Santander Consumer Finance, S.A.
and dependent subsidiaries

Interim Condensed Consolidated
Financial Statements and Interim
Consolidated Management Report
for the six-month period ended 30 June 2022

Translation of interim condensed 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 17) In the event of a discrepancy, the Spanish-language version prevails

Independent auditor's report on the condensed interim consolidated financial statements

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

Report on the condensed interim consolidated financial statements

Opinion

We have audited the condensed interim consolidated financial statements of Santander Consumer Finance, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at June 30, 2022, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six month period then ended.

In our opinion, the accompanying condensed interim consolidated financial statements of Santander Consumer Finance, S.A. and subsidiaries for the six months period ended at such datehave been prepared, in all material aspects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, as provided in Article 12 of Royal Decree 1362/2007, for the preparation of condensed interim financial statements.

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 condensed interim consolidated financial statements* 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 condensed interim consolidated financial statements 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 believe 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 judgement, were of most significance in our audit of the condensed interim consolidated financial statements of the current period. These matters were addressed in the context of our audit of the condensed interim consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion of these matters.

Key audit matter	How our audit addressed the key audit matter
Estimation of the impairment of financial assets at amortized cost – loans and advances – customers – collectively determined	
The expected loss impairment calculation model required by International Financial Reporting Standard 9 (IFRS 9), together with related adaptations in the current environment, entail a high degree of complexity when incorporating estimates and elements of judgment, especially those updates and adjustments to the models for estimating the expected loss. In this context, the main judgements and assumptions made by Management are as follows: ● The main estimates used in the calculation of the probability of default or default parameters (PD – Probability of Default) and loss severity given default (LGD – Loss Given Default) of the expected loss models, including the forward-looking models. ● The monitoring of the adjustments to the expected loss models to adapt the parameters in the estimation of impairment of loans and advances to customers. These estimates imply a high component of judgment on the part of the management and there is a high degree of uncertainty about them, being, therefore, one of the most significant and complex estimates in the preparation of the condensed consolidated interim financial statements as of 30 of June 2022 attached, so they have been considered as one of the key issues of the audit. See notes 1.d and 5 to the accompanying condensed interim consolidated financial statements as of 30 June 2022.	We have obtained, with the collaboration of our credit risk specialists, an understanding of the process of estimating the impairment of the value of financial assets at amortized cost - loans and advances to customers made by management on the provisions estimated collectively. Additionally, and as part of our procedures, we have made inquiries with management to obtain an understanding of the scope of the impact of climate change on credit risk. Regarding internal control, we gained an in-depth understanding and tested controls for the main phases of the estimation process, paying particular attention to the determination of the most relevant assumptions in the estimation of the parameters, as well, if applicable, the definition and evaluation of any adjustments to the model. We also performed the following test of details: ● Checks, for the main models, regarding: i) calculation and segmentation methods; ii) estimation methodology of expected loss parameters; iii) data used and main estimates used; iv) criteria for classifying loans by phases, and v) information regarding the sensitivities of the scenarios and their assumptions. ● Re-execution of the calculation of collective provisions according to the parameters obtained from the expected loss models. ● Evaluationof the adjustments to the expected loss models made by management to adapt the estimated parameters. In the tests described above, no differences have been identified, outside of a reasonable range.

Key audit matter	How our audit addressed the key audit matter
Assessment of indications of goodwill impairment	
At least annually, the Group evaluates the existence of impairment indicators and, if applicable, estimates the recoverable amount of each Cash-Generating Unit (CGU) to which goodwill has been assigned, mainly using independent expert valuations. In view to its relevance to the Group, Management pays special attention to goodwill from the Cash-Generating Units of Germany, Austria and Nordic countries (Scandinavia). With respect to the condensed interim consolidated financial statements, Group management has evaluated whether there has been, since the end of the previous year, any evidence of impairment that would require the re-evaluation of the impairment calculation. As indicated in note 8, Management has not identified any evidence of impairment in any of the CGU that have goodwill assigned. The evaluation of signs of impairment requires a complex estimate to be made and entails a high component of judgment on the part of management and, therefore, the main assumptions made have been considered one of the key issues of the audit. See notes 1.d and 8 of the attached condensed consolidated interim financial statements as of June 30, 2022.	Assisted by our valuation experts, we gained an understanding of the process carried out by Management for evaluating goodwill impairment indicators. In respect of internal control, we have conducted an understanding and test of controls over the assessment of indications of impairment of goodwill of the main SCGUs, performed by the Group's Management, including oversight of the process and related approvals. In addition, we performed tests of details to verify the assessment of impairment indicators. performed by Management. This evaluation includes the analysis of the budget compliance of the main CGUs, the testing of assumptions such as discount rates and perpetual growth rates, and the impact of identified variations in all of them, which served as a basis for the Group's management to conclude on the existence of impairment indicators. Based on the procedures performed, we believe that the Group's determinations that there are no indications of impairment in goodwill have adequate support in the context of the circumstances in which these condensed consolidated interim financial statements are prepared.

Key audit matter	How our audit addressed the key audit matter
Information systems	
The Group's financial information relies largely on the information technology (IT) systems in the geographies in which it operated, so suitable control over the systems is a key to assuring the correct processing of the information. The information technology environment has been developed mainly in the Group, although a part has also been developed by External Partners. In this context, it is essential to assess aspects such as Technology and Operations Area of the Group and of the External Partners, controls of application maintenance and development, physical and logical security and system operation as one of the key audit matters.	With the help of our IT system specialists, our work considered of assessing and verifying internal control over systems, databases and applications supporting the Group's financial information. To this end, internal control review procedures and substantive tests were carried out on the environment of both the Group and the External Partners, related 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, in view of the monitoring carried out by Management on internal control in IT systems, our audit approach and plan focused on the following aspects: • Assessment of the monitoring carried out by Management as part of the access control environment made by the Group. • Verification of the design and operability of the controls put in place by Management, including access controls. The results of our previous procedures have not revealed any relevant observations on this issue.

Emphasis of matters

We draw attention to note 1.c accompanying, which states that such condensed interim consolidated financial statements do not contain all of the information that is required for a complete set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, hence the accompanying condensed interim consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021. The matter does not modify our opinion.

Other information: Interim consolidated management report

Other information comprises only the interim consolidated management report for the six-month period ended June 30, 2022, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the condensed interim consolidated financial statements.

Our audit opinion on the condensed interim consolidated financial statements does not cover the interim consolidated management report. Our responsibility regarding the interim consolidated management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the interim consolidated management report and the condensed interim consolidated financial statements 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 the interim 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 in the previous paragraph, the information contained in the interim consolidated management report is consistent with that contained in the condensed interim consolidated financial statements for the six month period ended June 30, 2022, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the condensed interim consolidated financial statements

The Parent company´s Directors are responsible for the preparation of the accompanying condensed interim consolidated financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007, and for such internal control as Directors determine is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim consolidated financial statements, 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 directors either intend to liquidate the Group or to cease operations, or have 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 condensed interim consolidated financial statements.

Auditor's responsibilities for the audit of the condensed interim consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the condensed interim consolidated financial statements 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 condensed interim consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 condensed interim consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 condensed interim consolidated financial statements, including the disclosures.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed interim consolidated financial statements. 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 audit committee 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 condensed interim consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Appointment period

The General Shareholders' Meeting on March 3, 2022 appointed us as the Group's auditors for a one-year period, as from the year ended on December 31, 2022.

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

Services provided

The permitted services, other than audit services, which have been rendered to the Parent company and subsidiaries of the audited Group were as follows: comfort letters issuance, regulatory compliance reviews, agreed-upon procedures services and other services.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Ignacio Martínez Ortiz (23834)

July 28, 2022

SANTANDER CONSUMER FINANCE, S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2022 AND 31 DECEMBER 2021

(Thousands of euros)

ASSETS	Note	30/06/2022	31/12/2021 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND		**9,904,087**	**18,965,097**
FINANCIAL ASSETS HELD FOR TRADING	**5**	**251,126**	**51,476**
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**5**	**2,328**	**2,998**
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**5**	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**5**	**894,533**	**1,077,351**
FINANCIAL ASSETS AT AMORTISED COST	**5**	**108,195,755**	**103,663,354**
HEDGING DERIVATES	**16**	**714,844**	**121,585**
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RISK		**(381.656)**	**(46,269)**
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**709,072**	**682,414**
Investments in joint ventures		284,724	260,115
Associated entities		424,348	422,299
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS		**—**	**—**
TANGIBLE ASSETS	**7**	**2,601,052**	**2,306,339**
Property, plant and equipment		2,601,052	2,306,339
For own-use		*383,842*	*400,330*
Leased out under an operating lease		*2,217,210*	*1,906,009*
Investment property		—	—
Of which Leased out under an operating lease		—	—
Memorandum items: acquired in financial lease		*278,760*	*289,600*
INTANGIBLE ASSETS	**8**	**2,065,355**	**2,063,513**
Goodwill		1,714,835	1,707,480
Other intangible assets		350,520	356,033
TAX ASSETS		**1,556,721**	**1,280,479**
Current tax assets		989,039	692,567
Deferred tax assets		567,682	587,912
OTHER ASSETS		**956,642**	**712,466**
Inventories		4,748	3,777
Other		951,894	708,689
NON-CURRENT ASSETS HELD FOR SALE	**6**	**40,135**	**50,386**
TOTAL ASSETS		**127,509,994**	**130,931,189**

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheet as at 30 June 2022.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2022 AND 31 DECEMBER 2021

(Thousands of euros)

LIABILITIES	Note	30/06/2022	31/12/2021(*)
FINANCIAL LIABILITIES HELD FOR TRADING	9	**247,104**	**58,169**
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		—	—
FINANCIAL LIABILITIES AT AMORTISED COST	9	**109,050.585**	**113,270,031**
HEDGING DERIVATES	16	**217,641**	**128,650**
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		—	—
LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
PROVISIONS	10	**645,057**	**825,910**
Pensions and other post-retirement obligations		427,005	598,456
Other long term employee benefits		37,881	44,442
Taxes and other legal contingencies		7,384	9,576
Contingent liabilities and commitments		42,809	39,403
Other provisions		129,978	134,033
TAX LIABILITIES		**1,672,263**	**1,411,213**
Current tax liabilities		504,663	338,699
Deferred tax liabilities		1,167,600	1,072,514
OTHER LIABILITIES		**1,895,208**	**1,842,887**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		—	—
TOTAL LIABILITIES		**113,727,858**	**117,536,860**
SHAREHOLDERS´ EQUITY	11	**11,890,381**	**11,702,523**
Capital		5,638,639	5,638,639
Called up paid capital		*5,638,639*	*5,638,639*
Unpaid capital which has been called up		—	—
Share premium		1,139,990	1,139,990
Equity instruments issued other than capital		1,200,000	1,200,000
Equity component of the compound financial instrument		—	—
Other equity instruments issued		*1,200,000*	*1,200,000*
Other equity		—	—
Accumulated retained earnings		3,628,794	2,985,858
Revaluation reserves		—	—
Other reserves		58,622	53,909
(-) Own reserves		—	—
Profit attributable to shareholders of the parent		575,811	1,174,689
(-) Interim dividends		(351,475)	(490,562)
OTHER COMPREHENSIVE INCOME	11	**(551,835)**	**(645,973)**
Items not reclassified to profit or loss		(38,623)	(155,201)
Items that may be reclassified to profit or loss		(513,212)	(490,772)
NON-CONTROLLING INTEREST		**2,443.590**	**2,337,779**
Other comprehensive income		(1.030)	2,157
Other elements		2,444.620	2,335,622
EQUITY		**13,782,136**	**13,394,329**
TOTAL EQUITY AND LIABILITIES		**127,509,994**	**130,931,189**
MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS		27,173,463	25,495,968
Loan commitments granted	14	25,797,294	24,122,179
Financial guarantees granted	14	156,673	189,841
Other commitments granted	14	1,219,496	1,183,948

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheet as at 30 June 2022.

SANTANDER CONSUMER FINANCE, S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	Note	Incomes / (Expenses)	
		30/06/2022	30/06/2021 (*)
INTEREST INCOME AND OTHER SIMILAR INCOME	12	2,056,484	1.993.129
Financial assets at fair value through other comprehensive income		*371*	*4*
Financial assets at amortised cost		*1,984,843*	*1.919.763*
Rest of interest expense		*71,270*	*73,362*
INTEREST EXPENSE		(240,943)	(242,294)
NET INTEREST INCOME		**1,815,541**	**1,750,835**
DIVIDEND INCOME	12	46	4
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		41,983	29,314
COMMISSION INCOME	12	572,794	525,664
COMMISSION EXPENSE		(178,382)	(160,161)
GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	12	19	(2,819)
GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	12	1,067	1,424
GAIN OR LOSSES ON NON-TRADING FINANCIAL ASSETS AND LIABILITIES MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	12	—	7
GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		—	—
GAIN OR LOSSES FROM HEDGE ACCOUNTING, NET	12	31,673	2,468
EXCHANGE DIFFERENCES, NET		(12,336)	1,795
OTHER OPERATING INCOME	12	242,553	191,063
OTHER OPERATING EXPENSES		(223,132)	(181,226)
INCOME FROM ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS		—	—
EXPENSES FROM LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS		—	—
GROSS INCOME		**2,291,826**	**2,158,368**
ADMINISTRATIVE EXPENSES		(889,690)	(830,443)
Staff costs		(445,211)	(432,948)
Other general administrative expenses		(444,479)	(397,495)
DEPRECIATION AT AMORTISATION COST		(98,967)	(93,475)
PROVISIONS OR REVERSAL OF PROVISIONS, NET	10	(21,233)	(19,024)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT AT FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	5	(245,002)	(269,179)
Financial assets at fair value through other comprehensive income		27	60
Financial assets at amortized cost		(245,029)	(269,239)
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET		—	—
IMPAIRMENT ON NON-FINANCIAL ASSETS AND INVESTMENTS, NET		(2,565)	459
Tangible assets	*7*	(637)	1,154
Intangible assets	*8*	(230)	(382)
Others		(1,698)	(313)
GAIN OR LOSSES ON NON-FINANCIAL ASSETS AND INVESTMENTS, NET	7	950	(104)
NEGATIVE GOODWILL RECOGNISED IN RESULTS	2	—	—
GAIN OR LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCOUNTED OPERATIONS	6	418	(2,905)
PROFIT OR LOSSES BEFORE TAX FROM CONTINUING OPERATIONS	12	**1,035,737**	**943,697**
TAX EXPENSE OR INCOME FROM CONTINUING OPERATIONS	12	(268,225)	(273,643)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**767,512**	**670,054**
PROFIT OR LOSS AFTER TAX FROM DISCOUNTED OPERATIONS		—	—
PROFIT FOR THE PERIOD		**767,512**	**670,054**
Profit attributable to non-controlling interests		191,701	151,593
Profit attributable to the parent		575,811	518,461
EARNINGS PER SHARE			
Basic	*3*	*0.287*	*0.256*
Diluted	*3*	*0.287*	*0.256*

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2022.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	30/06/2022	30/06/2021 (*)
CONSOLIDATED PROFIT FOR THE PERIOD	**767,512**	**670,054**
OTHER RECOGNISED INCOME AND EXPENSE	**90,951**	**47,034**
Items that will not be reclassified to profit or loss	**117,376**	**38,910**
Actuarial gains and losses on defined benefit pension plans	172,620	49,418
Non-current assets held for sale	—	—
Other recognised income and expense of investments in subsidiaries, joint ventures and associates	(3)	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(307)	5,126
Gains or losses resulting from the accounting for hedges of equity instruments measured at fair value through other	—	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	—	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	—	—
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	—	—
Items that may be reclassified to profit or loss	**(26,425)**	**8,124**
Hedges of net investments in foreign operations (effective portion)	44,175	(58,832)
Revaluation gains (losses)	*44,175*	*(58,832)*
Amounts transferred to income statement	—	—
Other reclassifications	—	—
Exchanges differences	(95,705)	59,664
Revaluation gains (losses)	*(95,705)*	*59,664*
Amounts transferred to income statement	—	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	56,764	3,556
Revaluation gains (losses)	*39,483*	*(4,195)*
Amounts transferred to income statement	*17,281*	*7,751*
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments (items not designated)	—	—
Revaluation gains (losses)	—	—
Amounts transferred to income statement	—	—
Other reclassifications	—	—
Debt instruments at fair value with changes in other comprehensive income	(2,210)	(407)
Revaluation gains (losses)	*(2,183)*	*(263)*
Amounts transferred to income statement	*(27)*	*(144)*
Other reclassifications	—	—
Non-current assets held for sale	—	—
Revaluation gains (losses)	—	—
Amounts transferred to income statement	—	—
Other reclassifications	—	—
Share of other recognised income and expense of investments	(16,742)	4,849
Income tax relating to items that may be reclassified to profit or loss	(12,707)	(706)
TOTAL RECOGNISED INCOME AND EXPENSES	**858,463**	**717,088**
Attributable to non-controlling interests	*188,514*	*153,287*
Attributable to the parent	*669,949*	*563,801*

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2022.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022

(Thousands of euros)

	Capital	Share premium	Other equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit Attributable to shareholders of the parent	(-) Interim dividends	Other comprehensive income	Non-Controlling interest		Total
												Other comprehensive income	Others items	
Balance as at 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**
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance as at 01-01-2022	**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 recognised income and expense	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**575,811**	**—**	**94,138**	**(3,187)**	**191,701**	**858,463**
Other changes in equity	**—**	**—**	**—**	**—**	**642,936**	**—**	**4,713**	**—**	**(1,174,689)**	**139,087**	**—**	**—**	**(82,703)**	**(470,656)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	—	—	(351,475)	—	—	(82,843)	(434,318)
Purchase of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	642,936	—	41,191	—	(1,174,689)	490,562	—	—	—	—
Increases (decreases) due to business combinations	—	—	—	—		—	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	—		—	—	—	—	—	—	—	—	—
Others increases or (-) decreases of the equity	—	—	—	—	—	—	(36,478)	—	—	—	—	—	140	(36,338)
Balance as at 30-06-22	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,628,794**	**—**	**58,622**	**—**	**575,811**	**(351,475)**	**(551,835)**	**(1,030)**	**2,444,620**	**13,782,136**

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of changes in total equity for the six-month period ended 30 June 2022.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2021

(Thousands of euros)

	Capital	Share premium	Other equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit Attributable to shareholders of the parent	(-) Interim dividends	Other comprehensive income	Non-Controlling interest: Other comprehensive income	Non-Controlling interest: Others items	Total
Balance as at 31-12-2020 (*)	**5,638,639**	**1,139,990**	**1,200,000**	—	**3,919,209**	—	**74,864**	—	**504,055**	**—**	**(701,640)**	**(4,012)**	**2,135,908**	**13,907,013**
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance as at 01-01-2021 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,919,209**	**—**	**74,864**	**—**	**504,055**	**—**	**(701,640)**	**(4,012)**	**2,135,908**	**13,907,013**
Total recognised income and expense	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**518,461**	**—**	**45,340**	**1,694**	**151,593**	**717,088**
Other changes in equity	**—**	**—**	**—**	**—**	**(116,304)**	**—**	**16,235**	**—**	**(504,055)**	**—**	**—**	**—**	**(108,883)**	**(713,007)**
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	16,660	16,660
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	(567,623)	—	—	—	—	—	—	—	(124,281)	(691,904)
Purchase of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	451,319	—	52,736	—	(504,055)	—	—	—	—	—
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others increases or (-) decreases of the equity	—	—	—	—	—	—	(36,501)	—	—	—	—	—	(1,262)	(37,763)
Balance as at 30-06-2021 (*)	**5,638,639**	**1,139,990**	**1,200,000**	—	**3,802,905**	—	**91,099**	—	**518,461**	—	**(656,300)**	**(2,318)**	**2,178,618**	**13,911,094**

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of changes in total equity for the six-month period ended 30 June 2022.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2022 AND 2021

(Thousands of euros)

	Note	30/06/2022	30/06/2021 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES		**(8,138,600)**	**5,218,458**
Profit for the period		**767,512**	**670,054**
Adjustments made to obtain the cash flows from operating activities		**835,866**	**829,138**
Depreciation and amortisation cost		*98,967*	*93,475*
Other adjustments		*736,899*	*735,663*
Net increase/(decrease) in operating assets		**(6,083,500)**	**473,584**
Financial assets held-for-trading		*(200,442)*	*1,473*
Non-trading financial assets mandatorily at fair value through profit or loss		*670*	*(3,488)*
Financial assets at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		*180,259*	*(174,571)*
Financial assets at amortized cost		*(5,399,542)*	*738,940*
Other operating assets		*(664,445)*	*(88,770)*
Net increase/(decrease) in operating liabilities		**(3,432,938)**	**3,426,805**
Liabilities held-for-trading financial		*189,733*	*(5,506)*
Financial liabilities designated at fair value through profit or loss		—	—
Financial liabilities at amortised cost		*(3,897,771)*	*3,448,964*
Other operating liabilities		*275,100*	*(16,653)*
Income tax recovered/(paid)		**(225,540)**	**(181,123)**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(396,359)**	**(307,283)**
Payments		**(483,686)**	**(451,064)**
Tangible assets	7	*(409,267)*	*(402,567)*
Intangible assets		*(53,110)*	*(48,497)*
Investments		—	—
Subsidiaries and other business units		(21,309)	—
Non-current assets held for sale and associated liabilities		—	—
Held-to-maturity investments		—	—
Proceeds		**87,327**	**143,781**
Tangible assets		*49,708*	*141,922*
Intangible assets		—	—
Investments		*24,555*	*946*
Subsidiaries and other business units		—	—
Non-current assets held for sale and associated liabilities		*13,064*	*913*
Other payments related to investing activities		—	—
C. CASH FLOW FROM FINANCING ACTIVITIES		**(505,865)**	**(1,442,233)**
Payments		**(1,105,865)**	**(1,558,893)**
Dividends		*(958,569)*	*(567,623)*
Subordinated liabilities		*(8,924)*	*(810,997)*
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		—	—
Other payments related to financing activities		*(138,372)*	*(180,273)*
Proceeds		**600,000**	**116,660**
Subordinated liabilities		*600,000*	*100,000*
Issuance of own equity instruments		—	—
Disposal of own equity instruments		—	—
Other proceeds related to financing activities		—	16,660
D. EFFECT OF FOREIGN EXCHANGE RATE DIFFERENCES		**(20,186)**	**(5,319)**
E. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(9,061,010)**	**3,463,623**
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**18,965,097**	**10,316,799**
G. CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,904,087**	**13,780,422**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Cash		*102,738*	*98,201*
Cash equivalents at central banks		*7,591,126*	*11,412,083*
Other financial assets		*2,210,223*	*2,270,138*
Less: Bank overdrafts refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD		***9,904,087***	***13,780,422***
In which: restricted cash		—	—

(*) Presented for comparison purposes only (Note 1.f).

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of changes in total equity for the six-month period ended 30 June 2022.

Santander Consumer Finance, S.A. and Subsidiaries forming Santander Consumer Finance Group

Explanatory notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2022

1. Introduction, basis of presentation of the interim condensed consolidated financial statements and other information

a) Introduction

Santander Consumer Finance, S.A. ("the Bank") was incorporated in 1963 under the name of Banco de Fomento, S.A. It is a private-law entity subject to the rules and regulations applicable to banks operating in Spain, which has its headquarters at Avenida de Cantabria s/n, Edificio Dehesa, Boadilla del Monte, Madrid, where the bylaws and other public information on the Bank can be consulted. The Bank is registered in the Official Register of Institutions of the Bank of Spain under code 0224.

The Bank's object is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. Also, as the holding company of a finance group (the Santander Consumer Finance Group, "the Group"), the Bank manages and handles the investments in its subsidiaries.

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) has a direct and indirect ownership interest in the share capital of the Bank at 30 June 2022 (see Explanatory Note 11). Its activity should be considered in the context of the activity and global strategy of the Santander Group; the Bank carries out significant transactions with Santander Group companies (see Explanatory Note 13). The Bank is not listed and, in both the first half of 2022 and in 2021, it carried on most of its direct business activities in Spain.

The Group engages in finance leasing, financing of third-party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Bank has been the head of a group of financial institutions which engage mainly in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities mainly in Germany, Italy, Austria, Poland, the Netherlands, Norway, Finland, Sweden, France, Portugal, China, Denmark, Belgium, Switzerland and Greece.

The condensed consolidated interim financial statements (hereinafter, interim financial statements) of Santander Group for the six-period month ended June 30, 2022, have been prepared and formulated by its directors, at their meeting held on July 27, 2022. The consolidated financial statements of Santander Group for the year 2021 were approved by the general meeting of shareholders held on March 3, 2022.

b) Foreign currency transactions

i. Presentation currency

The Group's presentation currency is the euro. As a result, all balances and transactions denominated in currencies other than the euro are treated as foreign currency transactions for presentation purposes.

ii. Translation of foreign currency into the presentation currency

Transactions denominated in currencies other than the presentation currencies of each Group entity performed by the consolidated entities (including those consolidated using the equity method) are initially recognized by applying the spot exchange rate at the date of the transaction. Subsequently, assets and liabilities denominated in currencies other than the presentation currency are translated into these entities' respective functional currencies (the currency of the principal economic environment in which the consolidated entity operates) using the closing exchange rate, with the exception of:

- Non-monetary items that are measured in terms of historical cost, which are translated into the presentation currency using the exchange rate at the date of the transaction.

- Non-monetary items that are measured at fair value, which are translated using the exchange rates at the date when the fair value was determined.

– The forward purchase and sale of currencies against other currencies other than the euro and of currencies against euros that do not hedge asset or liability positions are translated, as warranted, using the exchange rates established by the forward market as of the reporting date for the corresponding delivery or settlement date.

iii. Translation of functional currencies into euros

The financial statement balances of the consolidated entities (including those consolidated using the equity method) whose functional currency is not the euro are translated into euros as follows:

– Asset and liability balances are translated using the official Spanish spot exchange rate at the end of the reporting period (the closing rate).

– Income and expenses are translated using the average exchange rate for the period for all transactions performed during the period.

– The items comprising equity are translated at historical exchange rates.

iv. Recognition of exchange differences

Exchange differences arising upon the translation, using the criteria outlined above, of foreign currency balances into the presentation currency of each Group entity are recognized, generally, at their net amount within "Exchange differences-net" in the condensed consolidated income statement, with the exception of any exchange differences arising in respect of financial instruments classified at fair value through profit and loss, which are recognized in the income statement without differentiating them from the other changes arising in their fair value within "Gain or losses on financial assets and liabilities recognized at fair value through profit and loss, net".

However, the exchange differences arising on non-monetary items for which changes in their fair value are recognized in "Other accumulated results – Items that can be reclassified to profit and loss – Exchange differences" within equity on the condensed consolidated balance sheet until such gains or losses are realized. Upon realization, the exchange differences deferred in Group equity are reclassified to the condensed consolidated income statement.

Lastly, exchange differences arising upon consolidation from the translation into euros of the financial statements of consolidated entities whose presentation currency is not the euro are recognized with a balancing entry under "Other accumulated results – Items that may be reclassified to profit and loss – Exchange differences" within equity on the consolidated balance sheet.

c) Basis of presentation of the interim condensed consolidated financial statements

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 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 ("IFRSs") as previously adopted by the European Union ("EU-IFRSs"). In order to adapt the accounting system of Spanish credit institutions these standards, the Bank of Spain issued Circular 4/2004, of December 22, on Public and Confidential Financial Reporting Rules and Formats, repealed on January 1, 2018 in virtue of the Circular 4/2017, of November 27, 2017 of the Bank of Spain, and its subsequent modifications, on Public and Confidential Financial Reporting Standards and Financial Statements Formats.

The Group's consolidated annual accounts for 2021 were authorized by the Bank's directors (at the board of directors meeting on 24 February 2022) in accordance with EU-IFRS, taking into account Bank of Spain Circular 4/2017 and its subsidiaries modifications, and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB-IFRSs), using the basis of consolidation, accounting policies and measurement bases described in Note 2 to the aforementioned consolidated annual accounts and, accordingly, they presented fairly the Group's consolidated equity and consolidated financial position at 31 December 2021 and the consolidated results of its operations, the consolidated recognized income and expense, the changes in consolidated equity and the consolidated cash flows in 2021.

These interim financial statements were prepared and are presented in accordance with the International Accounting Standards (hereinafter, IAS 34), Interim Financial Reporting, for the preparation of interim condensed financial statements, in conformity with Article 12 of Royal Decree 1362/2007, and taking into account the requirements of Circular 3/2018, of June 28, of the Spanish National Securities Market Commission ("CNMV"). The aforementioned financial statements will be incorporated in the half-year financial report for the first semester of 2022 to be presented by the Group, in accordance with the aforementioned Circular 3/2018.

In accordance with IAS 34, the interim financial report is intended only to provide an update on the content of the latest annual consolidated annual accounts authorized for issue, focusing on new activities, events and circumstances occurring during the six-month period, and does not duplicate information previously reported in those latest prepared consolidated annual accounts. Consequently, these interim financial statements do not include all the information that would be required for a complete set of consolidated annual accounts prepared in accordance with IFRSs and, accordingly, for a proper comprehension of the information included in these interim financial statements, they should be read together with Santander Consumer Finance Group's consolidated annual accounts for the year ended 31 December 2021.

The Group policies include presenting the interim financial statements for its use in the different markets using the Euro as its presentation currency. The amounts held in other currencies and the balances of entities whose functional currency is not the Euro, have been translated to the presentation currency in accordance with the criteria indicated in Note 2.a to the consolidated annual accounts for 2021. As indicated in that Note, for practical reasons, the balance sheet amount has been converted to the closing exchange rate, the equity to the historical type, and the income and expenses have been converted by applying the average exchange rate of the period; the application of such exchange rate or that corresponding to the date of each transaction does not lead to significant differences in the interim financial statements of the Group.

The accounting policies and methods used in the preparation of these consolidated interim financial statements are the same as those applied in the consolidated financial statements for 2021, except for the standards that came into force during the first six months of 2022, which are detailed below:

- Amendment to IFRS 3 Business Combinations: to update references to the conceptual framework for financial reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Liens. The amendments also confirm that an acquirer should not recognise contingent assets acquired from a business combination. Applicable from 1 January 2022.

- Amendment to IAS 16 Property, Plant and Equipment: prohibits an entity from deducting any revenue from the sale of finished goods from the cost of an item of property, plant and equipment while the entity is preparing the item for its intended use. It also clarifies that an entity is "testing whether the asset is working properly" when it assesses its technical and physical performance. The financial performance of the asset should not be taken into account for this assessment. Entities must also separately disclose the amounts of revenue and expenses related to finished goods that are not the entity's ordinary activities. Applicable from 1 January 2022.

- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: clarifies that the direct costs of contract performance include both the incremental costs of contract performance and an allocation of other costs directly related to contract performance. Before recognising a separate provision for an onerous contract, an entity recognises any impairment loss that has occurred on assets used in the performance of the contract. Applicable from 1 January 2022.

- Amendments to IFRS Cycle (2018-2020): introduces minor amendments, which apply from 1 January 2022, to the following rules:

    - IFRS 9 Financial Instruments: clarifies which rates should be included in the 10% test for the derecognition of financial liabilities.

    - IFRS 16 Leases: amendment to eliminate potential confusion about the treatment of lease incentives in the application of IFRS 16 Leases.

    - IFRS 1, in connection with the first-time adoption of International Financial Reporting Standards, permits entities that have measured their assets and liabilities at the carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment also applies to associates and joint ventures that have adopted the same exemption from IFRS 1.

The application of the aforementioned amendment to accounting standards and interpretations has not had a significant impact on the interim financial statements of Santander Consumer Finance Group.

All accounting policies and measurement bases that have a material effect on the interim financial statements as at 30 June 2022 have been applied in their preparation.

At the date of preparation of these interim financial statements, there are no standards pending adoption by the European Union for the current financial year for which the effective date by the IASB is after 1 January 2022.

d) Use of estimates

In updating the estimates described above, Group management has taken into account the current situation as a result of Covid-19 and the effects on the economy of the war in Ukraine, which significantly affects economic activity worldwide and, consequently, the operations and financial results of Santander Consumer Finance Group, and which generates uncertainty in the estimates made. Therefore, the management of Santander Consumer Finance Group has made an assessment of the current situation based on the best information available to date. For estimates that have not changed significantly during the first six months of this year, details are provided in Note 2 of the consolidated annual accounts for 2021. From the results of this evaluation, the following aspects stand out:

- Credit risk:

  i. Estimation of expected loss:

  The quantification of additional expected losses of the different loan portfolios was carried out by analysing the losses under IFRS 9 in accordance with the recommendations of the different accounting, regulatory and supervisory bodies. They highlighted a high degree of uncertainty surrounding the economic impacts of the Covid-19 health crisis, which was also evident in the frequent updates of macroeconomic forecasts, with different perspectives on the depth and duration of the crisis. In addition, the conflict between Russia and Ukraine started in February 2022, which led to more volatility in macroeconomic variables, especially inflation. During the Covid-19 phase, the general recommendation (including IASB, ESMA, EBA and ECB) was to not mechanistically apply the usual expected loss calculation techniques under IFRS 9 to avoid that variability in macroeconomic expectations being translated into undesired volatility in results, with its potential pro-cyclical effects on the economy. After the outbreak of the war, this approach has remained applicable. Macroeconomic variables and new forecasts were closely monitored.

  When estimating the expected loss, the Group analyses losses under IFRS 9, taking into account 3 types of elements:

  1. Continuous monitoring of clients:

     - We continue to monitor our activities under strict criteria for classification and recognition of losses in accordance with our internal rules, the regulations in force and supervisory recommendations.

     - Progress continues to be made in the evaluation and classification of our clients at the individual and sectoral level, following the various collective analyses carried out during the past year. To this end, client behaviour and collective analyses are continuously monitored and clients showing signs of impairment are identified and classified on an individual basis.

  2. Foresight:

     - In this regard, when estimating the impact of macroeconomic information on the calculation of provisions under IFRS 9, the Group has continued to use macroeconomic scenarios based on the structural deterioration of the economy, following the guidance of supervisors and regulators.

  3. Additional elements:

     - Where they are necessary because they are not captured under the previous two elements, they include, among others, collective analysis whenever their impacts have not been sufficiently captured by the macroeconomic scenarios. Collective analysis techniques are also used when potential impairment in a group of customers cannot be identified individually.

  With the aforementioned elements, the Group assesses the evolution of the credit quality of its customers in each of the geographical areas to classify them in phases in accordance with IFRS 9 and, consequently, calculate the expected loss.

Finally, during the first half of 2022, the Group partially and voluntarily aligned the accounting definition of Phase 3 and the calculation definition of impairment allowance models to the new default definition, incorporating the criteria defined by the EBA in its implementation guide for the definition of default, capturing the economic deterioration of operations (days in default - on a daily basis - and materiality thresholds - minimum amount in default). The criteria was aligned taking into account IFRS 9 criteria and the accounting principles of unbiased financial reporting. The increase in the NPL ratio was estimated at around 23 basis points, with no material impact on the credit risk provisioning figures.

ii. Quantification of additional provisions:

The Group monitors macroeconomic developments in each of the geographies in which it operates and the adequacy of the provisions set up as indicated in the preceding sections to the observed and expected impairment of its portfolios. Since December 2021, the main portfolios and geographies have been partially absorbing the additional provisions as adjustments to the expected loss models that were set up in the Group, and these provisions have been continuously monitored to ensure they are in line with the latest developments and expectations. It is expected that, as the relationship between macroeconomic developments, models and the resulting provisions normalises, the Group's various units will gradually return to the application of the previously existing IFRS 9 calculation processes in the coming quarters.

– Market risk:

Financial markets during the first half of 2022 have moved in a context of geopolitical and economic uncertainty, with increased volatility, rising commodity prices and sharp rises in interest rate curves. However, portfolios carried at fair value in the Santander Consumer Group were not significantly affected, as they are subject to strict frameworks that prevent high exposure. Such positions are mainly short-term, highly liquid sovereign debt portfolios held for regulatory and management liquidity purposes. For this reason, no wider dispersion between the different price contributors has been observed for their valuation.

As a result, there has been no significant impact on the fair value hierarchy and most markets, underlying items and maturities have maintained their classification, in accordance with our observability and significance criteria.

Market trends, their liquidity and the conditions of observability of the valuation inputs continue to be rigorously and exhaustively monitored in order to apply the criteria established in the Group for the classification of assets and liabilities measured at fair value and to anticipate any possible changes in current market conditions.

During the six months ended 30 June 2022, there have been no significant additional changes to the estimates made at the end of the 2021 financial year, other than those disclosed in these interim financial statements.

e) Contingent assets and liabilities

Note 2-n to the Group's consolidated financial statements for the year ended 31 December 2021 includes information on the contingent assets and liabilities at that date. There were no significant changes in the Group's contingent assets and liabilities from 31 December 2021 to the date of formal preparation of these interim financial statements. During the six-month period ended 30 June 2022 there were no significant changes in the Group's contingent liabilities.

The Group did not have any material contingent assets as of 30 June 2022 or 31 December 2021.

f) Comparative information

The information for the year 2021 contained in these interim financial statements is only presented for comparison purposes with the information relating to the six-month period ended 30 June 2022.

In order to interpret the changes in the balances with respect to 31 December 2021, it is necessary to take into consideration the exchange rate effect arising from the volume of foreign currency balances held by the Group in view of its geographic diversity (see Note 45.a to the consolidated financial statements for the year ended 31 December 2021) and the impact of the appreciation/depreciation of the various currencies against the euro in the first six months of 2022, considering the exchange rates at the end of the first half of 2021: Polish zloty (-2.2%), Norwegian krone (-3.4%), Swedish krona (-4.2%), Danish krone (+0.0%), Swiss franc (+3.4%) and Chinese yuan renminbi (+2.7%); as well as the evolution of average exchange rates between comparable periods: Polish zloty (-1.5%), Norwegian krone (+1.8%), Swedish krona (-3.2%), Danish krone (-0.0%), Swiss franc (+4.7%) and Chinese yuan renminbi (+7.7%).

g) Seasonality of the Group's transactions

In view of the business activities in which the Group companies engage, their transactions are not significantly cyclical or seasonal in nature. Therefore, no specific disclosures are included in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2022.

h) Materiality

In determining the information to be disclosed about the various items comprising the interim financial statements or other matters, the Group has taken into account, in accordance with IAS 34, materiality in relation to the condensed interim consolidated financial statements for the six months ended 30 June 2022.

i) Events after the reporting period

From June 30, 2022 up to the date of preparation of the consolidated interim financial statements, no events other than those described in these explanatory notes have occurred that have a significant effect on the consolidated interim financial statements.

j) Individual disclosures relating to Santander Consumer Finance, S.A.

The individual disclosures relating to Santander Consumer Finance, S.A. (the Parent of the Group) which were considered relevant for the purposes of the proper comprehension of the half-yearly condensed consolidated financial information were included in the related explanatory notes.

2. Santander Consumer Finance Group

Appendices I and II to the Group's consolidated financial statements for 2021 provide relevant information on the Group companies that consolidated at 2021 year-end and on those accounted for using the equity method.

Likewise, Note 3 to the aforementioned consolidated financial statements includes a description of the most significant acquisitions and disposals of companies performed by the Group in 2021 and 2020.

The most significant acquisitions and sales during the first half of 2022, of holdings in the capital of Group companies, as well as other relevant corporate transactions that have modified the scope of consolidation of the Group during these periods, were as follows:

Riemersma Leasing, B,V.

On 15 April 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 par value. The main purpose of this company is the provision, through its platform, of operational leasing services in the Dutch market.

After obtaining the corresponding authorisations from the Dutch authorities, the acquisition was completed on 9 June for a total amount of 21,308,805 euros.

The procurement was carried out as follows:

- Acquisition from Lathouwers Beheer B.V. of its entire stake in the share capital (66.67%) consisting of 30,268 shares for 14,206,496 euros.

- Acquisition from ING Corporate Investments Participaties B.V.,A. of its entire stake in the share capital (33.33%) consisting of 15,132 shares for an amount of 7,102,309 euros.

The details of the acquired business are as follows:

Business acquired	Main activity	Date of Acquisition	Percentage of shareholding (voting rights) Acquired	Counterpart Transferred (Millions of Euros)
Riemersma Leasing, B.V.	Operational leasing services	9/06/2022	100%	21.3

Details of the net assets of the acquired business are as follows:

	Book value (millions of euros)
Clients	0.4
Non-current assets	63.7
Current assets	1.2
Financial liabilities valued at amortised cost	(49.6)
Non-current and current liabilities	(2.7)
Provisions	(2.0)
Net assets	**11.0**
Dividend agreed (*)	(3.0)
Net assets after dividend	**8.0**
Consideration transferred	21.3
Goodwill	13.3

(*) Corresponds to the dividend agreed with the sellers prior to the closing of the transaction.

At the date of issuance of these financial statements, the business combination has been provisionally accounted for since, in accordance with IFRS 3, one year has been allowed for the review of the allocation of the price to the net assets acquired.

The fair value of the acquired receivables amounts to 0.4 million euros and does not differ from their gross contractual amounts. The directors of the Parent Company do not believe that there was any indication at the date of acquisition 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**

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

On 26 April 2022 and 30 March 2022, respectively, Santander Consumer Bank, S.p.A. incorporated two companies for the development of the operating leasing activity, Drive, S.r.l. and Santander Consumer Renting, S.r.l. by issuing 1,000,000 units and 2,000,000 units, respectively, with a nominal value of 1 euro each. Neither company had commenced operations at the date of these interim financial statements.

Reorganisation of the global agreement with Stellantis

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

The new terms strengthen the existing global cooperation and Santander Consumer Finance will now finance all Stellantis' vehicle brands in seven European countries: Belgium, France, Italy, the Netherlands, Poland, Portugal and Spain, where financing, financial leasing and operational leasing products will be offered jointly to end customers for all Stellantis brands: Abarth, Alfa Romeo, Chrysler, Citroën, Dodge, DS, Fiat, Fiat Professional, Jeep, Lancia, Maserati, Opel, Peugeot, RAM and Vauxhall. In exchange for the above, it is also agreed that Santander Consumer Finance will cease to finance the activity of Stellantis, N.V and Banque PSA Finance, S.A. in Germany and the UK, which will entail the current divestment of its subsidiaries in these countries.

This agreement is subject, among other conditions, to obtaining the relevant regulatory and competition approvals. The deal is expected to be completed in the first half of 2023.

There have been no other significant changes in the Group's scope of consolidation.

Impairment losses in investees (associates and jointly controlled entities)

As at 30 June 2022 and 2021, no impairments have been recognised for interests in joint ventures or associates.

Impairments of investments in subsidiaries, joint ventures and associates

As at 30 June 2022 and 2021, there has not been registered impairments based on the value of investments in subsidiaries and affiliates.

3. Shareholder remuneration system and earnings per share

a) Shareholder remuneration system

On 16 December 2021, in view of the liquidity status of the Company, the Board of Directors agreed after the formulation of the Interim Condensed Consolidated Financial Statements, a distribution of dividends from profits for the year 2021 of 490,562 thousand of euros. Likewise, the Extraordinary General Meeting of Shareholders held on 16 December 2021 agreed at the proposal of the Board of Directors, the payment of a dividend charged to unrestricted reserves of 116,532 thousand euros. Both dividends were paid on 15 February 2022.

On April 28, 2022, in view of the Company's liquidity status, the Board of Directors agreed to distribute 351,475 thousand euros of interim dividends charged out of 2022 profit.

The cash remuneration paid by the Bank to its shareholders in the first six months of 2022 and 2021 was as follow:

	First half of 2022			First half of 2021		
	% of par value	Euros per share	Amount (Thousands of euros)	% of par value	Euros per share	Amount (Thousands of euros)
Ordinary shares	100%	0.510	958,569	100%	0.302	567,623
Other shares (non-voting, redeemable, etc.)	—	—	—	—	—	—
Total remuneration paid	100%	—	958,569	100%	—	567,623
Remuneration charged against profit or loss	100%	0.448	842,037	100%	0.061	114,652
Remuneration charged against reserves or the share premium account	100%	0.062	116,532	100%	0.241	452,971
In-kind remuneration	—	—	—	—	—	—

b) Earning per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding, as the case may be, the average number of treasury shares held in the period.

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to potential ordinary shares (any share options, warrants and convertible debt instruments that might exist).

Accordingly, the detail of earnings per share at 30 June 2022 and 2021 is as follows:

	Thousands of euros	
	30/06/2022	30/06/2021
Consolidated profit of the year attributable to the Parent (thousands of euros)	575,811	518,461
Remuneration of contingently convertible preference shares PPC (thousands of euros)	(36,438)	(36,438)
Dilutive effect of changes in profit for the period arising from potential conversion of ordinary shares	539,373	482,023
Of which:	—	—
Profit or Loss from discontinued operations (non controlling interest net) (thousands of euros)	—	—
Profit or Loss from continuing operations (PPC net) (thousands of euros)	*539,373*	*482,023*
Weighted average number of shares outstanding	1,879,546,172	1,879,546,172
Adjusted number of shares	1,879,546,172	1,879,546,172
Diluted earnings per share (euros)	0.287	0.256
Of which:		
from continuing operations (euros)	*0.287*	*0.256*

4. Remuneration and other benefits paid to the Bank's Directors and senior managers

Certain criteria are established for setting directors' remuneration at the proposal of the Remuneration Committee. Those who perform executive functions in any of the Santander Group companies do not receive any remuneration for their Board and committee duties. Independent directors unrelated to the Santander Group receive remuneration for the performance of their director duties and for each of their committee positions.

During the first six months of 2022, it has been agreed to set a 684 thousand euros the maximum annual amount to be distributed among the directors, as remuneration for their functions, all of them corresponding to six directors not related to Santander Group and independents (486 thousand euros during the first six months of 2021).

	Miles de euros	
	30/06/2022	30/06/2021
Members of the Board of Directors		
Type of remuneration-		
Fixed salary remuneration of executive Directors (2)	—	—
Variable remuneration in cash of executive Directors (2)	—	—
Bylaw-stipulated emoluments and allowances of Directors (1)	684	486
Other (except insurance premiums)	—	—
Sub-total	**684**	**486**
Transactions with shares and/or other financial instruments	—	—
	684	**486**

(1) Refers to the maximum annual amount to be distributed among directors not related to Santander Group and independent directors as remuneration for their functions.
(2) At June 30, 2022, the fixed salary remuneration in cash of directors remunerated by other Santander Group entities amount 3,169 thousand euros (2,749 thousand euros at June 30, 2021).

Other benefits of members of the board of directors:

The Santander Group's supplementary pension obligations to all active and retired personnel include those relating to current and former directors of the Bank who perform (or have performed) executive functions in the Santander Group. Directors who perform such duties in any of the Santander Group companies do not receive any post-employment or other benefits as remuneration for holding office at Santander Consumer Finance, S.A.

	Thousands of euros	
	30/06/2022	30/06/2021
Members of the board of directors:		
Other benefits-		
Advances	—	—
Loans granted	—	—
Pension funds and plans: Endowments and/or contributions (1)	618	334
Pension funds and plans: Accumulated rights (2)	9,542	9,070
Life insurance premiums	133	124
Guarantees provided for directors	—	—

(1) These correspond to the endowments and/or contributions made during the first six months of 2022 and 2021 in respect of retirement pensions and complementary benefits for widowhood, orphan hood and permanent disability.
(2) Corresponds to the rights accrued by the directors in matters of pensions.

The total sum insured under life and other insurance policies for the Bank's Directors amounted to 14,498 thousands of euros at 30 June 2022 (30 June 2021: 11,658 thousands of euros). The cost of these insurance policies is assumed by Santander Group entities not included in the Santander Consumer Finance Group.

Remuneration of senior management

The amounts related to remunerations of senior management, at 30 June 2022 and 2021, excluding the executive directors, that have been fully paid other entities of the Santander Group, not integrated into the Santander Consumer Finance Group (neither the Bank nor the companies of the Santander Consumer Finance Group) are summarized below:

	Thousands of euros	
	30/06/2022	30/06/2021
Senior management (1):		
Total remuneration of senior management (1)	2,295	1,690

(1) The number of senior managers of the Santander Consumer Finance, excluding executive directors, is 13 as at 30 June 2022 (11 as of 30 June 2021).

The variable annual remuneration (or bonuses) received for fiscal year 2021, both for directors and the rest of senior management, were included in the information on remuneration included in the annual report for that year. Similarly, the variable remuneration attributable to the 2022 results, which will be submitted for approval by the Board of Directors at the appropriate time, will be included in the financial statements for the current year.

Funds and pension plans of senior management

	Thousands of euros	
	30/06/2022	30/06/2021
Senior management:		
Pension funds: Endowments and / or contributions (1)	544	315

(1) Corresponds to the allocations and/or contributions made during the first six months of 2022 and 2021 as retirement pensions. These contributions have been made by Santander Group entities not integrated in the Santander Consumer Finance Group.

The information presented of the remuneration of the Board of Directors and Senior Management considers the composition of these groups as of June 30, 2022.

5. Financial assets

a) Breakdown

The detail, by nature and category for measurement purposes, of the Group's financial assets other than the balances of "Cash, Cash Balances with Central Banks and other deposits on demand" and "Hedging Derivatives" as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros				
	30/06/2022				
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit and loss	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost
Derivatives	251,126	—	—	—	—
Equity instruments	—	5	—	23,249	—
Debt instruments	—	1,940	—	871,284	6,197,840
Loans and advances	—	383	—	—	101,997,915
Central Banks	—	—	—	—	*29,825*
Credit institutions	—	—	—	—	*569,004*
Customers	—	*383*	—	—	*101,399,086*
Total	**251,126**	**2,328**	**—**	**894,533**	**108,195,755**

	Thousands of euros				
	31/12/2021				
	Financial assets held for trading	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit and loss	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost
Derivatives	51,476	—	—	—	—
Equity instruments	—	26	—	22,591	—
Debt instruments	—	2,593	—	1,054,760	3,472,396
Loans and advances	—	379	—	—	100,190,958
Central Banks	—	—	—	—	*10,452*
Credit institutions	—	—	—	—	*621,223*
Customers	—	*379*	—	—	*99,559,283*
Total	**51,476**	**2,998**	—	**1,077,351**	**103,663,354**

Hereafter, it is included the gross exposure of financial assets by stages of impairment as of 30 June 2022 and 31 December 2021:

	Thousands of euros							
	30/06/2022				31/12/2021			
	Gross amount				Gross amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets at fair value through other comprehensive income	**871,642**	**—**	**—**	**871,642**	**1,055,144**	**—**	**—**	**1,055,144**
Debt instruments	871,642	—	—	871,642	1,055,144	—	—	1,055,144
Loans and advances	—	—	—	—	—	—	—	—
Central Banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Customers	—	—	—	—	—	—	—	—
Financial assets at amortised cost	**104,376,191**	**3,671,142**	**2,209,476**	**110,256,809**	**100,335,570**	**3,412,057**	**2,033,052**	**105,780,679**
Debt instruments	6,197,872	—	—	6,197,872	3,472,411	—	—	3,472,411
Loans and advances	98,178,319	3,671,142	2,209,476	104,058,937	96,863,159	3,412,057	2,033,052	102,308,268
Central Banks	29,825	—	—	29,825	10,452	—	—	10,452
Credit institutions	571,437	184	3	571,624	623,353	—	—	623,353
Customers	97,577,057	3,670,958	2,209,473	103,457,488	96,229,354	3,412,057	2,033,052	101,674,463
Total	**105,247,833**	**3,671,142**	**2,209,476**	**111,128,451**	**101,390,714**	**3,412,057**	**2,033,052**	**106,835,823**

Additionally, the Group has recorded an amount of 27,173,463 thousands of euros in provision of commitments and financial guarantees granted subject to impairment under IFRS 9 (25,495,968 thousands of euros on 31 December 2021), of which an amount of 26,919,994 thousands of euros are in stage 1 (25,192,422 thousands of euros on 31 December 2021) an amount of 154,526 thousands of euros in stage 2 (237,580 thousands of euros on 31 December 2021) and an amount of 98,943 thousands of euros in stage 3 (65,966 thousands of euros on 31 December 2021).

b) Valuation adjustments for impairment of loans and advances

The following is the movement that has taken place, during the six-month periods ended 30 June 2022 and 2021, in the balance of provisions that cover losses due to impairment of assets which comprise the heading balance of the financial assets at amortized cost:

	Thousands of euros	
	30/06/2022	30/06/2021
Balance at beginning of period	2,117,325	2,200,082
Net impairment losses charged to income for the period (*)	314,825	322,144
Of which:		
Impairment charges	1,176,479	*937,756*
Impairment losses reversed with a credit to income	(861,654)	*(615,612)*
Write-off of impaired balances against recorded impairment allowance	(360,750)	(350,122)
Exchange differences and other	(10,346)	(6,909)
Balance at end of period	**2,061,054**	**2,165,195**
Of which:		
Depending of their determination:		
Impaired assets	*1,265,781*	*1,362,403*
Other assets	*795,273*	*802,792*
Of which:		
Calculated individually	*129,005*	*126,128*
Calculated collectively	*1,932,049*	*2.039.067*

(*) These net impairment losses are recognized under "Impairment or reversal of impairment of financial assets not measured at fair value through profit and loss, net – Financial assets on amortized cost " in the accompanying half-yearly condensed consolidated income statements.

(**) It includes, solely for the purposes of breakdown and to facilitate the comparability of the information, the adjustments made for credit risk in the estimate of the initial fair value of the financial assets acquired in business combinations and included in this category, made during the six-month period.

Previously written-off assets recovered in the first six months of 2022 and 2021, including sales of written-off portfolios, amounted to 69,796 thousands of euros (first six months of 2021: 53,316 thousands of euros) and are presented as a credit against the balance of “Impairment or reversal of impairment of financial assets not measured at fair value through profit and loss, net - Financial assets on amortized cost” in the accompanying half-yearly condensed consolidated income statements. In addition, no losses were recognized in the income statement as a result of renegotiation or contractual amendments during the first semester of 2022 (411 thousands of euros as of 31 December 2021). Considering these amounts, the impairment of financial assets at amortized cost is 245,029 thousand euros (269,239 thousand euros in 2021).

The following movement of the loan loss provision broken down by impairment stage of loans and advances to customers recognized under "Financial assets at amortized cost" as at 30 June 2022 and 2021 has taken place:

	Thousands of euros			
	30/06/2022			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at beginning of period	528,498	294,101	1,292,581	2,115,180
Transfers between stages	(22,404)	(7,405)	324,061	294,252
Net exposure changes and modifications in the credit risk	50,066	(37,352)	7,350	20,064
Write-offs	—	—	(360,750)	(360,750)
Exchange differences and other	(8,926)	(3,956)	2,538	(10,344)
Carrying amount at period-end	**547,234**	**245,388**	**1,265,780**	**2,058,402**

	Thousands of euros			
	30/06/2021			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at beginning of period	540,238	289,195	1,367,967	2,197,400
Transfers between stages	(27,238)	(17,031)	224,143	179,874
Net exposure changes and modifications in the credit risk	6,650	(1,458)	137,078	142,270
Write-offs	—	—	(350,122)	(350,122)
Exchange differences and other	6,177	2,984	(16,663)	(7,502)
Carrying amount at period-end	**525,827**	**273,690**	**1,362,403**	**2,161,920**

Additionally, the Group has recorded an amount of 42,809 thousands of euros of provisions for commitments and financial guarantees granted subject to impairment under IFRS 9 (Note 10) (39,403 thousands of euros on 31 December 2021), of which an amount of 26,086 thousands of euros are in stage 1 (22,928 thousands of euros on 31 December 2021), an amount of 2,975 thousands of euros in stage 2 (2,005 thousands of euros on 31 December 2021) and an amount of 13,748 thousands of euros in stage 3 (14,470 thousands of euros on 31 December 2021).

In the first half of 2022 and 2021, the Group sold the following portfolios of written-off loans:

Company	Millions of euros	
	30/06/2022	30/06/2021
	Nominal Value	Nominal Value
Santander Consumer Bank AS (Norway)	60	—
Santander Consumer Bank GmbH (Austria)	24	35
Santander Consumer Finance, S.A. (Germany)	2	—
Santander Consumer Finance, S.A. (Spain)	122	5
Of which:		
Spain branch in Netherlands	4	**5**
Total	**208**	**40**

The sale price of the portfolios of bad loans realized in the first semester of 2022 was 54 million of euros (12 million euros as of 30 June 2021). The result obtained from these sales (profit) has been recorded as a credit to "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortized cost" in the accompanying consolidated income statement.

c) Non-performing assets

The detail of the changes in the six-month periods ended 30 June 2022 and 2021 in the balance of financial assets classified as amortized cost and considered to be doubtful due to credit risk is as follows:

	Thousands of euros	
	30/06/2022	30/06/2021
Balance as at beginning of period	2,033,052	2,026,916
Net additions	551,089	361,750
Written-off assets	(360,750)	(350,122)
Exchange differences and other	(13,915)	4,731
Balance at the end of period	**2,209,476**	**2,043,275**

This amount, after deducting the related allowances, represents the Group's best estimate of the discounted value of the flows that are expected to be recovered from the impaired assets.

d) Guarantees received

The following is a breakdown of the guarantees received value for the loans and receivables portfolio to ensure collection of financial assets classified as financial assets at amortized cost – loans and advances, identifying between real guarantees and other guarantees, as of 30 June 2022 and 31 December 2021.

	Thousands of euros	
	30/06/2022	31/12/2021
Real Guarantees value	40,644,885	39,519,882
Of which guarantee doubtful risk	*201,516*	*132,970*
Other guarantees value	398,702	267,683
Of which guarantee doubtful risk	*2,280*	*1,231*
Total value of the guarantees received	**41,043,587**	**39,787,565**

e) Fair value of financial assets not measured at fair value

Following is a comparison of the carrying amounts of the Group's financial assets measured at other than fair value and their respective fair values at 30 June 2022 and 31 December 2021:

	Thousands of euros		Thousands of euros	
	30/06/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances:	101,997,915	101,751,358	100,190,958	101,768,244
Central banks	29,825	29,825	10,452	10,452
Loans and advances to credit institutions	569,004	537,664	621,223	627,422
Loans and advances to customers	101,399,086	101,183,869	99,559,283	101,130,370
Debt instruments	6,197,840	6,172,353	3,472,396	3,501,586
ASSETS	**108,195,755**	**107,923,711**	**103,663,354**	**105,269,830**

The main valuation methods and inputs used in the estimates of the fair values of the financial assets in the foregoing table are detailed in Note 44.c to the consolidated financial statements for 2021 and Note 16 of these financial statements.

6. Non-current assets held for sale classified elements

The detail, by nature, of the Group's non-current assets held for sale at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Tangible assets	**40,135**	**50,386**
Of which:		
Forecolosed assets	9,256	11,692
Of which property assets in Spain	*2,675*	*2,772*
Other assets:	30,879	38,694

As of 30 June 2022, the coverage of non-current assets held for sale amounted 63% (59% in December 2021). The provisions made during both years has amounted to 476 and 2,283 thousands of euros, respectively, and the recoveries made during those years amounted to 1,083 and 1,451 thousands of euros, respectively.

The following table shows the breakdown at 30 June 2022 and 31 December 2021 of the foreclosed assets for the Spanish business:

Thousands of euros	30/06/2022		31/12/2021	
	Gross carrying amount	Accumulated impairment charges	Gross carrying amount	Accumulates impairment charges
Real estate assets arising from financing provided to construction and property development companies	—	—	—	—
Of which:	—	—	—	—
Completed Buildings	—	—	—	—
Residential	—	—	—	—
Other	—	—	—	—
Land	—	—	—	—
Development Land	—	—	—	—
Other land	—	—	—	—
Real estate assets from home purchase mortgage loans to households	14,998	(12,517)	15,335	(12,813)
Other real estate assets foreclosed or received in lieu of debt repayment	1,267	(1,073)	1,809	(1,559)
Total property assets	**16,265**	**(13,590)**	**17,144**	**(14,372)**

7. Tangible Assets

a) Changes in the period

In the first six months of 2022, the Group acquired tangible assets for 409,267 thousands of euros (first six months of 2021: 402,567 thousands of euros).

Additionally, during the first semester of 2022 there were disposals of tangible assets whose sale value was 49,509 thousands of euros (30 June 2021: 141,809 thousands of euros), generating a net profit for the amount of 198 thousands of euros during the first half of 2022 (a net loss of 113 thousands of euros during the first half of 2021).

As of June 30, 2022, the Group has tangible assets under fiance lease for the amount of 278,760 million euros (289,600 million at 31 December 2021)

b) Property, plant and equipment purchase commitments

At 30 June 2022 and 2021, the Group did not have any significant commitments to purchase property, plant and equipment items.

8. Intangible assets

a) Goodwill

The detail of the balances recognized under "Intangible Assets - Goodwill" in the accompanying condensed consolidated balance sheet, based on the units giving rise thereto, is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Germany	1,297,469	1,297,469
Austria	98,074	98,074
Nordics (Scandinavia)	218,272	223,974
Netherlands	13,265	—
Spain / Portugal	87,755	87,963
	1,714,835	**1,707,480**

During the first half of the year 2022 there has been an increase in goodwill of 7,355 thousands of euros, mainly due to the acquisition of Riemersma Leasing, B.V. (see note 2) reduced because of the effect of the exchange rate in Nordics (Scandinavia).

Note 14 to the consolidated annual accounts for the year ended 31 December 2021 includes detailed information on the procedures followed by the Group to analyze the potential impairment of the goodwill recognized with respect to its recoverable amount and to recognize the related impairment losses, where appropriate.

The accounting standard (IAS36) requires that a cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

Accordingly, based on the analysis performed of the available information on the performance of the various cash generating units which might evidence the existence of indicators of impairment, Grupo Santander´s directors concluded that in the first six months of 2022 no indicators of impairment existed.

b) Other intangible assets

In the first half of 2022, impairment losses due to obsolescence of intangible assets have been recognized amounting to 230 thousands of euros. These losses are recognized under "Impairment on non-financial assets, net – Intangible assets" in the condensed consolidated income statement. In the first half of 2021, impairment losses due to obsolescence of intangible assets have been recognized amounting to 382 thousands of euros. These losses are recognized under "Impairment on non-financial assets, net – Intangible assets" in the condensed consolidated income statement.

9. Financial Liabilities

a) Breakdown

The detail, by nature and category for measurement purposes, of the Group's financial liabilities other than the balances of "Hedging Derivatives" in the accompanying condensed consolidated balance sheets at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros			Thousands of euros		
	30/06/2022			31/12/2021		
	Financial Liabilities Held for Trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost	Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss	Financial liabilities at amortised cost
Derivatives	247,104	—	—	58,169	—	—
Short Positions	—	—	—	—	—	—
Deposits:	—	—	71,870,714	—	—	70,866,247
Central Banks	—	—	*19,823,166*	—	—	*19,997,499*
Credit institutions	—	—	*11,478,095*	—	—	*11,780,269*
Customer	—	—	*40,569,453*	—	—	*39,088,479*
Debt securities	—	—	35,943,949	—	—	40,652,231
Other financial liabilities	—	—	1,235,922	—	—	1,751,553
Total	**247,104**	**—**	**109,050,585**	**58,169**	**—**	**113,270,031**

b) Information on issues, repurchases or refunds of debt securities issued

The composition of the balance of debt securities issued based on their nature is:

	Thousands of euros	
	30/06/2022	31/12/2021
Bonds and debentures outstanding	31,826,795	34,756,330
Mortgage notes	—	450,012
Promissory notes and other securities	3,212,754	5,142,670
Subordinated bonds	904,400	303,219
Total debt instruments issued	**35,943,949**	**40,652,231**

The table below contains the outstanding balance of debt securities that had been issued by the Bank or any other entity of the Group, excluding promissory notes as of June 30, 2022 and 2021. Likewise, a detail of the movement experienced during the first six months of 2022 and 2021 is shown:

	Thousands of euros					
	30/06/2022					
	Opening balance at 01-01-2022	**Perimeter**	**Issues**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance at 30-06-2022**
Bonds and debentures outstanding	34,756,330	—	2,701,797	(5,477,312)	(154,020)	31,826,795
Total Bonds and debentures outstanding	**34,756,330**	**—**	**2,701,797**	**(5,477,312)**	**(154,020)**	**31,826,795**

	Thousands of euros					
	30/06/2021					
	Opening balance at 01-01-2021	**Perimeter**	**Issues**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance at 30-06-2021**
Bonds and debentures outstanding	31,143,866	—	3,090,461	(3,779,955)	(38,097)	30,416,275
Total Bonds and debentures outstanding	**31,143,866**	**—**	**3,090,461**	**(3,779,955)**	**(38,097)**	**30,416,275**

c) Other issues guaranteed by the Group

As of June 30, 2022 and 2021, there were no debt securities issued by associated entities or by third parties (outside the Group) that were guaranteed by the Bank or by any other entity of the Group.

d) Fair value of financial liabilities not measured at fair value

Following is a comparison of the carrying amounts of the Group's financial liabilities measured at other than fair value and their respective fair values at 30 June 2022 and 31 December 2021:

	Thousands of euros			
	30/06/2022		31/12/2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Short positions				
Deposits:	71,870,714	70,768,018	70,866,247	70,688,225
Central Banks	19,823,166	19,535,502	19,997,499	19,811,143
Credit institutions	11,478,095	10,856,952	11,780,269	11,752,788
Customer	40,569,453	40,375,564	39,088,479	39,124,294
Debt instruments	35,943,949	35,591,372	40,652,231	40,969,477
Liabilities	**107,814,663**	**106,359,390**	**111,518,478**	**111,657,702**

Other financial liabilities amounting to 1,235,922 thousands of euros and 1,751,553 thousands of euros are also recognized in June 2022 and December 2021, respectively.

The main valuation methods and inputs used to estimate the fair value of the Group's financial liabilities are detailed in Note 44.c of the 2021 consolidated financial statements and Note 16 of these interim financial statements.

10. Provisions

The detail of "Provisions" in the accompanying condensed consolidated balance sheets as at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros	
	30/06/2022	31/12/2021
Provisions for pensions and other post-retirement obligations	427,005	598,456
Provisions and other long-term employee remuneration	37,881	44,442
Provisions for taxes and other legal contingencies	7,384	9,576
Commitments assumed and guarantees conferred	42,809	39,403
Other provisions	129,978	134,033
Total	**645,057**	**825,910**

"Provisions for taxes and other legal contingencies" and "Other provisions" in the prior table, which include, inter alia, provisions for restructuring costs and tax-related and non-tax-related proceedings and those for claims of handling fees on consumer loan agreements in Germany, Spain, Italy and Nordic Countries have been estimated using calculation procedures in keeping with the uncertainty inherent to the obligations covered. The definitive date of the outflow of resources embodying economic benefits for the Group depends on each obligation. In certain cases, these obligations have no fixed settlement period and, in other cases, are based on the legal proceedings in progress. Also, as of 30 June 2022, under the heading "Other provisions", the amount of the provisions for the restructuring expenses of the Group's businesses, mainly in Germany, which is pending to be incurred, is included.

As of June 30, 2022, the balance of the "Provisions or reversal of provisions" caption in the accompanying condensed consolidated income statement mainly includes provisions made in the period by Santander Consumer Finance S.A., amounting to 10,202 thousand euros for legal contingencies and Santander Consumer Bank, A.S., for an amount of 10,221 thousand euros for the restructuring process (as of June 30, 2021, mainly includes the provisions made by Santander Consumer Finance, S.A. for an amount of 4,352 thousand euros and Santander Consumer Bank, A.S. for an amount of 3,809 thousand euros).

The main legal proceedings affecting the Group are as follows:

Swiss franc (CHF) mortgage portfolio in Poland: On 3 October 2019, the Court of Justice of the European Union ("CJEU") handed down a judgement in a case brought against a bank in Poland not connected to the Santander Group, declaring certain clauses in loan contracts indexed to CHF to be abusive. The CJEU has left it up to the Polish courts to decide whether the contract can continue to exist without the unfair term, in which case they will have to decide whether the effects of the annulment of the contract are detrimental to consumers. If the contract is still in force, the court may only integrate it with supplementary provisions of national law and decide on the applicable rate in accordance with those provisions.

In 2021, the Supreme Court was expected to take a position on key issues in disputes related to foreign currency-based loans, clarifying discrepancies and unifying jurisprudence. The Supreme Court met several times, with the last session taking place on 2 September 2021. However, the Supreme Court has not ruled on the issue and has instead referred questions to the CJEU for a preliminary ruling on certain constitutional aspects of the Polish judicial system. A new hearing has not been set and a comprehensive pronouncement of the Supreme Court on this matter is not expected in the short term. In the absence of a pronouncement by the Supreme Court, it is difficult to expect full unification of the decisions handed down by the courts, so it will be the decisions of the Supreme Court and the CJEU on individual issues that will shape the case law on this matter.

As of the date of these interim financial statements, there is no uniform case law and, in the opinion of Santander Bank Polska and Santander Consumer Bank Poland, it is not possible to predict the decisions to be taken by the Supreme Court and the CJEU in individual cases. Santander Bank Polska and Santander Consumer Bank regularly review the rulings on this matter in order to verify changes in case law.

At 30 June 2022, Santander Consumer Bank S.A. (Poland) had a portfolio of mortgages denominated in or indexed to CHF of approximately PLN 2,019 million (429 million euros). At the same date, there is a provision of PLN 626 million (133 million euros) to cover the CHF mortgage portfolio.

This provision represents the best estimate as of 30 June 2022 given the difficulty in predicting the financial impact. Santander Consumer Bank S.A. continues to monitor and assess the adequacy of these provisions.

The Group's stake in Santander Consumer Bank, S.A. (Poland) was accounted for using the equity method and at 30 June 2022 was 40%.

Although the events discussed above could produce significant changes in the level of estimated provisions, Santander Consumer Bank S.A. considers that it is not possible to reliably estimate the value of their impact on its financial position at 30 June 2022.

The main tax risks affecting the Group at such date are described in Note 21 of the consolidated financial statements for 2021.

During the first half of 2022, there have been no significant variations in the aforementioned and no litigation or tax audits have been initiated against the Group that could have a significant effect on the interim financial statements, other than those described in this note.

The amount of payments arising from other litigation made by the Group during the first half of 2022 and 2021 in relation to these condensed consolidated interim financial statements is not significant.

11. Shareholder’s equity

In the six-month periods ended 30 June 2022 and 2021 there were no other quantitative or qualitative changes in the Group's equity other than those indicated in the accompanying consolidated statements of changes in total equity.

a) Share Capital

As of 30 June 2022 and 31 December 2021, the Bank's share capital consisted of 1,879,546,172 fully subscribed and paid registered shares of 3 euros par value each, all with the same voting and dividend rights.

As of June 2022 and 31 December 2021, Banco Santander, S.A. held 1,879,546,152 shares and Cántabro Catalana de Inversiones, S.A. 20 shares.

b) Breakdown of other comprehensive income - Items not reclassified to profit or loss and Items that may be reclassified to profit or loss

	Thousands of euros	
	30/06/2022	31/12/2021
Other comprehensive income accumulated	**(551,833)**	**(645,973)**
Items not reclassified to profit or loss	**(38,623)**	**(155,201)**
Actuarial gains or losses on defined benefit pension plans	(46,909)	(163,721)
Non-current assets held for sale	—	—
Share in other income and expenses recognised in investments, joint venture and associates	157	160
Other valuation adjustments	—	8,360
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income	8,129	—
Items that may be reclassified to profit or loss	**(513,212)**	**(490,772)**
Hedge of net investments in foreign operations (effective portion)	(56,268)	(100,443)
Exchange of differences	(442,814)	(351,791)
Hedging derivatives. Cash flow hedges (effective portion)	52,819	10,170
Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income	(1,243)	256
Hedging instruments (items not designated)	—	—
Non-current assets held for sale	—	—
Share in other income and expenses recognised in investments, joint venture and associates	(65,706)	(48,964)

c) Other comprehensive income - Items not reclassified to profit or loss - Actuarial gains or losses on defined benefit pension plans

The balance of Other comprehensive income - Items not reclassified to profit or loss - Actuarial gains or losses on defined benefit pension plans include the actuarial gains or losses generated in the period and the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), less the administrative expenses and taxes inherent to the plan, and any change in the effect of the asset ceiling. Its variation is shown in the condensed consolidated statement of recognized income and expense.

During the first six months of 2022 actuarial losses (net of actuarial gains) on defined benefit pension plans amounts to 172,620 thousands of euros, mainly due to the accumulated actuarial gains corresponding to the Group's businesses in Germany (160,948 thousands of euros) and Norway (5,704 thousands of euros), mainly due to the variation in the discount rate, increase from 1.45% to 3.55% and increase from 2.00% to 3.50% respectively.

d) Other comprehensive income – Items that may be reclassified to profit or loss – Hedges of net investments in foreign operations (effective portion) and exchange differences

Other comprehensive income - Items that may be reclassified to profit or loss - Hedges of net investments in foreign operations (effective portion) includes the net amount of the changes in value of hedging instruments in hedges of net investments in foreign operations, in respect of the portion of these changes considered to be effective hedges.

Other comprehensive income - Items that may be reclassified to profit or loss - Exchange differences presents the net amount of exchange differences arising from non-monetary items whose fair value is adjusted with a balancing entry in equity and from the translation into euros of the balances of consolidated entities whose functional currency is not the euro.

12. Segment information

This primary level of segmentation, which is based on the Group's management structure, comprises six segments relating to four operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain and Portugal, Italy, Germany, Scandinavia, France and Other. Note 45 to the Group's consolidated financial statements for the year ended 31 December 2021 includes the corresponding segment information for 2021 and 2020.

In accordance with the requirements of Circular 5/2015 of the Comsión Nacional del Mercado de Valores, below, the detail by the geographical areas indicated in the before aforementioned Circular of the balance of Interest income for the six-month periods ended 30 June 2022 and 2021 is as follows:

Geographical area	Interest and Similar Income by Geographical Area (Thousands of euros)			
	Individual		Consolidated	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Spain	235,272	205,085	366,414	355,094
Abroad:				
European Union	34,383	29,829	1,281,265	1,297,056
OCDE countries	7,761	3,538	408,805	340,979
Other countries	3,490	3,223	—	—
	45,634	36,590	1,690,070	1,638,035
Total	**280,906**	**241,675**	**2,056,484**	**1,993,129**

Following is the breakdown of revenue by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognized under “Interest income”, “Dividend income”, “Commission income”, “Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net”; “Gain or losses on financial assets and liabilities held for trading, net”; “Gain or losses and financial liabilities measured at fair value through profit or loss, net”; “Gain or losses from hedge accounting net”; and “Other operating income” in the accompanying consolidated income statements for the six-month periods ended 30 June 2022 and 2021.

Segments	Revenue (Thousands of euros)					
	Revenue from External Customers		Inter-segment Revenue		Total Revenue	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Spain and Portugal	449,435	440,878	66,553	86,845	515,988	527,723
Italy	294,804	271,128	10,113	5,082	304,917	276,210
Germany	1,062,641	984,229	211,141	231,905	1,273,782	1,216,134
Nordics (Scandinavia)	393,382	408,812	45,701	32,594	439,083	441,406
France	398,091	366,959	281,802	245,480	679,893	612,439
Other	306,283	238,930	113,461	26,357	419,744	265,287
Inter-segment revenue adjustments and eliminations	—	—	(728,771)	(628,263)	(728,771)	(628,263)
Total	**2,904,636**	**2,710,936**	**—**	**—**	**2,904,636**	**2,710,936**

Likewise, following is the reconciliation of the Group's consolidated profit before tax for the six-month periods ended 30 June 2022 and 2021, broken down by business segment, to the profit before tax per the condensed consolidated income statements for these periods:

Segments	Consolidated profit (Thousands of euros)	
	30/06/2022	30/06/2021
Spain and Portugal	5,487	19,009
France	192,469	155,177
Italy	87,780	90,187
Germany	214,586	207,309
Nordics (Scandinavia)	86,598	88,714
Other	180,592	109,660
Total profit (loss) of the segments reported	767,512	670,056
(+/-) Unallocated profit/loss	—	—
(+/-) Elimination of inter-segment profit/loss	—	—
(+/-) Other profit/loss	—	—
(+/-) Income tax and/or profit from discontinued operations	268,225	273,643
Profit before tax	**1,035,737**	**943,699**

13. Related parties

The Group's related parties are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, the Bank's “key management personnel” (the members of its Board of Directors and its senior managers, together with their close family members) and the entities over which the key management personnel may exercise significant influence or control.

Following is a detail of the transactions performed by the Group with its related parties in the first six months of 2022 and 2021, distinguishing between significant shareholders, members of the Bank's Board of Directors, the Bank's executive vice presidents, Group entities and other related parties, including the entities from Grupo Santander.

Related party transactions were made on terms equivalent to those that prevail in arm's-length transactions or, when this was not the case, the related compensation in kind was recognized:

	Thousands of euros				
	30/06/2022				
Expenses and income	Significant shareholders	Directors and executives	Group companies or entities	Other related parties (*)	Total
Expenses:					
Finance costs	32,669	—	—	1,614	34,283
Leases	—	—	—	—	—
Services received	—	—	—	—	—
Purchases of goods	—	—	—	—	—
Other expenses	15,069	—	1,903	73,231	90,203
	47,738	**—**	**1,903**	**74,845**	**124,486**
Income:					
Finance income	—	—	2,309	3,490	5,799
Dividends received	—	—	—	—	—
Services rendered	42	—	177	2,785	3,004
Sale of goods (finished or in progress)	—	—	—	—	—
Other income	269,219	—	67,622	31,019	367,860
	269,261	**—**	**70,108**	**37,294**	**376,663**

(*) This includes basically the income and expenses relating to Santander Group companies that do not belong to the Santander Consumer Finance Group and to other related parties.

	Thousands of euros				
	30/06/2022				
Other transactions	Significant Shareholders	Directors and executives	Group Employees Companies or Entities	Other related parties (*)	Total
Financing agreements: loans and capital contributions (lender)	69,159	—	(23,296)	(15,451)	30,411
Financing agreements: loans and capital contributions (borrower)	(1,207,688)	—	(45,041)	1,409,947	157,218
Guarantees provided	6,836	—	(14,606)	(1,375)	(9,145)
Guarantees received	—	—	—	—	—
Obligations acquired	(5,870)	—	—	16,738	10,868
Dividends and other distributed profit	—	—	—	—	—
Other transactions	(381,845)	—	(902)	(101,891)	(484,638)

(*) This includes basically the income and expenses relating to Santander Group companies that do not belong to the Santander Consumer Finance Group and to other related parties.

Period end closing balances	Thousands of euros				
	30/06/2022				
	Significant shareholders	Directors and executives	Individuals, Group companies or entities	Other related parties	Total
Debt balances:					
Customers and commercial debtors	—	—	—	—	—
Loans and credits granted	183,444	—	126,125	281,391	590,960
Other collection rights	1,255,937	—	6,024	21,349	1,283,310
	1,439,381	**—**	**132,149**	**302,740**	**1,874,270**
Credit balances:					
Suppliers and creditors granted	—	—	—	—	—
Loans and credits received	8,685,625	—	67,745	1,458,816	10,212,186
Other payment obligations	6,544,223	—	24,397	334,227	6,902,847
	15,229,848	**—**	**92,142**	**1,793,043**	**17,115,033**

Expenses and income	Thousands of euros				
	30/06/2021				
	Significant shareholders	Directors and executives	Group companies or entities	Other related parties (*)	Total
Expenses:					
Finance costs	20,980	—	—	1,074	22,054
Leases	—	—	—	—	—
Services received	—	—	—	—	—
Purchases of goods	—	—	—	—	—
Other expenses	90,382	—	1,934	59,809	152,125
	111,362	**—**	**1,934**	**60,883**	**174,179**
Income:					
Finance income	3,868	—	294	3,223	7,385
Dividends received	—	—	—	—	—
Services rendered	62	—	176	2,457	2,695
Sale of goods (finished or in progress)	—	—	—	—	—
Other income	2,039	—	68,398	15,965	86,402
	5,969	**—**	**68,868**	**21,645**	**96,482**

(*) This includes basically the transactions performed with Santander Group companies that do not belong to the Santander Consumer Finance Group and with other related parties.

Other transactions	Thousands of euros				
	30/06/2021				
	Significant Shareholders	Directors and executives	Group Employees Companies or Entities	Other related parties (*)	Total
Financing agreements: loans and capital contributions (lender)	(10,749)	—	(21,234)	101,546	69,563
Financing agreements: loans and capital contributions (borrower)	(611,109)	—	(39,690)	(1,408)	(652,207)
Guarantees provided	(1,000)	—	(84,420)	—	(85,420)
Guarantees received	—	—	—	—	—
Obligations acquired	(1,051)	—	—	(1,024)	(2,075)
Dividends and other distributed profit	—	—	—	—	—
Other transactions	249,899	—	(378)	(35,437)	214,085

(*) This includes basically the income and expenses relating to Santander Group companies that do not belong to the Santander Consumer Finance Group and to other related parties, including the entities from Grupo Santander.

Period end closing balances	Thousands of euros				
	31/12/2021				
	Significant shareholders	Directors and executives	Individuals, Group companies or entities	Other related parties	Total
Debt balances:					
Customer and commercial debtors	—	—	—	—	—
Loans and credits granted	114,285	—	149,422	296,842	560,549
Other collection rights	866,680	—	6,430	37,915	911,025
	980,965	**—**	**155,852**	**334,757**	**1,471,574**
Credit balances:					
Suppliers and creditors granted	—	—	—	—	—
Loans and credits received	9,893,313	—	112,786	48,869	10,054,968
Other payment obligations	5,773,121	—	23,901	248,902	6,045,924
	15,666,434	**—**	**136,687**	**297,771**	**16,100,892**

14. Off-balance-sheet exposures

The off-balance-sheet exposures related to balances representing financial guarantees and other commitment provided (revocable and non revocable).

Granted guarantees includes financial guarantees contracts such as financial bank guarantees, credit derivatives, and risks arising from derivatives granted to third parties; non financial guarantees include other guarantees and irrevocable documentary credits.

Contingent commitments provided includes all off-balance-sheet exposures, which are not classified as guarantees provided, including drawable by third parties.

	Thousands of Euros	
	30/06/2022	31/12/2021
Loan commitments granted	**25,797,294**	**24,122,179**
Of which doubtful	*95,678*	*62,600*
Financial guarantees granted	**156,673**	**189,841**
Of which doubtful	—	—
Bank sureties	156,673	187,253
Credit derivatives sold	—	2,588
Other commitments granted	**1,219,496**	**1,183,948**
Of which doubtful	*3,265*	*3,367*
Other granted guarantees	551,862	531,497
Other	667,634	652,451

15. Average headcount and number of offices

The average number of employees at the Group and at the Bank, by gender, in the six-month periods ended 30 June 2022 and 2021 is as follows:

	Bank		Other		Group	
	30/06/2022	30/06/2021	30/06/2022	30/06/2021	30/06/2022	30/06/2021
Men	497	264	5,080	5,284	5,577	5,548
Women	483	236	5,159	5,528	5,642	5,764
	980	**500**	**10,239**	**10,812**	**11,219**	**11,312**

The average number of offices at 30 June 2022 and 2021 are as follows:

Number of branches	Group	
	30/06/2022	30/06/2021
Spain	49	49
Foreign	264	205
	313	**254**

16. Other disclosures

a) Valuation techniques for financial assets and liabilities

The following table shows a summary of the fair values, at 30 June 2022 and 31 December 2021, of the financial assets and liabilities indicated below, classified on the basis of the various measurement methods used by the Group to determine their fair value:

	Thousands of euros					
	30/06/2022			31/12/2021		
	Published price quotations in active markets (Level 1)	Internal models (*)	Total	Published price quotations in active markets (Level 1)	Internal models (*)	Total
Financial assets held for trading	—	251,126	**251,126**	—	51,476	**51,476**
Non-trading financial assets mandatorily at fair value through profit or loss	5	2,323	**2,328**	26	2,972	**2,998**
Financial assets designated at fair value through profit or loss	—	—	**—**	—	—	**—**
Financial assets at fair value through other comprehensive income	879,837	14,696	**894,533**	1,062,405	14,946	**1,077,351**
Hedging derivatives (assets)	—	714,844	**714,844**	—	121,585	**121,585**
Financial liabilities held for trading	—	247,104	**247,104**	—	58,169	**58,169**
Financial liabilities designated at fair value through profit and loss	—	—	**—**	—	—	**—**
Hedging derivatives (liabilities)	—	217,641	**217,641**	—	128,650	**128,650**
Liabilities under insurance or reinsurance contracts	—	—	**—**	—	—	**—**

(*) Substantially all of the main variables (inputs) used by the models are obtained from observable market data (Level 2, pursuant to IFRS 13, Fair Value Measurement).

Financial instruments at fair value, determined on the basis of published price quotations in active markets (Level 1), or whose valuation is based on models or techniques that use directly or indirectly observable data (Level 2), include government debt securities, private-sector debt securities, derivatives traded in organized markets, securitized assets, shares, short positions and fixed-income securities issued.

In cases where price quotations cannot be observed, management makes its best estimate of the price that the market would set, using its different models. In order to make these estimates, various techniques are employed, including the extrapolation of observable market data. In general, the best evidence of the fair value of a financial instrument on initial recognition is the transaction price, as well as the fair value of the instrument that can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include observable market data, such as interest rates.

Most of the instruments recognized at fair value in the consolidated balance sheet, calculated using internal models, are interest rate swaps (IRSs) and cross currency swaps, which are measured using discounted cash flows by the present value method. This valuation method is also used to calculate the fair value of certain financial instruments measured at amortized cost in the balance sheet. Expected future cash flows are discounted using the yield curves of the related currencies. In general, the yield curves are developed by observable market data and, therefore, this valuation method does not include the use of assumptions that could have a significant effect on the calculation of the fair value of these financial instruments.

Instruments whose valuation models depend on unobservable variables in listed markets, (Level 3), can consider aspects such as the terms of the underlying contracts, prepayment rates or even information extracted from the markets, seeking not to incorporate significant subjectivity.

The Group did not make any material transfers of financial instruments between one measurement method and another in the first half of 2022. Also, there were no changes in the valuation technique used to measure financial instruments.

Santander Group to which Santander Consumer Group belongs has developed a formal process for the systematic valuation and management of financial instruments, which has been implemented worldwide across all the Group's units. The governance scheme for this process distributes responsibilities between two independent divisions: Financial Management (in charge of management of financial products) and Risk (on a periodic basis, monitoring of pricing models and market data, computation of risk metrics, new transaction approval policies, market risk control and implementation of fair value adjustment policies).

The approval of new products follows a sequence of steps (request, development, validation, integration in corporate systems and quality assurance) before the product is brought into production. This process ensures that pricing systems have been properly reviewed and are stable before they are used.

The most important products and families of derivatives, and the related valuation techniques and inputs, by asset class, are detailed below:

Interest rate and Fixed income

The range of fixed income instruments includes simple instruments, such as interest rate and cross-currency swaps, which are measured using estimated cash flow projections that are then discounted to present value by factoring in the basis spread (swap and cross currency), depending on the frequency of the payments and currency in which each leg of the derivative is denominated.

The inputs used in these valuation models are market-observable data such as deposit rates, futures, cross-currency swap rates and basis spreads. These inputs can be used to calculate different interest rate curves, depending on the frequency of the related payments, as well as discount curves for each currency.

Fixed income instruments include products, such as bonds, treasury bills or promissory notes, whose valuation, as described above, can be made by observing their price in listed markets, models built from observable data or other techniques in the cases in which neither of the two previous alternatives is possible.

Exchange rates

The most important products within this asset class are forward and futures contracts and include vanilla and over-the-counter (OTC) derivatives written over exchange rates.

The inputs used in the exchange rate valuation models include interest rate curves for each currency and spot exchange rates.

If necessary and in order to reflect the counterparty risk in the valuation of the instruments, there are certain valuation adjustments, such as the Credit Valuation Adjustment (CVA), and the Debt Valuation Adjustment (DVA).

The Credit Valuation Adjustment (CVA) is a haircut applied to OTC derivatives to factor in the risk associated with the credit exposure assumed by each counterparty.

The CVA is calculated by factoring in the potential future exposure to each counterparty at each delivery or settlement date. The CVA for a given counterparty is equal to the sum of CVAs for all term dates. The following inputs are used for calculation purposes:

- Expected future exposure: including, for each transaction, the current market value (MtM) as well as the potential future exposure (add-on profile) for each term. The calculation also takes into consideration credit mitigation arrangements such as collateral and netting agreements as well as a time decay factor for derivatives with interim payments.

- Severity: final loss assumed in the event of a credit event/default by the counterparty expressed in percentage terms.

- Probability of default: when market data are not available (listed spread curve derived from CDSs, etc.), ratings-based probabilities are used (preferably internal ratings models).

- Discount factor curve.

The Debt Valuation Adjustment (DVA) is similar to the CVA but reflects the Group's own credit risk, assumed by its counterparties in respect of OTC derivatives.

Set forth below are the financial instruments at fair value whose measurement was based on internal models (Level 2) at 30 June 2022 and 31 December 2021:

	Thousands of euros			
	Fair values Calculated Using Internal Models 30/06/2022 (Level 2)	Fair values Calculated Using Internal Models 30/06/2022 (Level 3)	Valuation techniques	Main assumptions
ASSETS:				
Non-current assets held for sale	**251,126**	**—**		
Trading derivatives	251,126	—		
Swaps	*224,801*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*18,989*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*7,336*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**714,844**	**—**		
Swaps	654,184	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	60,660	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Non-trading Financial Assets mandatorily at fair value though profit and loss	**—**	**2,323**		
Equity instruments	—	—		
Debt Securities	—	*1,940*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Loans and advances	—	*383*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Financial assets at fair value through other comprehensive income	**—**	**14,696**		
Equity instruments (*)	—	*14,696*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Debt securities	—	—		
Loans and advances	—	—		
TOTAL ASSETS	**965,970**	**17,019**		
LIABILITIES:				
Financial liabilities held for trading	**247,104**	**—**		
Trading Derivatives	247,104	—		
Swaps	*226,881*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*18,993*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*1,230*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**217,641**	**—**		
Swaps	*192,061*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*25,580*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL LIABILITIES	**464,745**	**—**		

	Thousands of euros			
	Fair values Calculated Using Internal Models 31/12/2021 (Level 2)	Fair values Calculated Using Internal Models 31/12/2021 (Level 3)	Valuation techniques	Main assumptions
ASSETS:				
Non-current assets held for sale	**51,476**	**—**		
Trading derivatives	51,476	—		
Swaps	*45,978*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*5,450*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*48*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**121,585**	**—**		
Swaps	*107,759*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*13,826*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Non-trading Financial Assets mandatorily at fair value though profit and loss	**—**	**2,972**		
Equity instruments	—	—		
Debt securities	—	*2,593*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Loans and advances	—	*379*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Financial assets at fair value through other comprehensive income	**—**	**14,946**		
Equity securities	—	*14,946*	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL ASSETS	**173,061**	**17,918**		
LIABILITIES:				
Financial liabilities held for trading	**58,169**	**—**		
Trading Derivatives	58,169	—		
Swaps	*46,982*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*5,460*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*5,727*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**128,650**	**—**		
Swaps	*80,677*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*47,973*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL LIABILITIES	**186,819**	**—**		

b) Forbearance and restructured transactions

The following forms are used with the meanings specified below:

- Forbearance transaction: transaction granted or used for reasons relating to -current or foreseeable- financial difficulties the borrower may have in repaying one or more of the transactions granted to it, or through which the payments on such transactions are brought fully or partially up to date, in order to enable the borrowers of cancelled or refinanced transactions to repay the debt (principal and interest) because the borrower is unable, or might foreseeably become unable, to comply with the conditions thereof in due time and form.

- Restructured transaction: transaction with respect to which, for economic or legal reasons relating to current or foreseeable financial difficulties of the borrower, the financial terms and conditions are modified in order to facilitate the payment of the debt (principal and interest) because the borrower is unable, or might foreseeably become unable, to comply with the aforementioned terms and conditions in due time and form, even if such modification is envisaged in the agreement. In any event, operations in which a release of debt is performed or assets are received to reduce the debt, or in which the conditions are modified to extend their maturity period, or in which the amortization table is modified to reduce the scheduled debt repayments in the short term or reduce their frequency, or establish or lengthen the deferral of principal period, interest or both, except when it can be proven that the conditions are modified for reasons other than the financial difficulties of the holders and are analogous to those applied in the market on the date of their modification to operations granted to holders with a similar risk profile.

For maximum guarantees amount, we will consider as follows:

- Real guarantees: the appraisal amount or valuation amount of the real guarantees received; for each transactions will be as maximum the covered amount of exposure.

- Personal guarantees, maximum amount guarantors will have to pay if the guarantee is implemented.

The renewals can be long or short term (less than two years). Renewals with terms not exceeding two years will be considered when the borrower meets the following criteria:

a. That it experiences temporary liquidity restrictions, for which the client's recovery will be evident in the short term.

b. That the application of long-term renewal measures was not effective given the temporary financial uncertainty of a general or specific nature of the client.

c. That it has been complying with the contractual obligations before the renewal.

d. That demonstrates a clear willingness to cooperate with the entity.

As a consequence of the analysis 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 customer's debt, and therefore it will be viable. In this sense, to assess the viability of the operation, the following will be taken into account:

a. That it can be demonstrated with evidence that the proposed renewal is within the client's reach, which means the full reimbursement is expected.

b. The payment by the client of the outstanding amounts, in full or for the most part, and the considerable reduction of the exposure in the medium-long term.

c. If there are successive renewals, internal controls will be carried out to ensure that those measures meet the viability criteria described in this section and the limits specified in section 2.1.9 of this policy will be observed in relation to successive renewals.

d. In the application of short-term renewal measures, it may be evidenced that the client has sufficient payment capacity to meet the debt, principal and interest, once the term of application of the temporary renewal has ended.

e. The measure does not give rise to 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. It will be necessary to distinguish them from those considered viable.

	30/06/2022 (thousands of euros)													
	Total							Of which: doubtful						
	Without collateral		With collateral				Accumulated Impairment or losses at fair value due to credit risk	Without collateral		With collateral				Accumulated Impairment or losses at fair value due to credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of the actual collateral that can be considered			Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of the actual collateral that can be considered		
					Mortgage guarantee	Other guarantees						Mortgage guarantee	Other guarantees	
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	—	—	1	1	—	—	—	—	—	1	1	—	—	—
Other financial institutions and: individual shareholder	66	743	24	279	—	228	356	18	222	8	81	—	53	223
Non-financial institutions and individual shareholders	8,187	89,544	6,686	84,289	2,199	39,108	43,318	2,441	29,226	1,583	17,126	1,574	5,853	29,382
Of which: Financing for constructions and property development	339	3,414	27	316	—	246	1,010	31	316	3	12	—	9	243
Rest of households	147,118	457,766	4,670	80,582	22,839	31,870	193,168	88,609	228,762	2,031	37,366	7,934	10,883	168,798
Total	**155,371**	**548,053**	**11,381**	**165,151**	**25,038**	**71,206**	**236,842**	**91,068**	**258,210**	**3,623**	**54,574**	**9,508**	**16,789**	**198,403**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and included in disposal groups as classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—

	31/12/2021 (thousands of euros)													
	Total							Of which: doubtful						
	Without collateral		With collateral				Accumulated Impairment or losses at fair value due to credit risk	Without collateral		With collateral				Accumulated Impairment or losses at fair value due to credit risk
	Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of the actual collateral that can be considered			Number of operations	Gross amount	Number of operations	Gross amount	Maximum amount of the actual collateral that can be considered		
					Mortgage guarantee	Other guarantees						Mortgage guarantee	Other guarantees	
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	3	74	1	1	—	—	5	1	7	1	1	—	—	2
Other financial institutions and: individual shareholder	83	988	22	251	—	200	402	22	244	8	97	—	57	247
Non-financial institutions and individual shareholders	12,936	140,827	2,811	55,759	1,990	42,086	47,422	2,710	32,592	1,183	14,482	1,389	5,601	29,687
Of which: Financing for constructions and property development	411	4,637	—	—	—	—	1,189	35	344	—	—	—	—	254
Rest of households	150,127	487,125	4,668	86,464	24,458	34,896	212,342	91,786	219,914	1,654	37,220	9,130	7,695	181,617
Total	**163,149**	**629,014**	**7,502**	**142,475**	**26,448**	**77,182**	260,171	**94,519**	**252,757**	**2,846**	**51,800**	**10,519**	**13,353**	**211,553**
ADDITIONAL INFORMATION	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Financing classified as non-current assets and included in disposal groups as classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The transactions presented in the table above are classified at 30 June 2022 and 2021 in keeping with their characteristics, as follows:

- Doubtful: transactions that are originally classified as doubtful exposures as per policy criteria (in keeping with Bank of Spain Circular 4/2004, as amended by Circular 4/2016 and Circular 4/2017) and are still in the process of requalifying as standard or performing and those that while classified as standard exposures or standard exposures under special monitoring have presented fresh financial difficulties during the life of the transaction. More specifically, refinancing, refinanced and restructured transactions are classified as doubtful exposures when they are underpinned by a payment schedule considered inadequate, include contractual terms that have the effect of delaying the transaction's repayment or present amounts that have been written off based on the consideration that they will not be recovered.

- Performing exposures under special monitoring: those that are recognized initially in this category as per policy criteria (in keeping with Bank of Spain Circular 4/2004, modified by Circular 4/2016 and Circular 4/2017) and those reclassified from doubtful exposures having met the following criteria: (i) one year has elapsed since the date of refinancing/restructuring; (ii) the borrower is current on all accrued principal and interest payments; and (iii) the Group does have other exposures to the same borrower with amounts in arrears by more than 90 days at the date of reclassification to standard exposures under special monitoring.

- Normal (performing): those that are recognized initially in this category as per policy criteria (in keeping with Bank of Spain Circular 4/2004, modified by Circular 4/2016 and Circular 4/2017) and those reclassified from doubtful or standard under special monitoring for which the probation period has elapsed and all of the following conditions have been met: (i) it is considered highly probable that the borrower will uphold its obligations in time and manner; (ii) at least two years have elapsed since the date on which the refinancing/restructuring transaction closed; (iii) the borrower has paid all principal and interest installments accrued since the date on which the refinancing/ restructuring transaction closed; (iv) and at the end of probation period, the Group has no other exposures to the borrower with amounts in arrears by more than 30 days.

c) Real estate business– Spain

Portfolio of home purchase loans to families

On 30 June 2022 and on 31 December 2021 no home purchase loans in Spain have been granted to families. The breakdown of the book at 30 June 2022 and 31 December 2021 is as follows:

	Thousands of euros			
	30/06/2022		31/12/2021	
	Gross Amount	Of which: Impaired	Gross Amount	Of which: Impaired
Home purchase loans to families	—	—	—	—
- *Without mortgage guarantee*	—	—	—	—
- *With mortgage guarantee*	1,300,172	60,224	1,375,816	62,394
	1,300,172	**60,224**	**1,375,816**	**62,394**

The risk profile of the home purchase mortgage loan portfolio in Spain remained at a medium-low level, with limited prospects of additional impairment:

- All mortgage transactions include principal repayments from the very first day.
- Early repayment is common practice and, accordingly, the average life of the transactions is far shorter than their contractual term.
- Debtors provide all their assets as security, not just the home.
- High quality of collateral, since the portfolio consists almost exclusively of principal-residence loans.

The marketing of mortgage products has been interrupted since 2008, however sales to third parties of foreclosed assets and debt restructuring can derive in new production, so there are financial statements in which new investments is reported.

On 30 June 2021, 67.41% of the portfolio has an LTV of less than 80% (calculated as the ratio of total exposure to the amount of the latest available appraisal). On 31 December 2021, 68.53% of the portfolio has an LTV of less than 80% (calculated as the ratio of total exposure to the amount of the latest available appraisal).

	30/06/2022					
	Exposure as a percentage of last available appraisal (Loan to value ratio)					
In millions of euros	Less than or equal to 40%	More than 40% or less than 60%	More than 60% and less than 80%	More than 80% and less or equal to 100%	More than 100%	TOTAL
Gross Amount	305	335	237	182	242	**1,301**
- Of which: Non Performing	5	9	11	10	25	**60**

	31/12/2021					
	Exposure as a percentage of last available appraisal (Loan to value ratio)					
In millions of euros	Less than or equal to 40%	More than 40% or less than 60%	More than 60% and less than 80%	More than 80% and less or equal to 100%	More than 100%	TOTAL
Gross Amount	328	372	243	190	243	**1,376**
- Of which: Non Performing	5	10	10	10	28	**63**

17. Solvency information

The breakdown of the Group's capital and leverage ratios at 30 June 2022 and 31 December 2021 is provided below:

Capital ratio

	Millions of euros	
	30/06/2022	31/12/2021
Capital ratio		
Ordinary common equity Tier 1 (Millions of euros)	9,146	9,167
Additional capital common equity Tier 1 (Millions of euros)	1,425	1,412
Ordinary common equity Tier 2 (Millions of euros)	1,656	1,045
Risk weighted assets (Millions of euros)	74,595	72,898
Ordinary common equity Tier 1 ratio (CET 1)	12.26%	12.58%
Additional capital Tier 1 ratio (AT 1)	1.91%	1.93%
Capital Tier 1 ratio (TIER 1)	14.17%	14.51%
Capital Tier 2 ratio (TIER 2)	2.22%	1.44%
Total Capital Ratio	**16.39%**	**15.95%**

Leverage

	Millions of euros	
	30/06/2022	31/12/2021
Leverage		
Tier 1 capital (Millions of euros)	10,558	10,579
Exposure (Millions of euros)	125,766	112,492
Leverage ratio	**8.39%**	**9.40%**

Interim Consolidated Management Report for the six month-period ended 30 June 2022

GENERAL BACKGROUND

Santander has developed its activity in the second quarter of 2022 in a context described by the volatility of the markets, the uncertainties related to the war between Ukraine and Russia and the marked rebound in inflation associated with the increasing prices of raw materials, in particular, energy and food. Additionally to the prolongation of the conflict, other factors such as the zero-covid strategy in China and affects production chains worldwide . All this has fueled expectations of a forthcoming weakening of the world economy. In this context, central banks in industrialized countries advanced in their monetary normalization policy, while in Latin America they continued to move into a more restrictive monetary zone.

A summary with the evolution of the main macroeconomic variables by country is included below:

- **Eurozone** (GDP +5.4% year-on-year in the first quarter of 2022). 2Q22 GDP is expected to slow down due to the effect of the war on business and agent confidence, the persistence of supply problems in industry and the rise in inflation. Despite this, the labor market remains dynamic (6.6% unemployment rate in May, the lowest since the euro came into existence). The rise in inflation has put the ECB on alert, and it has anticipated that it will raise its rates in July.

- **Spain** (GDP: +6.3% year-on-year in the first quarter of 2022). In 2Q22, the dynamism of the labor market suggests a rebound in GDP growth, driven by the end of pandemic restrictions. This was despite the uncertainty associated with the war in Ukraine and the tightening of financing conditions. Inflation continued to rise to 10.2% in June.

- **Germany** (GDP +3.8% year-on-year in the first quarter of 2022) The war in Ukraine impacts through several channels: higher energy prices, shortages of raw materials and weaker external demand and confidence, as shown by Q1 growth (0.2%t/mt). Exports, especially due to China's 0-Covid policy are depressed. Household final consumption (thanks to savings generated in 2020) and government spending are being the main growth drivers. The labor market remains dynamic and the number of employees is above the pre-crisis level. Inflation fell slightly in June (7.6%), as did core inflation.

- **France** (GDP +4.5% year-on-year in the first quarter of 2022). France reached pre-pandemic GDP level in 2021. In 1Q22, the economy abated (-0.2%) due to the weakness of household consumption and the deterioration of the global economic environment due to the strong geopolitical uncertainty that is eroding the confidence of economic agents. Total employment continued to increase, but hours worked fell. Although high, inflation is below the euro zone (5.8% in June) and is expected to normalize gradually, once supply constraints and the commodity price shock ease.

- **Norway** (GDP +4.5% year-on-year in the first quarter of 2022). Economic activity is at a very high level, with little idle capacity. Competition for labor and high inflation (6.3% in June) are pushing up wages, while the war in Ukraine is intensifying pressure on prices and supplies. Norges Bank, against this backdrop, will continue its rate hike path until mid-2023 from the current 1.25%.

- **Finland** (GDP +3.7% year-on-year in the first quarter of 2022). The war in Ukraine has had a direct impact on economic activity in 1Q22 through the reduction in bilateral trade with Russia, which will affect growth in 2022 via external demand (the IMF has lowered its estimates to 1.6% from 3.0%). The labor market remains solid (unemployment rate at 6.1% in May from 6.9% in December) while inflation accelerated in June to 7.8% y-o-y due to higher electricity and fuel prices.

- **Poland** (GDP: +8.5% year-on-year in the first quarter of 2022). Economic growth is losing momentum in Q2 2022 due to the consequences of the Russia-Ukraine conflict. Government measures to support households in the face of sharp prices increase (CPI of 15.5% in June) and supply cuts, as well as the strong labour market (unemployment rate at 3%) should enable economic growth to slow down gradually. The official interest rate raised to 6.5% to tame inflation.

- **Portugal** (GDP: +11.9% y-o-y in Q1 2022). The economy continues to expand, albeit at a slower pace, thanks to consumption and tourism, and although rising inflation (8.7% in June) is hurting purchasing power, the labour market remains strong (unemployment rate at 5.9%) and is a pillar of growth. The good economic performance has a positive impact on public accounts (with a reduction of the deficit in the January-April period).

- **United Kingdom** (GDP: +8.7% y-o-y in the first quarter of 2022). The economy has started to show some moderation since February due to higher energy and production costs, which have been passed on to inflation (9.1% in May), in turn affecting households. Employment remains strong in a context of tight labour supply (unemployment rate at 3.8%). To combat high inflation, the BoE raised interest rates to 1.25% in June.

BUSINESS PERFORMANCE

Results

Santander Consumer Finance generated profit after tax of 768 million euros in the first half of 2022, once again demonstrating the strength of our business model and increasing profit by 98 million euros.

By heading, the following impacts stand out:

- The net interest income improved by 4% compared to the first half of the previous year. The liquidity position has remained strong throughout and no additional liquidity strains have been generated, thanks to the development of deposits and drawdowns on wholesale lines. Liquidity metrics have remained above their internal limits and in compliance with regulatory levels. At the end of May 2022, the consolidated LCR (Liquidity coverage ratio) of Santander Consumer Finance Subgroup was 313% and the NSFR (Net Stable Funding Ratio) for the same perimeter at March 2022 was 112.1%.

- As regards **commissions**, they increased in cumulative terms by 8% compared to the first half of the previous year due to an 11% increase in new business, which indicates the strong recovery that is taking place and which is having an impact on an improvement in insurance commissions.

- **Other operating income** increased by 9.6 million, thanks to better results in the operating leasing business. This line also includes the payment of the Single Resolution Fund (SRF).

- **Operating costs (administrative expenses plus depreciation)** stand at 989 million, 7% higher than in the first half of 2021, due to inflation, strategic investments to increase future revenues and reduce operating expenses, and perimeter impacts (Allane, TIMFin and Greece). The efficiency ratio was 43.14% at the end of the six-month period (-34 b.p. compared to the first half of 2021).

- Provisions for bad debts were 9% lower than in the same period of the previous year, maintaining good credit quality.

Activity

In the first half of the year, production rose 11% year-on-year, absorbing the impacts of the Omicron wave, the microchip crisis and global supply chain disruptions from the war in Ukraine.

In this context, we continue to increase market share in new and used cars and in most countries. European registrations fell by 14% in the first half of the year.

In the auto sector, we started to develop our own digital leasing platform in Europe (we expect to start a gradual roll-out before the end of the year) with the ambition to revolutionise the market.

Santander Consumer Finance's new subscription service, Wabi, is already operational in Spain, Norway and Germany, and will be launched in other countries in the coming years. In June, Santander Consumer Finance launched Ulity, our new white label platform for developing vehicle underwriting solutions for businesses.

In the first half of the year, we expanded our alliance with Stellantis and the transaction is expected to be completed in the first half of 2023 (following the necessary approvals). Santander Consumer Finance has also entered into a long-term global agreement with the Piaggio Group, the leader in the scooter segment in Europe.

In the non-automotive sector, Zinia, our new buy now, pay later initiative in Germany, is already achieving very good results. The focus for 2022 is on deployment.

The group's total assets at 30 June 2022 stood at 127.5 billion euros (2.61% lower than at the end of the year).

Loans to customers have grown by 2%. On the liabilities side, compared to December 2021, customer deposits increased by 4% and central bank deposits decreased by 1%.

At the end of June 2022, customer deposits, medium and long-term securitisations and issues placed in the market covered 75% of net customer loans.

The volume issued by Santander Consumer Finance S.A. until June 2022 was 1.1 billion euros, of which 500 million euros is senior debt, 100 million euros is subordinated debt and 500 million euros is senior non-preferred debt.

These good results have been achieved in an unstable environment, where rising fuel prices and inflation are creating uncertainty and reducing our customers' disposable income. We will maintain a cautious market approach and remain vigilant to react quickly to any specific developments affecting our business.

Strategy

Santander Consumer Finance is the leading consumer finance provider in Europe with a presence in 18 countries (16 in Europe, with recent launches in Greece, China and Canada) and more than 130,000 associated points of sale (car dealerships and retailers). In addition, it is developing pan-European initiatives to drive Direct's business in all its markets.

Santander Consumer Finance remains committed to a solid business model backed by:

- Broad geographic diversification with great commercial strength in key products.
- A better efficiency ratio than its main competitors.
- A risk management and recovery system that enables it to maintain a strong credit quality and a better efficiency ratio than its main competitors.

We also maintained the pillars on which the group's strategy is based: improving operating performance, optimizing the allocation of capital to the regions and businesses that generate the highest profits, and accelerating the group's transformation by and accelerating the group's transformation through greater digitalization.

Our main priorities for 2022 are to:

- ***Strengthen leadership in digital consumer lending,*** focusing on growth and transformation in three areas:

    - **Auto:** reinforce our leading position in auto finance, gain market share, strengthen our leasing business and develop underwriting services. Santander Consumer Finance is focused on providing advanced digital finance capabilities to its partners to support their sales growth strategy and the best customer experience.

    - **Consumption** (non-auto): gain market share in consumer finance and develop buy now, pay later (BNPL) 2.0 to strengthen our position in the top 3 in Europe.

    - **Retail:** enhance digital banking activity.

    - **Simplification and efficiency** by moving from stand-alone banks to European hubs (Spain, Nordic, Germany) through simplification of the legal structure, shared services and IT homogeneity, and optimisation of capital and liquidity.

- ***Grow profit by leveraging on strategic operations initiated in 2021***, such as Stellantis (auto) and the development of BNPL (non-auto).

- ***Launching a technology transformation project*** to capture the growing and rapid transition to digital and support the expansion of the digital customer base, ***while maintaining high profitability and one of the best efficiency ratios in the sector.***

To contribute to the transition to a greener economy, we continue to develop new business solutions and partnerships by increasing financing for all-electric vehicles and solar panels. The financing of electric chargers and green heating systems is also booming.

We are actively partnering with several US, Japanese, Chinese and European manufacturers with strong electric product portfolios to develop joint solutions to capture growth in a market that is evolving towards lower emissions.

Alternative Performance Measures (APMs)

In addition to the financial information prepared under 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 issued by the European Securities and Markets Authority (ESMA) on October 5, 2015, as well as non-IFRS measures.

The performance measures included in this report qualified as APM and non-IFRS measures have been calculated using Santander's financial information, but are not defined or detailed in the applicable financial reporting framework and, therefore, have not been audited and are not susceptible to full audit.

These APMs and non-IFRS measures have been used to plan, monitor and assess our performance. We believe these APMs and non-IFRS measures are useful to management and investors as they facilitate comparisons of operating performance between periods. Although we believe that these APMs and non-IFRS measures allow a better assessment of our business performance, this information should be considered as additional information only, and in no way replaces financial information prepared in accordance with IFRS. In addition, the way in which Santander Group defines and calculates these MARs 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:

Profitability and efficiency indicators

The efficiency ratio measures how much administrative expenses (personnel and other) and depreciation and amortization expenses are necessary to generate revenues.

Ratio	Formula	Relevance of use
Efficiency (cost-to-income)	$\frac{\text{Operating expenses (*)}}{\text{Gross margin}}$	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 expenses: Administrative expenses + amortization

Profitability and efficiency (thousands of euro and %)	1S 2022	1S 2021
Efficiency ratio (cost-to-income)	**(43.14) %**	**(42.81) %**
Operating expenses	(988,657)	(923,915)
Administrative expenses	(889,690)	(830,440)
Amortization	(98,967)	(93,475)
Gross margin	2,291,826	2,158,368

Credit risk indicators

Credit risk indicators measure the quality of the loan portfolio and the percentage of the nonperforming portfolio that is covered by loan loss 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

*(*1) Total Risk = Normal and doubtful balances of Loans and Advances to customers and Customer Guarantees + Doubtful balances of Contingent Customer Commitments.*

*(*2) Provisions to cover impairment losses on loans and advances to customers, guarantees to customers and commitments to customers*

Credit risk (thousands of euro and %)	1S 2022	2021
Delinquency rate	**2.22%**	**2.06%**
Doubtful balances of loans and advances to customers, guarantees to customers and commitments to customers	2,308.416	2,099.018
- Impaired assets	2,209.473	2,033.052
- Commitments and guarantees granted	98.943	65.966
Total Risk	103,862.906	102,083.393
- Loans and advances to customers without considering impairment adjustments	103,457.873	101,674.842
- Guarantees granted	405.033	408.551
Coverage ratio	**91.02%**	**102.65%**
Impairment losses on loans and advances to customers at amortized cost and at fair value through other comprehensive income	2,058,403	2,115,180
Contingent liabilities and commitments	42,809	39,403
Impaired assets	2,209,473	2,033,052
Commitments and guarantees granted	98,943	65,966

RISK MANAGEMENT

For Santander Consumer Finance, outstanding risk management is one of the main pillars of its strategy, as it is a necessary condition for the creation of controlled value for shareholders.
In a financial group of these characteristics, with a strong international presence in consumer finance markets, identification of risk variables and their measurement and control will enable suitable expansion of the business in accordance with the standards defined by the Santander Group.

The priority of risk quality has been and continues to be the differential feature of the culture and management style of the Santander Group, and this is how it is viewed by the markets, which associate it with a clear competitive advantage.

Credit risk

The credit risk management process consists of identifying, measuring analyzing, controlling, negotiating and deciding on the risks incurred in the Group's operations. This process involves the areas that take risks, senior management and the Risk function.

As Santander Consumer Finance is a member of the Santander Group, the process starts with senior management, through the board of directors and the executive risk committee, which set the risk policies and procedures, the limits and delegation of powers, and approve and supervise the framework for action by the risk function.

Generally speaking, risk study consists of analyzing a customer's capacity to meet their contractual commitments with the Group and other creditors. This entails analyzing the customer's credit quality, risk operations, solvency and profitability on the basis of the risk assumed. With this objective, Santander Consumer Finance uses rating models for classifying customer solvency. 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.

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.

The Santander Consumer Finance Group is geographically diversified, with a presence in sixteen countries, concentrated in our core markets. The Group's profile is mainly retail (92% consumer credit and 8% dealer stock finance), with the main activity being funding vehicle purchases.

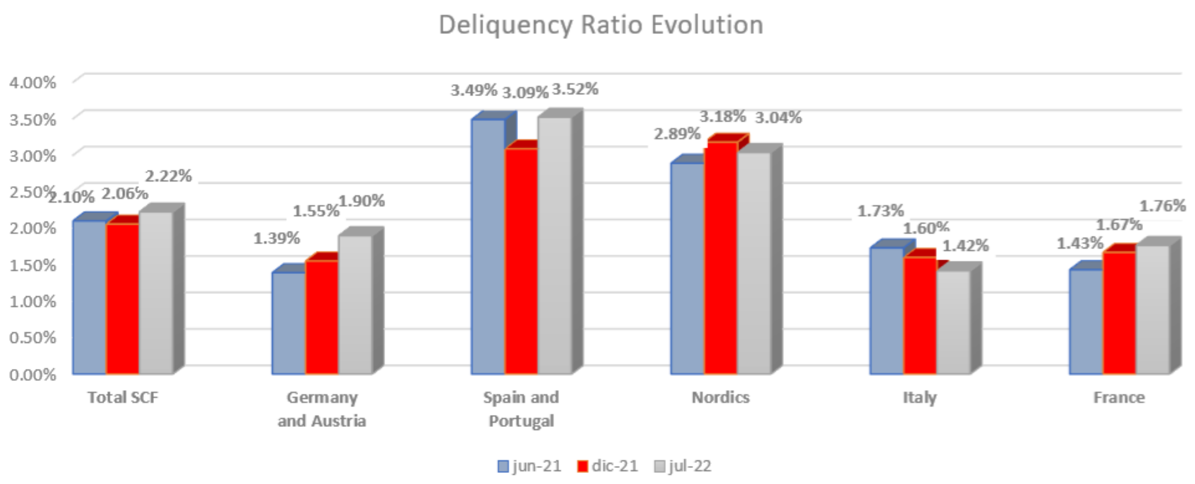
The exposure to credit risk of our portfolio is detailed in the following table (figures in millions of euros):

SCF Group - Gross Credit Risk Exposure				
	2022 (Millions of euros)	Change vs. December 2021	% Portfolio	2021 (Millions of euros)
Spain and Portugal	14,902	2.05%	14.40%	14,602
Italy	9,728	7.15%	9.40%	9,079
France	14,865	0.89%	14.37%	14,734
Germany and Austri	39,892	2.88%	38.56%	38,774
Scandinavia	17,540	-0.25%	16.95%	17,583
United Kingdom	3,069	3.19%	2.97%	2,974
Other	3,462	-11.91%	3.35%	3,930
Total	**103,458**	**1.75%**	**100.00%**	**101,676**

Credit risk exposure is stable throughout 2022 at around 0.47% in June 2022. This is due to the recovery of economic activity after the Covid-19 pandemic, despite the current macroeconomic uncertainty. While the Stock Finance portfolio is being affected by the semiconductor crisis, the Auto, Direct and Durables portfolio is growing.

Germany continues to account for the largest share of the portfolio with 38.56% with its respective JVs and Austria. The units in the Nordic countries accounted for 16.95% of Santander Consumer Finance's total credit risk, followed closely by Spain, FECI and Portugal with 14.40%.

Santander Consumer Finance has a resilient and stable business model, showing stability throughout the cycle with steady growth in profits. Santander Consumer Finance's geographic diversification results in a strong capacity to balance adverse economic cycles between countries. It highlights strong asset quality, best-in-class track record of risk ratios with a solid capital position, as well as its maintained risk profile based on premium assets (new auto) and diversification (highly rated countries). In the first half of 2022, the NPL ratio was slightly lower than previous samples, as a result of the entry of NDD in January 2022 in the Santander Consumer Finance units, with the exception of Poland and Italy (entering in January 2021) and Nordic (entering in December 2021), rising from 2.06% in December 2021 to 2.22% in June 2022.



Risks and its management are viewed in Santander Consumer Finance as global in its conception and local in its execution. The risk function follows general principles and organizational criteria shared across Group entities.

To ensure its proper performance, Santander Consumer Finance has established a series of policies, procedures and management tools that, sharing a common basic model, are adapted to the characteristics of local markets and business.

This risk is managed through the following stages:

Global risk management

Design, inventory and maintenance of general risk policies and metrics. Coordination with SC/SAN central areas. Coordination with Sales Areas.

Risk approval

Santander Consumer Finance has a risk function that is specialized by customer segmentation. Customers are pre-classified in order to quickly respond to business needs. There is design, inventory and maintenance of Automatic Decision-Making systems, and manual approval according to an authority scale.

Systems for control and monitoring of non-standard risks

In Santander Consumer Finance awareness of the importance of keeping close oversight of loans granted exists therefore, during the monitoring phase exposure is assessed constantly, portfolios are managed actively, and if signs are observed of potential worsening of risks, early action is taken to mitigate risks and reduce exposure with the ultimate goal of minimizing potential loss and optimizing the return-to-risk ratio.

Collection and recoveries

Recoveries management is based on an overall responsibility throughout the recovery cycle, in turn based on anticipation, efficiency and specialized treatment of debt. Specific management strategies are defined for each product, stage of irregularity and volume of risk by using the most suitable resources in each situation in order to obtain the best results.

Due to the typology of our risks, recovered assets are limited to the repossession of vehicles, which are accounted for at market value. Because these assets are auctioned off on a monthly basis, they are generally on the balance sheet for a very short time, if at all.

Market, structural and liquidity risk

1. **Scope and definitions**

The measurement, control and monitoring scope of the Market Risk function encompasses operations where an asset risk is accepted because of changes in market factors.

Such risks are generated through two types of basic activities:

- Trading activities, which include both the rendering of financial services on markets for clients, on which the Entity is the counterparty, and sales and purchases and positioning mainly in fixed income, equity and foreign currency products.

- Santander Consumer Finance does not carry out trading, as its treasury activity is limited to management and hedging of the structural risk of its balance sheet, and to management of liquidity needed to fund its business.

- Balance sheet management or ALM, which involves management of inherent risks in the Entity's balance sheet, not including the trading portfolio.

The risks generated in these activities are:

- Market: risk resulting from the possibility of changes in market factors affecting the value of positions held by the Entity in its trading book.

- Structural: risk arising from the management of different balance sheet items. This risk includes both losses owing to price variations affecting available-for-sale and held-to-maturity portfolios (banking book), and losses arising on the management of the Group's assets and liabilities measured at amortized cost.

- Liquidity: risk of not meeting payment obligations on time or of doing so at an excessive cost, as well as the ability to finance the growth of its asset volume. The types of losses that this risk triggers include losses on the forced selling of assets or impacts on the margin because of the mismatch of forecast cash outflows and inflows.

Market and structural risks, depending on the market variable that triggers them, may be classified as:

- Interest rate risk: identifies the possibility that interest rate variations may have a negative impact on the value of a financial instrument, a portfolio or the Group as a whole.

- Credit spread risk: identifies the possibility that variations in credit risk curves associated with issuers and specific types of debt may have an adverse effect on a financial instrument, a portfolio or the Group as a whole. The spread is a differential between financial instruments listed at a margin over other benchmark instruments, basically the Internal Rate of Return (IRR) 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 can have an adverse effect on the value of a financial instrument, a portfolio or the Group as a whole.

- Inflation risk: identifies the possibility that changes in inflation rates could adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Volatility risk: identifies the possibility that variations in the listed volatility of market variables may have an adverse effect on the value of a financial instrument, a portfolio or the Group as a whole.

- Market liquidity risk: identifies the possibility that an entity or Group as a whole is unable to unwind or close a position on a timely basis without impacting the market price or transaction cost.

- Prepayment or cancellation risk: identifies the possibility of early cancellation without negotiation in operations in which the contractual relationship explicitly or implicitly permits such cancellation, generating cash flows that should be reinvested at a potentially lower interest rate.

There are other variables that only impact the market risk (and not the structural risk), meaning that market risk can also be classified as follows:

- Equity risk: identifies the possibility that changes in the value of prices or dividend expectations regarding equity instruments can have an adverse effect on the value of a financial instrument, a portfolio or the Group as a whole.

- Raw materials risk: identifies the possibility that changes in commodity prices may have an adverse effect on 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, either of the same or a different type, listed in the market, could adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Underwriting risk: identifies the possibility that placement targets for securities or other types of debt are not reached when the Entity participates in underwriting them.

Liquidity risk may also be classified in the following categories:

- Financing risk: identifies the possibility that the Entity is unable to meet its obligations owing to its inability to sell assets or secure funding.

- Mismatch risk: identifies the possibility that differences between the maturity structures of assets and liabilities will generate an additional cost for the Entity.

- Contingency risk: identifies the possibility that adequate management levers will be unavailable to raise liquidity as a result of an outlier event that entails greater funding needs or more strict collateral requirements to raise funds.

2. Roles and responsibilities

The risk function is built around three lines of defense. The roles and responsibilities of these lines form an integral part of the management and control of market, structural and liquidity risk, as explained below.

2.1. First line of defense

This comprises the departments, business lines and activities that generate risk exposure. In the scope of this framework, this involves those responsible for management of the trading and balance sheet management portfolios.

This line of defense must ensure at all times:

- That all risks that might have a material impact are identified.

- Recurrent assessment of existing risks.

- The information needed to assess risks is available.

- The limits established for their activities are observed and respected.

2.2. Second line of defense

This involves the specialist teams involved in risk control and monitoring. In the scope of this framework, this involves those responsible for monitoring activities involving the Entity's portfolios and the performance and management of the risks assumed.

The second line of defense is an independent function within the risk function that complements the management and control functions of the first line of defense, ensuring at all times that:

- Limits are established and approved by the Entity's governance bodies or their delegated bodies.

- The first line of defense understands and complies with these limits.

- The policies, procedures and limits established for trading activities and balance sheet management are respected.

- Systematic reviews are carried out of exposure to market, structural and liquidity risks.

- Robust, reliable and adequate mechanisms are in place for these activities.

The second line of defense must provide a consolidated overview of market, structural and liquidity risks.

2.3. Third line of defense

As the final layer of control in the Group, Internal Audit regularly checks that policies, methods and procedures are adequate and applied effectively in management.

3. Measurement and methodologies

a) Structural interest rate risk

The Group analyses the sensitivity of net interest income and of the value 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 possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.

- *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.

b) Liquidity risk

Management of structural liquidity aims to fund the recurring activity of the Santander Consumer 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 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 analyzed 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 twelve months with liabilities of up to twelve months.

The Net Stable Funding Ratio measures the extent to which assets that require structural funding are being funded with 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 tests*

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 securitization considering eligible assets available, in addition to potential growth in customer deposits. This information is used to establish an issue and securitization 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.

– *Liquidity Contingency 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 based on and must be designed in line with two key elements: liquidity stress tests and an early warning system. Stress tests and different scenarios are used as the basis for analyzing 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) as required by the European Banking Authority (EBA) for the consolidated sub-group on a monthly basis, and the net stable funding ratio (NSFR) on a quarterly basis and monthly reviews.

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.

c) Structural change risk

Structural change risk is managed centrally, as part of the general corporate procedures of the Santander Group.

4. Control environment

The structural and liquidity control environment in Santander Consumer Finance Group is based on the framework of the annual limits plan, which establishes the limits for these risks, responding to the Group's appetite level.

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 a breach of one of these limits or their sub-limits, the market risk, structural risk and liquidity risk function will notify the breach, explaining the reasons for it and requesting an action plan from those responsible of risk management.

The main management limits for structural risk within the consolidated Santander Consumer Finance Group are as follows:

- One-year net interest income sensitivity limit.

- Value of equity sensitivity limit.

The limits are compared with the sensitivity involving the greatest loss between two different scenarios (parallel rise and fall of the interest rate curve by 25 basis points). The use of several scenarios makes it possible to better control interest rate risk. In the downward scenarios, no floor is addressed.

During the first half of the year, the level of exposure at the consolidated level in Santander Group Consumer Finance, both on net interest income and economic value, was low in relation to the budget and the amount of shareholders' equity respectively, being in both cases less than 1% for the whole 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 the liquidity stress tests under the various adverse scenarios mentioned above.

At the end of June 2022, all liquidity metrics were above current internal limits as well as regulatory requirements. Both the LCR and NSFR at the consolidated Group level were above 115% and 103% for the full year.

5. 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) in 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, securitization, deposits and interest rate and/or currency hedges, the management of ALCO portfolios and the minimum liquidity buffer.

- Compliance with risk limits and with risk appetite.

Operational risk

a) Definition and objectives

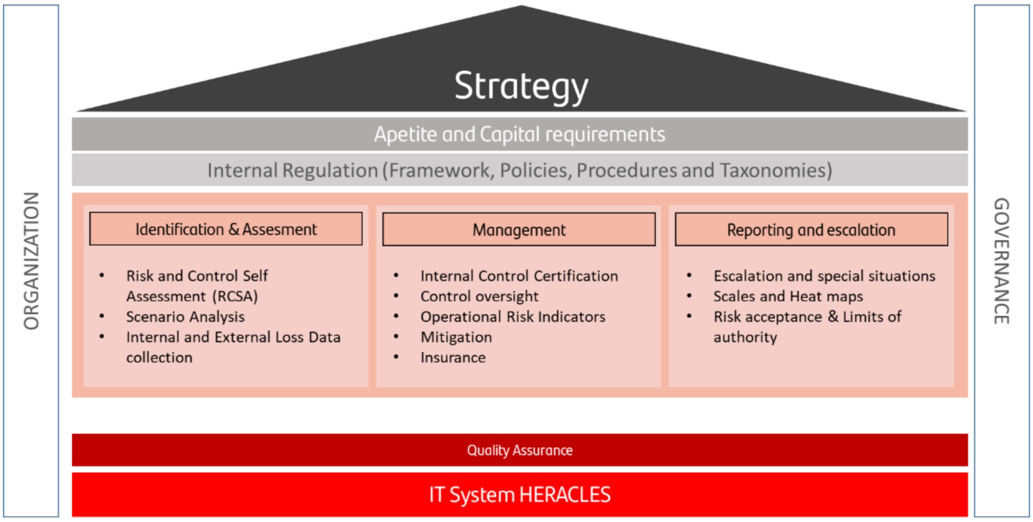
The Group defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

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 Group in operational risk control and management is primarily to identify, measure/assess, monitor, control, mitigate and report this risk.

The Group'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 (LDA) model based on the internal event database and other elements such as the external loss database of our banking peers (ORX consortium database) and scenario analysis. This approach is accepted by the 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 organization.

- 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.

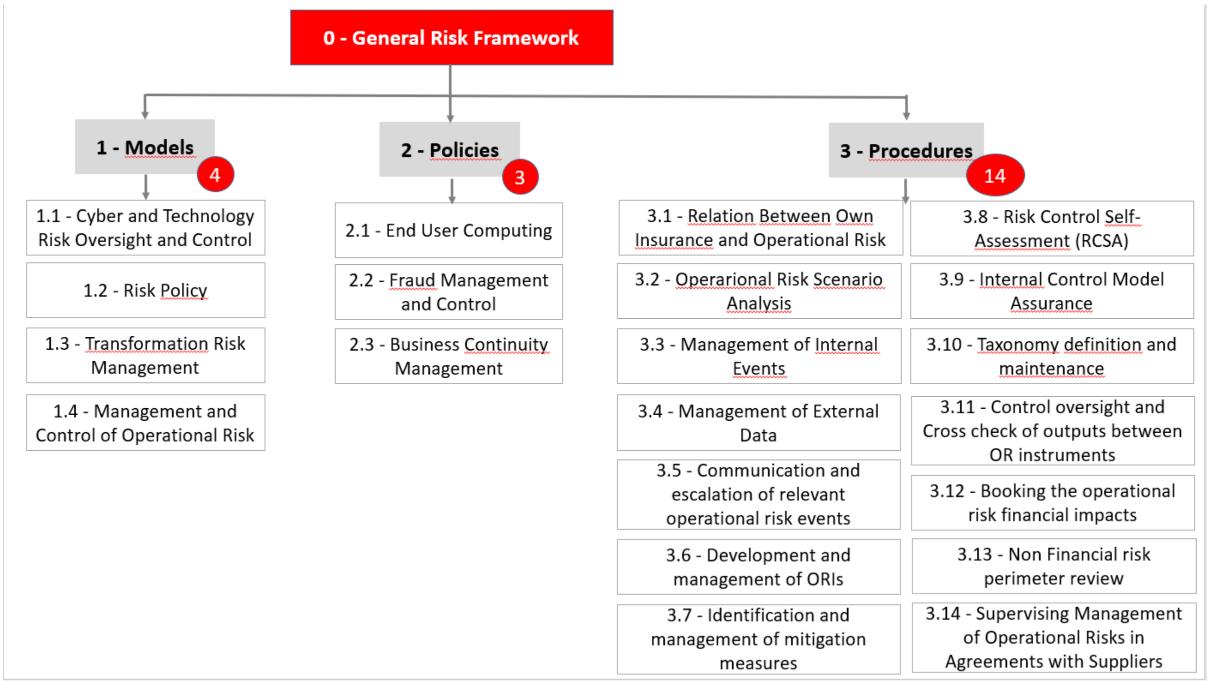
The following is required for each of the key processes indicated above:

- The existence of a system whereby operational risk exposures can be reported and controlled, as part of the Group's daily management efforts.

  To this end, in 2016 the Group implemented a single tool for the management and control of operational, compliance and internal control risk, called HERACLES. HERACLES 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.



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 2014, the Group adopted the new management system of the Santander Group, in which three lines of defence are defined:

- 1st line of defense: Integrated in the 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 several business lines, proper risk management is carried out in two ways:

(1) Management of Operational Risk: each business unit and support function of Santander Group is responsible for the Operational Risks that arise in 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 RO team) in the 1LoD.

(2) Management of specialized operational risk controls: There are some functions that typically manage specialized controls for certain risks where they have greater visibility and specialization. These functions have an overall view of the exposure to specific Operational Risks in all areas. We can also refer to them as Subject Matter Experts or SME.

RO 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 final responsibility for the Operational Risk in his scope.

RO Coordinators:

RO Coordinators actively participate in Operational Risk management and support RO managers in their own RO management and control areas. Each coordinator has a certain scope for action, which does not necessarily coincide with the organizational units or areas and has a deep knowledge of the 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 Operational Risk Management within their scope.
- Facilitating the integration of 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 within its scope.
- Ensure the quality and consistency of data and information reported to the 2LoD, identifying and monitoring the implementation of relevant controls.
- Reviewing and monitoring the results provided by the business units and support functions related to the testing of controls
- 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: Performed by the Non-Financial Risks Department, reporting to the CRO. Its functions are to design, maintain and develop the local adaptation of the Operational Risk Management Framework (BIS), and to control and challenge of the first line of defense against operational risk. His main responsibilities include:

  - To design, maintain and develop the Operational Risk management and control model, promoting the development of an operational risk culture throughout the Group.
  - To safeguard the adequate design, maintenance and implementation of Operational Risk regulations.
  - To drive the business units to effectively supervise the risks identified.
  - To ensure that each key risk affecting the entity is identified and properly managed by the corresponding 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 various local units.
  - Ensure that Top Management receives a global vision of all relevant risks, guaranteeing adequate communication and reports to Top Management and the Board of Directors, through the established governing bodies.

In addition, the 2LoD will provide the necessary information for its consolidation, together with the remaining risks, to the risk supervision and consolidation function. To ensure adequate supervision, a solid knowledge of the activities of the Business Units/Support Functions is required, as well as a specific understanding of the risk event categories (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 specific business and risk exposure information to ensure that the related RO profile is well managed and reported. Business Risk Managers (BRM) as business knowledge specialists (e.g. Global Corporate Banking) and Specialized Risk Managers (SRM) as RO control specialists (e.g. IT and cyber risks) perform these functions within RO 2LOD and position themselves as key points of contact for 1LOD business units and operations management support functions.

Effective January 2022, a SOX Officer was created within the 2LoD, whose responsibilities are, in coordination with the General Intervention and Management Control function and the Internal Audit Committee, to reach a consensus and keep the internal criteria on the scope of the SCIIF within the Santander Consumer Finance Subgroup up to date.

The SOX Officer will be responsible for strengthening the System of Internal Control over Financial Reporting (ICFR) through a continuous process of identifying and assessing risks and controls within key financial reporting processes, establishing an annual certification process for these processes and the appropriate management and escalation of identified ICFR deficiencies.

- 3rd line of defense: Carried out by Internal Audit, which assesses compliance with its policies and procedures by all the Entity's activities and units. His main responsibilities include:

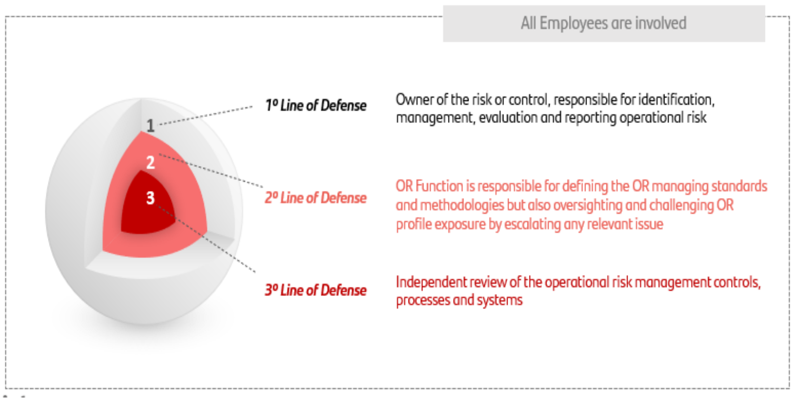
    - To verify that the risks inherent to the Group's activity are sufficiently covered, complying with the policies established by Senior Management and the internal and external procedures and regulations that may be applicable.

    - To supervise the compliance, effectiveness and efficiency of the Group's internal control systems for operations, as well as the quality of accounting information.

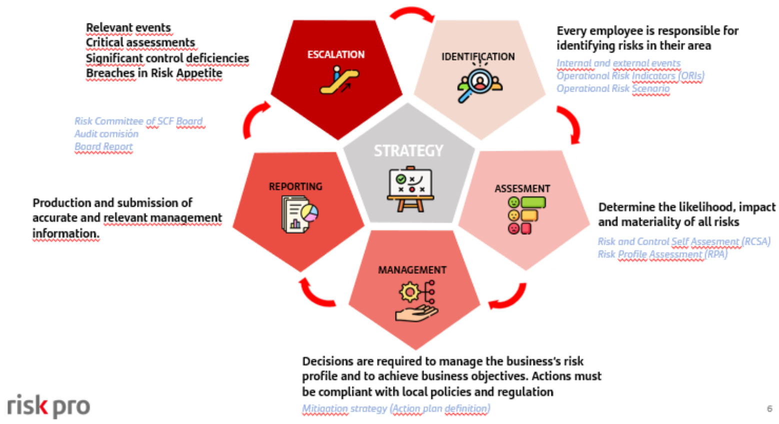
    - To carry out an independent review and challenge the RO controls, as well as the processes and systems for managing Operational Risk.

    - Assess the state of implementation of the RO management and control model in the Group.

    - Recommend continuous improvement for all functions involved in operations management.



The components of risk management at the Group are as follows:



In order to identify, measure and assess operational risk, the Group defined a set of qualitative and quantitative corporate techniques/tools, and these are combined to carry out a diagnosis based on the risks identified and obtain an assessment through measurement/evaluation of the area or unit.

The quantitative analysis of this risk is carried out mainly with tools that record and quantify the level of potential losses associated with operational risk events.

- An internal event database to capture all operational risk events at the Group. The capture of operational risk-related events is not limited to the establishment of thresholds, i.e., events are not excluded because of their amount, and the database contains events both with an accounting impact (including positive impacts) and those without.

Accounting reconciliation processes are in place that ensure the quality of the information in the database. The most significant events of the Group and of each of its operational risk units are especially documented and reviewed.

- The external event database, since the Group, through the Santander Group, takes part in international consortia such as ORX (operational risk exchange). In 2016, the Group started to make increased use of external databases that provide quantitative and qualitative information to enable a more detailed and structured analysis of significant events occurring in the sector.
- OR scenario analysis. Expert opinion is obtained from the business lines and the risk and control managers with the aim of identifying potential events which, although very unlikely to occur, could result in a very high loss for the institution. Their potential effect on the institution is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact.
- Capital calculation using advanced model.

The tools defined for the qualitative analysis aim to assess aspects (coverage/exposure) linked to the risk profile, thereby making it possible to capture the control environment in place. These tools are mainly as follows:

- RCSA: Operational risk assessment methods, based on managers' expert judgement, leading to a qualitative view of the Group's main risk focuses, regardless of whether or not they have materialized previously.

  Benefits of RCSA:

i. Incentivizes responsibility of the first lines of defense: It establishes the first line figures of risk owner and control owner.

ii. Favors the identification of the most significant risks: Non-predefined risks, but rather risks that arise from the risk-generating areas.

iii. Improved integration of OR tools: The root cause analysis is included.

iv. Improved test validation. Carried out through workshops instead of questionnaires.

v. Makes the years have a more forward-looking approach: The financial impact of risk exposure is assessed

- Continuously evolving corporate system of operational risk indicators that is coordinated with the corresponding corporate area. These are diverse statistics or parameters that provide information on an entity's exposure to risk. They are revised periodically in order to warn of any changes that could reveal problems vis-à-vis 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 risk self-assessment modules, event registration, a risk and assessment map, indicators of both operational risk and of internal control, mitigation and reporting *systems* and scenario analysis applicable to all Group companies.

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.

Impact Analysis	Scenarios & strategies	Plan Development	Continous Processes
Identify **processes which not planned interruption may carry a severe impact in the business process**, as well as the requirements needed for their recovery. These processes are identified as "critical"	Identification **of threats or risk situations** that potentially can **cause the interruption of the normal activity of the business**, approach of the probability/frequency and the impact of the materialization of each threat.	Document the **response procedures in case of emergencies**, since the moment when an incident happens until a serious contingency is declared, roles and process to follow up for the resolution and recovery of the critical processes.	Update of processes and BCP maintenance. Test and simultations.

The basic objective consists of the following:

- Minimizing possible injury to persons, as well as adverse financial and business impacts for the Group, resulting from an interruption of normal business operations.
- Reducing the operational effects of a disaster by supplying a series of predefined, 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 Group.
- Meeting the Group's obligations to its employees, customers, shareholders and other third-party stakeholders.

f) Corporate information

The Santander Group's corporate operational risk control area has an operational risk management information system that provides data on the Group'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: at corporate level, with consolidated information, and at 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, r*ating* agencies, etc.

g) The role of insurance in operational risk management

The Santander Consumer Finance Group considers insurance to be a key element in the management of operational risk and has established common guidelines for the coordination of the various functions involved in the insurance management cycle that transfer operational risk, mainly the Group's own insurance and operational risk control areas, but also the various front-line risk management areas.

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 insurance providers and contract awards in accordance with the relevant procedures established by the Group.
- Monitoring of claims reported under the policies, as well as those not reported or not recovered due to incorrect reporting.
- Analysis of the appropriateness of the Group's policies for the risks covered, taking the necessary measures to correct any shortcomings detected.
- 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.
- Active participation of both areas in the global insurance *sourcing* desk, the Group's highest technical body for the definition of insurance cover and arrangement 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 Finance's reputation resulting from the destruction, misuse, theft or abuse of systems or information. This risk comes from inside and outside the corporation.

Santander Consumer Finance continued in the first half of 2022 to pay full attention to the risks related to cyber security, which affect our units in various countries. This situation, which is a source of concern for institutions and regulators, is encouraging them to adopt preventive measures in order to be prepared for attacks of this kind.

The Group has further developed its cyber regulations with the update of a new cyber-security framework and the new cyber-risk supervisory model, and new polices related to this area.

Also, 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 set up and cyber-security metrics have been incorporated to the Group's risk appetite. These metrics have been monitored and reported both in different geographical areas and at a Global level.

The main instruments and processes established for the control of cybersecurity risk are:

- Compliance with cyber-risk appetite: the objective 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 series of metrics, risk statements and indicators with corresponding tolerance thresholds and where existing governance structures are used for monitoring and escalation, including risk committees and cybersecurity committees.
- Identification and assessment of cybersecurity risk: The cyber-risk identification and assessment process is a key process to anticipate and determine the risk factors that could cause cyber-risk and estimate their likelihood and impact. Cyber risks 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 methodological catalog includes methods used to identify, qualify and quantify cyber-risks, and to evaluate the controls and corrective measures taken by the first line of defense. Cyber-risk assessment tests are a key tool for identifying and assessing cybersecurity risks at Santander Consumer Finance entities. Cybersecurity and technology risk assessment must be updated when reasonably necessary, taking into account changes in information systems, confidential or business information, and the Entity's business operations.
- Control and mitigation of cyber-risk: processes relating to an assessment of the effectiveness of risk control and mitigation. Once cyber risks have been assessed and mitigation measures defined, these measures are included in a Santander Consumer Finance cybersecurity risk mitigation plan. Residual risks are identified and formally accepted. Due to the nature of cyber-risks, risk mitigation plans are regularly reassessed. A key process in the face of a successful cybersecurity attack is the business continuity plan. Santander Consumer Finance has mitigation strategies and measures in place in connection with business continuity management plans and disaster recovery. These measures also address cyberattacks, based on defined policies, methods and procedures.
- Monitoring, supervision and notification of cyber-risk: Santander Consumer Finance controls and monitors cyber-risk in order to regularly analyze the information available on the risks accepted in the course of the Group's activities. For this purpose, Key Risk Indicators (KRIs) and Key Performance Indicators (KPIs) are monitored to assess whether risk exposure is in line with authorized risk appetite.
- Escalation and reporting: Proper escalation and reporting of cyberthreats and cyberattacks is another key process. Santander Consumer Finance has tools and processes for detecting internal threats and potential hazards in its infrastructure, servers, applications and databases. Notification includes the preparation of reports and the presentation to the relevant committees of the information required to assess exposure to cyber-risk and the cyber-risk profile and to take the decisions and measures required. In this regard, reports are prepared on the cyber-risk situation for the management committees, Mechanisms also exist for independent internal escalation for the bank's management team of technological and cybersecurity incidents and, where required, for the corresponding regulator.

Other Emerging Risks

In addition to the mentioned Cyber Risk, Santander Consumer Finance Group is increasingly strengthening its monitoring of new emerging risks arising from 1) supplier management and 2) transformation projects.

- With respect to supplier management risks, the focus is on the quality and continuity of the services provided to MCS, but also on ensuring compliance with the new EBA Guidelines through the implementation of specific risk instruments throughout the various phases of the supplier's life cycle.

- Transformational risk is defined as any risk arising from material changes in the organization, products, services or processes of SCF due to imperfect design, construction, testing, implementation and/or implementation of projects and initiatives, and the transition to the usual business (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 crime...).

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.

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 defense, 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 Santander Consumer Finance's objective in the area of compliance and conduct risk is to minimize the probability that non-compliance and irregularities occur and, in the event of such occurrence, that they are identified, assessed, reported and quickly resolved.

Santander Consumer Finance continues to transform the Compliance function with the aim of achieving by the end of 2022 complete alignment with the Santander Group's standards in terms of management policies, procedures and methods at all its units.

Concentration risk:

Concentration risk is a fundamental element in credit risk management. The Santander Group continuously tracks the degree of concentration in its credit risk portfolios from a range of perspectives: geographic areas and countries, economic sectors, products and groups of customers.

Concentration risk occurs mainly in relation to the financing of car dealers' stocks (Stock Finance) with low risk products given their high turnover and collateralisation (stock vehicle collateral).

The Board of Directors of Santander Consumer Finance has established the maximum levels of concentration risk to be assumed in the Risk Appetite. Concentration risk appetite is downgraded to day-to-day management through the Strategic Business Plans. Corporate risk policies are transposed at Santander Consumer Finance HQ level and then sent to the units for local transposition; the policies are validated in the Risk Control Committee.

The Group is subject to regulation of "Large Exposures" set out in the Fourth Part of Regulation 575/2013 (those that exceed 10% of the Entity's own funds). Under the Regulation, no exposure with the same person or economic group may exceed 25% of the Group's eligible capital (unless the client or group of connected clients includes one or more Institutions; in such a case, the aggregate exposure value may not exceed 25% of the eligible capital of the Institution or 150 million euros, whichever is higher, and without exceeding 100% of the eligible capital).

The Santander Group's Risk Division closely cooperates with the Financial Division in the active management of credit portfolios that, among its main areas of action, includes reduction of exposure concentration using several techniques, such as the contracting of credit hedging derivatives or securitization, with the ultimate aim of optimizing the return-to-risk ratio of the entire portfolio.

The breakdown at 30 June 2022 of the distribution of customer loans by activity (carrying value, not including advances) is as follows:

	TOTAL	Without collateral	Of which: mortgage collateral (e)	Of which: other collateral (e)	Secured loans. Loan-to-value (f)				
					Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
1. Public authorities	**141,716**	**130,143**	**—**	**11,573**	**17**	**230**	**688**	**3,400**	**7,238**
2. Other financial corporations and individual entrepreneurs (financial business)	**688,903**	**587,130**	**1,044**	**100,729**	**1,853**	**3,383**	**10,849**	**27,055**	**58,633**
3. Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**28,496,632**	**10,572,920**	**118,040**	**17,805,672**	**190,248**	**329,962**	**3,015,776**	**11,580,977**	**2,806,749**
3.1 Real estate construction and development (including land)	204,783	69,251	—	135,532	230	903	3,291	127,850	3,258
3.2 Civil engineering	6,226	—	—	6,226	—	—	—	6,226	—
3.3 Large corporations	10,095,446	4,888,089	47,023	5,160,334	48,271	116,361	1,110,543	2,756,934	1,175,248
3.4 SMEs and individual entrepreneurs	18,190,177	5,615,580	71,017	12,503,580	141,747	212,698	1,901,942	8,689,967	1,628,243
4. Other households (broken down by purpose)	**71,527,949**	**43,444,838**	**3,668,987**	**24,414,124**	**1,996,086**	**2,307,074**	**3,818,036**	**11,484,507**	**8,477,408**
4.1 Housing units	3,768,160	286,272	3,479,936	1,952	1,388,073	950,506	508,672	340,725	293,912
4.2 Consumer loans	67,311,758	43,062,906	4,268	24,244,584	442,825	1,334,190	3,278,442	11,026,635	8,166,760
4.3 Other purposes	448,031	95,660	184,783	167,588	165,188	22,378	30,922	117,147	16,736
5. TOTAL	**100,855,200**	**54,735,031**	**3,788,071**	**42,332,098**	**2,188,204**	**2,640,649**	**6,845,349**	**23,095,939**	**11,350,028**
MEMORANDUM ITEMS									
Refinancing, refinanced and restructured operations (*2)	476,361	342,292	26,000	108,069	4,822	5,922	18,742	63,720	40,863

(1*) In addition, the Consumer Group has granted advanced to customers in the amount of 544,269 thousands of euros; hence, total loans and advances to customers amounts to 101,399,469 thousands of euros.

(2*) Includes net balance of accumulated impairment or accumulated losses in fair value due to credit risk

The breakdown at 30 June 2022 of the concentration of the Group's risk, by activity and geographic location of counterparties, is as follows:

	Spain	Rest of EU	America	Rest	**Total**
1. Central Banks and credit institutions	**1,991,274**	**10,108,585**	**—**	**307,239**	**12,407,098**
2. Public Administrations	**945,775**	**5,548,965**	**—**	**41,219**	**6,535,959**
2.1 Central Governments	*942,956*	*3,491,167*	*—*	*66*	*4,434,189*
2.2 Other Central Administrations	*2,819*	*2,057,798*	*—*	*41,153*	*2,101,770*
3 Other financial institutions and individual entrepeneurs	**9,835**	**989,945**	**288,030**	**243,359**	**1,531,169**
4 Non-financial institutions and individual entrepreneurs	**2,335,911**	**24,293,334**	**—**	**2,607,969**	**29,237,214**
4.1 Construcción y promoción inmobiliaria (incluido suelo)	*—*	*204,783*	*—*	*—*	*204,783*
4.2 Civil Engineering	*—*	*6,228*	*—*	*—*	*6,228*
4.3.1 Large companies	*650,468*	*8,645,560*	*—*	*1,169,179*	*10,465,207*
4.3.2 SMEs and individual entrepeneurs	*1,685,443*	*15,436,763*	*—*	*1,438,790*	*18,560,996*
5 Other households (breakdown by purpose)	**10,565,597**	**54,379,727**	**11**	**6,641,948**	**71,587,283**
5.1 Property	*1,396,213*	*2,372,008*	*—*	*—*	*3,768,221*
5.2 Consumption	*9,070,751*	*51,656,052*	*11*	*6,641,948*	*67,368,762*
5.3 Other purposes	*98,633*	*351,667*	*—*	*—*	*450,300*
6. TOTAL	**15,848,392**	**95,320,556**	**288,041**	**9,841,734**	**121,298,723**

(*) For the purpose of this table, the definition of risk includes the following consolidated public balance sheet items: loans and advances to credit institutions, deposits at central banks, loans and advances to customers, debt securities, capital instruments, trading derivatives, hedging derivatives, equity investments and guarantees extended.

EVENTS AFTER THE REPORTING PERIOD

The subsequent events have been indicated in note 1i to the consolidated interim financial statements accompanying the Management Report.

Information required under Law 2/1981, of 25 March, on Regulation of the Mortgage Market and by Royal Decree 716/2009, of 24 April, implementing certain aspects of this Law

The members of the Board of Directors state that the Bank has, and has established, express policies and procedures covering all the activities carried out in the area of mortgage market issues that it carries out and that guarantee strict compliance with the mortgage market regulations applicable to these activities. The Finance Department defines the Bank's funding strategy.

Mortgage covered bonds

Mortgage covered bonds issued by the Bank are securities in which the principal and interest are specially backed by mortgages, with no need for registration, without prejudice to liability of the Bank's assets. Mortgage covered bonds include credit rights for holders vis-à-vis the Bank, guaranteed as stated in the preceding paragraph, and entail execution to claim payment for the issuer after they mature. The holders of these securities are considered to be creditors with special preference, as stipulated in section 3 of Article 1923 of the Civil Code, vis-à-vis any other creditor, in relation to the total mortgage credits and loans registered in favor of the issuer and, as the case may be, vis-à-vis the economic flows generated by derivative financial related to the issues.

In the event of insolvency, the holders of mortgage-backed bonds will enjoy the special privilege established in Article 90.1.1 of Insolvency Law 22/2003, of 9 July, modified by the Insolvency Law 38/2011, of 10 October. Without prejudice to the above, in accordance with the provisions of number 7 of section 2 of Article 84 of the Bankruptcy Law, in the case of bankruptcy, the payments corresponding to the amortization of capital and interest of the bonds issued and pending amortization on the date of application for bankruptcy will be considered as credits against the estate, up to the amount of the income received by the bankrupt from the loans and mortgage credits and, if they exist, of the replacement assets that support the bonds and the economic flows generated by the instruments linked to the issues (Nineteenth Final Provision of the Bankruptcy Law).

If, due to a temporary delay, the income received by the insolvent party is insufficient to meet the payments mentioned in the previous paragraph, the insolvent administration must satisfy them by liquidating the replacement assets assigned to the issue and, if this proves insufficient, it must carry out financing operations to fulfil the mandate of payment to the cedulists or bond holders, subrogating the financier in the position of the latter.

In the event that it is necessary to proceed in accordance with number 3 of Article 155 of the Insolvency Law, payment to all holders of bonds issued by the issuer will be made on a pro-rata basis, regardless of the dates of issue of the bonds.

Information concerning issues of mortgage covered bonds

The breakdown of this account, by issue currency and by interest rate, is as follows:

Currency of issuance	Thousands of euros 30/06/2022	Thousands of euros 31/12/2021	Annual interest rate (%)	Maturity date
Euros:				
July 2007 issue	150,000	150,000	5.14	20/07/2022
May 2019 issue		450,000	0.00	06/05/2022
Balance at period end	**150,000**	**600,000**		

The "Deposits and other time deposits" account at 30 June 2022 and 31 December 2021 in the above table includes 150,000 thousand euros of special mortgage bonds issued by the Bank on 20 July 2007, which mature on 20 July 2022 and are secured by mortgages registered in the Bank's favour. These covered bonds were subscribed by Santander Investment Bolsa, Sociedad de Valores, S.A., which in turn assigned them to the Fondo de Titulización de Cédulas Hipotecarias (see note 9.b). The interest rate on these bonds is 5.135% and they mature on 20 July 2022. There are no early redemption options for either the Bank or the holder, except as provided for by law.

The aggregate nominal value of outstanding mortgage covered bonds at 30 June 2022 and 30 December 2021 issued by the Bank, pursuant to Royal Decree 716/2009 and broken down by residual maturity, is as follows:

	Thousands of euros			
	Residual maturity at 30 June 2022			
	Less than 3 years	Between 3 and 5 years	Between 5 and 10 years	Over 10 years
Issued through public offerings:	—	—	—	—
Not issued in public offers, including	—	—	—	—
nominative, private, withheld and FAFA	150,000	—	—	—
	150,000	—	—	—

	Thousands of euros			
	Residual maturity at 31 December 2021			
	Less than 3 years	Between 3 and 5 years	Between 5 and 10 years	Over 10 years
Issued through public offerings:	—	—	—	—
Not issued in public offers, including	—	—	—	—
nominative, private, withheld and FAFA	600,000	—	—	—
	600,000	—	—	—

At 30 June 2022 and 31 December 2021, the breakdown of the Bank's mortgage loans, based on their eligibility in respect of mortgage market calculations, is as follows:

	Thousands of euros	
	Par value	
	30/06/2022	31/12/2021
Total mortgage-backed loans and credits	1,325,043	1,402,190
Mortgage participations issued	—	—
Mortgage transfer certificates issued	—	—
Mortgage loans pledged in guarantee for financing received	—	—
Loans backing mortgage bonds issues and covered bond issues	1,325,043	1,402,190
i) Ineligible mortgage loans and credits	433,319	448,586
They meet eligibility requirements, except for limits established in Article 5.1. of Royal Decree 716/2009	433,319	448,586
Others	—	—
ii) Eligible mortgage loans and credits	891,724	953,604
Non-computable amounts	—	—
Computable amounts	891,724	953,604
Mortgage loans and credits covering issues of mortgage bonds	—	—
Mortgage loans and credits covering issues of mortgage covered bonds	891,724	953,604

(*) As the Bank has no outstanding mortgage bonds at 30 June 2022 and 31 December 2021, the totality of loans and credit backs the issuance of mortgage covered bonds.

The nominal value of outstanding mortgage loans and credits and the nominal value of eligible loans and credits pursuant to Royal Decree 716/2009, without taking into account the calculation limits established in article 12 thereof and broken down by origin, currency, payment status, average residual maturity, interest rate, holder and type of collateral is as follows:

	Thousands of euros			
	30/06/2022		31/12/2021	
	Mortgage Loans and Credits Backing the Issue of Mortgage Bonds and Mortgage Covered Bonds	Of which: Eligible loans	Mortgage Loans and Credits Backing the Issue of Mortgage Bonds and Mortgage Covered Bonds	Of which: Eligible loans
Origin of operations				
Originated by the Entity	1,325,043	891,724	1,402,190	953,604
Assumed from other entities	—	—	—	—
Others	—	—	—	—
Currency				
Euro	1,325,043	891,724	1,402,190	953,604
Other currencies	—	—	—	—
Payment status				
Payment normality	1,259,519	866,168	1,334,759	928,321
Other status	65,524	25,556	67,431	25,283
Average residual period to maturity				
Up to 10 years	168,383	161,737	163,904	152,795
Between 10 and 20 years	635,266	488,565	652,700	516,434
Between 20 and 30 years	486,953	222,310	542,133	259,157
Over 30 years	34,441	19,114	43,453	25,218
Interest rate				
Fixed	26	—	26	—
Variable	1,325,016	891,724	1,402,164	953,604
Mixed	—	—	—	—

	Thousands of euros			
	30/06/2022		31/12/2021	
	Mortgage Loans and Credits Backing the Issue of Mortgage Bonds and Mortgage Covered Bonds	Of which: Eligible loans	Mortgage Loans and Credits Backing the Issue of Mortgage Bonds and Mortgage Covered Bonds	Of which: Eligible loans
Holders				
Legal entities and individual business owners	15,131	13,178	16,317	8,419
Of which: Property developments				
Other individuals and NPISH	1,309,912	878,546	1,385,873	945,185
Type of collateral				
Completed buildings				
Homes	1,301,003	877,240	1,376,692	943,649
Of which: Subsidised housing				
Goods held for resale	24,040	14,484	25,498	9,955
Other	—	—	—	—
Buildings under construction	—	—	—	—
Homes	—	—	—	—
Of which: Subsidised housing	—	—	—	—
Goods held for resale	—	—	—	—
Other	—	—	—	—
Land	—	—	—	—
Built	—	—	—	—
Others	—	—	—	—
	1,325,043	**891,724**	**1,402,190**	**953,604**

The following are the nominals of such loans and credits, and those which become eligible, according to the ratio between the amount of transactions and the appraisal values of the respective mortgaged assets ("loan to value"), pursuant to disclosure requirements on collateral related to mortgage loans and credits, and those which become eligible pursuant to the aforementioned regulation:

	LTV ranges				
	30/06/2022				
	Millions of euros				
	Up to 40%	>40%, <= 60%	>60%, <=80%	>80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					
– *Residential*	*305*	*335*	—	*237*	*877*
– *Other*	*2*	*13*	—	—	*15*

	LTV ranges				
	31/12/2021				
	Millions of euros				
	Up to 40%	>40%, <= 60%	>60%, <=80%	>80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					
– Residential	*330*	*390*	—	*261*	*982*
– Other	*3*	*8*	—	—	*11*

Changes in the nominal value of mortgage loans and credits, both eligible and ineligible pursuant to Royal Decree 716/2009, are as follows:

	Thousands of euros	
	Eligible mortgage loans and credits	Ineligible mortgage loans and credits
Balance at 31 December 2020	1.035.624	520.645
Reductions in the year	56.365	36.938
Cancellations on maturity		
Repaid early	2.031	*454*
Subrogated by other entities		
Others	54.334	36.485
Period additions	*13.034*	1.700
Originated by the Entity	415	1.129
Subrogated from other entities	-	-
Others	*12.620*	*571*
Balance at 30 June 2021	*992.293*	*485.407*
Merger impact		
Reductions in the year	142.556	54.591
Cancellations on maturity	3.896	1.439
Repaid early		
Subrogated by other entities		
Others	138.660	53.152
Period additions	24.132	4.674
Originated by the Entity	1.022	1.574
Subrogated from other entities		
Others	40.965	*929*
Balance at 30 June 2022	*873.870*	*435.490*

Mortgage-backed bond issuers have an early redemption option solely for the purpose of complying with the limits on the volume of outstanding mortgage-backed bonds stipulated by mortgage market regulations.

None of the mortgage covered bonds issued by the Bank have replacement assets.

The members of the Board of Directors certify that the Bank has policies and procedures in place covering all activities carried on within the scope of its mortgage market issues, and that they guarantee strict compliance with the mortgage market regulations applicable to such activities. In addition, Financial Management defines the Bank's funding strategy.

The risk policies applied to mortgage market transactions foresee maximum loan-to-value limits. In addition, specific policies are in place for each mortgage product, which at times apply even more restrictive limits.

The general policies defined in that respect require that a repayment capacity analysis be carried out for each potential customer. This analysis determines whether the customer's income is sufficient to allow it to settle each repayment required. In addition, the analysis determines whether the customer's income can be considered stable over the entire lifetime of the transaction in question. The indicator used to measure repayment capacity (housing affordability index) of each customer primarily looks at the ratio of the potential debt to the borrowers' income, taking into account both monthly repayments on the requested transaction as well as for other debts held, in comparison with monthly salary income and any other duly-justified income.

In ascertaining the customer's information and creditworthiness, the Bank applies specialized document verification tools and procedures.

Under the Bank's procedures, an individual appraisal must be carried out by an independent appraisal company for each mortgage loan originated in the mortgage market.

Although under article 5 of Mortgage Market Law 41/2007 any Bank of Spain-certified appraisal company may issue valid valuation reports, under this same article, the Bank sets out a series of verifications, selecting, among these entities, a smaller group with which it signs collaboration agreements, applying special conditions and automated control mechanisms. The Bank's internal regulations further specify, in detail, each internally-certified appraisal company, along with the pertinent certification requirements and procedures and the specific review controls established. Accordingly, the regulation also governs the functioning of an appraisal committee comprising several Bank areas that engage with these appraisal companies. The purpose of this committee is to regulate and adapt internal rules, as well as these companies' procedures, to the market and business situation.

Basically, the appraisal companies that wish to work with the Bank must have a relevant activity in the mortgage market and in the region in question, pass certain filters in respect of independence criteria, technical capacity and creditworthiness (to ensure their business continuity) and, lastly, successfully complete a series of tests prior to definitive certification.

Moreover, in accordance with the Bank's internal regulations, any appraisal submitted by a potential customer is reviewed, regardless of the issuing company, in order to formally verify that all requirements, procedures and methods employed in the same are suitable for the asset valued, based on prevailing regulations, and that the values reported are in line with market conditions.

CORPORATE GOVERNANCE

Capital and treasury shares

Banco Santander, S.A.	1,879,546,152	Percentage 99,99999894%
Cántabro Catalana de Inversiones, S.A.	20	Percentage 0,00000106%
Total shares	1,879,546,172	
Par value in euros	3.00	
Share capital in euros	5,638,638,516	

At 30 June 2022, the Bank's share capital consisted of 1,879,546,172 registered shares, with a par value of 3 euros each, all fully subscribed and paid up, and with equal dividend and voting rights.

The Bank did not enter into any transactions with treasury shares or parent company shares in the first half of 2022, and no treasury shares are held at 30 June 2022.

Restrictions on the transferability of shares

Not applicable.

Restrictions on voting rights

Those attending the annual general meeting will have one vote for each share that they possess or represent.

Only owners of twenty or more shares will have the right to attend the annual general meeting, and provided their name is listed in the pertinent accounting register.

Shareholders' agreements

Not applicable.

In this regard, as a subsidiary of Banco Santander, S.A., Santander Consumer Finance, S.A. and the companies in the Consumer Finance Group (consolidated) have included this information in the Interim Consolidated Management Report of Banco Santander, S.A. and subsidiaries as of 30 June 2022, which is available at www.santander.com.

BOARD OF DIRECTORS

Appointment and replacement of members of the Board of Directors and amendment of the bylaws

The representation of the Bank is the responsibility of the Board of Directors, which will comprise no fewer than 5 and no more than 15 members, who will be appointed by the Annual General Meeting for a period of three years, although they may be re-elected, as many times as may be desired, for further three-year periods.

It is not necessary to be a shareholder of the Bank in order to be a director.

Powers of the members of the Board of Directors

On May 24, 2012, the Bank granted a power of attorney in favor of the Counsel General Directo Mr. Bruno Montalvo Wilmot, so that on behalf of and representing the company, may exercise the powers detailed below:

a. To manage, control and govern all manner of properties now or hereafter owned by the principal, to perform the improvements, repairs and work thereon that they deem appropriate, to lease them for the period, price and terms they consider appropriate, to evict tenants or dwellers and approve new ones, to collect rent, interest, dividends and lease payments, and to give the corresponding receipts and invoices.

   To enter into, modify, subrogate and terminate finance leases on all manner of real and movable properties, upon the terms and conditions that they may freely determine, and to acquire the properties held under such finance leases, the only limit being that when the acquisition amount exceeds EUR 300,507 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee, or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

b. To verify groupings or subdivisions of properties, demarcations and deeds of declaration of new construction.

c. To submit accounts and request them, approve them, adjust or challenge them, to provide and receive the amounts of the resulting balances and sign and receive final settlements.

d. To use, with full powers, the signature of the principal bank in all banking transactions, acts and agreements to which the principal bank is party, subject to the limits indicated for the transactions referred to in sections e) and j), and to sign all manner of correspondence.

e. To acquire and dispose of, at the price and under the terms that they may freely stipulate, including resale and repurchase agreements and by any other means permitted by law, all manner of movable and immovable property, not excluding rights in personal and rights in rem, the only limit being that when the transaction arranged in exercise of this power exceeds EUR 300,507 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

   Notwithstanding the provisions of the preceding paragraph, the limitation will not exist when the acquisition relates to loans that other financial institutions (banks, savings banks, credit cooperatives and similar entities registered with the Bank of Spain) have granted to their customers, i.e. the loans included in the loan portfolio of the entity in question, even if the latter, in turn, had acquired the loans from another financial institution and they were not originally granted by said entity; or when the disposal relates to loans in the Bank's portfolio, whether these be loans granted to its customers or loans that the Bank had acquired previously from another financial institution; all the foregoing irrespective of whether these acquisitions or disposals relating to the loan or loans in question are full or partial, and irrespective of the type of the loans themselves, in terms of either the form of instrumentation (agreement, deed, bills, promissory notes or by another other means) or of the additional guarantees they might have (all manner of security interest, mortgages, etc.).

f. To arrange in favour of the Bank mortgages and other encumbrances on immovable property to secure the loan transactions to which it is party or to underwrite guarantees and other obligations which, with respect to these transactions, are outstanding, and they will stipulate the periods, interest and distribution of charges and any other terms inherent to the agreements in question at their own discretion.

g. To modify, transfer or subrogate and terminate mortgages and other in rem rights, including entries in the Land Registry, held by the Bank, and to grant and release, in the Bank's name, tax payment documents and final account settlements, or declare that the obligations related to the encumbrances have been extinguished.

h. To reach a settlement on properties and rights and submit any questions and discrepancies affecting the Bank to the decision of arbitrators or honest brokers.

i. To appear in the hereditary successions of debtors, at administration and insolvency proceedings and in bankruptcies, to approve inventories and arrangements and contest them; to take part in and vote at the meetings held for such purposes, whether they be in or out of court; to accept or reject such agreements as are adopted for the purpose; to sign arrangements in or out of court, to provide the guarantees that may be required, and to accept attached assets.

j. As security for the obligations of third parties and on their behalf, whether said parties be individuals or legal entities, and under the terms and clauses deemed appropriate, they may arrange, modify and withdraw or terminate guarantees and all other types of collateral before all manner of departments, bodies and agencies at central, provincial or municipal government level, autonomous community governments and their dependent agencies, autonomous community or semi-public agencies, ordinary and special tribunals and courts, including the economic-administrative and judicial review jurisdictions, employment courts, official banks and savings banks and, in general, before any public body, and before any type of company or individual, placing, as the case may be, the required deposits in cash or securities, with or without transfer of possession, and they may bind the Bank, even jointly and severally with the principal debtor, therefore waiving the benefits of order, discussion and division, the only limit being that, if the obligation undertaken by way of guarantee exceeds EUR 3,005,060, the transaction must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

k. Without any limitations, to perform all manner of actions and to file claims and appeals at the courts and tribunals of any jurisdiction, including the Constitutional Court, and most particularly the judicial review jurisdiction; to answer interrogatories; to give court depositions; to file complaints and criminal complaints and to ratify them.

To request from the ministries, directorates general, units and offices of central government, from autonomous community governments, provincial, municipal and any other level of public corporations, and from authorities and civil servants, such action as is deemed appropriate in the interests of the principal, by filing economic-administrative claims, appeals to superior administrative bodies and claims of any other nature and class, which they will conduct through all stages and levels; to request payment orders/releases, and to present affidavits and supporting evidence.

To confer legal and court-case powers on court procedural representatives ("attorneys") if the principal requires such legal representation, and to perform in the Bank's name all manner of actions and exceptions which might be available to the former, conducting the proceedings through all stages and appeals, including appeals to the Constitutional Court and extraordinary cassation and judicial review appeals, and to withdraw, settle and stay such proceedings.

l. To pledge securities belonging to the Bank's portfolio in sufficient quantity so as to arrange credit account facilities, pledging the amount deemed appropriate in each case, and to sign the documents required for this purpose, and for the arrangement, drawdown and cancellation of the aforementioned accounts and of their related guarantees and the renewal thereof upon expiry of each facility.

m. To present, at any central government offices, banks (including the Bank of Spain), companies, establishments and private individuals, shares or securities for conversion or exchange purposes, withdrawing or collecting the new certificates, receipts, securities or bills resulting from the exchange or conversion, with current or in-arrears coupons, and in general carrying out any transactions required to this end.

n. To arrange policies with insurance companies that cover all manner of movable or immovable property owned by the Bank or pledged or mortgaged in its favour against the risks of fire, catastrophic damage or third-party liability, being able to establish such terms and conditions of the policies as they see fit.

o. To authorise certifications of the company's accounting ledgers and documents.

p. To grant and sign the public deeds and private documents required to execute the aforementioned acts and agreements.

q. To take part in Annual General Meetings and meetings of the Board of Directors in the name and on behalf of the Bank at companies in which the Bank holds an ownership interest.

The Bank does not grant the power to issue or buy back treasury shares, which corresponds to the Annual General Meeting or the Board of Directors, as appropriate.

Significant agreements which will be modified or terminated in the event of a change in control of the Company

Not applicable.

Agreements between the Company and the directors, executives or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid

Not applicable.