analysis continuously and systematically monitors changes in risk with respect to budgets, limits and benchmark standards, evaluating the effects with a view to future situations driven by external factors or arising from strategic decisions, so as to establish measures that place the profile and volume of the risk portfolio within the parameters set by the Group.

In the credit risk control phase, the following metrics, among others, are used in addition to the conventional ones:

- **MDV (change in manage NPLs)**

  MDV measures how NPLs change over a period, stripping out write-offs and including recoveries. It is an aggregate metric at the portfolio level that enables us to react to any impairments seen in the behavior of non-performing loans.

- **EL (expected loss) and capital**

  Expected loss is an estimate of the financial loss that will occur over the next year from the portfolio existing at the given time. It is a further cost of business, and must be reflected in the pricing of transactions.

2.- Evaluation of control processes

A systematic scheduled review of procedures and methods, implemented throughout the entire credit risk cycle, to ensure control process effectiveness and validity.

In 2006, within the corporate framework established across the Group for compliance with the Sarbanes Oxley Act, a corporate methodology was created for the documentation and certification of the Control Model, specified in terms of tasks, operating risks and controls. The risk division annually evaluates the efficiency of internal control of its activities.

Moreover, the internal validation function, as part of its mission to supervise the quality of the Group's risk management, ensures that the management and control systems for the different risks inherent in the Group's business comply with the most stringent criteria and best practices seen in the industry and/or required by regulators. In addition, internal audit is responsible for ensuring that policies, methods and procedures are adequate, effectively implemented and regularly reviewed.

- ***Recoveries management***

Recovery activity is an important function within the Group's risk management area. The area responsible is Collection and Recoveries, which frames a global strategy and a comprehensive approach to recovery management.

The Group combines a global model with local execution, taking account of the specific features of the business in each area.

The main objective of the recovery activity is to recover outstanding debts and obligations by managing our customers, thus contributing to a lesser need for provisions and a lower cost of risk.

The specific targets of the recovery process are guided as follows:

- Achieve collection or regularisation of outstanding balances, so that an account returns to its normal state; if this is not possible, the objective is total or partial recovery of debts, whatever their accounting or management status.

- Maintain and strengthen our relationship with the customer by addressing their behavior with an offer of management tools, such as refinancing products according to their needs, consistently with careful corporate policies of approval and control, as established by the risk areas.

In the recovery activity, Standardised customers and Individually Managed customers are segmented or differentiated with specific and comprehensive management models in each case, according to basic specialisation criteria.

Management is articulated through a multichannel customer relationship strategy. The telephone channel is oriented towards standardised management, with a focus on achieving contact with customers and monitoring payment agreements, prioritising and adapting management actions based on the state of progress of their situation of "in arrears", "doubtful" or "in default", their balance sheet and their payment commitments.

The commercial network of recovery management operates alongside the telephone channel. It is a means of developing a closer relationship with selected customers, and is composed of teams of agents with a highly commercial focus, specific training and strong negotiation skills. They conduct personalised management of their own portfolios of high-impact customers (large balance sheets, special products, customers requiring special management).

Recovery activities at advanced stages of non-performance are guided by a dual judicial and extra judicial management approach. Commercial and follow-up activities by telephone and via agent networks are continued, applying strategies and practices specific to the state of progress.

The management model encourages proactivity and targeted management through continuous recovery campaigns with specific approaches for customer groups and non-performance states, acting with predefined goals through specific strategies and intensive activities via appropriate channels within limited time frames.

Suitable local production and analysis of daily and monthly management information, aligned with corporate models, have been defined as the basis of business intelligence for ongoing decision-making for management guidance and results monitoring.

– ***Concentration risk***

Concentration risk is a key component of credit risk management. The Santander Group, which Santander Consumer Finance Group belongs, continuously monitors the degree of credit risk concentration, by geographical area/country, economic sector, product and customer group.

The Board of Directors, by reference to the risk appetite, determines the maximum levels of concentration, and the executive risk committee establishes the risk policies and reviews the appropriate exposure limits to ensure the adequate management of credit risk concentration.

Santander Consumer Finance is subject to Bank of Spain regulations on large exposures contained in the fourth part of the CRR (Regulation UE No.575 / 2013), according to which the exposure contracted by an entity with respect to a client or related group of clients will be considered 'great exposure' when its value is equal or greater than 10% of its computable capital. Additionally, to limit large exposures, no entity may assume against a client or group of clients linked to each other an exposure whose value exceeds 25% of its eligible capital, after taking into account the effect of credit risk reduction under rule.

At December closing, after applying risk mitigation techniques, no group reached the aforementioned thresholds.

The Santander Consumer Finance Group's Risk Division collaborates closely with the Financial Division in the active management of credit portfolios, which, among its axes of action, includes the reduction of the concentration of exposures through various techniques, such as: such as the contracting of hedge credit derivatives or securitization operations, with the ultimate purpose of optimizing the return-to-risk ratio of the total portfolio.

The breakdown as at 31 December 2023 and 2022 of the Group's risk concentration (*) by activity and geographical area of counterparties is as follows:

2023					
	Thousands of Euros				
	Spain	Rest of EU	America	Rest of the world	Total
Central banks and credit institutions	4.813.326	9.350.967	—	153.241	14.317.534
Public administrations	789.243	3.346.864	—	44.007	4.180.114
Of which:					
Central Administration	*787.327*	*2.095.936*	—	—	*2.883.263*
Other Public Administrations	*1,916*	*1,250,928*	—	*44,007*	*1,296,851*
Other financial institutions	40.028	993.739	15.074	386.172	1.435.013
Non-financial corporations and individual traders	4,012,908	34,601,493	—	1,802,545	40,416,946
Of which:					
Construction and real estate promotion	—	*252.314*	—	—	*252.314*
Construction of civil works	—	*7.800*	—	—	*7.800*
Large companies	*1.435.847*	*14.869.913*	—	*436.022*	*16.741.782*
SMEs and individual entrepreneurs	*2.577.061*	*19.471.466*	—	*1.366.523*	*23.415.050*
Other households and non-profit institutions serving households	10,023,439	58,983,648	734,671	4,722,813	74,464,571
Of which:					
Housing	*1.190.283*	*2.506.878*	—	—	*3.697.161*
Consumer loans	*8.785.337*	*55.894.838*	*734.671*	*4.722.813*	*70.137.659*
Other purposes	*47.819*	*581.932*	—	—	*629.751*
				Total	134.814.178

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: 'Loans and advances: In credit institutions', 'loans and advances: Central banks', 'loans and advances: to customers', 'debt securities', 'equity instruments', 'derivatives', 'derivatives - hedge accounting', 'shares and guarantees granted'.

2022					
	Thousands of Euros				
	Spain	Rest of the European	America	Rest of the world	Total
Central banks and credit institutions	2.940.703	6.497.642	—	242.744	9.681.089
Public administrations	924.475	5.504.140	—	42.951	6.471.566
Of which:					
Central Administration	*921.804*	*4.255.960*	—	*60*	*5.177.824*
Other Public Administrations	*2.671*	*1.248.180*	—	*42.891*	*1.293.742*
Other financial institutions	10.863	1.145.014	338.628	246.749	1.741.254
Non-Financial corporations and individual entrepreneurs	3,171,286	28,351,567	—	2,673,489	34,196,342
Of which:					
Construction and real estate promotion	—	*211.566*	—	—	*211.566*
Construction of civil works	—	*6.678*	—	—	*6.678*
Large companies	*1.034.445*	*10.699.079*	—	*986.488*	*12.720.012*
SMEs and individual entrepreneurs	*2.136.841*	*17.434.244*	—	*1.687.001*	*21.258.086*
Other households and non-profit institutions serving households	10,121,975	54,814,108	14	6,575,205	71,511,302
Of which:					
Housing	*1.318.606*	*2.394.903*	—	—	*3.713.509*
Consumer loans	*8.714.320*	*52.074.766*	*14*	*6.575.205*	*67.364.305*
Other purposes	*89.049*	*344.439*	—	—	*433.488*
				Total	123.601.553

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: cash balances in central banks and other demand deposits, deposits in credit institutions, customer credit, debt securities, trading derivatives, hedging derivatives, investments in joint and associated ventures, equity instruments - and guarantees granted.

II. Market, Structural and liquidity risk

– Scope and definitions

The measurement perimeter, control and monitoring of the Market Risks function covers those operations where equity risk is assumed, as consequence of changes in market factors.

These risks are generated through two fundamental types of activities:

- The trading activity, which includes both the provision of financial services in markets for clients, in which the entity is the counterparty, as well as the activity of buying and selling and own positioning in fixed income, variable income and currency products.

  Santander Consumer Finance does not do negotiation activities (trading), it limits its treasury activity to manage the structural risk of the balance sheet and its coverage, as well as to manage the liquidity necessary to finance the business.

- The management activity of the balance sheet or ALM, which involves managing the risks inherent in the entity's balance sheet, excluding the trading portfolio.

The risks generated in these activities are;

Market: risk incurred because of the possibility of changes in market factors that affect the value of the positions that the entity maintains in its trading portfolios (trading book).

Structural: risk caused by the management of the different balance sheet items. This risk includes both the losses from price fluctuations that affect the available-for-sale and held-to-maturity portfolios (banking book), as well as the losses derived from the management of the Group's assets and liabilities valued at amortized cost.

Liquidity: risk of not meeting payment obligations on time or doing so at an excessive cost, as well as the ability to finance the growth of its volume of assets. Among the types of losses caused by this risk are losses due to forced sales of assets or impacts on margin due to the mismatch between forecast cash outflows and cash inflows.

Trading and structural market risks, depending on the market variable that generates them, can be classified as:

Interest rate risk: identifies the possibility that variations in interest rates may adversely affect the value of a financial instrument, a portfolio or the Group.

Credit spread risk: identifies the possibility that variations in credit spread curves associated with specific issuers and types of debt may adversely affect the value of a financial instrument, a portfolio or the Group. The spread is a differential between financial instruments that trade with a margin over other reference instruments, mainly IRR (Internal Rate of Return) of government securities and interbank interest rates.

Exchange rate risk: identifies the possibility that variations in the value of a position in a currency other than the base currency may adversely affect the value of a financial instrument, a portfolio or the Group.

Inflation risk: identifies the possibility that variations in inflation rates may adversely affect the value of a financial instrument, a portfolio or the Group.

Volatility risk: identifies the possibility that variations in the listed volatility of market variables may adversely affect the value of a financial instrument, a portfolio or the Group.

Liquidity risk: identifies the possibility that an entity or the Group will not be able to undo or close a position on time without impacting the market price or the cost of the transaction.

Prepayment or cancellation risk: identifies the possibility that early cancellation without negotiation, in operations whose contractual relationship explicitly or implicitly allows it, generates cash flows that must be reinvested at a potentially lower interest rate.

There are other variables that exclusively affect market risk (and not structural risk), so that it can be further classified into:

Variable income risk: identifies the possibility that changes in the value of prices or in the expectations of dividends of variable income instruments may adversely affect the value of a financial instrument, a portfolio or the Group.

Raw materials risk: identifies the possibility that changes in the value of merchandise prices may adversely affect the value of a financial instrument, a portfolio or the Group.

Correlation risk: identifies the possibility that changes in the correlation between variables, whether of the same type or of a different nature, quoted by the market, may adversely affect the value of a financial instrument, a portfolio or the Group.

Underwriting risk: identifies the possibility that the placement objectives of securities or other types of debt will not be achieved when the entity participates in underwriting them.

Liquidity risk can be classified into the following categories:

- Financing risk: identifies the possibility that the entity is unable to meet its obligations as a result of the inability to sell assets or obtain financing.

- Mismatch risk: identifies the possibility that the differences between the maturity structures of assets and liabilities generate an extra cost to the entity.

Contingency risk: identifies the possibility of not having adequate management elements to obtain liquidity as a result of an extreme event that implies greater financing or collateral needs to obtain it.

- **Measurement and methods**

1. Structural interest-rate risk

The Group analyses the sensitivity of net interest income and of equity to interest rate fluctuations. This sensitivity is determined by mismatches in the maturity and review dates of interest rates of different balance sheet items.

According to the interest rate positioning of the balance sheet, and considering the situation and perspectives of the market, financial measures are adopted to adjust the positioning to that sought by the Bank. These measures may range from taking up positions in markets to the specification of interest rate characteristics of commercial products.

The metrics used to control the interest rate risk in these activities are the interest rate gap, financial margin sensibility and equity in the levels of interest rate.

e.3) Interest rate gap

Analysis of the interest rate gap deals with the mismatch between the timing of re-pricing of on and off-balance aggregates of assets and liabilities and of memorandum accounts (off-balance sheet). It provides a basic profile of the balance sheet structure and can detect concentrations of interest rate risk at different terms. It is also a useful tool for estimates of the potential impact of interest rate movements on net interest income and the equity of the entity.

All on- and off-balance sheet aggregates have to be broken down so that they can be placed in the point of repricing/maturity. For aggregates that do not have a contractual maturity, the Santander Group's internal model for analysis and estimation of their durations and sensitivity is used.

- Sensitivity of Net Interest Income (NII)

The sensitivity of net interest income measures the change in expected accruals for a certain period (12 months) in the event of a shift in the interest rate curve.

- Sensitivity of Economic Value of Equity (EVE)

This measures the implied interest rate risk in the economic value of equity which, for the purposes of interest rate risk, is defined as the difference between the net present value of assets minus the net present value of liabilities, based on the effect of a change in interest rates on such present values.

2. Liquidity risk

Management of structural liquidity aims to fund the recurring activity of the Santander Consumer Finance Group in optimal conditions of term and cost, while avoiding undesired liquidity risks.

The measures used for the control of liquidity risk are the liquidity gap, liquidity ratios, the statement of structural liquidity, liquidity stress tests, the financial plan, the liquidity contingency plan and regulatory reporting.

- Liquidity Gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period in each of the currencies in which the Santander Consumer Finance Group operates. The gap measures the net cash needed or the surplus at a given date and reflects the liquidity level maintained under normal market conditions.

In the contractual liquidity gap, all balance sheet items that generate cash flows are analysed and placed at their point of contractual maturity. For assets and liabilities with no contractual maturity, the Santander Group's internal analysis model is used. It is based on a statistical study of products' time series, and the so-called stable and unstable balance is determined for liquidity purposes.

– Liquidity ratios

The minimum liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and assets at less than 12 months with liabilities of up to 12 months.

The Net Stable Funding Ratio measures the extent to which assets that require structural funding are being funded by structural liabilities.

- Structural liquidity

The purpose of this analysis is to determine the structural liquidity position according to the liquidity profile (greater or lesser stability) of different asset and liability instruments.

– Liquidity stress test

The purpose of the liquidity stress tests conducted by the Santander Consumer Finance Group is to determine the impact of a severe, but plausible, liquidity crisis. In such stress scenarios, a simulation is made of internal factors that may affect Group liquidity, such as, inter alia, a credit rating downgrade of the institution, a fall in the value of balance sheet assets, banking crises, regulatory factors, a change in consumer trends and/or a loss of depositor confidence.

Every month, four liquidity stress scenarios (banking crisis in Spain, idiosyncratic crisis at the Santander Consumer Finance Group, global crisis and a combined scenario) are simulated by stressing these factors, and the results are used to establish early warning levels.

– Financial Plan

Every year, a liquidity plan is prepared based on the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of limits on new securitisation considering eligible assets available, in addition to potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year, regular monitoring is carried out of actual trends in funding requirements, thus giving rise to the revisions of the plan.

- Contingency Funding Plan

The purpose of the Liquidity Contingency Plan is to set out the processes (governance structure) to be followed in the event of a potential or real liquidity crisis, as well as the analysis of contingency actions or levers available to Management should such a situation arise.

The Liquidity Contingency Plan is underpinned by, and must be designed in line with, two key elements: liquidity stress tests and the early warning indicator (EWI) system. Stress tests and different scenarios are used as the basis for analysing available contingency actions and for determining such actions are sufficient. The EWI system monitors and potentially triggers the escalation mechanism for activating the plan and subsequently monitoring the situation.

- Regulatory Reporting

Santander Consumer Finance applies the Liquidity Coverage Ratio (LCR) and the net stable funding ratio (NSFR), according to the European Banking Authority (EBA) for the consolidated sub-group on a monthly basis.

In addition, Santander Consumer Finance has produced an annual Internal Liquidity Adequacy and Assessment Process (ILAAP) report as part of the consolidated document of the Santander Group, although the supervisor does not require this report at sub-group level.

3. Structural change risk

Structural change risk is managed at Santander Group level, as part of the general corporate procedures of the Santander Group, trying to avoid impacts in CET1 ratio.

- **Internal Control**

The structural and liquidity risk control environment in Santander Consumer Finance Group is based on the framework of the annual limits plan, where the limits for said risks are established, responding to the Group's level of risk appetite.

The limit structure involves a process that considers:

- Efficient and comprehensive identification and delimitation of the main types of market risk incurred, consistently with the management of the business and the strategy defined.

- Quantification and communication of the risk levels and profile considered acceptable by senior management to the business areas, so that undesired risks are not incurred.

- Providing flexibility for the business areas in the acceptance of risks, responding efficiently and appropriately to developments in the market and changes in business strategies, within the risk limits considered acceptable by the entity.

- Enabling business generators to take sufficient prudent risks to achieve their budgeted results.

- Delimiting the range of products and underlying assets in which each Treasury unit can operate, considering characteristics such as the model and assessment systems, the liquidity of the instruments involved, etc.

In the event of exceeding one of these limits or their sub-limits, the risk management officers involved must explain the reasons and facilitate an action plan to correct it.

The main management limits for structural risk at the consolidated Santander Consumer level are:

- One-year net interest income sensitivity limit.

- Equity value sensitivity limit.

The limits are compared with the sensitivity that implies a greater loss among those calculated for different scenarios of parallel rise and fall of the interest rate curve. During 2023, these limits applied to eight scenarios of interest rates upwards and downwards between minus 100 basis points and plus 100 basis points. In addition, other parallel and non-parallel scenarios are calculated, including those defined by the European Banking Authority (EBA). Using various scenarios allows for better control of interest rate risk. In the lowering interest rates scenarios, negative interest rates are contemplated.

During 2023, the level of exposure at the consolidated level in the SCF Group, both on the financial margin and on economic value, is low in relation to the budget and the amount of own resources respectively, being in both cases less than 2% throughout the year. year, and within the established limits.

With regard to liquidity risk, the main limits at the Santander Consumer Finance Group level include regulatory liquidity metrics such as the LCR and NSFR, as well as liquidity stress tests under different adverse scenarios previously mentioned.

At the end of December 2023, all liquidity metrics are above the internal limits in force, as well as regulatory requirements. Both for the LCR and for the NSFR at the consolidated Group level, it has been at levels above 115% and 103% throughout the year.

– **Management**

Balance sheet management entails the analysis, projection and simulation of structural risks, along with the design, proposal and execution of transactions and strategies to manage this risk. Finance Management is responsible for this process, and it takes a projection-based approach where and when this is applicable or feasible

A high-level description of the main processes and/or responsibilities in managing structural risks is as follows:

- Analysis of the balance sheet and its structural risks.
- Monitoring of movements in the most relevant markets for asset and liability management (ALM) for the Group.
- Planning. Design, maintenance and monitoring of certain planning instruments. Finance Management is responsible for preparing, following and maintaining the financial plan, the funding plan and the liquidity contingency plan.
- Strategy proposals. Design of strategies aimed at funding the SCF sub-group's business by securing the best available market conditions or by managing the balance sheet and its exposure to structural risks, thereby avoiding unnecessary risks, preserving net interest income and safeguarding the market value of equity and capital.
- Execution. To achieve appropriate ALM positioning, Finance Management uses different tools. Chief among these are issues in debt or capital markets, securitisation, deposits and interest rate and/or currency hedges, and management of ALCO portfolios and the minimum liquidity buffer.
- Compliance with risk limits and with risk appetite

IV. Operational risk

a. Definition and objectives

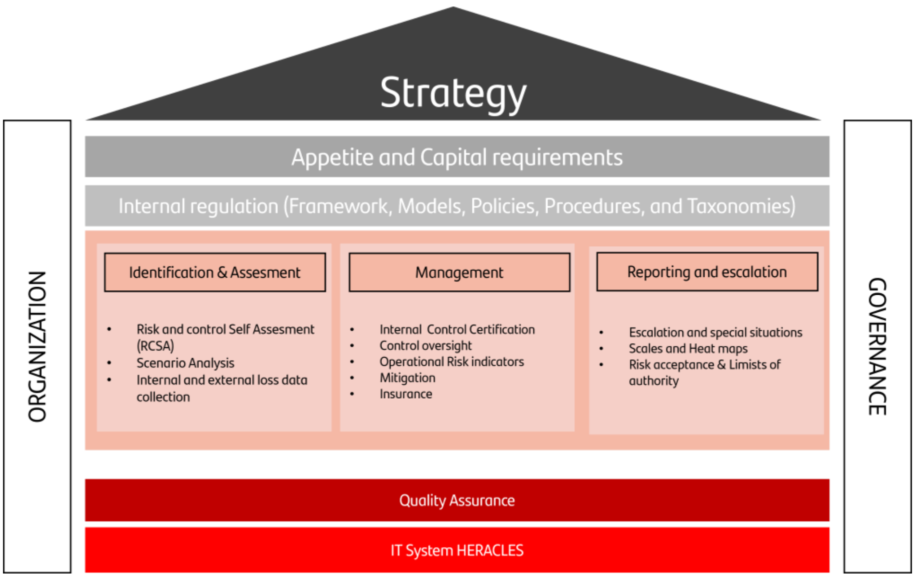
The Bank defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Accordingly, all employees are responsible for managing and controlling operational risks arising in their area of activity.

The aim pursued by the Bank in operational risk control and management is primarily to identify, measure/ assess, monitor, control, mitigate and report this risk.

The Bank's priority, therefore, is to identify and mitigate focal points of risk, irrespective of whether they have given rise to any losses. Measurement also contributes to the establishment of priorities in the management of operational risk.

Managing and mitigating risks sources is a priority to the Bank, regardless of whether these risks have originated losses or not. Measurement has also contributed to establishing priorities in managing operational risk. To improve and promote adequate operational risk management, Santander Consumer Finance has developed an advanced loss distribution model (LDA) based on internal event database such as the external loss database of our banking peers (ORX consortium database) and scenario analysis. This approach is accepted by t he industry and regulators.



b. Operational risk management and control model

Operational risk management cycle

The different stages of the operational risk management and control model involve:

- Identify the operational risk inherent in all Bank activities, products, processes and systems. This process is performed through the exercise of Risk and Control Self-assesment (RCSA)

- Define the objective operational risk profile, with specification of strategies by unit and time horizon, by establishing the appetite and tolerance of RO, budget and monitoring.

- Promote the involvement of all employees with the culture of operational risk, through appropriate training at all areas and levels of the organization.

- Measure and assess operational risk objectively, continuously and consistently with regulatory standards (Basel, Bank of Spain, etc.) and the sector.

- Continuously monitor operational risk exposures, implement control procedures, improve internal knowledge and mitigate losses.

- Establish mitigation measures that eliminate or minimize operational risk.
- Generate periodic reports on operational risk exposure and its level of control for senior management and Bank areas/units, as well as inform the market and regulatory bodies.

- Define and implement the necessary methodology to estimate the capital calculation in terms of expected and unexpected loss.

Each of the key processes listed above is based on:

- The existence of a system that allows reporting and controlling exposures to operational risk, integrated into the daily management of the Bank.

To this end, the Bank implemented in 2016 a unique tool for the management and control of operational risk, compliance and internal control, called HERACLES. HERACLES is considered the Golden Source for Risk Data Aggregation (RDA).

The internal regulations containing the principles for the management and control of operational risk, consistent with the regulations and best practices, have been defined and approved according to the established government.

In 2015, the Bank adhered to the relevant corporate framework and subsequently the model, policies and procedures, as well as the rules of the Operational Risk Committee, have been approved and implemented.

Titlle	Type of document
Management and Control of operational risk	Model
Cyber Security Risk	Policy
Fraud management and control	Policy
Operational Resilience - Business Continuity Management	Policy
IT risk oversight	Policy
Operational Risk Scenario Analysis	Procedure
Internal Control Model Assurance	Procedure
Risk Control Self-Assessment (RCSA)	Procedure
Booking the operational risk financial impacts	Procedure
Communication and escalation of relevant operational risk events	Procedure
Control oversight and Cross check of outputs between OR instruments	Procedure
Definition and management of Operational Risk Indicators (ORI)	Procedure
Taxonomy definition and maintenance	Procedure
Establishment of the operational risk perimeter	Procedure
Identification and management of mitigation measures	Procedure
Management of Operational Risk Arising from Transformation	Procedure
Relation Between own Insurance and Operational Risk	Procedure
SCIIF and S-OX Compliance	Procedure
Suppliers Risk Oversight	Procedure
Management of external data	Procedure
Management of Internal Events	Procedure

The operational risk management and control model implemented by the Group provides the following advantages:

- Promotes the development of a culture of operational risk.
- It enables comprehensive and effective management of operational risk (identification, measurement / assessment, control / mitigation, and information).
- It improves knowledge of operational risks, both effective and potential, and their allocation to business and support lines.
- Operational risk information helps to improve processes and controls, reduce losses and revenue volatility.
- Facilitates the establishment of operational risk appetite limits.

c. Risk identification, measurement and assessment model

Since November 2014, the Group adopted the new management system of Grupo Santander, having defined three lines of defense:

- 1st line of defense: Integrated in the business or support areas. Its tasks are to identify, measure or evaluate, control (primary control), mitigate and communicate the risks inherent in the activity or function for which it is responsible.

Given the complexity and heterogeneous nature of operational risk within a large-scale organization with diverse lines of business, adequate risk management is carried out in two axes:

(1) Operational risk management: Each business unit and support function of the Santander Group is responsible for the operational risks arising in its scope, as well as for its management. This particularly affects the heads of business units and support functions, but also the coordinator (or OR team) in the 1LoD.

(2) Management of specialized operational risk controls: There are some functions that typically manage specialized controls for certain risks in which they have greater visibility and specialization. These functions have an overview of exposure specific operational risks in all areas. We can also refer to them as Subject Matter Experts or SME.

OR Managers:

Operational risk management is the responsibility of all staff in their respective areas of activity. Accordingly, the Head of each division or area has ultimate responsibility for operational risk within its scope.

OR Coordinators:

RO coordinators are actively involved in operational risk management and support RO managers in their own areas of OR management and control. Each coordinator has a certain scope for action, which does not necessarily coincide with organizational units or areas, and has a deep knowledge of activities within their scope. Their roles and responsibilities include:

- Interaction Undertake interaction with the second line of defense in daily operations and communication to the management of operational risk in its scope.
- Facilitate integration into RO management in each area.
- Support the implementation of qualitative and quantitative methodologies and tools for the management and control of operations.
- Provide support and advice on operational risk within its scope.
- Maintain an overview of risk exposure in its scope.
- Ensure the quality and consistency of data and information notified to the 2LoD, identifying and monitoring the implementation of relevant controls.
- Review and monitor results provided by business units and support functions related to control testing.
- Support in the signing and certification of controls (control testing).
- Monitor mitigation plans in your area.
- Coordinate the definition of business continuity plans in your area.

– 2nd line of defense: Exercised by the Department of Non-Financial Risks and reporting to the CRO. Its functions are the design, maintenance and development of the local adaptation of the Operational Risk Management Framework (BIS), and control and challenge over the first line of operational risk defense. His main responsibilities include:

- Design, maintain and develop the operational risk management and control model, promoting the development of an operational risk culture throughout the Group.
- Safeguard the proper design, maintenance and implementation of operational risk regulations.
- Drive business units to effectively monitor identified risks.
- Ensure that each key risk affecting the institution is identified and properly managed by the relevant units.
- Ensure that the Group has implemented effective RO management processes.
- Prepare proposals for operational risk appetite tolerance and monitor risk limits in the Group and in the different local units.

- Ensure that Top Management receives a global view of all relevant risks, ensuring adequate communication and reports to senior management and the Board of Directors, through established governing bodies.

In addition, the 2LoD will provide the necessary information for its consolidation, along with the remaining risks, to the risk monitoring and consolidation function.

To ensure proper oversight, a solid knowledge of the activities of the Business Units/Support Functions is required, as well as a specific understanding of the categories of risk events (IT, compliance, etc.) and a Capacity and Capability Local Plan. In that context, the RO control function (2LOD function) needs to leverage specific profiles that can support the implementation of the RO framework in the 1LOD, but also provide trade and exposure information to specific risks, including the implementation of the RO framework in the 3LOD. to ensure that the related RO profile is well managed and reported. Business Risk Managers (BRMs), as business knowledge specialists (e.g. Global Corporate Banking) and Specialized Risk Managers (SRM) as OR control specialists (e.g. IT and cyber risks) they perform these functions within OR 2LOD and position themselves as key touchpoints for 1LOD business units and operations management support functions.

– 3rd line of defense: Exercised by Internal Audit, which evaluates the compliance of all the activities and units of the entity with its policies and procedures. His main responsibilities include:

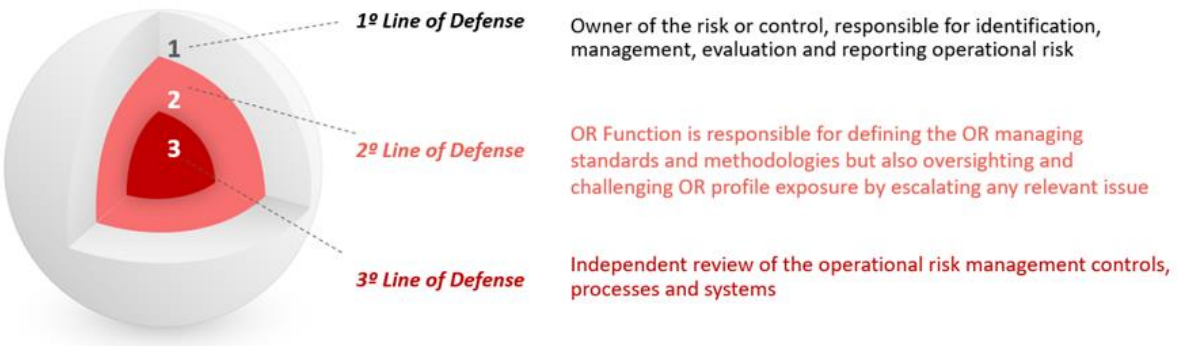
- Verify that the risks inherent in the Group's activity are sufficiently covered, complying with the policies established by the senior management and the internal and external procedures and regulations that are applicable.

- Monitor the compliance, effectiveness and efficiency of the internal control systems of operations in the Group, as well as the quality of accounting information.

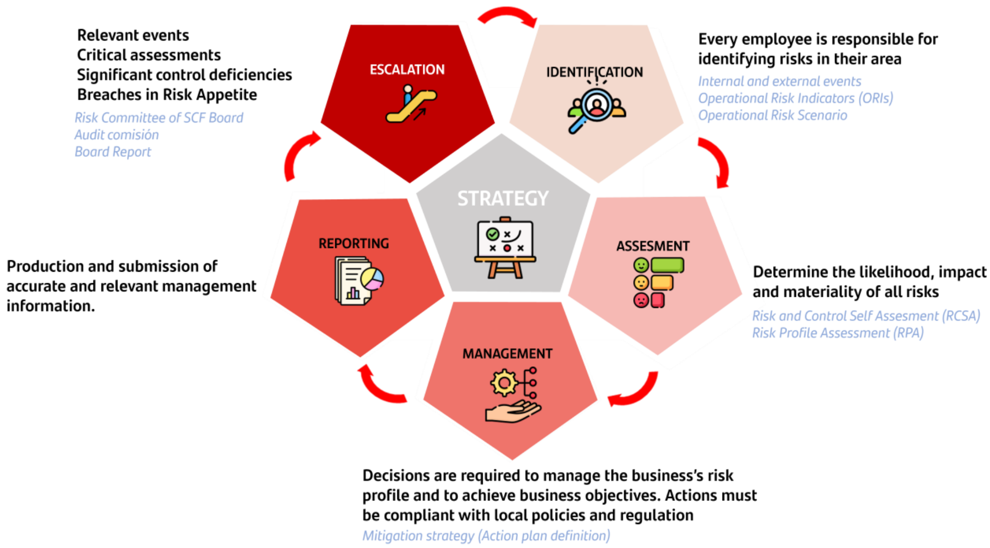
- Conduct an independent review and challenge OR controls, as well as operational risk management processes and systems.

- Evaluate the implementation status of the RO management and control model in the Group.

- Recommend continuous improvement for all functions involved in operations management.



The management of the Bank is carried out according to the following elements:



To carry out the identification, measurement and assessment of operational risk, a set of corporate, quantitative and qualitative techniques / tools have been defined, they are combined to make a diagnosis from the identified risks and obtain an assessment through the measurement / evaluation of the area / unit.

The quantitative analysis of this risk is mainly carried out using tools that record and quantify the level of losses associated with operational risk events.

- Internal event database, which aims to capture all the operational risk events of the Bank. The capture of events related to operational risk is not restricted by setting thresholds, i.e. no exclusions are made on the basis of amount, and contains both events with accounting impact (including positive impacts) and non-accounting.

There are accounting reconciliation processes that guarantee the quality of the information collected in the database. The most relevant events of the Bank and each operational risk unit of the Bank are especially documented and reviewed.

- External event database, since the Bank through the Santander Group participates in international consortia, such as ORX (operational risk exchange). In 2016, the use of external databases that provide quantitative and qualitative information and allow a more detailed and structured analysis of relevant events that have occurred in the sector was strengthened.

- Analysis of RO scenarios. Expert opinion is obtained from business lines and risk and control managers, which aims to identify potential events with a very low probability of occurrence, but which, in turn, can represent a very high loss for an institution. Its possible effect on the entity is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact. In addition, the results of this exercise (which has also been integrated into the HERACLES tool), will be used as one of the *inputs* for the calculation of economic capital by operational risk based on the Advanced Model (LDA).

The tools defined for qualitative analysis try to evaluate aspects (coverage / exposure) linked to the risk profile, allowing to capture the existing control environment. These tools are fundamentally:

- RCSA: Methodology for the evaluation of operational risks, based on the expert criteria of the managers, serves to obtain a qualitative view of the main sources of risk of the Bank, regardless of whether they have materialized previously.

Advantages of RCSA:

i. Incentivize the responsibility of the first lines of defense: The figures of *risk owner* and *control owner* in the front line are determined.

ii. Encourage the identification of the most relevant risks: Risks that are not pre-defined, but arise from the areas that generate the risk.

iii. Improve integration of RO tools: Root cause analysis is incorporated.

iv. Improve exercise validation. It is developed through workshops or *workshops, instead of questionnaires*.

v. Making exercises more *forward-looking:* Financial impact by risk exposure is assessed.

- Corporate system of operational risk indicators, in continuous evolution and in coordination with the corresponding corporate area. They are statistics or parameters of various kinds that provide information on an entity's risk exposure. These indicators are periodically reviewed to alert you to changes that may reveal problems with risk.

- Recommendations from regulators, Internal Audit and External Auditor. It provides relevant information about inherent risk due to internal and external factors and allows the identification of weaknesses in controls.

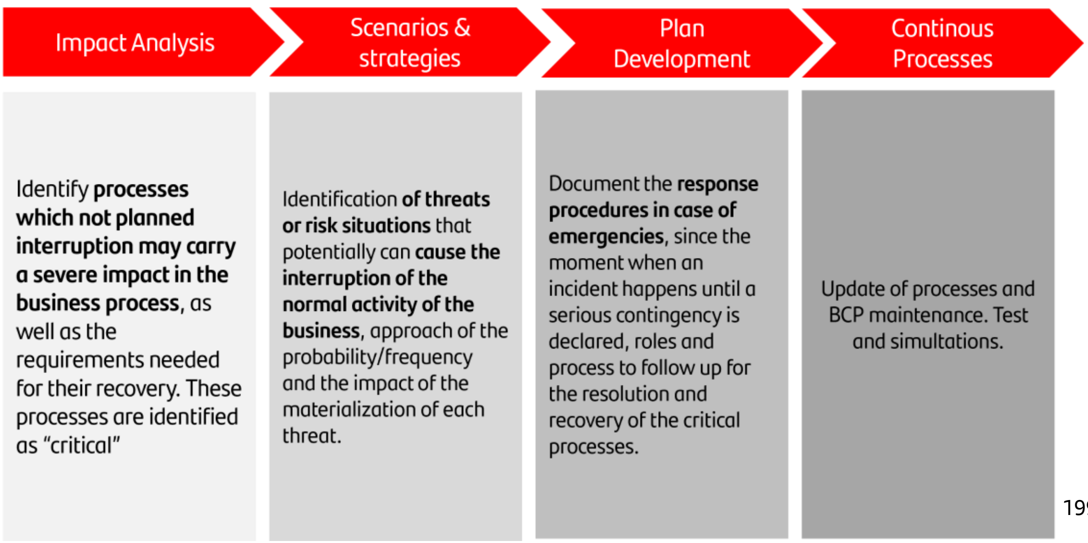
- Other specific instruments that allow a more detailed analysis of technological risk, such as the control of critical incidents in cyber-security systems and events.

d. Operational risk information system

HERACLES is the corporate operational risk information system. This system has modules for risk self-assessment, event registration, risk map and evaluation, indicators of both operational risk and internal control, mitigation and *reporting* systems and scenario analysis being applicable to all entities of the Consumer Group, including the Bank.

e. Business continuity plan

The Santander Group and, accordingly, the Santander Consumer Finance Group, have a Business Continuity Management System (BCMS) to ensure the continuity of its entities' business processes in the event of a disaster or serious incident.



This basic objective is to:

- Minimize the possible damage to people and adverse financial and business impacts for the Bank, resulting from an interruption of the normal operations of the business.

- Reduce the operational impact of a disaster by providing a set of predefined and flexible guidelines and procedures for use in the resumption and recovery of processes.

- Resume business operations and associated, time-sensitive support functions in order to achieve business continuity, profit stability and planned growth.

- Restoring technological operations and supporting business operations, sensitive to time, in case of non-operability of existing technologies.

- Protect the public image and trust in the Bank.

- Meet the Bank's obligations to its employees, customers, shareholders and other interested third parties.

f. Corporate information

The Santander Group's corporate operational risk control area, of which the Santander Group is a part, has an operational risk management information system that provides data on the Bank's main risk elements. The information available for each country/unit in the operational risk area is consolidated so that a global view is obtained with the following characteristics:

- Two levels of information: One corporate with consolidated information and one individualized for each country/unit.

- Dissemination of best practices among the countries/units of Santander Group, obtained through the combined study of the results derived from qualitative and quantitative analysis of operational risk.

Specifically, information is prepared on the following aspects:

- Operational risk management model in the Bank and the main units and geographies of the Group.

- Operational risk management perimeter.

- Tracking appetite metrics.

- Analysis of the internal database of relevant events and external events.

- Analysis of the most relevant risks, detected through different sources of information, such as operational and technological risk self-assessment exercises.

- Evaluation and analysis of risk indicators.

- Mitigating measures/active management.

- Business continuity plans and contingency plans.

This information serves as the basis for meeting the *reporting* needs to the Delegated Risk Committee, Risk Supervision Committee, Regulation and Compliance, Operational Risk Committee, senior management, regulators, rating agencies, etc.

g. Insurance in operational risk management

Grupo Santander Consumer Finance considers insurance a key element in operational risk management. Since 2014, common coordination guidelines have been established between the various functions involved in the insurance management cycle that mitigate operational risk; mainly the areas of own insurance and operational risk control but also the different areas of risk management in the front line.

These guidelines include the following activities:

- Identification of all risks in the Group that may be the subject of insurance coverage, including also the identification of new insurance coverage on risks already identified in the market.

- Establishment and implementation of criteria to quantify insurable risk, relying on loss analysis and loss scenarios to determine the Group's exposure level to each risk.

- Analysis of the coverage available in the insurance market, as well as preliminary design of the conditions that best fit the needs previously identified and evaluated.

- Technical assessment of the level of protection provided by the policy, cost and levels of withholding that the Group will assume (franchises and other elements in charge of the insured) in order to decide on its hiring.

- Negotiation with suppliers and adjudication according to the procedures established for this purpose by the Bank.

- Follow-up of incidents declared in policies, as well as those undeclared or unrecovered by an incorrect statement.

- Analysis of the adequacy of group policies to the risks covered, taking appropriate corrective measures to the deficiencies detected.

- Close collaboration of local operational risk managers with local insurance coordinators to strengthen operational risk mitigation.

- Regular meetings to report on specific activities, status statements and projects in both areas.

- Active participation of both areas in the global insurance *sourcing* table, the highest technical body in the Group for the definition of insurance coverage and contracting strategies.

Cyber risk

Cybersecurity risk (also known as cyber risk) is defined as any risk that results in financial loss, business interruption or damage to Santander Consumer's reputation resulting from the destruction, misuse, theft or abuse of systems or information. This risk comes from inside and outside the corporation.

In the event of a cyber incident, the main cyber risks for the Bank are composed of three elements:

- Unauthorized access to or misuse of information or systems (e.g., theft of commercial or personal information).

- Theft and financial fraud.

- Business service interruption (e.g. sabotage, extortion, denial of service).

As in previous years, the Bank has continued to maintain full attention to cybersecurity-related risks. This situation, which generates concern in entities and regulators, encourages the adoption of preventive measures to be prepared for attacks of this nature.

The Bank has evolved its cyber regulations with the approval of a new cybersecurity framework and the cyber risk monitoring model, as well as different policies related to this matter.

Similarly, a new organizational structure has been defined and the government has been strengthened for the management and control of this risk. For this purpose, specific committees have been established and cybersecurity metrics have been incorporated into the Bank's risk appetite.

The main instruments and processes established for the control of cybersecurity risk are:

- Compliance with cyber risk appetite The aim of this process is to ensure that the cyber risk profile is in line with the risk appetite. Cyber risk appetite is defined by a number of metrics, risk statements and indicators with their corresponding tolerance thresholds and where existing governance structures are used to track and scale up, including risk committees as well as cybersecurity committees.

- Cybersecurity risk identification and assessment: The process of identifying and assessing cyber risk is a key process to anticipate and determine risk factors that could estimate its likelihood and impact. Cyberrisks are identified and classified in line with the control categories defined in the latest industry-relevant security standards (such as ISO 27k, NIST Cybersecurity Framework, etc.). The methodology includes the methods used to identify, qualify and quantify cyber risks, as well as to evaluate controls and corrective measures developed by the front-line defense function. The cyber risk assessment exercises are the fundamental tool to identify and assess cyber security risks in the Bank. The cybersecurity and technological risk assessment shall be updated where reasonably necessary taking into account changes in the information systems, confidential or business information, as well as the business operations of the entity.

- Cyber risk control and mitigation: Processes related to the evaluation of the effectiveness of controls and risk mitigation. Once the cyber risks have been evaluated and mitigation measures defined, these measures are included in a cybersecurity risk mitigation plan of Santander Consumer Finance and the residual risks identified are formally accepted. Due to the nature of cyber risks, a periodic assessment of risk mitigation plans is carried out. A key process in the face of a successful cybersecurity attack is the business continuity plan. The Bank has mitigation strategies and measures related to business continuity management and disaster recovery plans. These measures are also linked to cyber attacks, based on defined policies, methodologies and procedures.

- Monitoring, supervision and communication of cyber risk: Santander Consumer Finance carries out a control and monitoring of cyber risk in order to periodically analyze the available information on the risks assumed in the development of the Bank's activities. For this purpose, the KRIs and KPIs are monitored and monitored to assess whether the risk exposure is in line with the agreed risk appetite. Scaling and reporting: Adequate scaling and communication of cyber threats and cyber attacks is another key process. Santander Consumer Finance has tools and processes for detecting in its infrastructure, servers, applications and databases signals of internal threats and potential compromises. Communication includes reporting and reporting to relevant committees of the information needed to assess the exposure to cyber risk and cyber risk profile and to take the necessary decisions and actions. To do this, reports on the cyberrisk situation are prepared for the steering committees. There are also mechanisms for internal scaling independent of the bank's management team of technological and cybersecurity incidents and, if necessary, the relevant regulator.

Other emerging risks

In addition to the aforementioned Cyber risk, the Santander Consumer Group is increasingly strengthening the supervision of other operational risks arising from 1) supplier management and 2) transformation projects.

- With regard to supplier management risks, the focus is on the quality and continuity of services provided to SCF, but also in ensuring compliance with the new EBA Guidelines and Regulations such as DORA through the implementation of specific risk instruments throughout the different phases of the supplier's life cycle

- The operational risk of transformation is that derived from material changes in the organization, the launch of new products, services, systems or processes derived from imperfect design, construction, testing, deployment of projects and initiatives, as well as the transition to day-to-day (BAU). Transformation is a root cause, which can manifest itself in a variety of risks and impacts, not restricted to operational risk, (e.g. credit, market, financial crimes...)

Risk of compliance and conduct

The compliance function covers all matters related to regulatory compliance, prevention of money laundering and terrorist financing, product governance and consumer protection, and reputational risk according to the provisions of the General Corporate Framework of Compliance and Conduct.

The compliance function promotes Santander Consumer Finance, S.A's adherence (hereinafter "SCF") to standards, supervisory requirements, and principles and values of good conduct by establishing standards, debating, advising and informing, in the interest of employees, customers, and the public. shareholders and the community at large. According to the current corporate configuration of the three lines of defense of the Santander Group, the compliance function is configured as an independent second-line control function and reporting directly to the board of directors and their commissions through the Chief Compliance Officer (CCO). This configuration is aligned with the requirements of banking regulation and with the expectations of supervisors.

Santander Consumer Finance's objective in terms of compliance risk and conduct is to minimize the likelihood of non-compliance and irregularities, and in the event that they occur, they are identified, valued, reported and resolved quickly.

Santander Consumer Finance aims to continue working to maintain maximum alignment with Grupo Santander standards in terms of policies, procedures and management methodologies in all its units.

The tools available to the compliance function to identify and manage the risks under its responsibility are:

a. Annual Risk Assessment exercises of conduct, regulation, prevention of money laundering and reputational risk.

b. Implementation by each entity of an annual compliance plan that reflects the corporate initiatives of Grupo Santander, the local initiatives necessary to comply with local regulation and good sectoral practices, the deficiencies identified in the Risk Assessment exercises and the potential recommendations of internal audit as a third line of defense and any other requirements of local supervisors.

c. Regular follow-up meetings with units and periodic reporting process on compliance risks.

Climate and Environmental Risk

Santander Consumer Finance's ESG (environmental and climate, social and governance factors) strategy consists of doing business in a responsible and sustainable way, supporting the green transition, building a more inclusive society and doing business correctly, following the most rigorous governance standards.

On the other hand, ESG factors can lead to traditional types of risk (e.g. credit, liquidity, operational or reputational) due to the physical impacts of a changing climate, the risks associated with the transition to a new, more sustainable economy and the failure to meet expectations and commitments. Therefore, they are included in the risk map of Santander Consumer Finance as relevant risk factors.

In recent times, climate risks (physical risks and transition risks) are becoming very important, and therefore Santander Consumer Finance is strengthening its management and control in coordination with the corporate teams of the Santander Group within the framework of the Climate Project, some of the priorities are as follows:

a. EWRM (Enterprise-Wide Risk Management) approach, which gives a holistic and anticipatory view of climate aspects as a basis for proper management.

b. Availability of relevant data (e.g. CO2 emissions of funded assets, green asset financing ratio, sectoral classification and location of companies, energy efficiency certificates and collateral location, etc.).

c. Integration of climate risks into day-to-day risk management and control.

The relevance of the data and its quality is, if possible, even greater in this area than in the rest, since some data that until recently were not very relevant and perhaps not collected have become essential for issues such as aligning portfolios with environmental objectives, disclosing information or managing climate risks. Therefore, one of the pillars of the Climate project is to collect such data with the required quality.

With regard to the EWRM approach, a fundamentally qualitative assessment of the implications and materiality of climate aspects for Santander Consumer Finance has been carried out, with a special focus on the auto portfolio, which is summarized in the following paragraphs.

As mentioned above, for Banking in general, climate is a cross-cutting issue with multiple angles, but with two main dimensions related to each other:

1. Banks play a key role in mitigating climate change and transitioning to a new green economy.

2. Climate aspects can cause losses to banks through different transmission mechanisms.

With regard to Santander Consumer Finance in particular, our vision is as follows:

1. Our role in sustainable financing: Aligning our portfolios with the ambition of net zero emissions is occurring in a natural and gradual way thanks to the policies of the European Union and the short duration of our contracts. In any case, Santander Consumer Finance is becoming more sustainable and proactively helping customers become more sustainable. The efforts being made in the area of data and information dissemination are crucial in this direction.

2. Potential impacts of climate risks in Santander Consumer Finance: From the materiality analysis carried out, it is concluded that the types of risk most affected for SCF are reputational/regulatory, strategic (business model), residual value and credit. The potential impacts are greatly mitigated thanks to the context (gradual transformation of the automotive industry) and the business model of Santander Consumer Finance (whose portfolios are mainly retail, good quality, short-term and diversified). On the other hand, climate issues could be the trigger for a general economic crisis, for example due to a disorderly transition to the new green economy. We are already managing these risks, but we will continue to strengthen their management and control.

Climate risks have been progressively incorporated into the different EWRM processes:

- "Top Risks": Framed within the event of evolution of the automotive sector, which has historically been identified as one of the main ones in the matrix,

- Risk map: As a cross-sectional risk, included as such since 2021,

- Risk profile assessment: Through a qualitative assessment,

- Risk appetite: Through stress metrics, as well as the opening of the residual value by the type of engine, and currently working on a new metric related to the target (range) of decarbonization for 2030 (for the passenger car portfolio of our sixteen main units).

- Risk strategy, with a specific section on these risks.

- Strategic risk, as a driver of changes in market trends,

- Capital risk and stress tests. Stress tests included in Santander Consumer Finance's strategic plans and ICAAP take into account climate risks through idiosyncratic events, in addition to a specific scenario included in this exercise to reflect the potential impact of a disorderly transition to a low-emission economy. The results of these stress exercises are part of the entity's risk appetite.

Stress testing scenarios and methodologies will become more sophisticated as more information becomes available. In 2022, Santander Consumer Finance participated, together with the teams of the Santander Group, in the first climate stress test of the ECB and in the thematic review of climate risks.

Finally, with regard to the integration into the day-to-day management and control of risks, Santander Consumer Finance's EWRM team produces a quarterly internal report to monitor climate risks, in which the results of the Pillar III ESG exercise will also be incorporated from its publication.

This report includes, among other aspects, the following:

a. Materiality analysis: Currently most of the portfolio has a low physical risk and moderate transition risk. It is essential to keep in mind that the portfolio consists basically of loans to private clients, of good quality, very diversified and short term.

b. Kris tracking (Key Risk Indicators): For each type of risk affected (e.g. reputational), potential risks (e.g. inadequate speed of portfolio alignment to decarbonization objectives), main driver (physical or transition), the period in which the risk can materialize (short, medium, long) and the Kris with which the evolution of the risk is followed (e.g. percentage of the entity's electric car vs. the whole market).

c. Main focus areas in the quarter (news, relevant projects, etc.).

At the same time, work is under way to integrate climate risks at all stages of the risk cycle, ensuring compliance with commitments made and supervisory expectations. It is worth noting the progress being made in relation to the corporate model "The Climate Race" to integrate climate factors in the process of granting and monitoring credit risk.

As noted above, the SCF risk map includes climate risks, as risk elements related to the environment and climate change are considered to be factors that could affect the different types of risks existing in all relevant time horizons. These elements cover, on the one hand, those derived from the physical effects of climate change and, on the other hand, those derived from the process of transition to a more sustainable economy, including legislative, technological or behavioral changes of economic agents.

In view of the activities of the companies of the SCF Group, the SCF Group does not have any liabilities, expenses, assets or contingencies of an environmental nature that could be material in relation to equity, financial position and consolidated results.

Exposures in the sectors potentially most affected by climate factors in accordance with the market consensus and the execution of our materiality analysis correspond mainly to wholesale customers. The wholesale activity of SCF is very limited (it accounts for less than 2% of the total portfolio), since the fundamental activity is consumer financing, but in any case, within the framework of the implementation of the corporate model "The Climate Race", we are working on the consideration of climate aspects in the analysis of wholesale customers.

In addition, SCF has participated (within the Santander Group as a whole) in the different regulatory exercises on climate stress carried out recently, which have been classified as learning exercises in the industry. The results of these exercises show that, overall, the current coverage of potential losses would be adequate in the time horizons of the maturities of our portfolios. SCF also includes a climate scenario in its ICAAP exercise to assess the adequacy of domestic capital.

In view of the above, SCF considers that, with the best information available at the time of the formulation of these consolidated annual accounts, there is no significant additional impact arising from climate and environmental risk on the assets, financial situation and results in the financial year 2023.

This integration in management is also part of the emission calculation initiatives, as a basis for the commitments of Net Zero Banking Alliance.

g) Adaptation to the new regulatory framework

In 2023, at a consolidated level, Santander Consumer Finance Group must maintain a minimum capital ratio of 8.51% of CET1 phase-in (4.5% being the requirement by Pilar I, 1.5% the requirement by Pilar II, a 2.5% requirement for capital conservation buffer and 0.67% countercyclical buffer). This requirement includes: (i) Common Equity Tier 1 minimum requirement that must be maintained at all times under Article 92(1)(a) of Regulation (EU) No 575/2013 (ii) the Common Equity Tier 1 required to overhold at all times in accordance with Article 16(2)(a) of Regulation (EU) No. 1024/2013; and (iii) the capital conservation buffer under Article 129 of Directive 2013/36/EU. In addition, Santander Consumer Finance Group must maintain a minimum capital ratio of 10.30% of T1 phase-in as well as a minimum total ratio of 12.67% phase-in.

As of December 31, 2023, the Bank meets the minimum capital requirements required by current regulations.

Reconciliation of accounting capital with regulatory capital (millions of Euros)

	2023	2022
Subscribed capital	5.639	5.639
Share premium account	1.140	1.140
Reserves	3.654	3.649
Other equity instruments	1.200	1.200
Attributable profit	1.004	1.243
Approved dividend	—	—
Interim dividend	(100)	(652)
Shareholders' equity on public balance sheet	12.537	12.219
Valuation adjustments	(678)	(582)
Non- controlling interests	2.520	2.555
Total Equity on public balance sheet	14.379	14.192
Goodwill and intangible assets	(1.889)	(1.849)
Accrued dividend	(1.004)	(1.243)
Eligible preference shares and participating securities	—	—
Other adjustments (*)	(118)	33
Tier 1 (Phase-in)	11.368	11.133

(*) Fundamentally for non-computable minority interest and other prudential deductions and filters under CRR.

The following are the capital ratios and a detail of the Group's computable own resources:

	2023	2022
Capital ratios		
Level 1 ordinary eligible capital (millions of euros)	9.903	9.706
Level 1 additional eligible capital (millions of euros)	1.465	1.427
Level 2 eligible capital (millions of euros)	2.005	1.669
Risk-weighted assets (millions of euros)	78.958	77.480
Level 1 ordinary capital coefficient (CET 1)	12.54%	12.53%
Level 1 additional capital coefficient (AT1)	1.86%	1.84%
Level 1 capital coefficient (TIER1)	14.40%	14.37%
Level 2 capital coefficient (TIER 2)	2.54%	2.15%
Total capital ratio	16.94%	16.52%

Eligible capital (EUR millions

	2023	2022
Eligible capital		
Common Equity Tier I	9.903	9.706
Capital	5.639	5.639
Share Premium	1.140	1.140
Reserves	3.654	3.649
Other retained earnings	(655)	(645)
Minority interests	1.631	1.456
Profit net of dividends	904	591
Deductions	(521)	(411)
Goodwill and intangible assets	(1.889)	(1.714)
Others	—	—
Additional Tier I	1.465	1.427
Eligible instruments AT1	1.200	1.200
T1- excesses-subsidiaries	265	227
Residual value of dividends	—	—
Others	—	—
Tier II	2.005	1.669
Eligible instruments T2	1.913	1.471
Gen. funds and surplus loans loss prov. IRB	—	—
T2-excesses- subsidiaries	92	199
Others	—	—
Total eligible capital	13.373	12.802

On credit risk, the Bank is continuing its plan to implement Basel's Advanced Internal Model Approach (AIRB). This progress is also conditioned by the acquisitions of new entities, as well as by the need for coordination among supervisors of the validation processes of internal models.

Santander Consumer Finance Group is present mainly in geographies where the legal framework between supervisors is the same, as happens in Europe through the Capital Requirements Directive and Regulation.

Currently, Santander Consumer Finance Group has the supervisory authorization for the use of advanced approaches to the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, certain portfolios in Germany, Nordics and France.

In terms of operational risk, the Santander Consumer Finance Group currently uses the standard regulatory capital calculation approach provided for in the European Capital Directive.

In relation to the rest of the risks explicitly contemplated in Pillar I of Basel, market risk is not significant in Santander Consumer Finance since it is not the object of the business, using the standard approach.

Leverage ratio

The leverage ratio has been established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital required of financial institutions. The Group performs the calculation in accordance with CRD IV and its subsequent amendment to Regulation (EU) No. 575/2013 as of 17 January 2015, the aim of which was to harmonize the calculation criteria with those specified in the document *Basel III leverage ratio framework and disclosure* Basel Committee *requirements*.

This ratio is calculated as the ratio between *Tier* 1 divided by the leverage exposure. This exposure is calculated as the sum of the following elements:

- Accounting asset, without derivatives and without elements considered as deductions in *Tier* 1 (for example, the balance of loans is included but not funds of commerce).

- Order accounts (guarantees, credit limits granted unused, documentary credits, mainly) weighted by credit conversion factors.

- Inclusion of the net value of derivatives (capital gains and handicaps are net with the same counterparty, less collateral if they meet criteria) plus a surcharge for future potential exposure.

- A surcharge for the potential risk of securities financing transactions.

- Finally, a credit derivatives risk surcharge (CDS) is included.

Below is the breakdown of the leverage ratio at sub consolidated level 'fully loaded':

Millions of euros	31-12-2023	31-12-2022
Leverage		
Level 1 capital	11,368	11,133
Exhibition	133,370	124,648
Leverage ratio	8.52%	8.93%

Economic Capital

From the standpoint of solvency, Santander Consumer Finance Group uses, in the context of Basel Pillar II, its economic model for the capital self-assessment process (PAC or ICAAP). To do this, the evolution of the business and capital needs is planned under a central scenario and under alternative stress scenarios. In this planning, the Group ensures that it maintains its solvency objectives even in adverse economic scenarios.

Economic capital is the necessary capital, according to a model developed internally, to withstand all the risks of our activity with a certain level of solvency. In our case the solvency level is determined by the long-term objective rating of 'A' (two steps above the rating of Spain), which means applying a confidence level of 99.95% (above the regulatory 99.90%) to calculate the necessary capital.

The Group's economic capital model includes in its measurement all the significant risks incurred by the Group in its operations, so it considers risks such as concentration, structural interest, business, pensions and others that are outside the scope of the so-called Regulatory Pillar 1. In addition, economic capital incorporates the diversification effect, which in the case of the Group is key, due to the multinational and multi-business nature of its activity, to determine the overall risk and solvency profile.

Santander Consumer Finance Group uses RORAC methodology in its risk management to calculate the consumption of economic capital and return on it of the Group's business units, as well as segments, portfolios or customers, as well as the company's business units. in order to periodically analyze value creation and to facilitate an optimal allocation of capital.

The RORAC methodology makes it possible to compare, on a homogeneous basis, the performance of operations, customers, portfolios and businesses, identifying those who obtain a risk-adjusted return higher than the Group's cost of capital, thus aligning risk and business management with the intention of maximizing value creation, ultimate objective of Santander Consumer Finance's senior management.

Annex I

Dependent entities

Entity	Domicile	Country	Bank's ownership interest (%)		Voting rights (%) (c)		Line of business	EUR Millions		
			Direct	Indirect	2022	2021		Capital and Reserves (A)	Net results (a)	Direct
Andaluza de Inversiones, S.A. Unipersonal	Ciudad Grupo Santander, Av. Cantabria, 28660, Boadilla del Monte - Madrid	Spain	100 %	—	100 %	100 %	Holding company	37	—	27
Allane Leasing GmbH	Ortsstraße 18a – Vösendorf – Austria	Austria	—	47 %	—	—	Renting	(2)	—	—
Allane Location Longue Durée S.a.r.l.	1 Rue Francois Jacob - France	France	—	47 %	—	—	Renting	17	4	—
Allane Mobility Consulting AG	Grossmattstrasse 9-Urdorf – Switzerland	Switzerland	—	47 %	—	—	Consultancy	1	(1)	—
Allane Mobility Consulting B.V.	Kruisweg 791 - Netherlands	Netherlands	—	47 %	—	—	Consultancy	(3)	—	—
Allane Mobility Consulting GmbH	Dr.-Carl-von-Linde-Str. 2, Pullach i. Isartal – Germany	Germany	—	47 %	—	—	Consultancy	11	1	11
Allane Mobility Consulting Österreich GmbH	Tuchlauben 7th – Austria	Austria	—	47 %	—	—	Consultancy	(1)	—	—
Allane Mobility Consulting S.a.r.l	Rue Francois Jacob – France	France	—	47 %	—	—	Consultancy	(1)	—	—
Allane Schweiz AG	Grossmattstrasse 9-Urdorf – Switzerland	Switzerland	—	47 %	—	—	Renting	12	—	—
Allane SE	Dr.-Carl-von-Linde-Str. 2, Pullach i. Isartal – Germany	Germany	—	47 %	—	—	Leasing	212	6	343
Allane Services GmbH & co. KG	Grubenstrasse, 27 - Germany	Germany	—	47 %	—	—	Services	2	—	—
Allane Services Verwaltungs GmbH	Grubenstraße, 27 - Germany	Germany	—	47 %	—	—	Portfolio management	—	—	—
AMS Auto Markt am Schieferstein GmbH	Schieferstein, 9, Flörsheim	Germany	—	90 %	—	—	Automotive	—	—	—
Auto ABS Belgium Loans 2019 SA/NV (d)	-	Belgium	—	(d)	—	—	Securitisation	—	—	—
Auto ABS DFP Master Compartment France 2013 (d)	-	France	—	(d)	—	—	Securitisation	—	—	—
Auto ABS French leases 2021 (d)	-	France	—	(d)	—	—	Securitisation	—	—	—
Auto ABS French leases 2023 (d)	-	France	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS French Leases Master Compartment 2016 (d)	-	France	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS French Loans Master (d)	-	France	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS French LT Leases Master (d)	-	France	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS italian Balloon 2019-1 S.R.L. (d)	-	Italy	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS Italian Rainbow Loans S.r.l. (d)	-	Italy	—	(d)	— %	— %	Securitisation	—	—	—
Auto ABS Spanish Loans 2018-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—

Entity	Domicile	Country	Bank's ownership interest (%)		Voting rights (%) (c)		Line of business	EUR Millions		
			Direct	Indirect	2022	2021		Capital and Reserves (A)	Net results (a)	Direct
Auto ABS Spanish Loans 2020-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—
Auto ABS Spanish Loans 2022-1, Securitisation Fund (d)	-	Spain	—	(d)	— %	— %	Securitisation	—	—	—
Autodescuento S.L.	Calle Alcala nº4, 5th floor 28014 Madrid, Spain	Spain	—	94 %	94 %	94 %	Financial	3	—	18
Autohaus24 GmbH	Dr.-Carl-von-Linde-Str. 2, Pullach – Germany	Germany	—	47 %	—	—	Renting	(2)	—	—
Banque Stellantis France	9 rue Henri Barbusse 92330 Gennevilliers	France	—	50 %	—	—	Banking	1,058	129	881
Walk D-Services, Unipessoal Lda.	Rua Urbanização Bracara Augusta, sn - freguesia de Nogueira, Fraião e Lamações	Portugal	—	100 %	—	—	Services	—	—	3
Compagnie Generale de Credit Aux particuliers - Credipar S.A	9 rue Henri Barbusse 92330 Gennevilliers	France	—	50 %	—	—	Banking	1,682	343	855
Compagnie Pour La Location de Vehicules - CLV	9 rue Henri Barbusse 92330 Gennevilliers	France	— %	50 %	—	—	Financial	35	2	52
Drive S.r.l.	Via Giovanni Caproni 1, Bolzano	Italy	—	100 %	—	—	Leasing	7	(1)	6
Financeira El Corte Inglés, Portugal, S.F.C., S.A.	Av. Antonio Augusto Aguiar, 31 1069-413 Lisbon	Portugal	—	51 %	51 %	51 %	Financial	8	1	8
Financiera El Corte Inglés, E.F.C., S.A.	C/ Hermosilla 112, 28009, Madrid	Spain	—	— %	51 %	51 %	Financial	267	41	140
Fondation Holding Auto ABS Belgium Loans (d)	-	Belgium	—	(d)	— %	— %	Securitisation	—	—	—
Asset Securitisation Fund Santander Consumer Spain Auto 2014-1 (d)	-	Spain	—	(d)	— %	— %	Securitisation	—	—	—
Santander Consumer Spain Auto 2016-2 (d)	-	Spain	—	(d)	— %	— %	Securitisation	—	—	—
Golden Bar (SECURITIZATION) S.r.l. (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2019-1 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2020-1 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2020-2 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2021-1 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2022-1 (d)	-	Italy	—	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2023-1 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Golden Bar Stand Alone 2023-2 (d)	-	Italy	— %	(d)	— %	— %	Securitisation	—	—	—
Guaranty Car, S.A.	Nacional II, km 16.500 – 28830 San Fernando de Henares (Madrid)	Spain	—	100 %	100 %	100 %	Automotive	3	—	2
Hyundai Capital Bank Europe GmbH	Friedrich-Ebert-Anlage 35-37 · 60327 Frankfurt am Main	Germany	— %	51 %	51 %	51 %	Financial	938	(35)	493
Isar Valley S.A. (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
MCE Bank GmbH	Schieferstein, 9, Flörsheim	Germany	— %	90 %	90 %	— %	Banking	140	(2)	86
MCE Verwaltung GmbH	Schieferstein, 9, Flörsheim	Germany	— %	90 %	90 %	— %	Real estate rental	10	—	10

Entity	Domicile	Country	Bank's ownership interest (%)		Voting rights (%) (c)		Line of business	EUR Millions		
			Direct	Indirect	2022	2021		Capital and Reserves (A)	Net results (a)	Direct
Midata Service GmbH	Schieferstein, 9, Flörsheim	Germany	— %	90 %	90 %	— %	Other services	—	—	—
One Mobility Management GmbH	Dr.-Carl-von-Linde-Straße,2 - Pullach i.Isartal	Germany	— %	47 %	— %	— %	Management services	—	—	—
Pony S.A. (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
Pony S.A., Compartment German Auto Loans 2021-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
Pony S.A., Compartment German Auto Loans 2023-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
Santander Consumer Bank A.S.	Strandveien 18, 1366 Lysaker, 0219 (Baerum)	Norway	100 %	— %	100 %	100 %	Financial	2,638	205	1,980
Santander Consumer Bank AG	Santander Platz I, 41061 (Mönchengladbach)	Germany	— %	100 %	100 %	100 %	Banking	3,529	286	5,145
Santander Consumer Bank GmbH	Andromeda Tower, Donan City. Strow-Wien	Austria	— %	100 %	100 %	100 %	Banking	539	80	363
Santander Consumer Bank S.p.A.	Via Nizza 262, I-10126 (Turin)	Italy	100 %	— %	100 %	100 %	Banking	926	43	603
Santander Consumer Finance Global Services, S.L.	Ciudad Grupo Santander, Av Cantabria, 28660, Boadilla del Monte - Madrid	Spain	100 %	— %	99 %	99 %	Other services	7	3	5
Santander Consumer Finance Inc.	855-2 STREET SW, SUITE 3500. CALGARY	Canada	— %	100 %	100 %	— %	Automotive	113	—	149
Santander Consumer Finance Oy	Hermannin Rantatie 10, 00580 (Helsinki)	Finland	— %	100 %	100 %	100 %	Financial	416	42	161
Santander Consumer Finance Schweiz AG	Brandstrasse 24, 8952 Schlieren	Switzerland	100 %	— %	100 %	100 %	Leasing	76	10	60
Santander Consumer Holding Austria GmbH	Rennweg 17, A 1030 (Wien)	Austria	100 %	— %	100 %	100 %	Holding company	364	—	518
Santander Consumer Holding GmbH	Santander Platz I, 41061 (Mönchengladbach)	Germany	100 %	— %	100 %	100 %	Holding company	5,599	153	6,077
Santander Consumer Inc.	855-2 STREET SW, SUITE 3500. CALGARY	Canada	100 %	— %	100 %	— %	Banking	95	3	47
Santander Consumer Leasing B.V.	Waterman 7th, 's-Hertogenbosch	Netherlands	100 %	— %	100 %	— %	Leasing	10.00	3	21.00
Santander Consumer Leasing S.A	Quai Charles Pasqua, 26	France	100 %	— %	100 %	— %	Leasing	3.00	—	3.00
Santander Consumer Leasing GmbH	Santander Platz I, 41061 (Mönchengladbach)	Germany	— %	100 %	100 %	100 %	Leasing	82.00	50	151.00
Santander Consumer Mobility Services, S.A.	Ciudad Grupo Santander Av. Cantabria s/n, 28660 Boadilla del Monte	Spain	— %	100 %	100 %	100 %	Renting	16.00	(4)	20.00
Santander Consumer Operations Services GmbH	Madrider Strabe, 1D – 41069, Monchengladbach (Germany)	Germany	— %	100 %	— %	— %	Other services	23.00	1	18.00
Santander Consumer Renting S.R.L.	Via Caproni 1, Bolzano	Italy	— %	100 %	100 %	— %	Renting	8.00	(2)	9.00
Santander Consumer Renting, S.L.	Santa Barbara 1, 28180, Torrelaguna - Madrid	Spain	100 %	— %	100 %	100 %	Leasing	41.00	2	38.00
Santander Consumer Services GmbH	Thomas Alva Edison Str. I, Eisendstadt	Austria	— %	100 %	100 %	100 %	Services	—	—	—
Santander Consumer Services, S.A.	Rua Gregorio Lopez Lote 1596 B-1400 195 Lisbon – Portugal	Portugal	100 %	— %	100 %	100 %	Financial	13.00	1	10.00
Santander Consumer Spain Auto 2019-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—

Entity	Domicile	Country	Bank's ownership interest (%)		Voting rights (%) (c)		Line of business	EUR Millions		
			Direct	Indirect	2022	2021		Capital and Reserves (A)	Net results (a)	Direct
Santander Consumer Spain Auto 2020-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—
Santander Consumer Spain Auto 2021-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—
Santander Consumer Spain Auto 2022-1, Securitisation Fund (d)	-	Spain	— %	(d)	— %	— %	Securitisation	—	—	—
Santander Consumer Technology Services GmbH	Kaiserstr 74, 41061, Monchengladbach (Germany)	Germany	— %	100 %	— %	— %	Other services	24.00	(2)	22.00
SC Austria Consumer Loan 2021 Designated Activity Company (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SC Austria Finance 2020-1 Designated Activity Company (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SC Canada Asset Securitization Trust	-	Canada	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany Auto 2019-1 UG (haftungsbeschränkt) (d)	-	Germany	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany Consumer 2018-1 UG (haftungsbeschränkt) (d)	-	Germany	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A. (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Consumer 2020-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Consumer 2021-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Consumer 2022-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Consumer 2023-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Consumer Private 2023-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Leasing 2023-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Germany S.A., Compartment Mobility 2020-1 (d)	-	Luxembourg	— %	(d)	— %	— %	Securitisation	—	—	—
SC Mobility AB	Hemvärnsgatan ,9 – Solna	Sweden	— %	100 %	— %	— %	Renting	—	—	—
SC Mobility AS	Strandveien 18	Norway	— %	100 %	— %	— %	Renting	10	—	10
SCF Ajoneuvohallinto IX Limited (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Ajoneuvohallinto VIII Limited (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Ajoneuvohallinto X Limited (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Ajoneuvohallinto XI Limited (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Ajoneuvohallinto XII Limited (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—

Entity	Domicile	Country	Bank's ownership interest (%)		Voting rights (%) (c)		Line of business	EUR Millions		
			Direct	Indirect	2022	2021		Capital and Reserves (A)	Net results (a)	Direct
SCF Rahoituspalvelut IX DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Rahoituspalvelut VIII DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Rahoituspalvelut X DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Rahoituspalvelut XI DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
SCF Rahoituspalvelut XII DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
Secucor Finance 2021-1, DAC (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
Silk Finance No. 5 (d)	-	Portugal	— %	(d)	— %	— %	Securitisation	—	—	—
Stellantis Financial Services Belux SA	Parc L'Alliance Avenue Finlande 4-8 1420 Braine Lalleud Belgium	Belgium	— %	50 %	50 %	50 %	Financial	105	19	113
Stellantis Financial Services España, E.F.C., S.A.	C/ Eduardo Barreiros No. 110. 28041, Madrid	Spain	50 %	— %	50 %	50 %	Financial	479	93	283
Stellantis Financial Services Italia S.p.A.	Via Gallarate 199, 20151 Milano	Italy	— %	50 %	50 %	50 %	Banking	741	61	293
Stellantis Financial Services Nederland B.V.	Hoofdweg 256, 3067 GJ Rotterdam	Netherlands	— %	50 %	50 %	50 %	Financial	—	16	77
Stellantis Renting Italia S.p.A.	Via Nizza 262, I-10126 - Turin	Italy	— %	50 %	50 %	50 %	Renting	—	17	6
Suzuki Servicios Financieros, S.L.	C/Carlos Sainz 35, Pol. City of the automobile, Leganés - Madrid	Spain	— %	51 %	51 %	51 %	Intermediation	—	1	—
Svensk Autofinans WH 1 Designated Activity Company (d)	-	Ireland	— %	(d)	— %	— %	Securitisation	—	—	—
TIMFin S.p.A.	Corso Massimo D'Azeglio n. 33/E – 20126 Turin	Italy	— %	51 %	51 %	51 %	Financial	—	—	38
Transolver Finance EFC, S.A.	Av. Aragon 402, Madrid	Spain	51 %	— %	51 %	51 %	Leasing	—	5	17
TVG-Trappgroup Versicherungsvermittlungs-GmbH	Schieferstein, 9, Flörsheim	Germany	— %	— %	— %	— %	Insurance	—	—	2

(a) Data obtained from the annual accounts of each dependent entity corresponding to the financial year 2023. These annual accounts are pending approval by their respective Control Bodies. The Bank Administrators consider that they will be ratified without modification.
(b) The amount for which the shares of each dependent entity are recorded in the books of the holding company, net, where appropriate, of its corresponding depreciation provision.
(c) In accordance with Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the formulation of consolidated annual accounts, to determine the voting rights have been added to those directly owned by the dominant company, those that correspond to the companies dominated by this or to other persons acting in their own name but on behalf of a company of the Group. For this purpose, the number of votes that corresponds to the dominant company, in relation to the companies in which it indirectly participates, is that corresponding to the dependent company that participates directly in the share capital of these companies.
(d) Vehicles over which effective control is maintained.

Annex II.

Associated Entities and Joint Business Entities

Name	Entity	Country	Bank's ownership interest (%)		Voting rights (%) (b)		Line of business	EUR Million(a)		
			Direct	Indirect	2022	2021		Active	Capital and Reservatio	Direct
Bank of Beijing Consumer Finance Company	Associate	China	20 %	—	20 %	20 %	Financial	1,694	103	—
Ethias Lease	Associate	Netherlands	50 %	—	50 %	— %	Leasing	5	5	(1)
Fortune Auto Finance Co., Ltd.	Multigroup	China	50 %	—	50 %	50 %	Financial	2,222	476	51
Payever GmbH	Associate	Germany	10 %	—	10 %	10 %	Other services	4	2	1
Santander Consumer Bank S.A.	Associate	Poland	40 %	—	40 %	40 %	Banking	4,625	942	15
Santander Consumer Financial Solutions Sp. Z O.O.	Associate	Poland	—	40 %	40 %	40 %	Leasing	57	2	(2)
Santander Consumer Multirent Sp. z o.o.	Associate	Poland	—	40 %	40 %	40 %	Leasing	996	67	9
Stellantis Consumer Finance Polska sp.zo.o.	Associate	Poland	—	20 %	20 %	20 %	Financial	52	4	—
Stellantis Finance Polsja sp.z o.o	Associate	Poland	—	20 %	20 %	20 %	Financial	696	52	10
Stellantis Insurance Europe Limited	Multigroup	Malta	50 %	— %	50 %	50 %	Insurance	422	74	31
Stellantis Life Insurance Europe Limited	Multigroup	Malta	50	— %	50 %	50 %	Insurance	208	20	16
VCFS Germany GmbH	Multigroup	Germany	—	50 %	50 %	50 %	Marketing	1	1	—

(a) Data obtained from the annual accounts of each associated entity and/or joint ventures corresponding to the financial year 2023. These annual accounts are pending approval by their respective Control Bodies. The Bank Administrators consider that they will be ratified without modification.

(b) In accordance with Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the formulation of consolidated annual accounts, to determine the voting rights have been added to those directly owned by the dominant company, those that correspond to the companies dominated by this or to other persons acting in their own name but on behalf of a company of the Group. For this purpose, the number of votes that corresponds to the dominant company, in relation to the companies in which it indirectly participates, is that corresponding to the company that participates directly in the share capital of these companies.

Annex III.

Changes and notifications on the acquisition and sale of equity shares in the financial year 2023

(Art. 155 of the consolidated text of the Capital Companies Act and Art. 125 of Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Law).

Investee	Line of business	Net ownership interest (%)		Effective date of the transaction (or date of notification if appropriate)
		Purchased/(sold) In the exercise	At the end of the financial year	
Acquisitions in 2023:				
Ethias Lease	Operating lease	50 %	50 %	September 13, 2023
SC Mobility AS	Operating lease	100 %	100 %	August 14, 2023
SC Mobility AB	Operating lease	100 %	100 %	October 20, 2023
MCE Bank Group	Financial services associated with the automotive sector and the collection of deposits	100 %	100 %	April 1, 2023
Santander Consumer Finance Inc.	Consumer finance	100 %	100 %	March 17, 2023
Santander Consumer Inc.	Consumer finance	100 %	100 %	March 17, 2023
Camine D - Services, Unipessoal Lda.	Provision of internet, computer and multimedia services	100 %	100 %	4 January 2023

Annex IV

List of agents in accordance with the provisions of article 21 of Royal Decree 84/2015, of February 13, which develops Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions as of December 31, 2023

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
Palma del Río Finance, S.L.	POGL. IND EL GARROTAL EDF SARA BENITEZ C/ JARA 17 -1 (14700) Palma del Rio	14700	B09987843	13-07-2022	Almodovar del Rio, Fuente Palmera, Palma del Rio, Posadas, Lora del Rio, Penaflor, Carmona, La Campana, La Puebla de los Infantes, Mairena del Alcor, El Viso del Alcor	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Gestión Financiera Villalba, S.L.U.	C/ Consuelo Vega, 23 A - A(11600) Ubrique	11600	B011517620	15-12-2020	Ubrique, Alcala del Valle, Algodonales, Arcos de la Frontera, Benaocaz, Bornos, El Bosque, El Gastor, wait, Grazalema, Olivera, Prado del Rey, Setenil, Torre Alhaquine, Villanueva del Rosario, Villa Martin, Puerto Serrano	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Juan Jiménez Gestión Financiera, S.L.	C/ BARTOLOME DE MEDINA , Local 18 (41004) SEVILLA	41004	B91167973	01-02-2002	Bormujos, Coria del Rio, Gelves, Gines, Pilas, Sanlucar la Mayor, Umbrete, Villamanrique de la Condesa, Villanueva del Ariscal.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
EFINCAR FLEET SERVICES , S.L.	RONDA DE LOS MOLINOS, 35 LOCAL, ECIJA (SEVILLA)	41400	B91958363	01-01-2012	Écija, Fuentes de Andalucia, La Luisina, Canada Rosal, La Carlota.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Financiaciones Costa del Sol Oriental, SCA	C/ del Mar, 27 1º-C, Jaime Building, 29740 Torre del Mar	29740	F093385102	15-12-2020	Alcaucin, Alfarnate, Algarrobo, Almachar, Archez, Arenas, Benamargosa, El Boger, Canillas de Aceituno, Canillas de Albaida, Comares, Competa, Macharaviaya, Moclinejo, Frigiliana, Nerja, Periana, Riogordo, Salares, Sayalonga, Torre del Mar, Torrox, Velez Malaga, Vinuela.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
INSEMA INVERSIONES, S.L.	Av. de Andalucia, 11 (14500) Puente Genil	14500	B14840896	19-12-2008	Aguilar de la Frontera, Benameji, Castro del Rio, Espejo, Fernan Nunez, Montalbal de Cordoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Carrasco Agentes, S.L.	C/ BETULA Nº 9 FLOOR 1º A (23400)UBEDA	23400	B023478704	02-01-2004	Alblanchez de Ubeda, Almenara, Arquillos, Baeza, Beas de Segura, Bedmar and Garciez, Begijar, Belmez de la Moraleda, Benatae, Cabra de Santo Cristo, Cambil, Canena, Castellar, Cazorla, Chiclana de Segura, Chilluevar, Escanuela,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Ramsa Serv. End. Y Empresarial, S.L.	C/ Blas Infante, 7A (21440) Lepe	21440	B021347190	15-12-2020	Punta Umbria, Cartaya, Lepe, Isla Cristina and Ayamonte	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Martín & Castilla Servicios Financieros, S.L.	C/ Fray Diego de Cadiz, 163 (41530) Moron de la Frontera	41530	B091369231	15-12-2020	Algamitas, Arahal, Caripe, El Coronil, Marchena, Montellano, Moron de la Frontera, Paradas, Pruna, La Puebla de Cazalla, Villanueva de San Juan	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
Fromán Consultores, S.L.U.	Av. Del Mantecado, 21 (41560) Estepa	41560	B041969767	15-12-2020	Aguadulce, Badolatosa, Casariche, Los Corrales, Estepa, Gilena, Herrera, The Sequin, Lora de Estepa, Marinaleda, Martin de la Jara, Osuna, Pedrea, La Roda de Andalucia, El Rubio, El Saucejo.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Geyba Servicios Financieros, S.L.	Avda. La Libertad No. 2 Local (41980) La Algaba	41980	B091385377	15-12-2020	Arevalillo de Cega, Alacala del Rio, Alcolea del Rio, La Algaba, Almaden de la Plata, Brenes, Burguillos, Cantillana, Castilblanco de los Arroyos, El Castillo de las Guardas, Cazalla de la Sierra, Constantina, El Garrobo, Gerena, El Madroyo, Navas de la Concepcion, El Pedroso, La Roda de Andalucia, La Rinconada	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Fincar Gestiones Hermanos P.Q. Servicios Financieros, S.L. Financieras.	Avda. Buenos Aires, 32 18500 Guadix	18500	B21507751	01-02-2012	Guadix, Baza, Huescar, Cullar, Country Caves, Iznalloz and Guadahortuna.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Hermanos P.Q. Servicios Financieros, S.L.	Pasaje Neptuno, Local 7 (next to BBVA) Vera (04620).	04620	B004678348	15-12-2020	Vera	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
SERVITAL ASESSORS, S.L.	Pza. Nuestro Padre Jesús, 3 (21700) La Palma del Condado	21700	B021261177	15-12-2020	Almonte, Bollullos Par del Condado, Bonares, Chucena, Escacena del Campo, Finojos, Lucena del Puerto, Manzanilla, Niebla, La Palma del Condado, Paterna del Campo,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
FINANCIACEUTA, S.L.U.	C/ Cervantes, gallery "La Riojana", 2nd floor, local No. 26 (51001) Ceuta	51001	B051017101	15-12-2020	Ceuta	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Gª y Trinidad Asesoramiento y Financiación S.L.	C/ Rosario Nº 46(04800) Albox	04800	B004577383	15-12-2020	Albox, Alcontar, Almanzorra, Armuña de Almanzorra, Bacares, Bayarque, Benitagla, Bezalon, Cantoria, Cobrar, Fines, Laroya, Lijar, Lubrin, Lucar, Macael, Olula del Rio, Partaloa, Purchena, Seron, Sierro, Somontin, Tahall, Tijola, Uleila del	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Antonio Gana Fdez. Servicios Financieros S.L.	C/ Jara, nº1 local, esquina doctor Antonio Cabrera (14400)	14400	B014771554	15-12-2020	Alcaracejos, Añora, Belalcazar, Belmez, Los Blázquez, Cardenas, Conquista, Dos Torres, Espiel, Fuente La Lancha, Fuente Obejuna, El Guijo, Hinojosa del Duque, Pedroche, Peñarroya-Pueblonuevo,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
DONAT FINANCE SERVICE, S.L.	Pza. Velazquez, 11 - bass (52004) Melilla	52004	B052015435	01-02-2007	Melilla	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
ASEDIME SERVICIOS FINANCIEROS, S.L.	C/ Doctor Dorronsoro, 2 (21600) Valverde del Camino	21600	B021380746	01-04-2008	Alajar, Almonaster La Real, Aracena, Aroche, Arroyo Molinos de Leon, Beas, Berrocal, Cala, Calanas, El Campillo, Campofrio, Canaveral de Leon, Oak Chestnut, Corteconcepcion, Cortegana, Cortelazor, Summit in the Middle, Summits of San Bartolomé, Summits Major, Encinasola, Fuenteheridos, Galaroza, La Granada de Ritinto, La Nava, Nerva, Puerto del Moral, Rosal de la Frontera, Santa Ana la Real, Santa Olalla del Cala, Trigueros, Valdelarco, Valverde del Camino, Zalamea la Real and Zufre.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
SERVICIOS FINANCIEROS JIENENSES, SL.	c/plaza del camping 4 local 10 23740 anduja	23740	B86340767	01-12-2011	Aldeaquemada, Andújar, Arjona, Arjonilla, Bailén, Baños de Quemada, Carboneros, La Carolina, Cazalilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Santa Elena, Villanueva de la Reina,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
FINANRONDA SERVICIOS FINANCIEROS, S.L.	C/ Molino, 82 (29400) Ronda	29400	B92963388	02-01-2009	Agatocin, Alpendeire, Arriate, Atajate, Benalid, Benalauria, Benaojan, Benarraba, El Burgo, Canete la Real, Cartajima, Cortes de la Frontera, Cuevas del Becerro,Faraja, Gaucin, Genalquacil, Igualeja, Jimera de Libas, Jubrique, Juzcar, Montecorto, Montejaque, Parauta, Pujerra, Ronda and	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
128INNOVA24H, S.L.	c/Oasis, 17 Elejido Almeria	04700	B92999846	01-03-2011	El Ejido, ADTA and Berja	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Finangi Cat	Av. de la Rapita, 33 1º (43870) Amposta	43870	B043571660	15-12-2020	Alcanar, Aldover, Alfara de Carles, Amposta, Arboli, Arnes, Asco, Falset, Fix, Freginals, Gandesa, Garcia, Ginestar, Godall, Masdenverge, Miravent, Mora DÉbre, Mora la Nova, Pauls, Poboleda, Porrera, Batea, Bellmunt de Falset, Benicaro, Benifallet, Benissanet, Bot, Cabassers, Camarles, Capcanes, Caseres, Corbera dÉbre, Cormudella del Montsant, Deltebre, El Lloar, El Masroig, El Molar, El Perello, El Pinell de Bray, Els Guiaments, Gratallops, Horta de Sant Joan, Aldea, Lametro de Mar, LAmpolla, La Fatarella, La Figuera, La Galera, La Morera de Montsant, La Palma débre, La Pobla de Massaluca, La Sénia, La Torre de Fontanbella, La Torre de Léspanyol, La Vilella Alta, La Vilella Baixa, Marca, Margalef de Montsant, Mas de Barberans, Pradell de la Teixeta, Prat de Compte, Rasquera, Riba Roja D´Ebre, Roquetes, Sant Carles Rapita, Sant Jaime Enveja, Santa Barbara, tivissa, Torroja del Priorat, Tortosa, Ulldecona, Ulldemolins, Vilalba dels Arcs, Vinaroz, Vinebre, Xerta.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Indastec Asociados, S.L.	C/ Madrid, 20 - Bajo (07800) Ibiza	07800	B057150310	15-12-2020	Eivissa, Sant Antoni de Portmany, Santa Eulalia del Rio San Jose Formentera	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
Noguer Bau, S.L.	C/ Sant Fidel, 5 - 1º (08500) Vic	08500	B064018179	15-12-2020	Aiguafreda, Alpens, El Brull, Calldetenes, Centelles, Collsuspina, Espinelves, Folgueroles, Gurb, Els Hostalets de Balenya, Lluça, Perafita, Prats de Lluçanes, Roda de Ter, Rupit-Pruit, Santa Cecilia de Voltrega, Santa Eugenia de Berga Santa Eulalia de Riuprimer, Sant Agusti del Lluçanes, Santa Maria de Corco L'asquirol, Sant Bartomeu del Grau, Sant Boi de Lluçanes, Sant Hipolit de Voltrega	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Gestió de Finançament i Inversions de Ponent, S.L.	Avda. Pau, 49 (25230) Mollerusa	25230	B025539123	01-10-2006	Comarcas del Pla D´urgel, la Noguera, L´urgell y La Segarra	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Gestió de Finançament i Inversions de Ponent, S.L.	Avda. Alcalde Porqueras, 10 (25008) Lérida	25008	B025539123	01-10-2006	Lérida, Balafia; Les Basses D'Alpicat, La Bordeta, Camps D'Escorts, cap Pont, Castel de Gardeny, Clot_Princep de Viana, Gualda; Llivia, Magraners, Mariola, Pardinyes, Raimat, Seca Sant Pere, Sucs, Suquets; Les Torres de Sanui, Abella de la Conca Les Alamus, L'Albages, Albatarrec, L'Albi, Alanco, Alcarras, Alcoletge, Alfes, Alguaire, Almatret, Almenar, Alpicat, Artessa de Lleida, ASPA, Aitona, Benavent de Segria, Bovera, Les Borges, Blanquets, Castelldans, Cervia de Garrigues, Corbins, L'Espluga Calba, La Floresta, Fulleda, La Granja D'Escarp, GIMENELLS i Pla de la Font, Granyera de les Garrigues, Juncosa, Juneda, Llardecans, Masalcoreig, Maials de Lleida, Els Omellons, La Pobla de Cervoles, Bellaguarda, La Portella, Puiggros, Puigverd, de Lleida; Rosello, Seros, El Soleras, Soses, Tarres, Els TOrms, Torrebesses, Torrefarrera, Torres de Segre, Torre Serona, Vilanova de Segria, Vilosell, Vilanova de la Barca and Vinaixa.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
BERGA GESTIÒ, S.L.	C/ Gran Via, 46 (08600) Berga	08600	B064396476	15-12-2020	Berga, Navas, Cardona and Nou de la Bergueda.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
M&G figueres Associats, S.L.	c/Col. Legi nº 54 basses (17600) Figueres	17600	B17673823	01-01-2011	Agullana, Albanya, Arrentera, Bascara, Biure, Boadella i les Escaudes, Cebanes, Cantallaps, Capmany, Cistella, Escada, Empolla, Figueres, Garniguelia, Jenguera, Llado, Masarac, Mollet de Peralado, Pont de Mollins and Crespia.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Orges-Fin gestiones 2018, s.l. Unipersonal	SA ROVELLADA DE DALT 38 bajos izq (07702) MAHONMENORCA (Illes	07702	B55733471	25-12-2020	Island of Menorca	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Consultoría Financiera de la Mancha, S.L.	C/ Ramiro Ledesma, s/n bloque 5 Local 3 (13630) Socuéllamos	13630	B013354303	15-12-2003	We overlook, Tomelloso, Argamasilla de Alba, Pedro Munoz, Campo de Criptana, Alcazar de San Juan, Las Pedroneras, Monta del Cuervo, Villanueva de los Infantes	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
Estudios y Análisis de Riesgos, S.L.	Plaza de los Carros, 2, 16001 Cuenca.	16001	B016156598	30-06-2007	Cuenca	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Intermediación y Servicios Junval, S.L	C/ BEBRICIO , 39, Pasaje Local nº 7 (26500) Calahorra	26500	B026319178	15-12-2020	Calahorra	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Services Financieros Quintanar, S.L.	C/ Vicente Galvez Villarejo, 12. (45800) Quintanar of the Order	45800	B045545167	15-12-2020	Quintanar de la Orden, Madridejos	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Medifirent, S.L.	C/Carretil, 2, 3ºD 26007. Logrono (La Rioja)	26007	B009410572	15-12-2020	Miranda de Ebro and Logrono	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Soluciones Financieros del Este, S.L.	C/ Mariano Barbacid, 5 - 2nd - 3 (28521) Rivas Vaciamadrid	28521	B084418904	15-12-2020	Arganda del Rey, Rivas – Vaciamadrid	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Servicios Financieros Sorianos	C/Del Ferial , 4 Oficina 3 B2 4200 Soria	4200	B042180927	15-12-2020	Soria	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Finanduero 2007, S.L.U.	CALLE EL CARRO, 9, 3ºB -09400 ARANDA DE DUERO (BURGOS)	09400	B009480013	02-11-2007	Aranda de Duero, Lerma, Huerta del Rey, Salas de los Infantes and Roa.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
GASTEIZ FINANCE, SLU	Avda. De los Huetos, 79 Ed. Sugar company. Vitoria 01010 (Alava)	01010	B10818698	02-03-2021	Alava	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
FINANCESTHER S.L.	AVENIDA CENTRAL NUMERO 1 OFICINA 1	31500	B71392179	15-12-2020	Tudela	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Inversiones Financieras Bilegi, S.L.	Plaza Aita Arrupe 3 Office No. 2 (48100) Mungia_Bizkaia	48100	B95659579	01-10-2012	Eibar, Mondragon, Genika - Lumo	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
PRAGA SERVICES 64, S.L.	C/ Patrimonio Mundial, 7 1ª planta Oficina 13, 28300	28300	B85464402	01-03-2014	Aranjuez	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
ALANA CONSUMER SERVICES,SL	C/ SOL, 32-2ºC (45600) Talavera de la Reina	45600	B72754914	01-04-2023	TALAVERA DE LA REINA AND ZONE INFLUENCE	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Gestión de Servicios Financieros Artimar	Av. de Canarias, 344 (35110) Vecindario	35110	B035496777	15-12-2020	Agüimes, Santa Lucía de Tirajana, San Bartolomé de Tirajana	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
TENERIFELAPALMA INVERSIONES 2023, S.L.	AVDA/ DE LAS NIEVES, 6, 1º C, Santa Cruz de la Palma (La Palma)	38700	B13639406	01-05-2023	Island of La Palma	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
L´Eliana Finance, S.L.	Av. Cortes Valencianas, 35 L A2 (46183) L´Eliana	46183	B097639462	01-10-2005	Riba - Roja de Turia, Lliria, Betera, Bunol, Requena, Utiel, L'Eliana, La Pobla de Vallbona	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
CENTRO ADVISOR DE TERUEL FINANCIAL, S.L.	The street is Ronda Ambeles n. 52 (44004) Teruel	44004	B44224947	02-06-2008	Teruel.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Lual Soluciones y Gestion, S.L.	C/ Isabel La Catolica Nº 6 03803 Alcoy (Aliacante)	03803	B01612019	15-12-2020	Villena, Sax, Biar, Benejama, Salinas, Canada, Campo de Mirra, Alcoy, Ibi, Castalla, Onil, Swimsuits, Tibi, PenEagle, Benifallim, Cocentaina, Muro de Alcoy, Beniarrés, Benilloba, Planes, Lorcha, Agres, Alqueria de Aznar, Gayanes, Alfafara,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
AVILA CONSUMER SERVICES SL	CENTRO DE NEGOCIOS ANDAMUR, POL.IND SAPRELORCA, C/ MANUEL JÓDAR	30817	B05265764	15-12-2020	Hellin, Jumilla, Albacete	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Alvarez y Garros, S.L.U.	Av. A Coruna, 439 Bajo (27003) Lugo	27003	B027274216	15-12-2020	Lugo.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
AMP FINANSERVIC S.L.	C/ RIO TERA 30, OFFICE 7 (05004) AVILA	05004	B44584761	01-02-2023	Avila	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Name	Domicile	Post Code	Employer/National identification	Date of granting	Geographical area of activity	Scope of representation
Asesoramiento Financiero Zafra, S.L.	Avenida Antonio Chacon nº 17 Local. C.P. 06300 Zafra (Badajoz)	06300	B006433973	15-12-2020	Zafra, Villanueva del Fresno, Higuera de Vargas, Zahinos, Oliva de la Frontera, Barcarrota, Matamoros Valley, Frejenal de la Sierra, Higuera la Real, Burgullos del Cerro, Salvatierra de los Barros, Feria, Santa Marta, Villalba de los Barros, Aceuchal, Fuente del Maestre, Valencia del Ventoso, Segura del Leon, Calera de Leon, Monesterlo,	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Alvarez and Garrúes Dos, S.L.U.	Av. de Vigo, 65 (36003) Pontevedra	36003	B027380799	01-08-2008	Pontevedra, Villagarcia de Arosa, O Grove, Sanxenxo, Cambados, Lalin, La Estrada, Silleda and Caldas de Rey	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
SOLUCIONES FINANCIEROS GRIGEM S.L.	Cámara de Comercio GijonVivero de Empresas Carretera de Somio 652	33203	B05256375	01-04-2017	Gijon, Cabrales, Cangas de Onis, Caravia, Caso, Colunga, Llanes, Nava, Onis, Parres, Penamellera Alta, Penamellera Baja, Pesoz, Piloha, Ponga, Ribadedeva, Rivadesella, Villaviciosa.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Asfinza Badajoz, S.L.	Av. Sinforiano Madronero, nº 15 Edificio Paraiso 3 Mezzanine 4 premises A-B. 06011 Badajoz – Badajoz.	06011	B06580708	01-06-2010	Badajoz.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
Alvarez y Garrues Tres, S.L.U.	c/Salvador Dali, 12 (32002) Orense	32002	B27412816	01-11-2010	Ourense, Barco de Valdeorras and Rua.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
European Finantial Consumer, S.L	Parc.ET-8 Complejo Quitapesares, Carretera CL-601 Km 7 Edificio Vicam	40194	B86080280	03-01-2011	Segovia.	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.
FINZAMORA SERVICES, SL.	C\ Juan II, 23. 1° Dcha. 49011. Zamora.	49011	B49282403	01-01-2015	Zamora/Palencia	Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards.

Annex V.

Annual Banking Report

This Annual Banking Report has been prepared in compliance with the provisions of Article 87 of Law 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions.

In accordance with that article, from 1 January 2015, credit institutions must submit to the Bank of Spain and publish annually, as an annex to the financial statements audited in accordance with the regulatory regulations on auditing accounts, specifying by country where they are established, the following information on a consolidated basis for each year:

a) Name, nature and geographical location of the activity.

b) Turnover.

c) Number of full-time equivalent employees.

d) Gross result before tax.

e) Taxes on the result.

f) Subsidies or public aid received.

The criteria used for the preparation of the annual bank report for the financial year 2023 are detailed below:

a) Name, nature and geographical location of the activity

The aforementioned information is available in Annexes I and II to the Group's consolidated annual accounts, which detail the companies operating in each jurisdiction, including, among other information, their name, geographical location and nature of their activity.

As can be seen from these Annexes, the main activity developed by the Group in the different jurisdictions in which it operates is commercial banking. The Group operates mainly in 15 markets through a model of autonomous subsidiaries in capital and liquidity, which has clear strategic and regulatory advantages, as it limits the risk of contagion between units of the Group, it imposes a double layer of global and local supervision and facilitates crisis management and resolution. The total number of Group offices is 290, which provide our clients with all their basic financial requirements.

b) Turnover

For the purposes of this report, turnover at gross margin is considered as defined and presented in the consolidated profit and loss account that is part of these consolidated annual accounts of the Group.

The turnover data by country have been obtained from the statutory accounting records of the Group companies with the corresponding geographical location and have been converted into euros. It is therefore aggregated information of the individual financial statements of the entities operating in each jurisdiction, the reconciliation of which with the information in the Group's consolidated annual accounts requires a series of adjustments for homogenization and elimination of transactions between the various companies of the Group, such as those relating to the distribution of dividends from the subsidiaries to their respective matrices.

c) Number of employees on a full-time equivalent basis

Full-time equivalent employee data have been obtained from the average staffing of each jurisdiction.

d) Taxes on the result

In the absence of a specific criterion, the amount actually paid for those taxes whose effect is recorded under the income tax heading of the consolidated income and loss account has been included.

The taxes actually paid in the year by each of the entities of each jurisdiction include:

- Supplementary payments relating to income tax settlements, usually from previous years.

- Advances, payments on account and withholdings paid or incurred in relation to the tax on the profit or loss of the financial year itself. In the case of taxes borne abroad, given their scarcely representative amount, it has been decided to include them in the jurisdiction of the entity that has borne them.

- The refunds collected in the year relating to liquidations of previous years whose result was to be returned.

- Where applicable, settlements by inspection minutes and disputes related to these taxes.

The above amounts are part of the statement of cash flows (359,529 thousand euros in the financial year 2023, which represents an effective rate of 20%) and therefore differ from the expenditure on income tax recorded in the consolidated income and loss account (433,953 thousand euros in the financial year 2022 which represents an effective rate of 19.7%) This is because the tax regulations of each country establish:

The time when taxes must be paid. Normally, payment dates have a time lag from the date of generation of the tax-taxed income.

Their own criteria for calculating the tax, establishing temporary or permanent restrictions on the deduction of expenses, exemptions, bonuses or deferrals of certain income, etc., generating the corresponding differences between the accounting result and the tax result that is finally taxed, to which should be added the compensation of tax losses of previous years, deductions and / or rebates of the quota, etc. Also, in some cases special regimes are established, such as the tax consolidation of companies of the same jurisdiction, etc.

e) Public subsidies received

In the context of the information requested by the current legislation, this term has been interpreted as any aid or grant in line with the provisions of the European Commission's State Aid Guide and, in that context, the companies that make up the Group have not received any subsidies or public aid in 2023.

The details of the information for the financial year 2023 (in millions of euros) are as follows:

Jurisdiction (EUR million)	Turnover	No. of employees on a fulltime equivalent basis	Gross profit/(loss) before tax	Tax on profit /(loss)
Germany	1,350	4,855	395	143
Austria	218	333	104	16
Belgium	62	179	30	5
Canada	67	235	7	1
Spain	777	1,746	233	62
Denmark	216	224	112	34
Finland	101	157	51	8
France	733	863	508	22
Greece	6	30	(2)	—
Ireland	2	—	(2)	—
Italy	464	1,190	169	30
Luxembourg	(22)	—	(23)	—
Norway	243	516	118	5
Netherlands	87	277	40	12
Portugal	41	249	5	1
United Kingdom	—	928	1	—
Sweden	153	275	44	19
Switzerland	29	67	12	—
Total	**4,527**	**13,694**	**1,802**	**360**

As of December 31, 2023, the Group's return on assets (ROA) was estimated at 0.92%.

Santander Consumer Finance, S.A. And companies that make up the Santander Consumer Finance Group (consolidated)

Consolidated Management Report for the financial year 2023

General external framework

Economic, regulatory and competitive context

In 2023, Santander operated in an environment dominated by geopolitical tensions and higher interest rates as central banks looked to contain inflation, which gradually eased during the year. The world's major economies withstood monetary policy tightening well, although there was a gradual slowdown in activity.

Our core regions' economies performed as follows:

- **Eurozone** (GDP: Estimated +0.5% in 2023). The positive start of the year, supported by the normalization of global supply chains and the less uncertainty about energy supply, was slowed in the second half of the year by the rise in interest rates, the difficulties of industry in adapting to rising energy costs and the caution of households with regard to consumption. Inflation fell (2.9% in December) as a result of the ECB's interest rate hike of 450 bp in this monetary cycle (the deposit facility from -0.5% to 4%).

- **Spain** (GDP: +2.5% estimated in 2023). During the first half, GDP growth was driven by the external sector, especially tourism. In the second half of the year, private consumption takes over as an engine of growth. The labor market has remained solid, with record number of affiliates. Inflation closes the year at 3.1% (3.6% on average) with a decrease in all components and a moderation of the underlying higher than expected (3.8% in December from 4.5% in November)

- **Germany** (GDP: -0.1% estimated in 2023). The German economy went into recession in 4T23. Consumer spending suffered due to the collapse of real incomes due to still high inflation (it ended the year at 3.6%, but the year average is 6%). Rising interest rates weighed investment in construction, while exports fell by almost 2% due to weak global demand and structural problems with industry competitiveness. The labor market remained strong, employment continued to be created, but the unemployment rate increased (5.7%).

- **France** (GDP: +0.9% estimated in 2023). Domestic demand has been led by investment while private consumption has also grown (less than in 2022) as the year progressed thanks to the recovery of household income. The contribution of the external sector is being positive, but exports are growing much less than in 2022. Inflation ends the year at 3.7% and the underlying at 3.4%, with food growing above 7%.

- **Norway** (GDP: +1.0% estimated in 2023). Activity growth has remained low, following a slowdown in the first half of the year, GDP remained virtually unchanged. The worst performance was recorded by private consumption and investment. The labor market remains tight, but somewhat looser, with stable employment and a very low unemployment rate (3.6% in 3T23). Inflation has slowed due to lower energy prices (3.8% in December) but remains high and well above the Central Bank target (2%). For this reason, the Norges bank raised interest rates to 4.5% in December.

- **Finland** (GDP: -0.4% average annual estimated for 2023). Activity in Finland began to recover, albeit slowly, in the first part of the year from the declines in GDP in the second half of 2022. However, in the third quarter it fell again (-0.9% quarterly) and the data known so far, indicate that the weakness has continued in the latter part of the year. The weakness of the Finnish economy is widespread, with declines in private consumption, investment and the external sector, although thanks to the weaker domestic demand, its contribution to GDP will be positive. Inflation has fallen throughout the year since the peak reached in December 2022 (9.5% year-on-year), thanks mainly to the fall in energy prices. The labor market has slowly worsened with 2023, with the unemployment rate rising to 7.6% (it closed 2022 at 6.9%). Vacancies remain very high, although they have been reduced.

- **Italy:** (GDP: Estimated 0.7% in 2023). Economic activity in 2023 has registered moderate and very stagnant growth in the last half of the year. Private consumption has been progressively affected by high inflation, although in the last quarter it registered a significant reduction (0.6% in December and 3.1% the underlying) due to lower energy prices. Tighter financial conditions have also dragged investments down. Weak external demand has affected exports. Despite poor growth, unemployment has been declining to 7.6% in 3T23, due to the increase in employment. The commitment to fiscal consolidation seems more lax for the future, although by 2023 we expect the debt and deficit to have fallen, the latter from -8% of GDP to -5.3%.

- **Poland** (GDP: +0.6% estimated in 2023). Growth has shown an upward path supported by domestic demand. Consumption has been supported by a strong labor market with full employment and a sharp increase in real household income. Strong wage growth, coupled with the fall in inflation (6.5% in November), has allowed this boost. Faced with this, the Central Bank has slowed its monetary easing, leaving the official rate at 5.75%

- **Portugal** (GDP: +2.1% estimated in 2023). Growth has slowed over the year due to the continued cooling of demand in the rest of the European Union. Despite this, the labor market is still in full employment (6.1% in 3 23) and inflation has moderated rapidly (1.4% in December). Noteworthy is the improvement in Moody's rating until A3, supported by economic and fiscal reforms, private sector deleveraging and the continued strengthening of the banking sector.

- **Austria**. It is estimated that the Austrian economy will close 2023 with a fall in GDP. It grew slightly in the first quarter, after falls in the second half of 2022, but in the second quarter it fell significantly (1.1% quarterly) and in the third quarter it continued in negative terrain. The sharp slowdown has been explained by the significant drop in investment and exports, accompanied by weak private consumption. Inflation has slowed from the peak it reached in January (11.2% year-on-year) and, although it remains at very high levels and above the average for the euro area (it closed the year at 5.6% year-on-year). Despite the economic slowdown, the impact on the labor market has been limited.

Information on expected developments in 2024

The management report contains certain forward-looking information reflecting plans, forecasts or estimates of the administrators, which are based on assumptions that are considered reasonable by them. However, the user of this report should bear in mind that forward-looking information should not be considered as a guarantee of the institution's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties that imply that the future performance of the entity does not have to coincide with that originally anticipated. Such risks and uncertainties are described in the 'Risk Management and Compliance' chapter of this Management Report and in note 47 to the consolidated annual accounts.

The outlook for 2024 is for a moderate economic slowdown, in an environment that will continue to be of relative uncertainty, due to global geopolitical tensions. Inflation, meanwhile, will continue to slow toward the central bank target, allowing regions such as Europe to start reducing rates slowly, particularly during the second half of the year. We do not expect this slowdown to have a marked impact in terms of rising unemployment, due to the narrowness of most labor markets. In a detail by geography, the macroeconomic forecast for 2024 is as follows:

Eurozone

Following the economic stagnation in 2023, we expect the weaker tone to continue in 2024 (GDP forecast at 0.7%). However, the eurozone can avoid going into recession because we expect a revival of private consumption and external demand. Inflation will continue to decline, but not linearly, as the withdrawal of fiscal measures will lead to transient rebounds. The unemployment rate is expected to rise slightly in the labor market, but it will remain close to historic lows. Fiscal policy, we believe, will take a restrictive tone as the Stability Pact is revived. On the other hand, the reduction in inflation may open the way to lower interest rates in the second half of 2024.

Spain

Growth is expected to slow down in 2024 to 1.4%, which will go from less to more. Private consumption will be the main driver of growth as household disposable income will remain high (less inflation and a predictable rate drop in 2024 and a stable labor market). Inflation (general and underlying) is expected to end the year at around 3%. Energy will no longer subtract further inflation and the withdrawal of measures against the energy crisis will be a step in inflation. Despite this, the underlying pressures will be moderated and we do not expect second-round effects.

Germany

Average growth of 0.6% is expected for 2024. A recovery in German growth is expected for 2024, in a year that will go from less to more. The main driver will be private consumption, which will be favored by an environment of lower prices and interest rates that have already hit the ceiling. Investment will also improve in 2024, but the industry continues to face significant structural challenges. The contribution of the external sector will be negative in 2024 due to the higher growth of imports in line with stronger domestic demand. Inflation will continue to decline in 2024 (both general and underlying) gradually, ending the year at around 2.5 per cent.

France

GDP growth will accelerate in 2024, but will remain below 1% (we estimate 0.8%). As inflation slows and households' purchasing power increases, consumer spending will recover, driving economic growth from less to more. We expect business investment to remain resilient, although it should grow a little slower than activity. Job creation will continue, but at a slower pace than in 2023. Inflation should fall by 3% by mid-2024, and end the year by about 2.5% (also the underlying).

Norway

Activity will remain strong, but continental GDP growth will be moderate in 2024 (around 1%). This will keep core inflation high, forcing the Central Bank to maintain the strict financial conditions that will weigh on household consumption (households continue to maintain a high level of indebtedness) and investment, especially the housing construction industry. The expected gradual acceleration in Europe will affect Norway's exports, and so far the depreciated krone has helped the dynamism of tourism that could continue to support services exports. The scarcity of the labor market together with the slowdown in inflation in the second half of the year will allow some growth in consumption. The labor market has already begun to show signs of slack (greater labor supply and lower employment growth), so the unemployment rate will increase from the current 3.6% to about 4% of the working population. Inflation will slow as the krona appreciates and could reach 2% in September when we expect Norges Bank to begin its monetary easing process with the first cut of 25 pb (up to 4.25%) that would continue in the last meeting in december with another cut that would bring the official interest rate to 4%.

Finland

Activity will gain dynamism as the year progresses, but it will do so slowly and already the drag effect of poor performance at the end of 2023 will make the average GDP growth in the year limited or we could even see a new, although lower, cession of the activity. The labor market will notice the economic weakness, where we will see a fall in the employment rate and an increase in unemployment, although the deterioration will be limited. Labour shortages in some sectors will continue to be a problem. Inflation, both general and underlying, will continue to moderate in 2024, although, on average, it will still be at levels above 2%.

Italy

The economy is expected to grow by 0.6% this year as activity progressively recovers thanks to an improvement in private consumption driven by an increase in real household income - we expect an average inflation of 2% - and the maintenance of job creation that it will allow the unemployment rate to remain at 7.7%. Public spending will be supported by EU Next Generation Recovery Funds, investment will be undermined by still tight financing conditions and the disappearance of incentive effects for the construction sector, effects partly offset by the European Recovery and Resilience Funds. The external sector will improve as the year progresses as a result of the gradual improvement of world trade and activity in Europe. With regard to public accounts, the deficit is expected to decrease to 4.4% of GDP thanks to the elimination of measures aimed at helping families cope with the energy cost and the elimination of tax credits for housing.

Poland

The economy began to rebound in 3T23 and GDP growth in 2024 is expected to be more pronounced, around 3%, driven by private consumption. We expect the strong labor market and rising real incomes to support domestic demand. The external situation will contribute less to this scenario of economic recovery. We expect further falls in inflation to 4%

year-on-year in the first quarter and then rebound around 6%, all depending on the measures of the new government. We assume that the central bank's benchmark interest rate could remain unchanged at 5.75% until the fourth quarter of 2024.

Portugal

After a year of moderation, 2024 is expected to be a year of stagnation (0.2% GDP growth). If core inflation continues to moderate longer, monetary policy will need to remain restrictive for a longer period. In addition, increasing geoeconomic risks and renewed energy shock also increase fears of increased inflationary pressures in 2024. In this context, the Portuguese economy will not be immune to the gradual improvement in external demand, where companies will try to keep their margins high as domestic demand loses momentum, which may consequently contribute to a deterioration in labor market conditions. Unemployment is expected to rise to its natural level (7.8%) and inflation is expected to remain above 2%. We expect the fiscal deficit to be close to equilibrium, after the 2023 surplus, as fiscal revenues lose traction driven by a weaker labor market and economic activity. The fiscal budget must maintain a path of fiscal consolidation, essential for achieving a sustainable trend in public debt.

Austria

Activity will gain dynamism as 2024 progresses and return to growth, leaving behind the poor performance accumulated by the Austrian economy since mid-2022, where private consumption will be the driver of growth. The labor market will remain robust, but the weakness of economic activity will be reflected in 2023 with lower employment growth and a slight increase in the unemployment rate. Inflation will continue to slow down, but will remain high in the medium term.

Economic outlook

Financial markets

Financial markets ended 2023 up optimistically trading an upcoming turn in monetary policies in advanced countries. Periods of monetary policy easing, and more in the early stages, historically often lead to a downward correction in long-term debt returns. This pattern of behavior repeat itself in 2024, although with a larger track record in US debt than in German debt. Another trend in the sovereign debt market will be a gradual normalization of the slopes of the yield curves once official rates begin to decline.

The expected narrowing of interest rate differentials and the narrower cyclical gap between the US economies and the eurozone advocate a slow and gradual depreciation of the dollar.

The smooth landing of the economy we believe will support equity markets. The global environment suggests positive but low absolute returns for equities in 2024. The slowdown in activity, the higher interest burden and the lower capacity to translate costs to prices mean greater pressure on profit margins

In emerging economies, a major focus of uncertainty remains the Chinese economy and the measures it takes to solve its problems in the real estate sector.

The risk in this central scenario would be that central banks in the advanced ones would delay the start of their Y cuts or the Chinese economy slowing further, with adverse effects on investor appetite.

The banking environment will be marked by a change of bias in monetary policy, the gradual withdrawal of excess liquidity and economic cooling, which will have an impact on the interest margin and the evolution of portfolio quality.

Risks are biased downwards and may come from non-bank financial players, with the risk of disorderly asset price adjustments and market liquidity disruptions. Still, for the moment, most entities are in a position of solid solvency to face such a scenario.

In addition to the economic environment, banks must cope with the acceleration of the business digitalization process and the knowledge and management of the risks associated with climate change.

Financial regulation

In 2024, a greater weight of the sustainability, digital and retail banking agenda is expected. As happens every five years, the June 2024 European Parliament elections could slow down the adoption and submission of new proposals.

Prudential and resolution

Following the 2023 agreement in Europe on Basel 3 reform, the final framework is expected to be published in early 2024 and its implementation from 1 January 2025. The Basel Committee will continue to work on lessons from the fall of Silicon Valley Bank and Credit Suisse, and on further developments of the prudential framework for crypto asset exposures. On the other hand, we expect to discuss specific issues such as the framework for capital buffers in Europe as well as the framework for securitizations at international level. We do not expect much progress in the revision of the crisis management framework in Europe, given the absence of consensus on issues that are considered highly political and sensitive.

Sustainability

Agreements are expected on the due diligence directive, energy efficiency directive and ESG ratings in Europe. During 2024 the European Commission will work on its commitment to reduce the reporting burden, which involves reducing requirements by 20%. The EBA, EIOPA and ESMA are expected to publish their proposal for the definition of greenwashing in the European financial sector. In addition, the EBA will consider the desirability of revising the Pillar 1 framework to ensure that climate and environmental risks are properly integrated into the prudential framework. In parallel, we expect you to start working on the content guides of the transition plans for banks. The Basel Committee will reach an agreement to complement the transparency requirements of Pillar 3, with environmental risk management information.

Digital

It is expected that all discussions in the field of artificial intelligence (AI) will be further intensified, in the heat of the manifestations of opportunities and risks of the use of generative artificial intelligence. It is this issue that has prevented the adoption in 2023 of the AI regulation in Europe, which is now expected in 2024. We will also see the development of more international principles from different forums, along with those of the G7, recently adopted. Discussions in the world of data, payments and CBDCs will continue very intensively. The Financial Stability Board (FSB) approved different frameworks of recommendations for the regulation of crypto assets and stablecoins during 2023 that are expected to be implemented by some jurisdictions during 2024.

Retail banking

The debate will focus heavily on the European Commission's Retail Investment Strategy and on specific issues in specific jurisdictions linked to the debate on consumer protection and rising cost of living.

Business evolution

After a difficult environment in 2022, 2023 was also a complex year due to rising interest rates that affected new business profitability, cost of risk and customers' credit appetite. Some of the headwinds were: i) the change of TLTRO contractual conditions, ii) rising interest rates that put pressure on consumer finance monoliners' margins, compressing them while loan books reprice, added to a time when the Auto and Consumer industries are transforming towards more sustainable businesses (from a mobility and consumption perspective), iii) provisioning for the Swiss franc mortgage portfolio in Poland, and iv) normalization from a very low cost of risk towards the average across the cycle.

After a 2022 in which new market registrations in Europe fell by 4% compared to 2021 and -29% compared to 2019, in 2023 they grew by +14% compared to 2022. New business volumes increased by 13% in new cars and fell 4% in used cars, both year-on-year, slightly below the transactions of our market, as we prioritize profitability over volume. The new business is also being actively revalued to compensate for the higher financing costs resulting from the rise in interest rates in recent quarters.

The stock of loans and advances to customers reached 117,642 million euros, 8% more than in 2022 rose by 8%. Portfolios continue to be monitored to prevent the impact of deterioration on activity. In addition, the balance of assets transferred under operating leases reached 3,925 million euros, increasing by 29% compared to the previous year.

Customer deposits increased by 18% in euros, to 48,844 million euros. Access to wholesale finance markets remains strong and diversified. New operations are being actively revalued to offset higher financing costs.

Results

Santander Consumer Finance obtained an attributable profit in 2023 of 1,003.9 million euros less than 2022 by 238.9 million euros and being able to compensate for the negative impacts of a macro environment marked by high inflation, the rise in interest rates and the impact of certain regulatory changes that have impacted several of the geographies in which Santander Consumer Finance is present. Likewise, the year 2023 is impacted by the change of perimeter derived from the renewal of the agreement with Stellantis.

By heading of the income statement, the following impacts are:

- **Interest margin** decreased by 4.1% compared to the previous year, impacted by the sharp increase in financing costs, higher interest rates that have impacted during the full year and the change in TLTRO conditions. In 2023, the margin is also particularly impacted by the change of perimeter resulting from the renewal of the agreement with Stellantis that involved the sale of the joint ventures of the UK and Germany (including the branch in Austria). These impacts have been partially mitigated by active margin management and price review initiatives on new loans.

  The liquidity position has remained strong at all times and no additional liquidity stresses have been generated, thanks to the evolution of deposits and wholesale line arrangements. Liquidity metrics have remained above their internal limits and in compliance with regulatory levels. At the end of December, the consolidated LCR (Liquidity coverage ratio) of SCF Subgroup was 357% and the NSFR (Net Stable Funding Ratio) for the same perimeter was 111% maintaining comfortable levels throughout the year.

- **The commissions** were 6.9% lower than the previous year affected by the new regulations that impact insurance commissions in Germany and partially compensated by improvements in the rest of the geographies.

- **Financial Transaction Results** reflect the positive result of hedging operations and write-off assets and liabilities at amortized cost.

- The **other operating results** increased by 17.8% with the growth of the results of the leasing activity and the lower contribution to the Single Bank Resolution Fund, which offset the negative impact of the new bank tax in Spain paid in 2023.

- **Operating and amortization costs** stand at €2,093 million, up 7.6% from 2022 due to inflation, strategic and transformation investments to increase future revenues and reduce operating expenses of new businesses. It also includes the impact of perimeter changes due to the renewal of the agreement with Stellantis and the acquisition of MCE Bank. The efficiency ratio stood at 46.2%, increasing compared to the previous year due to the impact of the fall in revenue mentioned in the previous paragraphs.

- **Provisions for bad debts** were 51.3% higher than the previous year due to the normalization of credit quality and a very low comparison base. The cost of credit stood at 0.59%, 17 bp higher than the previous year and a default ratio of 2.15% very similar to 2022 (2.06%).

- **Other results** grow significantly, especially due to the gains generated by the renewal of the agreement with Stellantis in 2023.

In summary, **Santander Consumer Finance continues to generate high revenues and results while maintaining high profitability, efficiency and a low cost of credit in a year marked by inflation and strong rise in interest rates consolidated in 2023. Expectations for 2024 are positive in all the markets in which it operates.**

Strategy

SCF is a European leader in consumer finance, is present in 18 countries (16 in Europe, China and Canada) and works through more than 130,000 associated points of sale. It offers its customers and partners a value proposition to improve their sales capabilities by financing products and developing advanced technologies that give them a competitive advantage. SCF aims to become the best provider of automotive finance and digital mobility services in Europe.

SCF's goal is to offer competitive financing solutions to maintain our European leadership in Profitability and scale in car and consumer loans, taking advantage of our own platforms in mobility, leasing, subscription and BNPL.

The strategy developed in 2023 is based on the following priorities:

- **Strengthen leadership in digital consumer lending,** focused on growth and transformation:
    - **Auto: Reinforce** the leading position in car finance, gain market share, strengthen the leasing business and develop subscription services. SCF focuses on providing advanced digital financing capabilities to its partners to support their sales growth strategy and the best customer experience.
    - **Consumer (not auto):** Gain market share by specializing and developing Technology platforms leveraging Europe's leading position in buy now, pay later (BNPL), credit cards and direct loans.
    - **Retail:** focus on digital banking.
- **Continue the transformation of the operating model** in Europe while maintaining efficiency and being a reference in the sector, through:
    - A **simplified** operational structure, using **common technological platforms;** redesign and **automation of processes.**
    - **Reducing sensitivity to rate increases** by boosting deposit collection and accelerating the revaluation of new loans.
    - **Increase profit** through strategic operations such as Stellantis (auto), the launch of auto leasing and subscription; the development of BNPL.; and the acquisition of Mitsubishi Bank Germany.
- Promote **technological transformation** projects in Europe, with new agreements with manufacturers, the car leasing platform
- **At ESG,** the transition to a greener economy is taking place by doing business sustainably. SCF supports the green transition of its customers through the financing of clean vehicles, solar Groups, bicycles, heating systems and energy solutions.

SCF has been recognized as a Top Employer or Great Place to Work (GPTW) in four countries.

Alternative performance measures (APMs)

In addition to financial information prepared under the International Financial Reporting Standards (IFRS), this report includes certain alternative performance measures (APMs) for the purpose of complying with the guidelines on alternative performance measures published by the European Securities and Markets Authority (ESMA) on 5 October 2015, as well as non-IFRS measures.

These APMs and non-IFRS measures have been used to plan, monitor and assess our evolution. We believe that these APMs and non-IFRS measures are useful for management and investors since they facilitate the comparison of operating performance between periods. Although we believe that these APMs and non-IFRS measures allow for a better assessment of the evolution of our business, this information should be considered only as additional information, and in no case substitute for financial information prepared under IFRS. In addition, the way Santander Group defines and calculates these APMs and non-IFRS measures may differ from the way they are calculated by other companies using similar measures and therefore may not be comparable.

The APMs and non-IFRS measures used in this document can be categorized as follows:

Indicators of profitability and efficiency

The efficiency ratio allows to measure how many administrative overheads (staff and others) and depreciation expenses are needed to generate income.

Roa ratios have been incorporated, considering that they better reflect the evolution of the underlying business.

Ratio	Formula	Relevance of use
RoA (return on assets)	$\frac{\text{Profit /loss of the year}}{\text{Average of total assets}}$	This metric measures the return on the Bank's total assets. It is an indicator that reflects the efficiency in managing the company's total assets to generate profit
Efficiency ratio (cost to income)	$\frac{\text{Operating expense (*)}}{\text{Gross margin}}$	One of the most widely used indicators when comparing the productivity of different financial institutions. It measures the level of resources used to generate the Group's operating income.

(*) Operating costs: Administrative overhead + amortization

Profitability and efficiency (thousands of euros	2023	2022
Roa	0.92 %	1.23 %
Profit / loss for the year	1,321,150	1,601,623
Total assets	143,347,488	130,279,694
Efficiency ratio (cost to income)	(46.24%)	(41.87%)
Operating expenses	(2,093,356)	(1,945,415)
Administrative expenses	(1,884,565)	(1,756,232)
Amortization	(208,791)	(189,183)
Gross margin	4,527,405	4,646,491

Credit risk indicators

Credit risk indicators measure the quality of the credit portfolio and the percentage of the delinquent portfolio that is covered by insolvency provisions.

Ratio	Formula	Relevance of use
NPL ratio	Doubtful balances of loans and advances to customers, guarantees to customers and commitments granted to customers / Total risk (1)	The NPL ratio is a very important variable in the activity of financial institutions, as it provides information on the level of credit risk assumed by financial institutions. It relates the risks classified for accounting purposes as doubtful to the total balance of loans granted, for customers and contingent risks.
Coverage ratio	Loan loss provisions (2) / Doubtful balances of loans and advances to customers, guarantees to customers and commitments granted to customers	One of the most widely used indicators when comparing the productivity of different financial institutions. It measures the level of resources used to generate the Group's operating income

Ratio	Formula	Relevance of use
Cost of credit	Impairment (3) / Financial assets at amortised cost – Loans and	This ratio relates the level of accounting impairments for credit risk in a given period of time that are necessary based on the portfolio of loans granted to customers, and therefore serves to measure the Group's credit quality.

(*1) Total risk = normal and doubtful balances of loans and client advances and client guarantees + normal and doubtful balances of contingent client commitments.

(*2) Provisions for hedging losses on loans and advances to customers, guarantees to customers and commitments granted to customers.

(*3) impairment or (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss or (-) net gains on modification.

Credit risk (thousands of euros and %)	2023	2022
Delinquency rate	2.15 %	2.06 %
Impaired assets	2,512,918	2,180,048
Commitments and guarantees granted	27,854	59,106
Loans and advances to customers without considering impairment adjustments	117,641,700	108,455,886
Commitments and guarantees granted total	362,244	355,245
Coverage ratio	84.79 %	88.61 %
Impairment losses on loans and advances to customers at amortized cost and at fair value through other comprehensive income	2,154,375	1,984,064
Impaired assets	2,512,918	2,180,048
Commitments and guarantees granted	27,854	59,106
Cost of credit	0.59 %	0.42 %
Impairment	(683,873)	(451,931)
Loans and advances - Customers	115,508,383	106,499,832

Corporate principles

Grupo Santander, of which Santander Consumer Finance is a part, has set itself as a strategic objective to achieve excellence in risk management. It has always been a priority axis of action throughout its more than 150 years of experience.

In recent years, it has accelerated its evolution to anticipate and respond to the great challenges of an ever-changing economic, social and regulatory environment.

Consequently, the risk function is more important than ever for Grupo Santander to remain a solid, safe and sustainable bank, an example for the entire financial sector and a benchmark for all those who aspire to turn leadership into risks into a competitive advantage.

Santander Consumer Finance aims to build the future through early management of all risks and to protect the present through a robust control environment. Thus, it has determined that the risk function is based on the following pillars, which are aligned with the strategy and business model of the Santander Group and take into account the recommendations of the supervisory bodies, regulators and best market practices:

1. The business strategy is defined within the risk appetite. The Board of Santander Consumer Finance determines the amount and typology of the risks it considers reasonable to assume in the execution of its business strategy and its development in objective limits, verifiable and consistent with the risk appetite for each relevant activity.

2. All risks must be managed by the units that generate them through advanced models and tools integrated into the different businesses. Santander Consumer Finance is promoting advanced risk management with innovative models and metrics, in addition to a control, reporting and scaling framework, which allow to identify and manage risks from different perspectives.

3. Anticipatory vision for all types of risks must be integrated into the processes of risk identification, assessment and management.

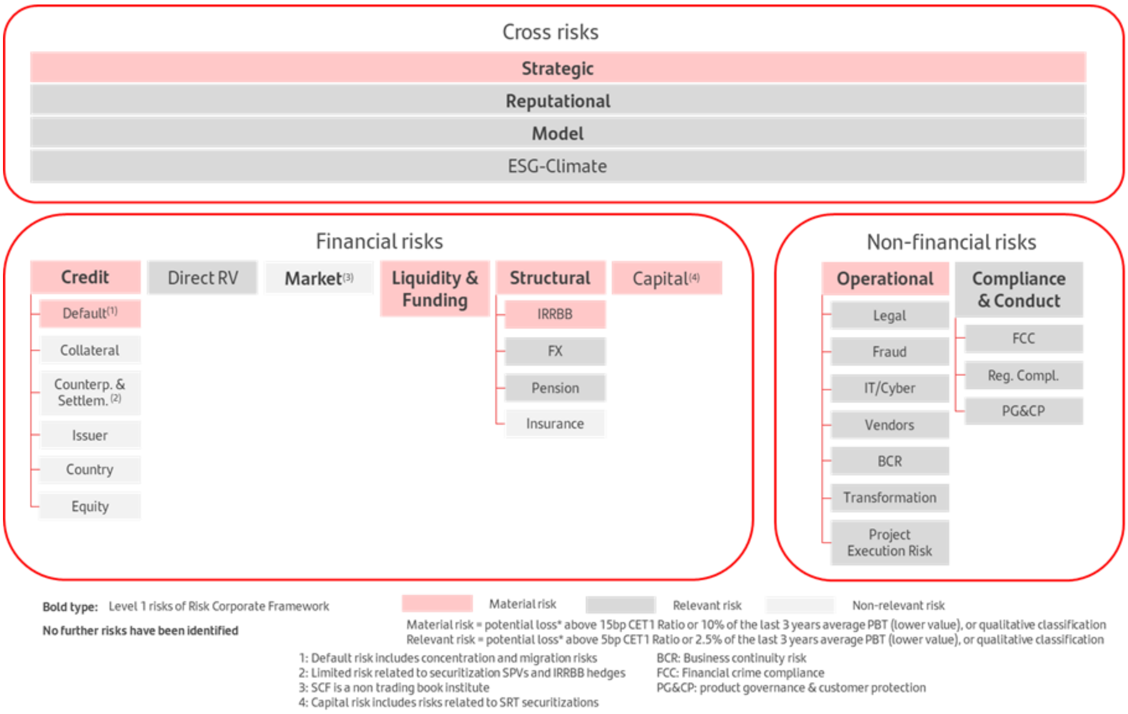
4. The independence of the risk function encompasses all risks and provides an adequate separation between the risk generating units and those responsible for their control. It implies that it has sufficient authority and direct access to the management and governance bodies responsible for setting and overseeing risk strategy and policies.

5. Risk management needs to have the best processes and infrastructures. Santander Consumer Finance aims to be the reference model in the development of infrastructures and processes to support risk management.

6. A risk culture integrated throughout the organization, comprising a series of attitudes, values, skills and guidelines for action against all risks. Santander Consumer Finance understands that advanced risk management cannot be achieved without a strong and constant risk culture that is present in each and every one of its activities.

Risk map

Santander Consumer Finance has a recurring process for the identification of the material risks to which it is or may be exposed, which is reflected in the risk map. Material risks should be incorporated into risk appetite, risk strategy, risk profile assessment exercise and ICAAP/ILAAP. Below is the latest update of the Santander Consumer Finance risk map.



In its first level the risk map includes the following (General Risk Framework):

- **Credit risk** is the risk of financial loss caused by the default or impairment of the credit quality of a client or other third party, to which Santander Consumer Finance has financed or for which a contractual obligation has been assumed.
- **Market risk** is the risk incurred as a result of changes in market factors affecting the value of positions in trading portfolios. This risk is not relevant in Santander Consumer Finance because it is not a trading institution.
- **Liquidity risk** is the risk that Santander Consumer Finance does not have the liquid financial assets necessary to meet its obligations at maturity, or can only obtain them at a high cost.
- **Structural risk** is the risk derived from the management of the different balance sheet items, both in the bank portfolio and in relation to insurance and pension activities.
- **Capital Risk** is the risk that Santander Consumer Finance does not have sufficient capital, in quantity or quality, to meet its internal business objectives, regulatory requirements, or market expectations.
- **Operational risk** is defined as the risk of loss due to inadequacy or failure of internal processes, personnel and systems or due to external events. This definition includes legal risk.
- **Financial crime risk** is the risk arising from actions or the use of the group's means, products and services in criminal or illegal activities. These activities include, inter alia, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery and tax evasion.

- **Strategic Risk** is the risk of loss or damage arising from strategic decisions, or their poor implementation, affecting the long-term interests of our main stakeholders, or an inability to adapt to the evolving environment.

- **Reputational risk** is defined as the risk of a negative economic impact, current or potential, due to an impairment in the perception of the bank by employees, customers, shareholders/investors and society in general.

- **Model risk** is the risk of loss derived from inaccurate predictions, which may result in the bank making sub-optimal decisions, or from improper use of a model.

The material risks in Santander Consumer Finance are: Credit, default (including concentration and migration), liquidity and funding, structural, structural interest rate, capital, operational, financial and strategic crime.

The relevant risks in Santander Consumer Finance are: Direct residual value, structural exchange rate, pensions, legal, fraud, IT and cyber risk, suppliers, operational resilience, transformation, people, data, processes, regulatory compliance, conduct, reputational, model and ESG risks (related to environmental and climate, social and governance factors).

There are two types of risk whose relevance is increasing in recent times and for which Santander Consumer Finance is strengthening its management and control: Direct residual value risk and ESG/climate risks.

Direct residual value risk is defined as the risk of loss that an entity may have if at any time during the life of an automobile contract (loan, lease, etc.) the customer has the option or obligation to return the vehicle as a full and final settlement, due to uncertainty about the sale price of the vehicle made at that time.

ESG factors (environmental and climate, social and governance) can influence traditional risk types (credit, liquidity, operational, reputational, etc.) arising from the physical effects of climate change, generated by specific events as well as chronic changes in the environment, such as environmental and environmental factors. or the process of transition to a model of development of lower emissions, including legislative, technological or behavioral changes of economic agents, as well as the failure to meet the expectations and commitments acquired.

Corporate Risk Governance

The objective of the governance of the risk function is to establish adequate and efficient risk decision-making as well as effective risk control and to ensure that risks are managed according to the level of risk appetite approved by the Board of administration of Santander Consumer Finance.

To this end, the following principles are established:

- Separation of decision-making and risk control.

- Strengthening the responsibility of risk-generating functions in decision-making.

- Ensure that all risk decisions have a formal approval process.

- Ensure an aggregate view of all types of risks.

- Strengthen risk control committees.

- Maintain an agile and efficient committee structure, ensuring:

    - Participation and involvement in risk decisions, as well as in their supervision and control, of management bodies and senior management.

    - Coordination between the different lines of defense that configure the functions of risk management and control.

    - Alignment of objectives, monitoring of compliance and implementation of corrective measures when necessary.

- Existence of an adequate environment for managing and controlling all risks.

In order to achieve these objectives, the Model Governance Committees scheme must ensure adequate:

- Structure, which implies, at least, stratification according to levels of relevance, balanced delegation capacity and incident elevation protocols.

- Composition, with members of sufficient level of interlocution and sufficient representation of the business and support areas.

- Operability, that is, frequency, minimum attendance level and appropriate procedures.

The governance of risk activity should establish and facilitate the channels of coordination between the units and Santander Consumer Finance , as well as the alignment of risk management and control models.

The governing bodies of Santander Consumer Finance units will be structured according to local regulatory and legal requirements and the size and complexity of each unit.

There are special situations committees (Gold, Silver and Bronze) that will be activated to follow up immediately on any event that may affect the business and activity of the entity.

Roles and responsibilities

The risk function is structured into three lines of defense, according to corporate policy, to manage and control risks effectively:

- First line of defense: Business functions that take or generate risk exposure constitute the first line of defense. The first line of defense identifies, measures, controls, monitors and reports the risks that arise and applies the internal regulations that regulate risk management. Risk generation should be adjusted to the approved risk appetite and associated limits.

- Second line of defense: Formed by the risk functions, which independently supervise and question the risk management activities carried out by the first line of defense. This second line of defense should ensure, within their respective areas of responsibility, that risks are managed according to the risk appetite defined by senior management and promote a strong risk culture throughout the organization.

- Third line of defense: The Internal Audit function is independent to assure the board of directors, and senior management, the quality and effectiveness of internal controls, government and risk management systems, helping to safeguard our value, solvency and reputation.

Structure of Risk Committees

Responsibility for risk control and management lies ultimately with the Board of Directors, from which the powers delegated to commissions and committees emanate. At Santander Consumer Finance, the Board relies on the Risk Supervision, Regulation and Compliance committee, as an independent risk control and oversight committee. In addition, the Executive Committee devotes special attention to risk management. These statutory bodies form the highest level of risk governance.

Bodies for independent control

- *Risk, Regulation and Compliance Supervision Commission (CSRRC):*

  The Commission's mission is to assist the Board of Directors in the supervision and control of risks, in the definition and evaluation of risk policies, as well as in the determination of risk propensity and risk strategy.

  It is composed of external or non-executive directors, with a majority representation of independent directors and chaired by an independent director.

  The functions of the Risk, Regulation and Compliance Supervision Commission are:

  - Support and advise the Board of Directors in the definition and evaluation of risk policies affecting Santander Consumer Finance and in the determination of risk propensity and risk strategy.

  - Ensure that the pricing policy for assets and liabilities offered to clients takes full account of the business model and risk strategy.

  - Know and evaluate management tools, improvement initiatives, project evolution and any other relevant activity related to risk control.

  - Determine, together with the Management Board, the nature, quantity, format and frequency of risk information to be received by the Commission and the Management Board.

  - Collaborate to establish sound remuneration policies and practices. For this purpose, the Risk Supervision, Regulation and Compliance Commission shall examine, without prejudice to the functions of the Remuneration Commission, whether the incentive policy provided for in the remuneration system takes into account risk, capital, liquidity and probability and opportunity of profits.

- *Risk Control Committee (CCR):*

  This collegiate body is responsible for the supervision and global risk control of Santander Consumer Finance in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A.

Its objectives are:

- To be the instrument for effective risk control, ensuring that risks are managed according to the Bank's level of risk appetite approved by the Board of Directors of Santander Consumer Finance, S.A., and allowing a comprehensive view of all the risks identified in the risk map of the general risk framework, including the identification and monitoring of both current and emerging risks and their impact on the risk profile of the Santander Consumer Finance Group.

- Ensure the best estimate of the provision and its proper registration.

This committee is chaired by the Chief Risk Officer (CRO) of Santander Consumer Finance and is composed of executives of Santander Consumer Finance. They are represented, at least, among others, the risk function, which the presidency exercises, and the functions of compliance, financial and management control, as well as representatives of the business areas. The CROs of local entities may participate periodically in order to report, among others, the risk profile of the different entities.

The Risk Control Committee reports to the Risk Supervision, Regulation and Compliance Committee and assists it in its role of supporting the Board of Directors.

– *Provisions Committee:*

The Provisions Committee is the collegiate decision-making body responsible for the global management of the provisions in accordance with the powers delegated by the Executive Committee of Risks of Santander Consumer Finance, S.A. and will supervise, within its area of action and decision, all topics related to Santander Consumer Finance provisions. Its objective is to be the instrument for decision-making, ensuring that they are within the government of provisions established in Santander Consumer Finance, as well as to inform the Board of Directors or its committees of their activity when necessary

<u>Decision-making bodies</u>

– *Executive Risk Committee (CER):*

The Risk Executive Committee is the collegiate decision-making body responsible for global risk management in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A., and will continue, in its scope of action and decision, all risks identified by the Bank.

Its objective is to be the instrument for making risk-taking decisions at the highest level, ensuring that they are within the limits set in the risk appetite of the Santander Consumer Finance Group, as well as report its activity to the Council or its commissions when required.

This committee is chaired by the Head of Santander Consumer Finance and is composed of executive directors, and other executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance. The CRO of Santander Consumer Finance has the right of veto over the decisions of this committee.

– *Sub-Committee on Proposals (RPSc):*

Santander Consumer Finance's Sub-Committee on Risk Proposals is the collegiate decision-making body responsible for making decisions relating to business operations and countries, in terms of credit, market, liquidity and structural risk (or any other type of risk if necessary), ensuring that they are within the limits set in Santander Consumer Finance's risk appetite as well as reporting their activity to the Risk Executive Committee when required.

This committee is chaired by the CRO of Santander Consumer Finance, and is composed of executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance.

<u>The Risk Committee structure of the Western Hub branches:</u>

Under the merger agreements and for the purpose of ensuring proper governance and continuity of the risk function of the branches of the Western Hub by Santander Consumer Finance, S.A (absorbing company):

- As many powers, powers and attributions in matters of risk were granted individually or collectively in the branches, they will remain in force under the same terms and conditions.

- What is particularly established in its approval and risk control committees shall remain in force with the same functions, unless one or more powers are expressly claimed by a higher-ranking body.

- Any discrepancy in the understanding of the powers and competence of the committees shall be interpreted in the sense that it best favors the governance functions of the company as a whole and, in any case, subject to the practices and uses of the bodies of higher hierarchy of the entity Santander Consumer Finance S.A.

Organizational structure of the risk function

The Group Chief Risk Officer (GCRO) is responsible for the risk function at Santander Consumer Finance and reports to the Head of Santander Consumer Finance, who is a member of the Board of Directors.

The GCRO, which provides advice and challenges to the executive line, reports in addition and independently to the Risk Supervision, Regulation and Compliance Commission as well as to the Board of Directors.

Advanced risk management has a holistic and anticipatory view of risks, based on intensive model use, aimed at building a strong control environment while meeting the requirements of the regulator and supervisor.

The risk management and control model shares, in Santander Consumer Finance, basic principles through corporate frameworks. These emanate from the Group itself and Santander Consumer Finance has joined them through their respective management bodies, shaping the relations between the subsidiaries and Santander Consumer Finance, including its participation in the making of relevant decisions through their validation.

The Group-Subsidiaries and Good Governance Practices model for subsidiaries recommends that each subsidiary have a statutory risk committee and another executive risk committee, chaired by the Chief Executive Officer (CEO), in line with the best standards of corporate governance, homogeneous to those existing in the Group and collected through the corporate framework, to which Santander Consumer Finance is adhering.

The administrative bodies of Santander Consumer Finance, according to the internal governance framework established by the Group, have their own risk faculties model (quantitative and qualitative), it must follow the principles of action contained in the models and frameworks of reference that are developed at the corporate level.

Given its ability to provide a comprehensive and aggregated view of all risks, the corporation reserves the powers to validate and challenge operations and management policies in the different units, insofar as they affect the Group's risk profile.

The identification and assessment of all risks is a cornerstone for their control and management. The Group's main types of risk are described below: Credit Risk, Market Risk, Operational Risk, and Compliance and Conduct Risk.

Santander Consumer Finance has undertaken several initiatives to improve the relationship between Santander Consumer Finance and its subsidiaries, and to improve the advanced risk management model.

II. Credit risk

Credit risk stems from the possibility of losses arising from the failure of clients or counterparties to meet their financial obligations with the Group, in full or in part.

The risk function in Santander Consumer Finance is organised by customer type, distinguishing between individualised and standard customers throughout the risk-management process:

– Individualised customers are those assigned to a risk analyst, mainly because of the risk they entail. This category includes Wholesale Banking companies and some Retail Banking companies. Risk management involves expert analysis, complemented by decision-making support tools based on internal risk assessment models.

– Standard risks are those customers to whom no risk analyst is expressly assigned. They generally include risk with individuals, individual businesspeople and non-individualised retail banking companies. Management of these risks is based on internal-assessment and automatic-decision models, complemented by teams of analysts specialized in specific risk types when the model does not cover the risk or is not sufficiently accurate.

Evolution of magnitudes in 2023

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

As of December 2023, the NPL rate was 2.15%, based on controlled risk, despite the upward trend due to adverse situations experienced throughout 2023, to the measures applied in the units and to the risk appetite of Santander Consumer Finance. Non-performing loans (2,477 million euros) are distributed by units as follows: Nordics accounts for 21% of the total, Spain and Portugal 26%, Germany and Austria 37%, France 8% and Italy 8%. As for the type of portfolio, Auto represents 46% of the total, Direct 35%, Cards 7%, Stock Finance 1%, Mortgages 3%, Durable 3% and others 5%.

Despite the macroeconomic environment due to interest rate hikes, inflation, the war between Russia and Ukraine, the default ratio has closed slightly above the December 2022 figure (9 basis points).

In terms of the cost of credit, this ratio has a low risk profile thanks to the granularity and predictability of Santander Consumer Finance portfolios. The cost of 12-month credit at the end of December 2023 was 0.59%.

Main magnitudes and evolution

The credit risk portfolio profile of Santander Consumer Finance is characterized by a diversified geographical distribution and the predominance of retail banking activity.

Global Credit Risk Map 2023

The following table details the global map of gross credit exposure by geographical area:

SCF Group - Gross Credit risk exposure			
	2023 (million euros)	Variation December 2022	% Portfolio
Spain and Portugal (*)	16 159	8 07 %	13 74 %
Italy	15 542	50 14 %	13 21 %
France	19 412	21 78 %	16 50 %
Germany and Austria	44 172	4 92 %	37 55 %
Nordics (Scandinavia)	17 390	(2 39) %	14 78 %
United Kingdom	—	— %	— %
Rest	4 967	10 90 %	4 22 %
Total	117 642	8 47 %	100 00 %

In terms of vision by products at the end of December 2023, Auto represents 62% of the total gross exposure, direct 11%, mortgages 3%, durables 2%, Stock Finance 14%, cards 2% and others 6%. Germany concentrates the largest percentage of the portfolio with 38% along with Austria. On the other hand Nordics (Scandinavia) represents 15%, and includes the units of Norway, Denmark, Sweden and Finland. France, including Stellantis Joint Ventures, accounts for 17% of the total. Spain, Portugal and their respective units resulting from cooperation with Stellantis, account for 14% of the total.

Information on the estimate of impairment losses

Calculation of expected credit losses:

The expected credit losses are calculated, in the Santander Consumer Finance group, based on parameters (mainly PD and LGD) that are obtained from models developed internally following the specific requirements of IFRS 9, as well as other guidelines issued by regulators, supervisors and other international bodies (EBA, NCA, BIS, GPPC). The models are constructed using internal information with historical depth and granularity sufficiently representative, the experience acquired in the regulatory and management field, as well as forward-looking information based on macroeconomic scenarios, and allow to estimate losses throughout the life of the operation. The models follow a clearly defined life cycle that includes, among others, an internal validation process, monitoring and governance, to ensure their robustness and suitability for use.

Determination of the significant increase in risk:

For the determination of the classification in Stage 2, it is evaluated if there is a significant increase in credit risk (SICR) since the initial recognition of the transactions, considering a set of common principles across the Group that ensure that all financial instruments are subject to this assessment, which considers the particularities of each portfolio and product type from various indicators, quantitative and qualitative. All this, subject to the expert judgment of analysts, who set the thresholds under an adequate integration in management, and implemented according to the approved government. The judgments and criteria used by the Group to establish the thresholds are based on a set of principles and develop a set of techniques. The principles are as follows:

- Universality: All financial instruments under a credit rating must be evaluated by their possible SICR.
- Proportionality: The definition of the SICR must take into account the particularities of each portfolio.
- Materiality: Its implementation must also be consistent with the relevance of each portfolio so as not to incur unnecessary cost or effort.
- Holistic view: The selected approach should be a combination of the most relevant aspects of credit risk (i.e. quantitative and qualitative).

- Application of IFRS 9: The approach should consider the characteristics of IFRS 9, focusing on a comparison with credit risk on initial recognition, in addition to considering forward-looking information.

- Integration of risk management: The criteria must be consistent with those metrics considered in the day-to-day life of risk management.

- Documentation: Appropriate documentation must be prepared. The techniques are summarized below:

  – Stage 2 stability: In the absence of significant changes in the credit quality of portfolios, the volume of assets in Stage 2 should maintain some stability as a whole.

  – Economic reasonableness: At the transaction level, stage 2 is expected to be a transitional classification for exposures that could eventually move into a credit impairment statement at some point or stage 3, as well as for exposures that have suffered credit impairment and whose credit quality is improving and return to stage 1.

  – Predictive power: The SICR definition is expected to avoid as far as possible direct migrations from stage 1 to stage 3 without having been previously classified in stage 2.

  – Time in Stage 2: Exposures are not expected to remain marked as Stage 2 for an excessive amount of time.

The application of several of the above techniques results in the setting of one or more thresholds for each portfolio in each geography. In addition, these thresholds are subject to periodic review by calibration tests, which may lead to the updating of threshold types or their values. To classify financial instruments in stage 2, we consider the following criteria:

- Quantitative Criteria: Changes in the risk of default occurring over the expected life of the financial instrument are analyzed and quantified in relation to its level of credit risk at the initial time. In order to consider significant changes when financial instruments are classified in Stage 2, each subsidiary has defined the quantitative thresholds of its portfolios in accordance with the guidelines of the group, ensuring a consistent interpretation across our geographies. These thresholds can be expressed as an absolute or relative increase in the probability of default.

  Within the aforementioned quantitative thresholds, we consider two types: The relative threshold is understood to be one that compares the current credit quality with the credit quality at the time of the concession of the transaction in percentage terms of variation. In addition, an absolute threshold compares both references in total terms, calculating the difference between the two. These absolute/relative concepts are used homogeneously (with different values) across all geographies. The use of one type of threshold or another is determined according to the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.

- Qualitative criteria: Various indicators are used that are aligned with those employed in the ordinary management of credit risk and in accordance with current regulations (e.g. irregular with more than 30 days, refinancing, etc.). Each subsidiary has defined these indicators for its portfolios, with special attention to reinforce these qualitative criteria through expert judgment. When the presumption of significant impairment of credit risk is eliminated, due to a sufficient improvement of the credit rating, the debtor can be re-classified in Stage 1, without any trial period in Stage 2.

- Definition of default; the new definition of the EBA Guidelines is incorporated into the calculation of provisions, considering their application to the prudential field, and they have also been aligned with the definitions of default and stage 3. This definition leads to the application of the following criteria to classify exposures as Stage 3: one or more payments unpaid for 90 consecutive days, representing at least 1% of the customer's total exposure or identification of other criteria showing, even in the absence of defaults, that the counterparty is unlikely to be able to meet all its financial obligations. The Group applies the principle of contagion of deterioration to all customer exposures marked in arrears. Where a debtor belongs to a group, the principle of contagion of impairment may also apply to all Group exposures. The default rating is maintained during the 3-month trial period following the disappearance of all of the default indicators described above, and this period is extended to one year for restructured loans that have been classified as default.

- Expected life of the financial instrument: The expected life of a financial instrument is estimated taking into account all contractual terms (e.g. advance payments, duration, purchase options, etc.). The contract period (including extension options) is the maximum period for measuring expected credit losses. In the case of financial instruments with undefined contractual maturity and with an available balance component (e.g. credit cards), the expected life shall be estimated taking into account the period during which the institution is exposed to credit risk and the effectiveness of the management practices that mitigate such exposure.

1. Prospective vision

Estimating expected losses requires a high degree of expert judgment and the support of historical, current and future information. In this sense, the estimates of expected loss are based on an unbiased and weighted probability of occurrence of up to five possible future scenarios that could affect the capacity to collect contractual cash flows. These scenarios take into account the time value of money, relevant information available on past events and current conditions and projections of macroeconomic factors that are considered important for estimating this amount (e.g., GDP, house price, unemployment rate, etc.).

The use of forward-looking information through macroeconomic scenarios is common to various internal management processes and regulatory requirements. The guidelines and governance of the Group ensure synergy and coherence between the different processes.

During 2023, the Group updated the macroeconomic scenarios included in the provisioning models with the most up-to-date information on the current environment. Accordingly, the Group uses a forward-looking view to estimate the expected losses.

2. Additional elements

When necessary because they have not been captured under the two above elements, they include, among others, the analysis of sectors, or other axes of credit profile analysis, if their impacts are not sufficiently collected by the macroeconomic scenarios. Also the collective analysis techniques, when the potential deterioration in a group of customers is not possible to identify it individually.

With the elements indicated above, Santander Consumer Finance Group evaluates in each of the geographies the evolution of the credit quality of its customers, for the purposes of its classification in stages and consequently the calculation of the expected loss.

Quantification of additional provisions by the current macroeconomic environment

At the end of 2022, additional provisions were included, where necessary, to cover potential impacts related to the scenario of persistent inflation and high interest rates. Adjustments have been continuously monitored, recalculated or reformulated throughout 2023. In total, at the end of 2023, the additional adjustments recorded by the Santander Consumer Finance Group on the basis of macroeconomic aspects amount to 3.51 million euros and are mainly due to the inclusion of additional effects derived from inflation and interest rates, that do not respond to the historical casuistry included in the projection models. The Group geographies affected by these additional adjustments are the Netherlands and France.

The details of the exposure and impairment losses associated with each of the stages as of 31 December 2023 are shown below. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 (Millions of Euros)				
Credit quality (*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	123,604	—	—	123,604
Degree of speculation	13,008	4,131	—	17,139
Default	—	—	2,541	2,541
Total risk (**)	136,612	4,131	2,541	143,284
Impairment losses	454	266	1,413	2,133,000

Exposure and impairment losses by stage 2022 (Millions of Euros)				
Credit quality (*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	116,422	—	—	116,422
Degree of speculation	12,674	4,172	—	16,846
Default	—	—	2,239	2,239
Total risk (**)	129,096	4,172	2,239	135,508
Impairment losses	477	250	1,229	1,956

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

As at 31 December 2023 and 2022, the Group did not present significant amounts in impaired assets purchased with impairment.

Exercise of sensitivity of provisions

With regard to the evolution of credit risk losses, the Group conducts a sensitivity analysis using simulations in which immediate variations (shocks) of +/- 100 bps occur in the main macroeconomic variables, constantly assuming the current distribution of stages of each portfolio of financial assets. In this way, a set of specific and complete scenarios is used, where different impacts affecting both the reference variable and the rest of macroeconomic variables are simulated. These impacts can have their origin in productivity factors, taxes, wages or exchange rates and interest rates. Sensitivity is measured as the average variation of expected loss corresponding to the mentioned scenarios. Following a conservative approach, negative movements take into account an additional standard deviation to reflect the possible greater variability of losses. Finally, in order to provide a measure of comparable sensitivity between portfolios, in the use of statistical models of scenario analysis, the advances and delays of the model are eliminated, thus avoiding that only part of the simulated shock is captured.

In addition, the Group conducts stress test exercises and sensitivity analysis on a recurring basis in exercises such as ICAAP, strategic plans, budgets and recovery and resolution plans. In these exercises, a prospective vision is created of the sensitivity of each of the Group's portfolios to the possible deviation from the base scenario, considering both the macroeconomic evolution materialized in different scenarios, as well as the evolution of business to three years. These exercises include potentially more adverse scenarios as well as more plausible scenarios.

Detail of main geographies

The following is the risk information for the most relevant segments of the Group, both in terms of exposure and credit risk provisions.

- **Germany**

Information on the estimate of impairment losses

Below is the details of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of Santander Consumer Bank AG and Santander Consumer Leasing, GmbH. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	39,935	79	—	40,014
Degree of speculation	—	834	—	834
Default	—	—	722	722
Total exposure (**)	39,935	913	722	41,570
Impairment losses	104	56	374	534

Exposure and impairment losses by stage 2022 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	37,009	12	—	37,021
Degree of speculation	—	1.145	—	1.145
Default	—	—	566	566
Total exposure (**)	37,009	1,157	566	38,732
Impairment losses	88	38	272	398

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

The NPL for Germany stood at 2.06% at the end of December 2023 (1.78% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. Specifically, in the case of the most significant units in Germany (Santander Consumer Bank AG and Santander Consumer Leasing, GmbH) they consider five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution in 2023 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate (interbank 12m)	4.33%	3.86%	3.11%	2.84%	2.70%
Unemployment rate	7.00%	6.08%	5.18%	4.83%	4.46%
GDP growth	(0.18%)	0.31%	1.29%	2.22%	2.69%
Growth in housing prices	(2.66%)	(0.99%)	2.35%	4.52%	5.61%

The following is the projected evolution in 2022 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate (interbank 12m)	4.04 %	3.19 %	2.33 %	1.71 %	1.09 %
Unemployment rate	7.70 %	6.42 %	5.14 %	4.84 %	4.54 %
GDP growth	(0.45 %)	0.45 %	1.36 %	2.08 %	2.80 %
Growth in housing prices	(4.54 %)	(2.55 %)	1.70 %	3.73 %	5.80 %

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of their allocation, Santander Consumer AG and Santander Consumer Leasing, GmbH associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Germany is shown:

	Expected loss variation IFRS9			
	New car	Used car	Leasing new	Direct
GDP growth:				
(100) p.b.	1.33%	1.36%	10.29%	7.18%
100 p.b.	(0.62%)	(0.63%)	(2.92%)	(3.08%)
Unemployment rate:				
(100) p.b.	(1.17%)	(1.19%)	(2.41%)	(6.44%)
100 p.b.	1.34%	1.36%	4.88%	10.15%

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The institution, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions > of 30 days. These criteria depend on the risk management practices of each portfolio.

- **Nordics (Scandinavia)**

Information on the estimate of impairment losses

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant unit of Nordics (Santander Consumer Bank AS). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	14,176	—	—	14,176
Degree of speculation	1,492	408	—	1,900
Non-payment	—	—	419	419
Total exposure (**)	15,667	408	419	16,494
Impairment losses	78	40	236	354

Exposure and impairment losses by stage 2022 *(Millions of Euros)*				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	14,738	6	—	14,744
Degree of speculation	1,701	575	—	2,276
Non-payment	—	—	391	391
Total exposure (**)	16,439	581	391	17,411
Impairment losses	77	57	222	356

(*) Detail of credit quality grades calculated for Group management purposes.

(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.

Nordics (Scandinavia) NPL stood at 2.94% at the end of December 2023 (2.70% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. In particular, Santander Consumer Bank AS considers five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

- **Norway**

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.24%	3.75%	3.15%	2.63%	2.34%
Unemployment rate	4.33%	4.09%	3.90%	3.55%	3.40%
Growth in housing prices	(0.49%)	0.12%	1.24%	2.07%	3.22%
GDP growth	0.29%	0.98%	1.80%	2.42%	2.97%

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.23 %	4.05 %	3.30 %	3.10 %	2.80 %
Unemployment rate	5.24 %	4.82 %	3.85 %	3.39 %	3.03 %
Growth in housing prices	(1.22 %)	(0.49 %)	0.22 %	0.55 %	1.06 %
GDP growth	0.36 %	1.06 %	1.90 %	2.52 %	3.10 %

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Norway is shown:

	Expected loss variation IFRS9
	Auto Physical persons
GDP growth:	
(100) p.b.	2.00%
100 p.b.	(1.55%)
Housing price growth:	
(100) p.b.	4.84%
100 p.b.	(2.32%)

- **Denmark**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.53%	3.95%	3.48%	3.10%	2.81%
Unemployment rate	6.57%	5.66%	4.52%	4.13%	3.75%
Growth in housing prices	(2.50%)	(0.03%)	3.19%	5.16%	7.08%
GDP growth	(0.14%)	0.50%	1.32%	1.86%	2.40%

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.88 %	3.23 %	2.58 %	1.96 %	1.34 %
Unemployment rate	5.74 %	5.24 %	4.72 %	4.22 %	3.90 %
Growth in housing prices	(1.67 %)	0.27 %	2.17 %	4.15 %	5.87 %
GDP growth	0.19 %	0.80 %	1.59 %	2.11 %	2.60 %

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Denmark is shown:

	Expected loss variation IFRS9
	Auto Physical persons
GDP growth:	
(100) p.b.	2.90%
100 p.b.	(2.18%)

- **Sweden**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.94%	3.61%	2.98%	2.69%	2.41%
Unemployment rate	7.80%	7.46%	7.01%	6.81%	6.61%
Growth in housing prices	(1.18%)	0.60%	4.52%	5.40%	8.16%
GDP growth	0.35%	1.04%	1.97%	2.56%	3.19%

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.33%	3.51%	3.19%	2.74%	2.11%
Unemployment rate	7.61%	7.36%	7.08%	6.80%	6.48%
Growth in housing prices	(0.57%)	0.39%	1.60%	2.70%	3.73%
GDP growth	0.45%	0.95%	1.78%	2.33%	2.83%

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of its allocation, Santander Consumer AS associates the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for Sweden's most relevant portfolios is shown:

	Expected loss variation IFRS9	
	Auto Physical persons	Direct
GDP growth:		
(100) p.b.	6.70%	1.88%
100 p.b.	(0.19%)	(0.79%)

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

- **Spain**

Information on the estimate of impairment losses

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant units in Spain (Santander Consumer Finance S.A.). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

Exposure and impairment losses by stage 2023 (Millions of Euros)				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	4,316	—	—	4,316
Degree of speculation	11,017	268	—	11,285
Default	—	—	509	509
Total exposure (**)	15,333	268	509	16,110
Impairment losses	97	45	303	445

(*) Detail of credit quality grades calculated for Group management purposes.
(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.

Exposure and impairment losses by stage 2022 (Millions of Euros)				
Credit quality(*)	Stage 1	Stage 2	Stage 3	Total
Degree of investment	4,069	5	—	4,074
Degree of speculation	10,967	236	—	11,203
Default	—	—	477	477
Total exposure (**)	15,036	241	477	15,754
Impairment losses	121	32	288	441

(*) Detail of credit quality grades calculated for Group management purposes.
(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.

The NPL in the case of the geography of Spain stood at 3.47% at the end of December 2023 (3.46% at the end of 2022).

For the estimation of expected losses, forward-looking information should be taken into account. Specifically, for Santander Consumer Finance, S.A's portfolio in Spain, five prospective macroeconomic scenarios are considered, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2023 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

Magnitudes	Scenario at 5 years (2024-2028)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	4.54%	4.00%	3.48%	3.34%	3.11%
Unemployment rate	16.40%	14.28%	10.27%	9.52%	7.96%
Growth in housing prices	(0.20%)	0.54%	2.09%	2.64%	3.38%
GDP growth	(0.88%)	(0.04%)	1.54%	2.71%	3.56%

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2022 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

Magnitudes	Scenario at 5 years (2023-2027)				
	Worst-case scenario	Worse-case scenario	Base-case scenario	Better-case scenario	Best-case scenario
Interest rate	3.39%	2.98%	2.59%	2.25%	2.00%
Unemployment rate	19.43%	16.61%	12.20%	10.65%	9.46%
Growth in housing prices	1.72%	2.34%	3.31%	3.83%	4.29%
GDP growth	(0.57%)	0.53%	2.05%	3.34%	4.15%

Each macroeconomic scenario is associated with a given probability of occurrence. As for their allocation, Santander Consumer Finance, S.A's portfolios of business in Spain associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

Worst-case scenario	5 %
Worse-case scenario	20 %
Base-case scenario	50 %
Better-case scenario	20 %
Best-case scenario	5 %

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Spain is shown:

	Expected loss variation IFRS9			
	New car	Used car	Mortgages	Cards
GDP growth:				
(100) p.b.	4.33%	2.50%	1.15%	3.20%
100 p.b.	(3.28%)	(2.00%)	(0.87%)	(2.56%)

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

As an example in the case of Santander Consumer Finance S.A., for its main portfolios, an operation shall be considered to be classified in Stage 2 when the PD of the entire expected life of the operation at any given time exceeds that it had at the time of initial recognition in absolute and relative terms, depending on the sub-segment.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

Credit risk

a. Evolution of magnitudes in 2023

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

Portfolio redirected

The term "Returned Portfolio" refers to the Group's risk management purposes to all transactions in which the Client has submitted, or it is expected that it may present financial difficulties that could prevent the fulfillment of its payment obligations under the contractual terms in force with Santander Consumer Finance and, for this reason, it has proceeded to modify, cancel and / or even formalize a new transaction.

Grupo Santander, of which Grupo Santander Consumer Finance is a part, has a robust policy of redirecting customer debts that acts as a reference in the different local transpositions of all the financial institutions that are part of the Group. This policy is in line with the banking regulations established by the EBA, in accordance with the "Guidelines on the management of non-performing and restructured or refinanced exposures" (EBA/GL/2018/06) of 31 October 2018. It is also adapted to Circular 6/2021, of Bank of Spain, which modifies Circular 4/2017.

This policy establishes strict prudent criteria in the assessment of these risks:

- A restricted use of this practice should be made, avoiding actions that entail postponing recognition of the deterioration.

- The main objective should be the recovery of the amounts due, recognizing as soon as possible the amounts deemed irrecoverable.

- The maintenance of existing guarantees should always be considered and, if possible, improved. Effective safeguards can not only serve as mitigants of severity, but may reduce the likelihood of non-compliance.

- This practice should not involve the granting of additional financing, or serve to refinance debt of other entities, or be used as a cross-selling instrument.

- It is necessary to evaluate all alternatives to the redirection and its impacts, ensuring that the results of the same exceed those that would be expected if not performed.

- More stringent criteria are applied for the classification of redirected transactions, which, prudentially, ensure the restoration of the customer's capacity to pay, from the moment of the redirection and for an appropriate period of time.

- In addition, in the case of those clients who have assigned a risk analyst, it is of particular relevance the individualized analysis of each case, both for its correct identification and for its subsequent classification, monitoring and adequate provision.

It also sets out various criteria related to the determination of the perimeter of operations considered as a referral, by defining a detailed set of objective indicators to identify situations of financial difficulty.

Thus, transactions that are not classified as doubtful at the date of the recoupment are generally considered to be financially difficult if they were not paid for more than one month at that date. In the event that there is no default or that it does not exceed the month of seniority, other indicators are taken into account, including:

- Operations of customers who already have difficulties with other operations.

- When the modification becomes necessary prematurely without a previous and satisfactory experience with the customer.

- In the event that the necessary modifications involve the granting of special conditions such as the need to establish a temporary deficiency in payment or when these new conditions are considered more favorable for the client than would have been granted in an ordinary admission.

- Request for successive modifications at unreasonable time intervals. In the case of Consumer Finance, a maximum of 1 restructuring agreement is established in a year or 3 in a 5-year period.

- In any case, once the modification has been made, if there is any irregularity in the payment during a certain period of observation, even if there are no other symptoms, the operation within the perimeter of the reconductions ('backtesting') will be considered.

Once it has been determined that the reasons for the modification of the client's debt conditions are due to financial difficulties of the client, regardless of whether or not the client has overdue payments and the number of days of payment arrears present, the client will be considered a customer redirected for all purposes and as such will be managed based on the criteria established in this policy.

Where the referral has been carried out, where those transactions must remain classified as a doubtful risk because they do not comply at the time of the referral with the regulatory requirements for their reclassification to another category, they must comply with a prudential continuous payment schedule to ensure a reasonable certainty of the recovery of capacity to pay, called a cure period (in this case, it will be 12 months).

Once this period has passed, conditioned by the situation of the client and the characteristics of the operation (term and guarantees provided), the operation is no longer considered doubtful, although it remains subject to a trial period in which a special follow-up is carried out.

This monitoring is maintained as long as a number of requirements are not met, including: A minimum observation period of 24 months, in the case of operations restructured in stage 2 and 12 months in stage 3; amortization of a substantial percentage of the outstanding amounts and, to satisfy the unpaid amounts at the time of the recertification. If it is justified that, while a transaction is in the 24-month cure period of Stage 2, there is no longer a significant increase in its credit risk, that transaction can be reclassified to Stage 1 and Non-Default risk, no need to complete the aforementioned cure period. However, it is important to note that restructuring at the time of origination can only be classified in stage 2 or stage 3, never in stage 1.

The original dates of non-compliance are still considered for all purposes in the conduct of a non-performing transaction, irrespective of whether the transaction is up to date as a result of such a transaction. Likewise, the re-conduct of a dubious operation does not result in any release of the corresponding provisions.

Reconductions can be long-term or short-term (less than two years). Redirections with terms not exceeding two years shall be taken into account when the borrower meets the following criteria:

- Experiencing temporary liquidity restrictions, for which the client's recovery will be evidenced in the short term.
- The application of long-term recertification measures is not effective given the temporary financial uncertainty of a general or specific nature of the customer.
- That it has been fulfilling the contractual obligations before the recertification
- Demonstrate a clear willingness to cooperate with the entity.

As a result of the analysis to be carried out, both of the client's situation and of the characteristics of the forwarding operation used, it must be ensured that the forwarding will facilitate the reduction of the client's debt, and therefore will be viable. In this regard, the feasibility of the operation will be assessed by:

a. That can be demonstrated with evidence that the proposed redirection is within the reach of the client, that is, that the full refund is expected.

b. Payment by the customer of outstanding amounts, in full or for the most part, and a considerable reduction in exposure in the medium to long term.

c. The absence of repeated non-compliance with payment plans resulting in successive recourses (more than three recourses over a three-year period).

d. In the temporary application of short-term relief measures, it can be proved by evidence that the client has sufficient capacity to pay to meet the debt, principal and interest, once the term of application of the temporary relief has expired.

e. The measure does not result in the successive application of several refinancing or restructuring measures for the same exposure.

In the event that operations are carried out that do not comply with the foregoing, they will be considered non-viable operations and will form part of the category of Non-performing Conductions.

The following is the quantitative information required by the Bank of Spain, in relation to the restructured operations in force as of December 31, 2023 and 2022, taking into account the above criteria:

c) Metrics and measurement tools

Credit rating tools

In keeping with the Santander Group tradition, which has witnessed the use of proprietary rating models since 1993, at Santander Consumer Finance Group the credit quality of customers and transactions is also measured by internal scoring and rating systems. Each credit rating assigned by models relates to a certain probability of default or non-payment, based on the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are based primarily on scoring models or tables which, combined with other credit policy rules, issue an automatic decision on the loan applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required for a purely manual analysis.

In addition to the scoring models used for the approval and management of portfolios (rating of the transactions composing the portfolios in order to assess their credit quality and estimate their potential losses), other tools are available to assess existing accounts and customers which are used in the defaulted loan recovery process. The intention is to cover the entire "loan cycle" (approval, monitoring and recovery) by means of statistical rating models based on the Bank's internal historical data.

For individualised corporates and institutions, which at the Group include mainly dealers/retailers, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant factors to be taken into account in the assessment, in such a way that the rating process generates appraisals that are consistent and comparable among customers and summarise all the relevant information. In 2018 all the units conducted reviews of the aforementioned portfolios, involving the participation of all areas of the Group. The review meetings covered the largest exposures, companies under special surveillance and the main credit indicators of these portfolios.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

To a lesser extent, certain exposures are also assessed using the global rating tools which cover the global wholesale banking segment. Management of this segment is centralised at the Risk Division of the Santander Group, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's expert judgement.

The Group's portfolio of individualised corporates is scarcely representative of the total risks managed, since it relates mainly to vehicle dealer stock financing.

d) Credit risk parameters

The valuation of the client or the transaction, by rating or scoring, constitutes a judgment of its credit quality, which is quantified through the probability of default (probability of default or PD in Basel terminology).

In addition to the client's assessment, the quantification of credit risk requires the estimation of other parameters such as exposure at default (EAD) and the percentage of the EAD that cannot be recovered (LGD). Other relevant aspects of the risk of the operations are included, such as the quantification of the off-balance sheet exposures, which depends on the type of product or the analysis of the expected recoveries related to the existing guarantees and other properties of the operation: type of product, term, etc.

These factors make up the main parameters of credit risk. Its combination allows the calculation of the probable loss or expected loss (PE). This loss is considered as an additional cost of the activity, which reflects the risk premium and must be passed on to the price of the transactions.

The risk parameters also allow the calculation of regulatory capital according to the rules derived from the new Basel Capital Agreement (BIS II). Regulatory capital is determined as the difference between the unexpected loss and the expected loss.

Unexpected loss is the basis for capital calculation and refers to a very high but unlikely level of loss, which is not considered recurring and must be met with own resources.

Observed loss: Credit cost measurements

In addition to the predictivity provided by the advanced models previously described, other common metrics are used that allow prudent and effective management of credit risk based on the observed loss.

In terms of loss recognition, the cost of credit risk at Santander Consumer Finance is measured through different approaches: VMG - Variation of the Management Loan (late entries - cures - recovery of failures), DNI - net endowment for insolvencies (gross provisions - recovery of failures), net failures (passes to failures - recovery of failures) and expected loss. In order to obtain a monitoring ratio, the first two indicators (in 12 months) are divided by the average of 12 months of the total portfolio to obtain the risk premium and the cost of credit. These allow the manager to form a complete idea about the evolution and future prospects of the portfolio.

It should be noted that, unlike delinquency, the VMG (final doubtful – initial doubtful + failed – recovery of failures) refers to the total of the deteriorated portfolio in a period, regardless of the situation in which it is located (doubtful and failed). This makes the metric a primary driver when establishing measures for portfolio management.

The two approaches measure the same reality and, consequently, converge in the long term although they represent successive moments in credit risk cost measurement: flows of non-performing loans (MOV), coverage of non-performing loans (net credit loss provisions), respectively. Although they converge in the long term within the same economic cycle, the three approaches show differences at certain times, which are particularly significant at the start of a change of cycle, as observed in this period. These differences are explained by the different moment of calculation of losses, which is basically determined by accounting regulations (for example, mortgage loans have a coverage calendar and becomes written off "slower" than consumer portfolios). In addition, the analysis can be clouded by changes in the policy of hedging and default, composition of the portfolio, doubtful of acquired entities, changes in accounting regulations (IFRS9), sale of portfolios and adjustments on expected losses calculation parameters, etc.

e) *Credit risk cycle*

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding, where applicable, the risks incurred by the Group's operations. During the process, both risk-taking areas and senior management intervene, as well as the risk function.

Being the member group of the Santander Group, the process starts from the senior management, through the Board of Directors and the Executive Committee of Risks, who establishes the risk policies and procedures, the limits and delegations of powers, and approves and monitors the risk function framework.

In the risk cycle three stages are differentiated: Pre-sale, sale and after-sale. The process is constantly fed back, incorporating the results and conclusions of the after-sales stage into the risk study and pre-sale planning.

e.1) Pre-sale

- Risk study and credit rating process

In general, the risk study consists of analyzing the client's ability to meet its contractual commitments with the Group and other creditors. This involves analyzing the credit quality of the same, its risk operations, its solvency and the profitability to obtain depending on the risk assumed.

To this end, the Group has been using since 1993 models for assigning solvency ratings to customers, known as *rating. These mechanisms are used both in the wholesale segment (sovereign, financial institutions and corporate banking), as well as in other companies and institutions.*

The rating is the result of a quantitative module based on balance sheet ratios or macroeconomic variables, which is complemented by the expert judgment provided by the analyst.

The ratings given to the client are reviewed periodically, incorporating the new financial information available and the experience in the development of the banking relationship. The frequency of reviews is increased in the case of clients who reach certain levels in automatic alert systems and in those qualified as special monitoring. Similarly, the qualification tools themselves are also reviewed to adjust the accuracy of the rating they grant.

Compared to the use of rating in the wholesale world and other companies and institutions, in the segment of individuals and small companies predominate scoring techniques, which in general automatically assign a customer assessment for decision making, as explained in the Operations Decision section.

- **Planning and setting limits**

This stage aims to limit, in an efficient and comprehensive manner, the levels of risk that the Group assumes. The credit risk planning process serves to establish budgets and limits at the portfolio level of subsidiaries. The planning is implemented through a dashboard, ensuring the combination of the business plan, credit policy and the necessary means to achieve it. It is born, therefore, as a joint initiative between the commercial area and risks and it is not only a management tool, but a form of teamwork.

An important aspect in planning is the consideration of the volatility of macroeconomic variables that affect the evolution of portfolios. The Group carries out simulations of this evolution in different adverse and stress scenarios (stress test) that allow to evaluate the solvency of the Group in certain future circumstances.

The analysis of scenarios allows senior management to have a better understanding of the evolution of the portfolio in the face of changing market conditions and circumstances, and is a fundamental tool to evaluate the sufficiency of the provisions constituted in the face of stress scenarios.

The planning and setting of limits is carried out through documents agreed between the business and risk areas and approved by the Group in which the expected results of the business are reflected in terms of risk and profitability, as well as the limits to which this activity should be subject and the associated risk management by group / client.

e.1) Sale

- Decision of operations

The sale stage is constituted by the decision process, which aims at the analysis and resolution of transactions, with risk approval being a prerequisite before contracting any risk operation. This process must take into account defined transaction approval policies and take into account both risk appetite and those elements of the transaction that are relevant in the search for a balance between risk and profitability

In the field of standardized clients (individuals, businesses and SMEs with lower turnover), the management of large volumes of credit transactions will be facilitated with the use of automatic decision models that qualify the client/transaction binomial. With them, the investment is classified into homogeneous risk groups based on the qualification that the model gives to the operation, based on information on the characteristics of that operation and characteristics of its holder.

e.1) After-sales

- Follow-up

The monitoring function is based on a continuous observation process, which allows to detect in advance the variations that may occur in the credit quality of customers in order to take action to correct deviations that impact negatively.

Monitoring is based on customer segmentation, and is carried out through dedicated local and global risk teams, complemented by internal audit work.

The role is, among other tasks, in the identification and monitoring of signatures under special surveillance, ratings reviews and continuous monitoring of indicators.

Monitoring is based on customer segmentation, and is carried out through dedicated local and global risk teams, complemented by internal audit work.

The role is, among other tasks, in the identification, monitoring and allocation of policies at the client level that allow anticipating surprises and managing them in the most appropriate way to their situation, credit policies, ratings reviews and the continuous monitoring of indicators.

The system called Santander Customer Assessment Notes (SCAN) distinguishes four degrees according to the level of concern of the circumstances observed (specialized follow-up, intensive follow-up, regular follow-up, not attending). The inclusion of a position in SCAN does not imply that there have been breaches but the desirability of adopting a specific policy with it, determining responsibility and time frame in which it must be carried out. Qualified customers in SCAN are reviewed at least semi-annually, such review being quarterly and/or monthly for those of the most severe grades. The ways by which a firm is qualified in SCAN are the monitoring work itself, review carried out by the internal audit, decision of the commercial manager who guards the signature or entry into operation of the established system of automatic alarms.

Reviews of assigned ratings are performed at least annually, but if weaknesses are detected, or depending on the rating itself, they are carried out more regularly.

For the risks of individuals, businesses and SMEs with lower turnover, a task of monitoring the main indicators is carried out in order to detect deviations in the behavior of the credit portfolio with respect to the forecasts made in the strategic commercial programs - Pecs.

f) Measurement and control

In addition to monitoring the credit quality of customers, the Group establishes the necessary control procedures to analyze the current credit risk portfolio and its evolution, through the different phases of credit risk.

The function is developed by assessing the risks from different complementary perspectives, establishing as main axes the control by geographies, business areas, management models, products, etc., facilitating the early detection of specific focus areas, as well as the development of action plans to correct any deterioration.

Each control axis supports two types of analysis:

1.- Quantitative and qualitative analysis of the portfolio

In the portfolio analysis, the evolution of risk with respect to budgets, limits and reference standards is monitored permanently and systematically, evaluating the effects on future situations, both exogenous and those arising from strategic decisions, in order to establish measures that place the profile and volume of the risk portfolio within the parameters set by the Group.

In the credit risk control stage, the following are used, among others and in addition to traditional metrics:

a. MDV (variation in management arrears)

The VMG measures how arrears vary over a period, discounting failures and taking into account recoveries. It is an aggregate measure at the portfolio level that allows to react to deterioration observed in the evolution of late payment.

b. EL (expected loss) and capital

The expected loss is the estimate of the economic loss that will occur during the next year of the existing portfolio at any given time. It is an additional cost of the activity, and must be passed on to the price of the operations.

2.- Evaluation of control processes

It includes the systematic and periodic review of procedures and methodology, developed throughout the entire credit risk cycle, to ensure their effectiveness and validity.

In 2006, within the corporate framework established in the Group for compliance with the Sarbanes Oxley Law, a corporate methodology was established for the documentation and certification of the Control Model, defined in tasks, operational risks and controls. The risk division assesses annually the efficiency of internal control of its activities.

Moreover, the internal validation function, within its mission of overseeing the quality of the Group's risk management, it ensures that the models used in the admission and management of different risks meet the most demanding criteria and best practices observed in the industry and/or required by regulators. In addition, internal audit is responsible for ensuring that policies, methods and procedures are adequate, effectively implemented and regularly reviewed.

g) rRecoveries

Recovery activity is a relevant function within the Group's risk management area. This function is developed by the area of recovery and recoveries that defines a global strategy and a comprehensive approach to recovery management.

The Group combines a global model with a local execution considering the peculiarities of the business in each area.

The main objective of the recovery activity is the recovery of outstanding obligations by managing our clients, contributing to reduce the need for provisions and reduce the cost of risk.

This is how the specific objectives of the recovery process are oriented:

- To obtain the collection or regularization of the outstanding balances, so that an account returns to its normal state; if this is not possible the objective is the total or partial recovery of the debts, in any of the accounting or management situations in which they may be found.

- Maintain and strengthen our relationship with the client taking care of their behavior of and with an offer of management levers such as refinancing products according to their needs and in accordance with the careful corporate policies of admission and control, established from the risk areas.

In the recovery activity, Standardised customers and Individually Managed customers are segmented or differentiated with specific and comprehensive management models in each case, according to basic specialisation criteria.

The management is articulated through a multichannel strategy of relationship with customers. customers and follow-up of payment agreements, prioritizing and adapting the arrangements based on the status of progress of their situation of delay, doubtful or delinquent, their balance sheet, and their payment commitments.

The commercial network of recovery management, is a complementary channel to the telephone, which is oriented as a way of proximity relationship to selected customers, and is composed of teams of agents with high commercial orientation, specific training and high negotiation capabilities, performing personalized management of their own high impact customer portfolios (high balance sheets, special products, special management clients).

Recovery activities in advanced stages of the non-payment situation are guided by dual judicial and non-judicial management, maintaining commercial and follow-up activities through telephone channels and networks of agents, applying strategies and practices specific to the state of progress.

The management model encourages proactivity, and oriented management, through continuous recovery campaigns with specific designs to customer groups and states of default, acting with predefined objectives through specific strategies and intensive activities through the appropriate channels in limited time periods.

An adequate local production and analysis of daily and monthly management information, aligned with corporate models, have been defined as the basis of business intelligence for continuous decision-making in the management orientation and for the monitoring of its results.

h) *Risk of concentration*

Concentration risk, within the scope of credit risk, is an essential element of management. The Santander Group, of which Grupo Santander Consumer Finance is part, continuously monitors the degree of concentration of credit risk portfolios under different relevant dimensions: Geographical areas and countries, economic sectors, products and customer groups.

The board of Directors, through risk appetite, determines maximum concentration levels, the Executive Risk committee establishes risk policies and reviews appropriate exposure levels for the proper management of the degree of concentration of credit risk portfolios.

Santander Consumer Finance is subject to the regulation on 'big risks' contained in Part Four of the CRR (EU Regulation No.575/2013), according to which the exposure incurred by an entity to a client or a group of related customers shall be considered 'large exposure' when its value is equal to or greater than 10% of its computable capital. In addition, to limit large exposures, no entity may assume an exposure to a client or group of related clients whose value exceeds 25% of its eligible capital, after taking into account the effect of the credit risk reduction contained in the standard.

At the end of December 2023, after applying risk mitigation techniques, no group reaches the above-mentioned thresholds.

The Santander Consumer Finance Group's Risk Division collaborates closely with the Financial Division in the active management of credit portfolios, which, among its axes of action, includes the reduction of the concentration of exposures through various techniques, such as: such as the contracting of hedge credit derivatives or securitization operations, with the ultimate purpose of optimizing the return-to-risk ratio of the total portfolio.

The breakdown as at 31 December 2023 and 2022 of the Group's risk concentration (*) by activity and geographical area of counterparties is as follows:

2023					
	Thousands of Euros				
	Spain	Rest of the European Union	America	Rest of the world	Total
Central banks and credit institutions	4.813.326	9.350.967	—	153.241	14.317.534
Public administrations	789.243	3.346.864	—	44.007	4.180.114
Of which:					
Central Administration	*787.327*	*2.095.936*	—	—	*2.883.263*
Other Public Administrations	*1,916*	*1,250,928*	—	*44,007*	*1,296,851*
Other financial institutions	40.028	993.739	15.074	386.172	1.435.013
Non-Financial corporations and individual	4,012,908	34,601,493	—	1,802,545	40,416,946
Of which:					
Construction and real estate promotion	—	*252.314*	—	—	*252.314*
Construction of civil works	—	*7.800*	—	—	*7.800*
Large companies	*1.435.847*	*14.869.913*	—	*436.022*	*16.741.782*
SMEs and individual entrepreneurs	*2.577.061*	*19.471.466*	—	*1.366.523*	*23.415.050*
Other households and non-profit institutions	10,023,439	58,983,648	734,671	4,722,813	74,464,571
Of which:					
Housing	*1.190.283*	*2.506.878*	—	—	*3.697.161*
Consumption	*8.785.337*	*55.894.838*	*734.671*	*4.722.813*	*70.137.659*
Other purposes	*47,819*	*581,932*	—	—	*629,751*
				Total	134.814.178

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: 'Loans and advances: In credit institutions', 'loans and advances: Central banks', 'loans and advances: to customers', 'debt securities', 'equity instruments', 'derivatives', 'derivatives - hedge accounting', 'shares and guarantees granted'.

2022					
	Thousands of Euros				
	Spain	Rest of the European Union	America	Rest of the world	Total
Central banks and credit institutions	2,940,703	6,497,642	—	242,744	9,681,089
Public administrations	924,475	5,504,140	—	42,951	6,471,566
Of which:					
Central Administration	*921,804*	*4,255,960*	—	*60*	*5,177,824*
Other Public Administrations	*2,671*	*1,248,180*	—	*42,891*	*1,293,742*
Other financial institutions	10,863	1,145,014	338,628	246,749	1,741,254
Non-Financial corporations and individual	3,171,286	28,351,567	—	2,673,489	34,196,342
Of which:					
Construction and real estate promotion	—	*211,566*	—	—	*211,566*
Construction of civil works	—	*6,678*	—	—	*6,678*
Large companies	*1,034,445*	*10,699,079*	—	*986,488*	*12,720,012*
SMEs and individual entrepreneurs	*2,136,841*	*17,434,244*	—	*1,687,001*	*21,258,086*
Other households and non-profit institutions	10,121,975	54,814,108	14	6,575,205	71,511,302
Of which:					
Housing	*1,318,606*	*2,394,903*	—	—	*3,713,509*
Consumption	*8,714,320*	*52,074,766*	*14*	*6,575,205*	*67,364,305*
Other purposes	*89,049*	*344,439*	—	—	*433,488*
				Total	123,601,553

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: cash balances in central banks and other demand deposits, deposits in credit institutions, customer credit, debt securities, trading derivatives, hedging derivatives, investments in joint and associated ventures, equity instruments - and guarantees granted.

Market risk, structural risk and liquidity

a. **Scope and definitions**

The perimeter of measurement, control and monitoring of the market risk function covers those operating where equity risk is assumed, as a result of changes in market factors.

These risks are generated through two types of fundamental activities:

- The trading activity, which includes both the provision of financial services in markets for clients, in which the entity is the counterparty, as well as the activity of buying and selling itself in fixed income products, equities and currency mainly.

  Santander Consumer Finance does not carry out trading activities, limiting its treasury activity to managing the structural risk of its balance sheet and its coverage, as well as managing the liquidity necessary to finance its business.

- The balance sheet management activity or ALM, which involves the management of the risks inherent in the balance sheet of the entity, excluding the trading book.

The risks generated in these activities are:

- Market: Risk incurred as a result of the possibility of changes in market factors affecting the value of the positions that the entity holds in its trading books.

- Structural: Risk caused by the management of the different items in the balance sheet. This risk includes both losses due to price changes affecting the portfolios available for sale and at maturity (banking book), as well as losses arising from the management of the assets and liabilities valued at amortized cost of the Group.

- Liquidity: Risk of not meeting payment obligations on time or doing so at excessive cost, as well as the ability to finance the growth of your asset volume. Among the typologies of losses caused by this risk are losses due to forced sales of assets or impacts in margin due to the mismatch between outflows and cash inflows forecasts.

Trading market and structural risks, depending on the market variable that generates them, can be classified as:

- Interest rate risk: Identifies the possibility that changes in interest rates may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Credit spread risk: Identifies the possibility that variations in credit spread curves associated with specific issuers and debt types may adversely affect the value of a financial instrument, a portfolio or the Group as a whole. The spread is a differential between financial instruments trading with a margin over other reference instruments, mainly IRR (Internal Rate of Return) of state securities and interbank interest rates.

- Exchange rate risk: Identifies the possibility that changes in the value of a position in currency other than the base currency may adversely affect the value of a financial instrument, a portfolio, or the Group as a whole.

- Inflation risk: Identifies the possibility that changes in inflation rates may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Volatility risk: Identifies the possibility that changes in the quoted volatility of market variables may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Market liquidity risk: Identifies the possibility that an entity or the Group as a whole is not able to undo or close a position on time without impacting the market price or transaction cost.

- Pre-payment or cancelation risk: Identifies the possibility that early cancelation without negotiation, in transactions whose contractual relationship explicitly or implicitly allows it, generates cash flows that must be reinvested at a potentially lower interest rate.

There are other variables that affect exclusively market risk (and not structural risk), so that it can be classified additionally in:

- Equity risk: Identifies the possibility that changes in the value of prices or dividend expectations of equity instruments may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Commodity risk: Identifies the possibility that changes in the value of the prices of goods may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Correlation risk: Identifies the possibility that changes in the correlation between variables, whether of the same type or of a different nature, quoted by the market, may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Insurance risk: Identifies the possibility that the objectives of placement of securities or other debt are not met when the entity participates in the insurance of the same.

Liquidity risk can also be classified into the following categories:

- Financing risk: Identifies the possibility that the entity is unable to meet its obligations as a result of the inability to sell assets or obtain financing.

- Mismatch risk: Identifies the possibility that differences between the maturity structures of assets and liabilities will result in an overrun to the institution.

- Contingency risk: Identifies the possibility of not having adequate management elements to obtain liquidity as a result of an extreme event that involves greater financing or collateral needs to obtain it.

a. Measurement and methodologies

1. Structural interest rate risk

The Group conducts sensitivity analyzes of financial margin and equity to interest rate variations. This sensitivity is conditioned by the mismatches in the maturity dates and revision of the interest rates of the different items in the balance sheet.

Depending on the position of interest rate of the balance sheet, and considering the situation and prospects of the market, the financial measures are agreed to adapt this positioning to the desired by the Group. These measures can range from taking market positions to defining the interest rate characteristics of commercial products.

The measures used to control interest risk in these activities are the interest rate gap, the sensitivity of financial margin and equity to changes in interest rate levels.

- Interest rate gap

The analysis of interest rate gap deals with the mismatches between the revaluation periods of equity masses within the items, both of the balance sheet (assets and liabilities) and of the standby accounts (off-balance sheet). It facilitates a basic representation of the balance sheet structure and allows for the detection of interest risk concentrations over the different timeframes. It is also a useful tool for the estimation of possible impacts of possible movements in interest rates on the financial margin and on the equity value of the entity.

All balance sheet and off-balance sheet masses must be spread out in their flows and placed at the repricing/maturity point. In the case of those masses that do not have a contractual maturity, the internal model of Santander Group of analysis and estimation of the durations and sensitivities of the same is used.

- Financial Margin Sensitivity (NII)

The sensitivity of the financial margin measures the change in expected accruals for a given term (12 months) in the face of a shift in the interest rate curve.

- Equity Value Sensitivity (EVE)

Measures the interest rate risk implied in equity, which for interest rate risk purposes is defined as the difference between the net present value of assets minus the net present value of liabilities due; based on the impact of interest rate changes on these current values.

2. Liquidity risk

Structural liquidity management aims to finance the recurring activity of Santander Consumer Finance Group under optimal terms of time and cost, avoiding unwanted liquidity risks.

The measures used to control liquidity risk are the liquidity gap, liquidity ratios, structural liquidity chart, liquidity stress tests, financial plan, liquidity contingency plan and regulatory reporting.

- Liquidity gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period, in each of the currencies in which Grupo Santander Consumer Finance operates. It measures the need or net excess of funds on a date and reflects the level of liquidity maintained under normal market conditions.

In the contractual liquidity gap, all the masses that provide cash flows are analyzed, placed at their contractual maturity point. For those assets and liabilities without contractual maturity, the internal model of Santander Group analysis is used, based on the statistical study of the historical series of products, and what is called stable and unstable balance for liquidity purposes is determined.

- Liquidity ratios

The Minimum Liquidity Ratio compares liquid assets available for sale or assignment (once applicable discounts and adjustments are applied) and assets less than 12 months with liabilities up to 12 months.

The Structural Financing Ratio measures the extent to which assets requiring structural financing are being financed with structural liabilities.

- Structural liquidity table

The purpose of this analysis is to determine the structural liquidity position based on the liquidity profile (greater or lesser stability) of the different asset and liability instruments.

- Liquidity stress tests

The liquidity stress tests developed by the Santander Consumer Finance Group aim to determine the impact in the face of a severe, but plausible, liquidity crisis. In these stressful scenarios, internal factors that may affect the Group's liquidity are simulated, such as the fall in the institutional credit rating, the value of assets on balance sheet, banking crises, regulatory factors, change in consumption trends and / or loss of trust of depositors, etc. among others.

Through the stress of these factors, four scenarios of liquidity stress are simulated monthly (banking crisis in Spain, idiosyncratic crisis of Santander Consumer Finance Group, Global Crisis, as well as a combined scenario) establishing, on its result, a minimum level of liquid assets.

- Financial Plan

The liquidity plan is prepared annually, based on the financing needs derived from the business budgets of all the Group's subsidiaries. Based on these liquidity needs, the limitations of appeal to new securitizations are analyzed based on the possible eligible assets available, as well as the possible growth of client deposits. On the basis of this information, the emissions and securitizations plan for the financial year is established. The actual evolution of funding requirements is regularly monitored throughout the year, resulting in subsequent updates to the plan.

– Liquidity contingency plan

The Liquidity Contingency Plan aims to foresee the processes (governance structure) that should be followed in the event of a liquidity crisis, whether potential or real, as well as the analysis of the contingency actions or levers available for the management of the entity in such a situation.

The Liquidity Contingency Plan is based on, and should be designed in line with, two key elements: Liquidity Stress Testing and the Early Warning Indicator System (EWI). Stress tests and their different scenarios serve as a basis for analyzing available contingency actions as well as determining their sufficiency. The EWIs system is used to monitor and potentially trigger the scaling mechanism to activate the plan and monitor the evolution of the situation once activated

– Regulatory reporting

Santander Consumer Finance performs the Liquidity Coverage Ratio (LCR) of the European Banking Authority (EBA) for the Consolidated Group, as well as the Net Stable Funding Ratio (NSFR).

In addition, Santander Consumer Finance annually produces the report corresponding to the ILAAP (Internal Liquidity Adequacy and Assessment Process) to be integrated into the consolidated document of the Santander Group, despite not being required by the Supervisor at the level of Liquidity Management Subgroup.

3. Structural Change Risk.

Structural change risk is managed within the general corporate procedures, with the aim of maintaining the CET1 ratio constant, both at Grupo Santander and Grupo Santander Consumer Finance.

a. Control environment

The structural risk and liquidity control environment in the Santander Consumer Finance group is based on the framework of the annual limits plan, where the limits for these risks are established, responding to the level of risk appetite of the Group.

The boundary structure requires a process that takes into account, among others, the following aspects:

- Identify and delimit, efficiently and comprehensively, the main types of market risks incurred, so that they are consistent with business management and defined strategy.

- Quantify and communicate to business areas the levels and risk profile that senior management considers to be acceptable, to avoid incurring unwanted risks.

- Give flexibility to business areas in taking financial risks efficiently and timely according to changes in the market, and in business strategies, and always within the levels of risk that are considered acceptable by the entity.

- Allow business generators to take prudent but sufficient risk to achieve the budgeted results.

- Define the range of products and underlying in which each Treasury unit can operate, taking into account characteristics such as the model and valuation systems, the liquidity of the instruments involved, etc.

In the event of an excess over one of these limits, the market, structural and liquidity risk function shall report such excess, requesting the reasons and an action plan from those responsible for risk management.

In terms of structural risk, the main management limits at Santander Consumer Finance consolidated level are:

– Limit of sensitivity of the financial margin to one year.

– Sensitivity limit of equity value.

The limits are compared with the sensitivity of a greater loss among those calculated for different parallel rise and fall scenarios of the interest rate curve. During 2023 these limits applied on the most adverse loss between 8 parallel rise and fall scenarios up to 100 basic points. In addition, other parallel and non-parallel scenarios are calculated, including those defined by the European Banking Authority (EBA). Using several scenarios allows for better control of interest rate risk. Negative interest rates are contemplated in downward scenarios.

During 2023, the level of exposure at consolidated level in the SCF Group, both on financial margin and on economic value, is low in relation to the budget and the amount of own resources respectively, being in both cases less than 2% throughout the year, and within the established limits.

With respect to liquidity risk, the main limits at Grupo Santander Consumer Finance level include regulatory liquidity metrics such as the LCR and the NSFR, as well as liquidity stress tests under different adverse scenarios discussed above.

At the end of December 2023, all liquidity metrics are above the internal limits in force, as well as regulatory requirements. For both the LCR and the NSFR at the consolidated Group level, it has been at levels above 115% and 103% throughout the year.

a. Management

Balance sheet management involves the analysis, projection and simulation of structural risks along with the design, proposal and execution of transactions and strategies for their management. The Financial Management area is responsible for this process and in the performance of this function follows a projective approach, as long as this is applicable or feasible.

The following is a high-level description of the main processes and/or responsibilities in managing structural risks:

– Analysis of the balance sheet and its structural risks.

– Monitoring the evolution of the most relevant markets for asset and liability management (ALM) in the Group.

– Planning. Design, maintenance and monitoring of certain planning instruments. Financial Management is responsible for developing, following and maintaining the Financial Plan, the Financing Plan and the Liquidity Contingency Plan.

– Strategy proposals. Design of strategies to finance the SCF Subgroup business through better available market conditions or through balance sheet management and exposure to structural risks, avoiding unnecessary risks; preserving financial margin and protecting the market value of equity and capital.

– Implementation. To achieve an adequate positioning of ALM, the Financial Management area uses different tools, the main ones being the issuances in debt / capital markets, securitizations, deposits and hedges of interest rates and / or currency, as well as the management of ALCO portfolios and the minimum liquidity buffer.

– Compliance with limits and risk appetite

Operational risk

a) Definition and objectives

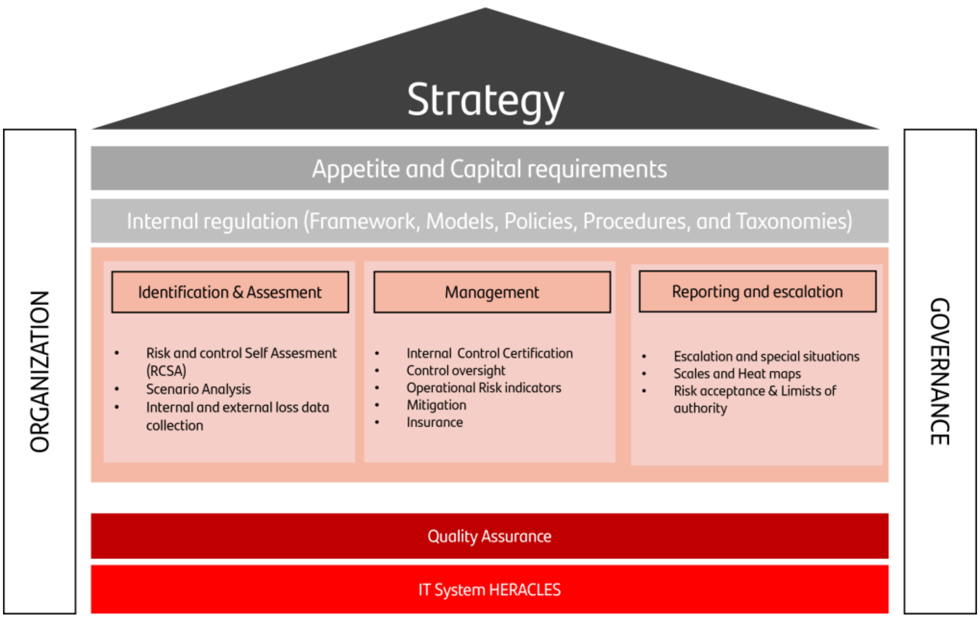
The Bank defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Accordingly, all employees are responsible for managing and controlling operational risks arising in their area of activity.

The aim pursued by the Bank in operational risk control and management is primarily to identify, measure/ assess, monitor, control, mitigate and report this risk.

The Bank's priority, therefore, is to identify and mitigate focal points of risk, irrespective of whether they have given rise to any losses. Measurement also contributes to the establishment of priorities in the management of operational risk.

To improve and promote adequate operational risk management, Santander Consumer Finance has developed an advanced loss distribution model (LDA) based on internal event database such as the external loss database of our banking peers (ORX consortium database) and scenario analysis. This approach is accepted by t he industry and regulators



b. Operational risk management and control model

Operational risk management cycle

The stages of the model of operational risk management and control involve the following:

- Identifying the operational risk inherent to all activities, products, processes and systems of the Group. This process is carried out via the Risk and Control Self-assessment (RCSA) exercise.

- Definition of the target operational risk profile, specifying the strategies by unit and time horizon, through the establishment of the operational risk appetite and tolerance, the budget and the related monitoring.

- Encouragement of the involvement of all employees in the operational risk culture, through appropriate training for all areas and levels of the organisation.

- Objective and ongoing measurement and assessment of operational risk, consistent with industry and regulatory standards (Basel, Bank of Spain, etc.).

- Continuous monitoring of operational risk exposures, implementation of control procedures, improvement of internal awareness and mitigation of losses.

- Establishment of mitigation measures to eliminate or minimize operational risk.

- Preparation of periodic reports on the exposure to operational risk and its level of control for the senior management of the Group and its areas/units, and reporting to the market and the regulatory authorities.

- Definition and implementation of the methodology required for calculating capital in terms of expected and unexpected loss.

The following is required for each of the key processes indicated above:

- The existence of a system whereby operational risk exposures can be reported and controlled, as part of the Group's daily management efforts.

  Towards this end, in 2016 the Group implemented a single tool for management and control of operational risk, compliance and internal control, called Heracles, and which is considered the Golden Source for Risk Data Aggregation (RDA).

  Internal rules and regulations based on principles for management and control of operational risk have been defined and approved pursuant to the established governance system and in line with prevailing regulation and best practices.

  In 2015, the Group adhered to the relevant corporate framework and subsequently, the model, policies and procedures were approved and implemented, along with the Operational Risk Committee Regulation..

Titlle	Type of document
Management and Control of operational risk	Model
Cyber Security Risk	Policy
Fraud management and control	Policy
Operational Resilience - Business Continuity Management	Policy
IT risk oversight	Policy
Operational Risk Scenario Analysis	Procedure
Internal Control Model Assurance	Procedure
Risk Control Self-Assessment (RCSA)	Procedure
Booking the operational risk financial impacts	Procedure
Communication and escalation of relevant operational risk events	Procedure
Control oversight and Cross check of outputs between OR instruments	Procedure
Definition and management of Operational Risk Indicators (ORI)	Procedure
Taxonomy definition and maintenance	Procedure
Establishment of the operational risk perimeter	Procedure
Identification and management of mitigation measures	Procedure
Management of Operational Risk Arising from Transformation	Procedure
Relation Between own Insurance and Operational Risk	Procedure
SCIIF and S-OX Compliance	Procedure
Suppliers Risk Oversight	Procedure
Management of external data	Procedure
Management of Internal Events	Procedure

The model of operational risk management and control implemented by the Group provides the following benefits:

- It promotes the development of an operational risk culture.
- It allows for comprehensive and effective management of operational risk (identification, measurement / assessment, control / mitigation, and reporting).
- It improves knowledge of both actual and potential operational risks and their assignment to businesses and support lines.
- Information on operational risk helps improve processes and controls and reduce losses and income volatility.
- It facilitates the setting of limits for operational risk appetite.

c. *Risk identification, measurement and assessment model*

In November 2014, the Group adopted the new management system of the Santander Group, in which three lines of defense are defined:

- 1st line of defense: integrated in areas of business or support areas. Its tasks are to identify, measure or assess, control (primary control) mitigate and report the risks inherent to the activity or function for which it is responsible.

Given the complexity and heterogeneous nature of Operational Risk within a large-scale organization with various lines of business, appropriate risk management is carried out in two axes:

(1) Operational Risk Management: each business unit and support function of the Santander Group is responsible for the Operational Risks arising within its scope, as well as for their management. This particularly affects the heads of the business units and support functions, but also the coordinator (or OR team) in the 1LoD.

(2) Management of specialized Operational Risk controls: there are some functions that tend to manage specialized controls for certain risks where they have greater visibility and specialization. Such functions have a global view of the specific Operational Risk exposure in all areas. We can also refer to them as Subject Matter Experts or SME.

OR Managers:

Operational Risk management is the responsibility of all staff in their respective areas of activity. Consequently, the Head of each division or area has the ultimate responsibility for Operational Risk in its scope.

OR Coordinators:

OR coordinators are actively involved in Operational Risk management and support the RO managers in their own areas of OR management and control. Each coordinator has a certain scope for action, which does not necessarily coincide with organizational units or areas, and has an in-depth knowledge of the activities within their scope. Their roles and responsibilities include:

- Interaction Undertake interaction with the second line of defense in day-to-day operations and communication to Operational Risk Management in their scope.
- Facilitate integration in the management of OR in each scope.
- Support the implementation of qualitative and quantitative methodologies and tools for operations management and control.
- Provide support and advice on Operational Risk within its scope.
- Maintain an overview of risk exposure in scope.
- Ensure the quality and consistency of data and information reported to 2LoD, identifying and monitoring the implementation of relevant controls.
- Review and monitor results provided by business units and support functions related to controls testing.
- Support in sign-off and certification of controls (control testing).
- Monitor mitigation plans in your area.
- Coordinate the definition of business continuity plans in your area.

2nd line of defense: Exercised by the Non-Financial Risks Department and reporting to the CRO. Its functions are the design, maintenance and development of the local adaptation of the Operational Risk Management Framework (BIS), and control and challenge on the first line of defense of Operational Risk. Their main responsibilities include:

- Design, maintain and develop the Operational Risk management and control model, promoting the development of an operational risk culture throughout the Group.

- Safeguard the adequate design, maintenance and implementation of the Operational Risk regulations.

- Encourage the business units to effectively supervise the identified risks.

- Guarantee that each key risk that affects the entity is identified and duly managed by the corresponding units.

- Ensure that the Group has implemented effective RO management processes.

- Prepare Operational Risk appetite tolerance proposals and monitor risk limits in the Group and in the different local units.

- Ensure that Top Management receives a global vision of all relevant risks, guaranteeing adequate communication and reports to Senior Management and the Board of Directors, through the established governing bodies.

In addition, the 2LoD will provide the information necessary for its consolidation, along with the remaining risks, to the risk consolidation and supervision function.

To ensure proper supervision, a solid knowledge of the activities of the Business Units / Support Functions is required, as well as a specific understanding of the categories of risk events (IT, Compliance, etc.) and a Local Capacity and Capability Plan. In that context, the RO control function (2LOD function) needs to take advantage of specific profiles that can support the implementation of the RO framework in the 1LOD, but also provide specific risk exposure and business information, to ensure that the RO profile related is well managed and reported. Business Risk Managers (BRM) as business insight specialists (e.g. Global Corporate Banking) and Specialized Risk Managers (SRM) as OR control specialists (e.g. IT and cyber risks) perform these functions within OR 2LOD and are positioned as key contact points for 1LOD business units and operations management support functions.

3rd line of defense: Exercised by Internal Audit, which evaluates the compliance of all activities and units of the entity with its policies and procedures. His main responsibilities include:

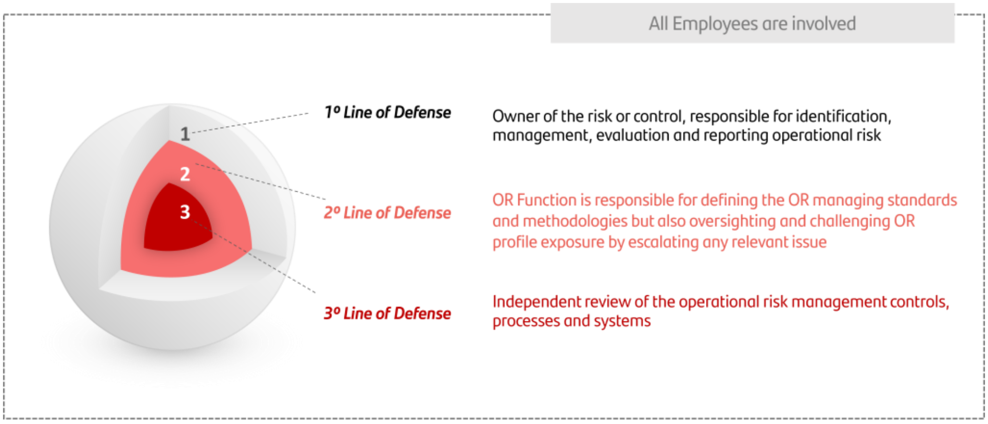
- Verify that the risks inherent to the Group's activity are sufficiently covered, complying with the policies established by Senior Management and the applicable internal and external procedures and regulations.

- Supervise compliance, effectiveness and efficiency of the internal control systems for operations in the Group, as well as the quality of accounting information.

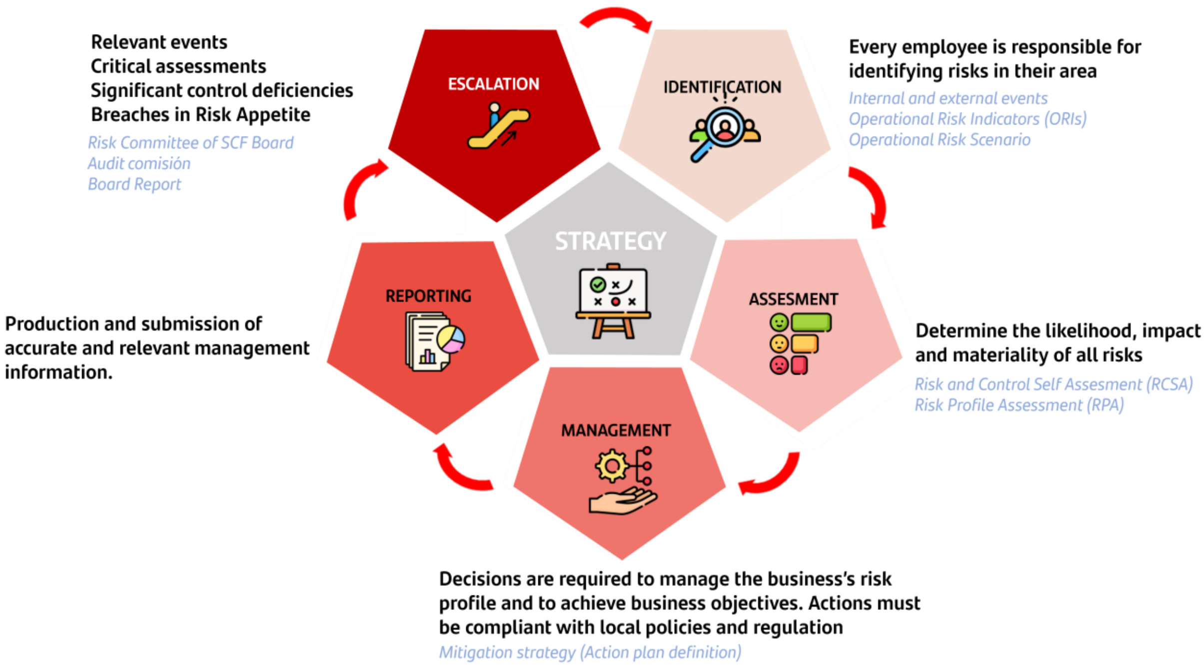
- Carry out an independent review and challenge the OR controls, as well as the Operational Risk management processes and systems.

- Evaluate the state of implementation of the OR management and control model in the Group.

- Recommend continuous improvement for all functions involved in operations management.



Management at the Bank is carried out based on the following elements:



To carry out the identification, measurement and evaluation of operational risk, a set of quantitative and qualitative corporate techniques / tools have been defined, which are combined to carry out a diagnosis based on the identified risks and obtain an assessment through the measurement / evaluation of area / unit.

The quantitative analysis of this risk is carried out mainly through tools that record and quantify the level of losses associated with operational risk events.

- Internal events database, whose objective is to capture all the Bank's operational risk events. The capture of events related to operational risk is not restricted by establishing thresholds, that is, there are no exclusions based on the amount, and it contains both events with an accounting impact (including positive impacts) and non-accounting ones.

There are accounting reconciliation processes that guarantee the quality of the information collected in the database. The most relevant events of the Bank and of each operational risk unit thereof are specially documented and reviewed.

- External database of events, since the Bank, through the Santander Group, participates in international consortiums, such as ORX (operational risk exchange). In 2016, the use of external databases that provide quantitative and qualitative information and that allow a more detailed and structured analysis of relevant events that have occurred in the sector was reinforced.

- Analysis of RO scenarios. Expert opinion is obtained from the business lines and risk and control managers, whose objective is to identify potential events with a very low probability of occurrence, but which, in turn, may entail a very high loss for an institution. Its possible effect on the entity is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact. In addition, the results of this exercise (which has also been integrated into the HERACLES tool) will be used as one of the inputs for the calculation of economic capital for operational risk based on the advanced model (LDA).

The tools defined for the qualitative analysis try to evaluate aspects (coverage / exposure) linked to the risk profile, thereby allowing the capture of the existing control environment. These tools are mainly:

- RCSA: Methodology for the evaluation of operational risks, based on the expert criteria of the managers, serves to obtain a qualitative vision of the main sources of risk of the Bank, regardless of whether they have materialized previously.
  Advantages of the RCSA:

  - Encourage the responsibility of the first lines of defense: The figures of risk owner and control owner in the first line are determined.

  - Favor the identification of the most relevant risks: Risks that are not pre-defined, but arise from the areas that generate risk.

  - Improve the integration of RO tools: Root cause analysis is incorporated.

  - Improve exercise validation. It is developed through workshops or workshops, instead of questionnaires.

  - Make the exercises have a more forward-looking approach: The financial impact of risk exposure is evaluated.

– Corporate system of operational risk indicators, in continuous evolution and in coordination with the corresponding corporate area. They are statistics or parameters of various kinds that provide information on an entity's exposure to risk. These indicators are reviewed periodically to warn of changes that may reveal problems with risk.

- Recommendations from regulators, Internal Audit and the external auditor. These provide relevant information on inherent risk arising from internal and external factors, and enable identification of weaknesses in controls.

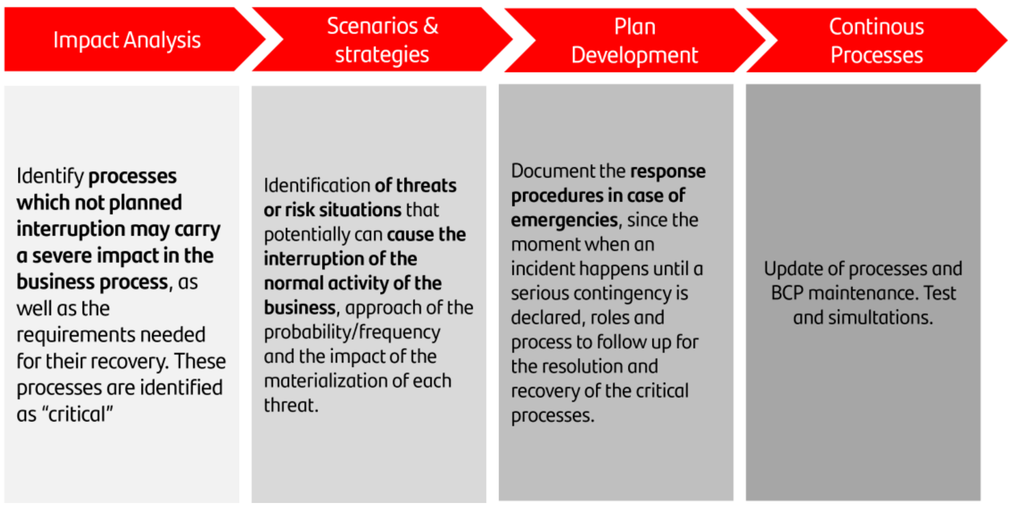
- Other specific instruments that permit a more detailed analysis of technology risk, such as control of critical incidences in systems and cyber-security events.

d. Operational risk information system

HERACLES is the corporate operational risk information system. This system has modules for risk self-assessment, event registration, a risk and assessment map, indicators of both operational risk and of internal control, mitigation and reporting systems and scenario analysis, and it is applied to all entities of the Consumer Group including Bank.

e. Business Continuity Plan

The Santander Group and, accordingly, the Santander Consumer Finance Group, have a Business Continuity Management System (BCMS) to ensure the continuity of its entities' business processes in the event of a disaster or serious incident.



The basic objective consists of the following:

- Minimizing possible injury to persons, as well as adverse financial and business impacts for the Bank, resulting from an interruption of normal business operations.

- Reducing the operational effects of a disaster by supplying a series of pre-defined, flexible guidelines and procedures to be employed in order to resume and recover processes.

- Resuming time-sensitive business operations and associated support functions, in order to achieve business continuity, stable earnings and planned growth.

– Re-establishing the time-sensitive technology and transaction-support operations of the business if existing technologies are not operational.

– Safeguarding the public image of, and confidence in, the Bank.

– Satisfy the Bank's obligations to its employees, customers, shareholders and other interested third parties.

f. Corporate information

The Santander Group's and Bank´s corporate operational risk control area has an operational risk management information system that provides data on the Bank's main risk elements. The information available from each country/unit in the operational risk sphere is consolidated to obtain a global view with the following features:

– Two levels of information: a corporate level, with consolidated information, and an individual level containing information for each country/unit.
– Dissemination of best practices among the Santander Group countries/units, obtained from the combined study of the results of quantitative and qualitative analyses of operational risk.

Specifically, information is prepared on the following subjects:

– The operational risk management model in the Bank and the main units and geographic areas of the Group.

– The scope of operational risk management.

– The monitoring of appetite metrics

– Analysis of internal event database and of significant external events.

– Analysis of most significant risks detected using various information sources, such as operational and technology risk self-assessment processes.

– Evaluation and analysis of risk indicators.

– Mitigation measures/active management.

– Business continuity plans and contingency plans.

This information is used as the basis for meeting reporting requirements to the Executive Risk Committee, the Risk Supervision, Regulation and Compliance Committee, the Operational Risk Committee, senior management, regulators, credit rating agencies, etc.

g. The role of insurance un operational risk management

The Santander Consumer Finance Group considers insurance to be a key tool in the management of operational risk. Since 2014, common guidelines have been in place for coordination between the different functions involved in the management cycle of operational risk-mitigating insurance, mainly the areas of proprietary insurance and operational risk control, but also different areas of first line risk management.

These guidelines include the following activities:

- Identification of all risks at the Group that could be covered by insurance, as well as new insurance cover for risks already identified in the market.

- Establishment and implementation of criteria for quantifying insurable risk, based on the analysis of losses and in loss scenarios that make it possible to determine the Group's level of exposure to each risk.

- Analysis of the cover available in the insurance market, as well as preliminary design of the terms and conditions that best suit the requirements previously identified and evaluated.

- Technical assessment of the level of protection provided by a policy, the cost and levels of retention that would be assumed by the Group (deductibles and other items borne by the insured) for the purpose of deciding whether to contract it.

- Negotiation with suppliers and contract awards in accordance with the relevant procedures established by the Bank.

- Monitoring of claims reported under the policies, as well as those not reported or not recovered due to incorrect reporting.

- Close cooperation between local operational risk officers and local insurance coordinators in order to enhance operational risk mitigation.

- Regular meetings to inform on the specific activities, situation and projects of the two areas.

- Analysis of the adequacy of the group's policies to the risks covered, taking the appropriate corrective measures for the deficiencies detected.

- Active participation of both areas in the global insurance sourcing table, the highest technical body in the Group for the definition of insurance coverage and contracting strategies.

Cyber risk

Cybersecurity risk (also known as cyber risk) is defined as any risk that produces financial loss, business interruption or damage to the reputation of Santander Consumer derived from the destruction, misuse, theft or abuse of systems or information. This risk comes from inside and outside the corporation.
In the event of a cyber incident, the main cyber risks for the Bank are made up of three elements:

– Unauthorized access or misuse of information or systems (e.g. theft of business or personal information).

– Theft and financial fraud.

– Interruption of business service (e.g., sabotage, extortion, denial of service).

As in previous years, the Bank has continued to pay full attention to risks related to cybersecurity. This situation, which generates concern in entities and regulators, prompts them to adopt preventive measures to be prepared for attacks of this nature.

The Bank has evolved its cyber regulations with the approval of a new cybersecurity framework and the cyberrisk supervision model, as well as different policies related to this matter.

Similarly, a new organizational structure has been defined and governance for the management and control of this risk has been strengthened. For this purpose, specific committees have been established and cybersecurity metrics have been incorporated into the Bank's risk appetite.

The main instruments and processes established to control cybersecurity risk are:

- Compliance with the cyber risk appetite, the objective of this process being to guarantee that the cyber risk profile is in line with the risk appetite. The cyber risk appetite is defined by a series of metrics, risk statements and indicators with their corresponding tolerance thresholds and where existing government structures are used to monitor and escalate, including Risk committees, as well as Cybersecurity committees. .

- Cybersecurity risk identification and assessment: The cyberrisk identification and assessment process is a key process to anticipate and determine risk factors that could estimate their probability and impact. Cyber risks are identified and classified in line with the control categories defined in the latest relevant industry security standards (such as ISO 27k, the NIST Cybersecurity Framework, etc.). The methodology includes the methods used to identify, qualify and quantify cyber risks, as well as to evaluate the controls and corrective measures that the first line of defense function develops. Cyber risk assessment exercises are the fundamental tool for identifying and evaluating cyber security risks in the Bank. The cybersecurity and technological risk assessment will be updated when reasonably necessary taking into account changes in information systems, confidential or business information, as well as the entity's business operations.

- Control and mitigation of cyber risk: processes related to the evaluation of the effectiveness of controls and risk mitigation. Once the cyber risks have been assessed and the mitigation measures have been defined, these measures are included in a Santander Consumer Finance cybersecurity risk mitigation plan and the residual risks identified are formally accepted. Due to the nature of cyber risks, a periodic evaluation of risk mitigation plans is carried out. A key process in the face of a successful cybersecurity attack is the business continuity plan. The Bank has mitigation strategies and measures related to business continuity and disaster recovery management plans. These measures are also linked to cyber attacks, based on defined policies, methodologies and procedures.

- Monitoring, supervision and communication of cyber risk: Santander Consumer Finance carries out control and monitoring of cyber risk in order to periodically analyze the information available on the risks assumed in the development of the Bank's activities. For this, the key risk indicators (KRI) and the key performance indicators (KPI) are controlled and supervised to assess whether the risk exposure is in accordance with the agreed risk appetite. Escalation and reporting: The proper escalation and communication of cyber threats and cyber attacks is another key process. Santander Consumer Finance has tools and processes to detect internal threat signals and potential compromises in its infrastructure, servers, applications and databases. Communication includes the preparation of reports and the presentation to the relevant committees of the information necessary to assess the exposure to cyber risk and the profile of cyber risk and take the necessary decisions and measures. For this, they prepare reports on the cyber risk situation for the management committees. Also, there are mechanisms for internal escalation independent of the bank's management team of technological and cybersecurity incidents and, if necessary, the corresponding regulator.

Other emerging risks

In addition to the aforementioned Cyber Risk, the Santander Consumer Group is increasingly strengthening the supervision of new emerging risks derived from 1) supplier management and 2) transformation projects.

– Regarding supplier management risks, the focus is on the quality and continuity of services provided to SCF, but also on ensuring compliance with the new EBA Guidelines and Regulations such as DORA through implementation of specific risk instruments throughout the different stages of the supplier's life cycle

– The operational risk of transformation is that arising from material changes in the organization, launch of new products, services, systems or processes derived from imperfect design, construction, testing, deployment of projects and initiatives, as well as the transition to the day- a-day (BAU). The transformation constitutes a root cause, which can manifest itself in a variety of risks and impacts, not restricted to Operational Risk, (for example, Credit, Market, Financial Crimes...)

Compliance and conduct risk

The compliance function includes all issues relating to regulatory compliance, prevention of money laundering and terrorist financing, governance of products and consumer protection, and reputational risk according to the General Corporate Compliance and Conduct Framework (Marco Corporativo General de Cumplimiento y Conducta).

The compliance function promotes the adhesion of Santander Consumer Finance, S.A. ("SCF") to standards, supervisory requirements, and the principles and values of good conduct by setting standards, debating, advising and reporting, in the interest of employees, customers, shareholders and the wider community. In accordance with the current corporate configuration of the Santander Group's three lines of defence, the compliance function is a second-line independent control function that reports directly to the Board of Directors and its committees through the CCO. This configuration is aligned with the requirements of banking regulation and with the expectations of supervisors.

The SCF Group's objective in the area of compliance and conduct risk is to minimise the probability that noncompliance and irregularities occur and that any that should occur are identified, assessed, reported and quickly resolved.

The main tools used by the Compliance function in order to meet their objectives are (among others): establishment and coordination with the Compliance Program, coordination of the Risk Assessments of all the areas of Compliance and Conduct, definition and monitoring of the Compliance Metrics that participate in the SCF Appetite Risk Framework and monitoring of the Norms of Obligatory Compliance.

The Compliance function applies the Regulatory framework (corporate frameworks, models, policies and procedures) of Banco Santander and adapts it when necessary according to the specificities of the SCF business, being approved by the business units.

Climate and environmental risk

Santander Consumer Finance's ESG strategy (environmental, climate, social and governance factors) consists of doing business in a responsible and sustainable way, supporting the green transition, building a more inclusive society and doing business correctly, following the most rigorous government standards.

On the other hand, ESG factors can carry over to traditional types of risk (for example, credit, liquidity, operational or reputational) due to the physical impacts of a changing climate, the risks associated with the transition to a new, more sustainable economy and the Failure to meet expectations and commitments. For this reason, they are included in the Santander Consumer Finance risk map as a relevant risk factor.

In recent times, climate risks (physical risks and transition risks) have become very relevant, and for this reason Santander Consumer Finance is reinforcing its management and control in coordination with the Santander Group corporate teams within the framework of the Climate Project, being Some of the priorities are as follows:

a. EWRM (Enterprise-Wide Risk Management) approach, which provides a holistic and anticipatory vision of climatic aspects as a basis for their proper management.
b. Availability of relevant data (for example, CO2 emissions from financed assets, financing ratio of green assets, sectoral classification and location of companies, energy efficiency certificates and location of collaterals, etc.).
c. Integration of climatic risks in the day-to-day management and control of risks.

The relevance of the data and its quality is, if possible, even greater in this area than in the rest, given that some data that until recently was not very relevant and perhaps was not even collected has become essential for issues such as Alignment of portfolios to environmental objectives, information disclosure or climate risk management. Therefore, one of the pillars of the Climate Project is to collect said data with the required quality.

Regarding the EWRM approach, first of all, a fundamentally qualitative evaluation has been carried out on the implications and materiality of climatic aspects for Santander Consumer Finance, with special focus on the auto portfolio, which is summarized in the following paragraphs.

As previously mentioned, for Banking in general, the climate is a transversal issue with multiple angles, but with two main interrelated dimensions:

1. Banks have a key role in mitigating climate change and the transition towards a new green economy.
2. Climate aspects can cause losses to Banks through different transmission mechanisms.

With regard to Santander Consumer Finance in particular, our vision is as follows:

1. Our role in sustainable financing: the alignment of our portfolios to the ambition of net zero emissions is happening naturally and gradually thanks to the policies of the European Union and the short duration of our contracts. In any case, Santander Consumer Finance is becoming more sustainable and proactively helping clients to become more sustainable. In this path, the effort that is being made in terms of data and information dissemination is essential.

2. Potential impacts of climate risks on Santander Consumer Finance: from the materiality analysis carried out, it is concluded that the types of risk most affected for SCF are credit, residual value, reputational and strategic (business model). The potential impacts are greatly mitigated thanks to the context (gradual transformation of the automobile industry) and the business model of Santander Consumer Finance (whose portfolios are mainly retail, of good quality, short-term and diversified). On the other hand, climate issues could be the trigger for a general economic crisis, for example due to a disorderly transition to the new green economy. We are already managing these risks, but we will continue to strengthen their management and control.

Climate risks have been progressively incorporated into the different EWRM processes:

- "Top Risks": framed within the event of evolution of the automotive sector, which has historically been identified as one of the main ones in the matrix,
- Risk map: as a transversal risk, included as such since 2021,
- Assessment of the risk profile: with a qualitative assessment based on concentration and exposure,
- Risk appetite: through stress metrics, as well as the opening of the residual value by the type of engine,
- Risk strategy,
- Strategic risk, as a driver of changes in market trends,
- Capital risk and stress tests. The stress tests included in the strategic plans and in the ICAAP of Santander Consumer Finance take into account climate risks through idiosyncratic events, in addition to a specific scenario included in this exercise to reflect the potential impact of a disorderly transition towards an economically low emissions. The results of these stress tests form part of the entity's risk appetite.

Stress test scenarios and methodologies will become more sophisticated as more information becomes available. In 2022, Santander Consumer Finance has participated, together with the Santander Group teams, in the first ECB climate stress test and in the thematic review of climate risks.

Finally, with regard to day-to-day integration of risk management and control, Santander Consumer Finance's EWRM team prepares an internal climate risk monitoring report quarterly, which will also be incorporated from of its publication.

This report includes, among other aspects, the following:

a. Materiality analysis: Currently most of the portfolio has a low physical risk and moderate transition risk. It is essential to keep in mind that the portfolio consists basically of loans to private clients, of good quality, very diversified and short term.
b. Kris tracking (Key Risk Indicators): For each type of risk affected (e.g. reputational), potential risks (e.g. inadequate speed of portfolio alignment to decarbonization objectives), main driver (physical or transition), the period in which the risk can materialize (short, medium, long) and the Kris with which the evolution of the risk is followed (e.g. percentage of the entity’s electric car vs. the whole market).

c. Main focus areas in the quarter (news, relevant projects, etc.).

At the same time, work is under way to integrate climate risks at all stages of the risk cycle, ensuring compliance with commitments made and supervisory expectations. It is worth noting the progress being made in relation to the corporate model "The Climate Race" to integrate climate factors in the process of granting and monitoring credit risk.

As noted above, the SCF risk map includes climate risks, as risk elements related to the environment and climate change are considered to be factors that could affect the different types of risks existing in all relevant time horizons. These elements cover, on the one hand, those derived from the physical effects of climate change and, on the other hand, those derived from the process of transition to a more sustainable economy, including legislative, technological or behavioral changes of economic agents.

In view of the activities of the companies of the SCF Group, the SCF Group does not have any liabilities, expenses, assets or contingencies of an environmental nature that could be material in relation to equity, financial position and consolidated results.

Exposures in the sectors potentially most affected by climate factors in accordance with the market consensus and the execution of our materiality analysis correspond mainly to wholesale customers. The wholesale activity of SCF is very limited (it accounts for less than 2% of the total portfolio), since the fundamental activity is consumer financing, but in any case, within the framework of the implementation of the corporate model "The Climate Race", we are working on the consideration of climate aspects in the analysis of wholesale customers.

In addition, SCF has participated (within the Santander Group as a whole) in the different regulatory exercises on climate stress carried out recently, which have been classified as learning exercises in the industry. The results of these exercises show that, overall, the current coverage of potential losses would be adequate in the time horizons of the maturities of our portfolios. SCF also includes a climate scenario in its ICAAP exercise to assess the adequacy of domestic capital.

In view of the above, SCF considers that, with the best information available at the time of the formulation of these consolidated annual accounts, there is no significant additional impact arising from climate and environmental risk on the assets, financial situation and results in the financial year 2023.

This integration in management is also part of the emission calculation initiatives, as a basis for the commitments of Net Zero Banking Alliance.

Proposal for distribution of results

The distribution of the profit obtained by the Bank in the financial year 2023 for 917,223 thousand euros, will be submitted to the approval of the General Meeting of Shareholders in accordance with the following proposal:

A Legal reserve: 91,722 thousand euros.

A Voluntary reserve: 725,509 thousand euros.

Dividend on account: 99,992

Capital and own shares

The Group has not carried out any operations with its own shares during the 2023 financial year. Likewise, there is no self-portfolio balance in its balance sheet as of December 31, 2023.

Research and Development

The Santander Group understands innovation and technological development as a key anchor point of corporate strategy, and tries to take advantage of the opportunities offered by digitalization. Aligned with the technological and innovation strategy of the Santander Consumer Finance Group, it takes advantage of global capabilities and incorporates local particularities to maximize the development of its business and remain at the forefront of its competitors.

It is crucial to support Technology and Operations to the needs of the business, with specific value-added proposals for the supply of consumer finance value, with a focus on the point of sale, customer management and the design of specialized products, ensuring optimal process management to maintain good efficiency ratios and ensure control of technological and operational safety.

On the other hand, like the rest of the units of the Santander Group, Santander Consumer Finance is receiving increasing pressure from the increasingly demanding regulatory requirements that impact on the systems model and the underlying technology. and they require additional investments to ensure compliance and legal certainty.

Relevant events that occurred after the end of the year

The relevant events after the end of the 2023 financial year are detailed in Note 1-i of the Consolidated Report.

Adaptation to the regulatory framework

In 2014, Basel III came into force, setting new global standards for capital, liquidity and leverage in financial institutions.

From a capital point of view, Basel III redefines what is considered to be available capital in financial institutions (including new deductions and raising the requirements of computable equity instruments), raises the required capital minimums, and raises the capital requirements. it requires financial institutions to operate permanently with excess capital (capital buffers), and adds new requirements on the risks considered.

In Europe, the regulation was implemented through Directive 2013/36/EU, known as 'CRD IV', and its regulation 575/2013 (CRR) that is directly applicable in all EU states (Single Rule Book). In addition, these standards are subject to regulatory developments commissioned by the European Banking Authority (EBA).

CRD IV was transposed into Spanish legislation through Law 10/2014 on the regulation, supervision and solvency of credit institutions and its subsequent regulatory development Royal Decree 84/2015. The CRR is directly applicable in the Member states as of 1 January 2014 and repeals those lower-ranking rules that entail additional capital requirements.

The RRC envisages a gradual implementation schedule that allows a progressive adaptation to the new requirements in the European Union. These calendars have been incorporated into the Spanish regulation through Circular 2/2014 of the Bank of Spain affecting both new deductions, as well as those issues and elements of own funds that with this new regulation are no longer eligible as such. The capital buffers provided for in CRD IV are also subject to gradual implementation, being applicable for the first time in 2016 and should be fully implemented in 2019.

In 2023, at a consolidated level, Santander Consumer Finance Group must maintain a minimum capital ratio of 8.51% of CET1 phase-in (4.5% being the requirement by Pilar I, 1.5% the requirement by Pilar II, a 2.5% requirement for capital conservation buffer and 0.67% countercyclical buffer). This requirement includes: (i) Common Equity Tier 1 minimum requirement that must be maintained at all times under Article 92(1)(a) of Regulation (EU) No 575/2013 (ii) the Common Equity Tier 1 required to overhold at all times in accordance with Article 16(2)(a) of Regulation (EU) No. 1024/2013; and (iii) the capital conservation buffer under Article 129 of Directive 2013/36/EU. In addition, Santander Consumer Finance Group must maintain a minimum capital ratio of 10.30% of T1 phase-in as well as a minimum total ratio of 12.67% phase-in.

At the end of 2023, the Bank exceeded the prudential requirement defined by the ECB, standing at a CET1 (Fully Loaded) ratio of 12.54% and a total capital ratio of 16.94% (Fully Loaded).

On credit risk, the Bank is continuing its plan to implement Basel's Advanced Internal Model Approach (AIRB). This progress is also conditioned by the acquisitions of new entities, as well as by the need for coordination among supervisors of the validation processes of internal models.

Santander Consumer Finance Group is present mainly in geographies where the legal framework between supervisors is the same, as happens in Europe through the Capital Directive.

Currently, Santander Consumer Finance Group has the supervisory authorization for the use of advanced approaches to the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, certain portfolios in Germany, Nordic countries and France.

In terms of operational risk, the Santander Consumer Finance Group currently uses the standard regulatory capital calculation approach provided for in the European Capital Directive.

In relation to the rest of the risks explicitly contemplated in Pillar I of Basel, market risk is not significant in Santander Consumer Finance since it is not the object of the business, using the standard approach.

Leverage ratio

The leverage ratio has been established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital required from financial institutions. The Group performs the calculation in accordance with CRD IV and its subsequent amendment to Regulation (EU) No. 575/2013 as of 17 January 2015, the aim of which was to harmonize the calculation criteria with those specified in the document Basel III leverage ratio framework and disclosure Basel Committee requirements. This ratio is calculated as the ratio between Tier 1 divided by the leverage exposure.

This ratio is calculated as the ratio between *Tier 1* divided by the leverage exposure. This exposure is calculated as the sum of the following elements:

- Accounting asset, without derivatives and without elements considered as deductions in *Tier* 1 (for example, the balance of loans is included but not funds of commerce).
- Order accounts (guarantees, credit limits granted unused, documentary credits, mainly) weighted by credit conversion factors.
- Inclusion of the net value of derivatives (capital gains and handicaps are net with the same counterparty, less collateral if they meet criteria) plus a surcharge for future potential exposure.
- A surcharge for the potential risk of securities financing transactions.
- Finally, a credit derivatives risk surcharge (CDS) is included.

Santander Consumer Finance maintains a fully loaded sub-consolidated leverage ratio of 8.52% at the end of 2023 over a benchmark ratio of 3%.

Economic Capital

From the standpoint of solvency, Santander Consumer Finance Group uses, in the context of Basel Pillar II, its economic model for the capital self-assessment process (PAC or ICAAP). To do this, the evolution of the business and capital needs is planned under a central scenario and under alternative stress scenarios. In this planning, the Group ensures that it maintains its solvency objectives even in adverse economic scenarios.

Economic capital is the necessary capital, according to a model developed internally, to withstand all the risks of our activity with a certain level of solvency. In our case the solvency level is determined by the long-term objective rating of

'A' (two steps above the rating of Spain), which means applying a confidence level of 99.95% (above the regulatory 99.90%) to calculate the necessary capital.

The Group's economic capital model includes in its measurement all the significant risks incurred by the Group in its operations, so it considers risks such as concentration, structural interest, business, pensions and others that are outside the scope of the so-called Regulatory Pillar 1. In addition, economic capital incorporates the diversification effect, which in the case of the Group is key, due to the multinational and multi-business nature of its activity, to determine the overall risk and solvency profile.

Santander Consumer Finance Group uses RORAC methodology in its risk management to calculate the consumption of economic capital and return on it of the Group's business units, as well as segments, portfolios or customers, as well as the company's business units. in order to periodically analyze value creation and to facilitate an optimal allocation of capital.

The RORAC methodology makes it possible to compare, on a homogeneous basis, the performance of operations, customers, portfolios and businesses, identifying those who obtain a risk-adjusted return higher than the Group's cost of capital, thus aligning risk and business management with the intention of maximizing value creation, ultimate objective of Santander Consumer Finance's senior management.

Annual corporate governance report

The Bank, an entity domiciled in Spain, whose voting rights correspond, directly and/or indirectly, to Banco Santander, S.A., in compliance with the provisions of Article 9.4 of Order ECC/461/2013, of March 20, of the Ministry of Economy and Competitiveness, does not prepare an Annual Corporate Governance Report, that is prepared and presented to the CNMV by Banco Santander, S.A., as the head company of the Santander Group.

Non-financial information

On 28 December 2018, the Council of Ministers adopted Law 11/2018 amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Audit of Accounts, in the field of non-financial information and diversity.

The statement of non-financial information shall contain the following aspects: A brief description of the group's business model, the group's policies on those issues and their implementation results, the main risks associated with its activities; as well as information on key indicators of non-financial performance on environmental, personnel, human rights, anti-corruption and bribery issues and diversity issues.

This Directive applies to institutions whose average number of employees in the financial year exceeds 500 and which are either considered to be public interest entities in accordance with the auditing legislation; or for two consecutive years they meet at the closing date of each of them, at least two of the circumstances indicated in the said Law. However, a dependent undertaking belonging to a group shall be exempt from the above obligation if the undertaking and its dependents are included in the consolidated management report of another undertaking.

In this regard, as a subsidiary entity of Banco Santander S.a., Santander Consumer Finance, S.A., and the companies that make up the Santander Consumer Finance Group (consolidated), it incorporates the content of this information in the Management Report of Banco Santander S.A. and subsidiaries of the annual year ended December 31, 2023 that together with the consolidated annual accounts of Banco Santander Group and subsidiaries, as indicated in note 1 of the attached report, they are deposited in the Mercantile Registry of Santander and is also available at www.santander.com

Capital Structure and Significant Participations

Banco Santander, S.A.	1,879,546,152	Percentage 99.99%
Cantabro Catalana de Inversiones, S.A.	20	Percentage 0.00000106%
Total number of shares	1,879,546,172	
Nominal value	3.00	
Share Capital	5,638,638,516	

As of December 31, 2023, the Bank's share capital was formalized in 1,879,546,172 nominal shares, each of which had a nominal value of 3 euros, fully subscribed and paid up, with identical political and economic rights.

Restrictions on the transferability of values

Not applicable

Restrictions on voting rights

Attendees to the General Shareholders Meeting will have one vote for each share they own or represent.
Only holders of twenty or more shares shall be entitled to attend the General Shareholders' Meeting, provided that they are registered in their name in the Register of Nominative Shares.

Side agreements

Not applicable

Appointment and replacement of the members of the Board of Directors and modification of social statutes

The representation of the Bank corresponds to the Board of Directors, which shall be composed of a number of members not less than five or more than fifteen, who shall be appointed by the General Shareholders' Meeting for a term of three years and who may, however, be re-elected, as many times as desired, for periods of equal duration.

To be a Director, you do not have to be a shareholder of the Bank

Powers of the members of the Board of Directors

On December 17, 2020, the Board of Directors of SCF, S.A. approved the appointment of Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir as Managing Directors of Santander Consumer Finance, S.A. the Board of Directors agreed to delegate in favor of Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir, in solidarity, all the powers of the Board, except those legally indelegable.

However, in view of the fact that Mr Ezequiel Szafir resigned for personal reasons at the Council of 27 July 2023 as a member of the Board and as CEO of the company, all the powers of the Board conferred on him were revoked.

On the occasion of his re-election as Director, agreed by the General Shareholders Meeting of February 24, 2022, the Board of Directors, on that date, agreed to the re-election of Don José Luis de Mora as CEO, attributing, again, in solidarity, to him, all the powers of the Board of Directors, except those which are legally or by statute or under the Regulation of the Board are non-delegable. The powers qualified as non-delegable in the Council Regulation are as follows:

a. The adoption of the Company's general policies and strategies, and the monitoring of their implementation.

b. The formulation of the annual accounts and their submission to the general meeting.

c. The formulation of any kind of report required by law to the board of directors provided that the operation to which the report relates cannot be delegated.

d. The convening of the general meeting of shareholders and the preparation of the agenda and the proposal of agreements.

e. The definition of the structure of the Group of Companies of which the Company is the dominant entity.

f. Monitoring, monitoring and periodic evaluation of the effectiveness of the corporate governance and internal governance system and of regulatory compliance policies, as well as the adoption of appropriate measures to address, where appropriate, their deficiencies.

g. The approval, within the framework of the provisions of the Statutes of Companies and in the remuneration policy of directors approved by the general meeting, of the remuneration that corresponds to each director.

h. The approval of contracts regulating the provision by directors of functions other than those that correspond to them in their capacity as such and the remuneration that corresponds to them for the performance of functions other than the supervision and collegial decision that they carry out in their capacity mere members of the council.

i. The design and supervision of the policy of selection of directors, as well as the succession plans of directors.

j. The selection and continuous evaluation of the directors.

k. Supervision of the development of the Responsible Banking Agenda.

l. The powers delegated by the general meeting to the board of directors, unless it had been expressly authorized by the board to sub-delegate them.

m. The determination of its organization and functioning and, in particular, the adoption and amendment of the rules of procedure of the Council

Significant agreements that are modified or terminated in case of change of control of the Company

Not applicable.

Agreements between the Company, directors, directors or employees that provide for compensation at the end of the relationship with the Company due to a public takeover offer

Not applicable.