Santander Consumer Finance, S.A.
and dependent subsidiaries
(Santander Consumer Finance Group)

Audit Report, Condensed Consolidated Interim Financial Statements and Consolidated Interim Directors' Report for the six-month period ended 30 June 2023

Translation of condensed consolidated interim 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 consolidated interim financial statements

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

Report on the condensed consolidated interim financial statements

Opinion

We have audited the condensed consolidated interim 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, 2023, 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 consolidated interim financial statements of Santander Consumer Finance, S.A. and subsidiaries for the six-month period ended at such date have 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 consolidated interim 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 consolidated interim 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 consolidated interim financial statements of the current period. These matters were addressed in the context of our audit of the condensed consolidated interim 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 to customers – collectively determined	
The impairment calculation models for expected loss required by International Financial Reporting Standard 9 (IFRS 9) imply high subjectivity when incorporating estimates and elements of judgment, especially those updates and adjustments to the models for determining the expected loss in the current macroeconomic environment of high uncertainty. The main judgements and assumptions used by management are the following: • 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. • Updating the prospective information in the forward looking models and monitoring the adjustments to the expected loss models to consider the effect of the macroeconomic conditions of the current environment. 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 2023 attached, so they have been considered as one of the key issues of the audit. Refer to notes 1.d and 5 of the condensed consolidated interim financial statements as at June 30, 2023.	We have obtained, in collaboration with our credit risk specialists and economic forecasting experts, an understanding of management's process to estimate the impairment of financial assets at amortized cost - loans and advances to customers – over the estimation of impairment of financial assets assessed collectively. Additionally, and as part of our procedures, we have made inquiries to management to obtain an understanding of the extent of the potential 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 monitoring and evaluation of any post model adjustments. We also performed the following test of details: • Tests of mail models with respect to: i) calculation and segmentation methods; ii) methodology used for the estimation of the expected loss parameters; iii) data used and main estimates used, and iv) staging criteria. • Evaluation of the reasonableness of the main macroeconomic variables used in the scenarios of the *forward looking models*, including verification of the methodology, the assumptions used and the weighting of the macroeconomic scenarios. • Reperformance of the calculation of impairment assessed collectively based on the expected credit loss models parameters. • Evaluation of post model adjustments to expected credit loss models made by management. 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 consolidated interim financial statements, Group management has evaluated whether there has been, since the end of the previous year, any indications of impairment that would require the re-evaluation of the impairment calculation. As indicated in note 8, Management has not identified any indications of impairment in any of the Cash-Generating Units where goodwill has been registered. 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 audit matters of the audit. See notes 1.d and 8 of the attached condensed consolidated interim financial statements as of June 30, 2023.	Assisted by our valuation experts, we gained an understanding of the process carried out by Management to evaluate 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 CGUs, 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, 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 determination by the Group that no indications of impairment exist for the registered goodwill during the first semester of 2023, 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 is highly dependent on information technology (IT) systems in the geographies where it operates, therefore an adequate control of these systems is crucial to ensuring correct data processing. 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, therefore it has been considered one of the key audit matters. In this regard, management continues to monitor internal control over IT systems, including access control supporting the Group's technology processes.	With the help of our IT system specialists, our work consisted 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 and logical security controls over the applications, operating systems and databases that support the relevant financial information. • Application development and change management. • Maintenance of computer operations, including obtaining an understanding of management's response to cybersecurity risk. 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: • Evaluation of the monitoring carried out by Management as part of the access control environment of the Group. • Testing the design and operating effectiveness of the controls implemented by management, including access controls. In the procedures described above, no relevant exceptions were identified related to this matter.

Emphasis of matters

We draw attention to note 1.c, which describes that these condensed consolidated interim financial statements do not include all of the information required in a complete set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2022. Our opinion is not modified in respect of this matter.

Other information: Consolidated interim directors' report

Other information comprises only the consolidated interim directors' report for the six-month period ended June 30, 2023, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not cover the consolidated interim directors' report. Our responsibility regarding the consolidated interim directors' report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the consolidated interim directors' report and the condensed consolidated interim 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 consolidated interim directors' 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 consolidated interim directors' report is consistent with that contained in the condensed consolidated interim financial statements for the six-month period ended June 30, 2023, and its content and presentation are in accordance with the applicable regulations.

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

The Parent company´s Directors are responsible for the preparation of the accompanying condensed consolidated interim 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 consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated interim 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 consolidated interim financial statements.

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

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated interim 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 consolidated interim 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 14, 2023 appointed us as the Group's auditors for a one-year period, as from the year ended on December 31, 2023.

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

Services provided

Services provided to de Parent company and its subsidiaries for services other than the audit of the accounts were as follows: issuance of comfort letters, regulatory compliance services, agreed-upon procedures services and other services.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by:
Ignacio Martínez Ortiz (23834)

July 28, 2023

Santander Consumer Finance S.A. and dependent subsidiaries (Santander Consumer Finance Group)

Audit Report, Condensed Consolidated Interim Financial Statements and Consolidated Interim Directors' Report for the six-month period ended 30 June 2023

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

SANTANDER CONSUMER FINANCE, S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

(Thousands of euros)

ASSETS	Note	30/06/2023	31/12/2022 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND		**9,151,549**	**6,826,225**
FINANCIAL ASSETS HELD FOR TRADING	**5**	**408,341**	**494,664**
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**5**	**1,559**	**1,876**
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**5**	**—**	**—**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**5**	**619,387**	**748,469**
FINANCIAL ASSETS AT AMORTISED COST	**5**	**115,102,439**	**113,094,548**
HEDGING DERIVATES	**16**	**1,137,680**	**1,131,071**
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RISK		**(541,562)**	**(709,133)**
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		**764,205**	**724,777**
Investments in joint ventures		286,707	281,915
Associated entities		477,498	442,862
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS		**—**	**—**
TANGIBLE ASSETS	**7**	**3,620,778**	**3,163,609**
Property, plant and equipment		3,615,718	3,163,609
For own-use		*363,900*	*367,958*
Leased out under an operating lease		*3,251,818*	*2,795,651*
Investment property		5,060	—
Of which Leased out under an operating lease		—	—
Memorandum items: acquired in financial lease		*258,425*	*264,104*
INTANGIBLE ASSETS	**8**	**2,226,169**	**2,097,941**
Goodwill		1,709,681	1,712,426
Other intangible assets		516,488	385,515
TAX ASSETS		**1,860,774**	**1,675,146**
Current tax assets		1,177,602	1,116,612
Deferred tax assets		683,172	558,534
OTHER ASSETS		**1,128,405**	**985,164**
Inventories		7,860	8,880
Other		1,120,545	976,284
NON-CURRENT ASSETS HELD FOR SALE	**6**	**48,420**	**45,337**
TOTAL ASSETS		**135,528,144**	**130,279,694**

(*) 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 2023.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2023 AND 31 DECEMBER 2022

(Thousands of euros)

LIABILITIES	Note	30/06/2023	31/12/2022(*)
FINANCIAL LIABILITIES HELD FOR TRADING	9	**422,331**	**466,031**
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		—	—
FINANCIAL LIABILITIES AT AMORTISED COST	9	**116,331,643**	**111,077,230**
HEDGING DERIVATES	16	**177,619**	**193,787**
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		—	—
LIABILITIES UNDER INSURANCE OR REINSURANCE CONTRACTS		—	—
PROVISIONS	10	**609,548**	**610,875**
Pensions and other post-retirement obligations		416,416	414,385
Other long term employee benefits		27,894	31,488
Taxes and other legal contingencies		18,885	10,089
Contingent liabilities and commitments		23,855	28,010
Other provisions		122,498	126,903
TAX LIABILITIES		**2,264,345**	**1,864,753**
Current tax liabilities		712,887	581,279
Deferred tax liabilities		1,551,458	1,283,474
OTHER LIABILITIES		**1,902,079**	**1,874,830**
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		—	—
TOTAL LIABILITIES		**121,707,565**	**116,087,506**
SHAREHOLDERS´ EQUITY	11	**12,115,143**	**12,219,470**
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		3,641,396	3,629,337
Revaluation reserves		—	—
Other reserves		33,281	20,847
(-) Own reserves		—	—
Profit attributable to shareholders of the parent		461,837	1,242,860
(-) Interim dividends		—	(652,203)
OTHER COMPREHENSIVE INCOME	11	**(627,705)**	**(582,107)**
Items not reclassified to profit or loss		(34,762)	(33,865)
Items that may be reclassified to profit or loss		(592,943)	(548,242)
NON-CONTROLLING INTEREST		**2,333,141**	**2,554,825**
Other comprehensive income		5,064	(3,715)
Other elements		2,328,077	2,558,540
EQUITY		**13,820,579**	**14,192,188**
TOTAL EQUITY AND LIABILITIES		**135,528,144**	**130,279,694**
MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS		26,721,968	27,052,044
Loan commitments granted	14	25,428,475	25,756,041
Financial guarantees granted	14	84,052	84,997
Other commitments granted	14	1,209,441	1,211,006

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated balance sheets as at 30 June 2023.

SANTANDER CONSUMER FINANCE, S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	Note	Incomes / (Expenses)	
		30/06/2023	30/06/2022 (*)
INTEREST INCOME AND OTHER SIMILAR INCOME	12	2,928,163	2,056,484
Financial assets at fair value through other comprehensive income		*3,189*	*371*
Financial assets at amortised cost		*2,650,083*	*1,987,046*
Rest of interest income		*274,891*	*69,067*
INTEREST EXPENSE		(1,243,807)	(240,943)
NET INTEREST INCOME		**1,684,356**	**1,815,541**
DIVIDEND INCOME		—	46
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD		25,371	41,983
COMMISSION INCOME	12	547,380	572,794
COMMISSION EXPENSE		(184,028)	(178,382)
GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	12	22,047	19
GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET	12	481	1,067
GAIN OR LOSSES ON NON-TRADING FINANCIAL ASSETS AND LIABILITIES MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, NET		—	—
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	69,432	31,673
EXCHANGE DIFFERENCES, NET		(12,570)	(12,336)
OTHER OPERATING INCOME	12	285,986	242,553
OTHER OPERATING EXPENSES		(237,948)	(223,132)
INCOME FROM ASSETS UNDER INSURANCE AND REINSURANCE CONTRACTS		—	—
EXPENSES FROM LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS		—	—
GROSS INCOME		**2,200,507**	**2,291,826**
ADMINISTRATIVE EXPENSES		(940,823)	(889,690)
Staff costs		*(478,479)*	*(445,211)*
Other general administrative expenses		*(462,344)*	*(444,479)*
DEPRECIATION AND AMORTISATION COST		(100,088)	(98,967)
PROVISIONS OR REVERSAL OF PROVISIONS, NET	10	(9,648)	(21,233)
IMPAIRMENT OR REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET	5	(351,807)	(245,002)
Financial assets at fair value through other comprehensive income		*42*	*27*
Financial assets at amortised cost		*(351,849)*	*(245,029)*
IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES, NET		—	—
IMPAIRMENT ON NON-FINANCIAL ASSETS AND INVESTMENTS, NET		691	(2,565)
Tangible assets	*7*	*(797)*	*(637)*
Intangible assets	*8*	*(384)*	*(230)*
Others		*1,872*	*(1,698)*
GAIN OR LOSSES ON NON-FINANCIAL ASSETS AND INVESTMENTS, NET	2	82,399	950
NEGATIVE GOODWILL RECOGNISED IN RESULTS		—	—
GAINS OR LOSSES ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCOUNTED OPERATIONS	6	(517)	418
PROFIT OR LOSSES BEFORE TAX FROM CONTINUING OPERATIONS	12	**880,714**	**1,035,737**
TAX EXPENSE OR INCOME FROM CONTINUING OPERATIONS	12	(242,239)	(268,225)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**638,475**	**767,512**
PROFIT OR LOSS AFTER TAX FROM DISCOUNTED OPERATIONS		—	—
PROFIT FOR THE PERIOD		**638,475**	**767,512**
Profit attributable to non-controlling interests		*176,638*	*191,701*
Profit attributable to the parent		*461,837*	*575,811*
EARNINGS PER SHARE			
Basic	*3*	*0.221*	*0.287*
Diluted	*3*	*0.221*	*0.287*

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statements for the six-month period ended 30 June 2023.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	30/06/2023	30/06/2022 (*)
CONSOLIDATED PROFIT FOR THE PERIOD	**638,475**	**767,512**
OTHER RECOGNISED INCOME AND EXPENSE	**(42,815)**	**90,951**
Items that will not be reclassified to profit or loss	**(3,930)**	**117,376**
Actuarial gains and losses on defined benefit pension plans	(1,029)	172,620
Non-current assets held for sale	—	—
Other recognised income and expense of investments in subsidiaries, joint ventures and associates	115	(3)
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(3,539)	(307)
Gains or losses resulting from the accounting for hedges of equity instruments measured at fair value through other comprehensive income, net	—	—
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	—	—
Income tax relating to items that will not be reclassified	523	(54,934)
Items that may be reclassified to profit or loss	**(38,885)**	**(26,425)**
Hedges of net investments in foreign operations (effective portion)	183,002	44,175
Revaluation gains (losses)	*183,002*	*44,175*
Amounts transferred to income statement	—	—
Other reclassifications	—	—
Exchanges differences	(220,224)	(95,705)
Revaluation gains (losses)	*(234,853)*	*(95,705)*
Amounts transferred to income statement	*14,629*	—
Other reclassifications	—	—
Cash flow hedges (effective portion)	(21,859)	56,764
Revaluation gains (losses)	*(13,748)*	*39,483*
Amounts transferred to income statement	*(8,111)*	*17,281*
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	790	(2,210)
Revaluation gains (losses)	*832*	*(2,183)*
Amounts transferred to income statement	*(42)*	*(27)*
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	13,938	(16,742)
Income tax relating to items that may be reclassified to profit or loss	5,468	(12,707)
TOTAL RECOGNISED INCOME AND EXPENSES	**595,660**	**858,463**
Attributable to non-controlling interests	*182,419*	*188,514*
Attributable to the parent	*413,241*	*669,949*

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

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statements of recognised income and expense for the six-month period ended 30 June 2023.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2023

(Thousands of euros)

												Non-Controlling interest		
	Capital	Share premium	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	Other comprehensive income	Others items	Total
Balance as at 31-12-2022 (*)	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to change in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance as at 01-01-2023	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,629,337**	**—**	**20,847**	**—**	**1,242,860**	**(652,203)**	**(582,107)**	**(3,715)**	**2,558,540**	**14,192,188**
Total recognised income and expense	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**461,837**	**—**	**(48,596)**	**5,781**	**176,638**	**595,660**
Other changes in equity	**—**	**—**	**—**	**—**	**12,059**	**—**	**12,434**	**—**	**(1,242,860)**	**652,203**	**2,998**	**2,998**	**(407,101)**	**(967,269)**
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	—	—	—	—	(507,477)	—	—	—	—	—	—	—	(203,031)	(710,508)
Purchase of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Disposal of equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	519,536	—	68,123	—	(1,242,860)	652,203	2,998	2,998	(2,998)	—
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	(283,658)	(283,658)
Share-based payment	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others increases or (-) decreases of the equity	—	—	—	—	—	—	(55,689)	—	—	—	—	—	82,586	26,897
Balance as at 30-06-23	**5,638,639**	**1,139,990**	**1,200,000**	**—**	**3,641,396**	**—**	**33,281**	**—**	**461,837**	**—**	**(627,705)**	**5,064**	**2,328,077**	**13,820,579**

(*) 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 2023.

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)

												Non-Controlling interest		
	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	Other comprehensive income	Others items	Total
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 30-06-2022 (*)	**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 2023.

SANTANDER CONSUMER FINANCE S.A. AND DEPENDENT SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2023 AND 2022

(Thousands of euros)

	Note	30/06/2023	30/06/2022 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES		**3,789,577**	**(8,138,600)**
Profit for the period		**638,475**	**767,512**
Adjustments made to obtain the cash flows from operating activities		**941,968**	**835,866**
Depreciation and amortisation cost		*100,088*	*98,967*
Other adjustments		*841,880*	*736,899*
Net increase/(decrease) in operating assets		**(9,583,434)**	**(6,083,500)**
Financial assets held-for-trading		*25,331*	*(200,442)*
Non-trading financial assets mandatorily at fair value through profit or loss		*313*	*670*
Financial assets at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		*135,277*	*180,259*
Financial assets at amortized cost		*(9,421,504)*	*(5,399,542)*
Other operating assets		*(322,851)*	*(664,445)*
Net increase/(decrease) in operating liabilities		**11,927,031**	**(3,432,938)**
Financial Liabilities held-for-trading		*17,502*	*189,733*
Financial liabilities designated at fair value through profit or loss		—	—
Financial liabilities at amortised cost		*11,836,052*	*(3,897,771)*
Other operating liabilities		*73,477*	*275,100*
Income tax recovered/(paid)		**(134,463)**	**(225,540)**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(1,120,782)**	**(396,359)**
Payments		**(2,236,520)**	**(483,686)**
Tangible assets	7	*(882,203)*	*(409,267)*
Intangible assets		*(64,925)*	*(53,110)*
Investments		—	—
Subsidiaries and other business units		(1,289,392)	(21,309)
Non-current assets held for sale and associated liabilities		—	—
Other payments related to investing activities		—	—
Proceeds		**1,115,738**	**87,327**
Tangible assets		*242,236*	*49,708*
Intangible assets		—	—
Investments		*21,385*	*24,555*
Subsidiaries and other business units		*841,204*	—
Non-current assets held for sale and associated liabilities		*10,913*	*13,064*
Other proceeds related to investing activities		—	—
C. CASH FLOW FROM FINANCING ACTIVITIES		**(327,411)**	**(505,865)**
Payments		**(893,209)**	**(1,105,865)**
Dividends		*(507,477)*	*(958,569)*
Subordinated liabilities		*(112,784)*	*(8,924)*
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		—	—
Other payments related to financing activities		*(272,948)*	*(138,372)*
Proceeds		**565,798**	**600,000**
Subordinated liabilities		*454,000*	*600,000*
Issuance of own equity instruments		—	—
Disposal of own equity instruments		—	—
Other proceeds related to financing activities		*111,798*	—
D. EFFECT OF FOREIGN EXCHANGE RATE DIFFERENCES		**(16,060)**	**(20,186)**
E. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,325,324**	**(9,061,010)**
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**6,826,225**	**18,965,097**
G. CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,151,549**	**9,904,087**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Cash		*53,838*	*102,738*
Cash equivalents at central banks		*7,010,607*	*7,591,126*
Other financial assets		*2,087,104*	*2,210,223*
Less: Bank overdrafts refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9,151,549**	**9,904,087**
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 statements of recognised income and expense for the six-month period ended 30 June 2023.

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

Explanatory notes to the Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2023

1. Introduction, basis of presentation of the condensed consolidated interim 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 2023 (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 2023 and in 2022, 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, Greece, Canada, Ireland and Malta.

The condensed consolidated interim financial statements (hereinafter, interim financial statements) of Santander Group for the six-period month ended June 30, 2023, have been prepared and formulated by its directors, at their meeting held on July 25, 2023. The consolidated financial statements of Santander Group for the year 2022 were approved by the general meeting of shareholders held on March 31, 2023.

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, 30 June 2023.

- 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 condensed consolidated interim financial statements

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards ("IFRSs") as previously adopted by the European Union ("EU-IFRS"). 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 2022 were authorized by the Bank's directors (at the board of directors meeting on 22 February 2023) 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 (IFRS-IASB), 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 2022 and the consolidated results of its operations, the consolidated recognized income and expense, the changes in consolidated equity and the consolidated cash flows in 2022.

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 condensed interimfinancial 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 2023 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 2022.

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 2022. 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 2022, except for the standards that came into force during the first six months of 2023, which are detailed below:

- IFRS 17 Insurance Contracts and amendments to IFRS 17: new general accounting standard for insurance contracts, which includes the recognition, measurement, presentation and disclosure of information. Insurance contracts combine financial and service provision features that, in many cases, generate variable long- term cash flows. To properly reflect these characteristics, IFRS 17 combines the measurement of future cash flows with the recording of the contract result during the period in which the service is provided, presents separately the financial results from the results for the provision of the service and allows entities, through the choice of an accounting policy option, to recognize the financial results in the income statement or in other comprehensive income. Applicable retrospectively from 1 January 2023.

  Grupo Santander has carried out a project to implement IFRS 17 with all affected Group entities and has drawn up an accounting policy that establishes the accounting criteria for recording insurance contracts. The Group concluded the analysis of the effects of this new standard without having identified material equity impacts in its interim financial statements due to the application of said standard.

- The amendments to IAS 1 Presentation of Financial Statements require companies to disclose material information about their accounting policies rather than their significant accounting policies. Applicable from 1 January 2023.

- The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how to distinguish changes in accounting policies, which are generally applied retrospectively, from changes in accounting estimates, which are generally applied prospectively. Applicable from 1 January 2023.

- The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - Right-of-use assets and lease liabilities.

  - Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

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, except for what was disclosed before.

All accounting policies and measurement bases that have a material effect on the interim financial statements as at 30 June 2023 have been applied in their preparation.

At the date of preparation of these interim financial statements, there is an amendment to IAS 12 that was approved by the IASB on 23 May 2023, and which is pending adoption by the European Union for the current financial year:

- The amendments to IAS 12 Income Taxes applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendment includes the mandatory and temporary exception to the recognition and breakdown of deferred tax assets and liabilities derived from said Pillar Two model rules (applicable from the date of publication of the amendment) and establishes additional information requirements, differentiating between whether said tax law has entered into force (applicable from the date of publication of the amendment), or said tax law is enacted or substantially enacted, in which case the information requirements will be necessary for the annual periods beginning on or after 1 January 2023 (without any information requirement in the intermediate periods).

- Banco Santander and therefore Group Santander Consumer Finance, has not applied the aforementioned exception since there are no tax laws for the implementation of the model rules of Pillar Two in force in the financial year 2023 for the geographies in which the Group operates.

d) Use of estimates

The consolidated results and the determination of the consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimates used by the directors of Group Santander Consumer Finance in preparing the interim financial statements. The main accounting principles, policies, and valuation criteria are indicated in Note 2 of the consolidated annual accounts of the year 2022, except for those indicated in these interim financial statements due to the rules that have come into effect during the first six months of the year 2023.

The interim financial statements contain estimates made by the senior management of Grupo Santander Consumer Finance in order to quantify certain of the assets, liabilities, income, expenses and obligations reported in the consolidated entities. These estimates, which were made on the basis of the best information available, relate mainly to the following:

1. The impairment losses on certain assets – financial assets at fair value through other comprehensive income, financial assets at amortised cost, non-current assets held for sale, investments in subsidiaries, joint ventures and associates, tangible assets and intangible assets;

2. The assumptions used in the calculation of the post-employment benefit liabilities and commitments and other long-term commitments with employees;

3. The useful life of the tangible and intangible assets;

4. The measurement of goodwill impairment arising on consolidation;

5. The calculation of provisions and the consideration of contingent liabilities;

6. The fair value of certain unquoted assets and liabilities;

7. The recoverability of deferred tax assets and corporate tax expense;

8. The fair value of the identifiable assets acquired and the liabilities assumed in business combinations in accordance with IFRS 3.

To update the previous estimates, the Group's management has taken into account the current macroeconomic scenario and the situation of the war in Ukraine, as well as the challenges derived from the inflationary scenario, the recent turbulence in the world banking sector, mainly due to the bankruptcy of some regional banks in the United States, a specific case of a merger in Europe, which has contributed to generate greater uncertainty and volatility in the markets.

The Group's management has evaluated in particular the uncertainties caused by the current environment in relation to credit, liquidity and market risks, taking into account the best available information, to estimate the impact on the credit portfolio's impairment provision, and in the debt instruments' interest rates and valuation.

During the six months ended 30 June 2023, there have been no additional significant changes in the estimates made at the end of the 2022 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 2022 includes information on the contingent assets and liabilities at that date. During the six-month period ended 30 June 2023 there were no significant changes in the Group's contingent liabilities.

The Group did not have any material contingent assets as of 30 June 2023 or 31 December 2022.

f) Comparative information

The information for the year 2022 contained in these interim financial statements is only presented for comparison purposes with the information relating to the six-month period ended 30 June 2023.

In order to interpret the changes in the balances with respect to 31 December 2022, 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 2022) and the impact of the appreciation/depreciation of the various currencies against the euro in the first six months of 2023, considering the exchange rates at the end of 2022: Polish zloty (+5.6%), Norwegian krone (-10.1%), Swedish krona (-5.5%), Danish krone (-0.1%), Swiss franc (+1.2%), Chinese yuan renminbi (-6.9%) and Canadian Dollar (+0.11%); as well as the evolution of average exchange rates between comparable periods: Polish zloty (+1.3%), Norwegian krone (-10.7%), Swedish krona (-6.2%), Danish krone (-0.1%), Swiss franc (+1.9%), Chinese yuan renminbi (-5.4%), and Canadian Dollar (-5.99%).

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 condensed consolidated interim financial statements for the six-month period ended 30 June 2023.

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 consolidated interim financial statements for the six months ended 30 June 2023.

i) Events after the reporting period

From June 30, 2023 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 2022 provide relevant information on the Group companies that consolidated at 2022 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 2022 and 2021.

The most significant acquisitions and sales during the first half of 2023, of participations in the capital of Group entities, as well as other relevant corporate operations that have modified the consolidation perimeter of the Group during said periods, were as follows:

a) Acquisitions and sales

The most significant acquisitions and sales during the first half of 2023 and 2022, of participations in the capital of Group entities, as well as other relevant corporate operations that have modified the consolidation perimeter of the Group during said periods, were as follows:

a.1) First semester of 2023

Reorganization of the Stellantis global agreement

On 31 March 2022, Santander Consumer Finance, S.A. reached an agreement to enhance its global cooperation with Stellantis, N.V. and Stellantis Financial Services, S.A. (formerly Banque PSA Finance, S.A.), which was first entered into in 2014. The agreement was revised due primarily to changes in Stellantis' corporate structure since the initial agreement was signed.

After obtaining the regulatory and competition authorisations, the signed agreements entered into force on 3 April 2023. There follows a summary of the Santander Consumer Finance Group's transactions resulting from this agreement:

Acquisition of the new business origination rights to financing products (loans, financial leasing and operational leasing 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 seven European countries: Belgium, France, Italy, Netherlands, Poland, Portugal and Spain.*

This acquisition is based on legal agreements entered into by each joint venture in each country with the respective Opel and Fiat Chrysler Automobiles (FCA) companies. The acquisition was accompanied by the transfer of certain employees under the agreements concluded with the Opel companies, only in Italy in the case of the FCA companies. The transaction also included transferring the contracts, assets and liabilities associated with the employees at the transaction date.

The acquisition of the origination rights entailed recognising an intangible asset in the consolidated balance sheet at 30 June 2023 in the amount of 134.7 million euros, which is being amortised over the agreement period (8.5 years) as from 3 April 2023. An amortisation charge of 3.9 million euros is recognised at 30 June 2023.

The set of assets and liabilities that have been transferred to the joint ventures of Santander Consumer Finance Group have entailed a payment by the corresponding Open and FCA companies of 0.3 million euros and 6 million euros, respectively, on the transaction closing date, 3 April 2023. The transfer of assets and liabilities is subject to review, as it was completed on 3 April 2023 based on estimated amounts. At the issuance date of these condensed consolidated interim financial statements, only transfers in the Netherlands, Belgium, Portugal and Poland corresponding to Opel have been completed. The final amounts corresponding to these countries resulted in an additional payment of 0.2 million euros by the Opel companies. The Opel transfers in Spain and Italy have also been closed but have not yet been settled since, according to the agreements signed, settlement will take place when the acquisition of the Opel portfolios in both countries is settled by the Italian and Spanish joint ventures.

All the above-mentioned amounts include the transactions completed by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is a Santander Consumer Finance Group associate.

Sale of the business origination rights to the B2B operational leasing (customer vision) business by Belgium, France, Italy, Netherlands, Poland and Spain to the Leasys companies

As part of the above-mentioned reorganisation, on 3 April 2023 the joint ventures in Belgium, France, Italy, Netherlands, Poland and Spain sold their B2B operational leasing (customer vision) business origination rights to the corresponding Leasys companies in each country for a total amount of 64.5 million euros, which is recognised as a profit on the sale in the consolidated income statement at 30 June 2023.

The sale of these origination rights was accompanied by the transfer of employees and associated assets and liabilities in the case of Spain and France. This transfer entailed the payment by the Santander Consumer Finance Group's joint ventures of a total amount of 3.6 million euros to the corresponding Leasys companies on the transaction closing date 3 April 2023. As payment was made on the basis of estimated amounts, they are subject to review and the definitive amounts have not yet been determined at the issuance date of these condensed consolidated interim financial statements.

All the above-mentioned amounts include the transactions completed by Stellantis Consumer Finance Services Polska Sp.z.o.o., which is a Santander Consumer Finance Group associate.

Acquisition of the Opel portfolios by the joint ventures in Italy and Spain

In addition, as part of the aforementioned reorganisation, the Italy and Spain joint ventures acquired the Opel portfolios in those countries on 3 July 2023 and 31 May 2023, respectively. Likewise, this portfolio purchase has been accompanied by the acquisition of associated assets and liabilities on those dates. In the case of Italy, a part of the portfolio financing was also acquired.

Set out below is a breakdown of the Spain portfolio acquired and recognised in the condensed consolidated interim financial statements at 30 June 2023:

	Million euro **Spain**
Portfolio	259.6
Net assets and liabilities	(0.7)
Financing	—
Total amount paid	258.9

The amount paid on the transaction date was based on estimated amounts and the definitive amounts have not yet been settled at the issuance date of these condensed consolidated interim financial statements. As indicated previously, the transfer of assets and liabilities associated with the transferred employees was completed but will be settled together with the definitive settlement of the portfolio transfer.

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

Finally, as part of this restructuring, on 3 April 2023, Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.) sold its 100% ownership interest in PSA Finance UK Limited to an Opel company. Likewise, Stellantis Financial Services, S.A. (formerly Banque PSA Finance S.A.) and Santander Consumer Bank Aktiengesellschaft also sold their shares (50% interest each) in PSA Bank Deutschland GmbH to a different Opel company.

PSA Finance UK Limited's share capital consisted of 437,280 shares with a par value of 1 sterling pound each. The estimated selling price at the transaction closing date was 368,614,513.41 sterling pounds or 419,261,275.48 euros.

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

The capital gain on both transactions recognised in the condensed consolidated interim financial statements at 30 June 2023 is immaterial.

Both selling prices are subject to review based on the definitive data at the transaction date. The review process has not been completed at the issuance date of these condensed consolidated interim financial statements.

Santander Consumer Finance, Inc.

On 17 March 2023, Santander Consumer Finance, S.A. acquired all the shares in the Canadian company Santander Consumer Finance, Inc. from Banco Santander, S.A. In turn, Santander Consumer Finance, Inc. wholly owns Santander Consumer, Inc. The share capital of Santander Consumer Finance, Inc. consists of 30,451,553 shares.

The acquisition was completed for 215,747,722 Canadian dollars or 148,758,054.32 euros.

Details of the acquired business are set out below:

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

(*) The acquisition was completed with retroactive effects to 1 March 2023, so the results pertain entirely to Santander Consumer Finance as from 1 March 2023.

The following net assets were acquired:

	Carrying amount (Million euro)
Cash	4.8
Clients	639.0
Non-current assets	1.6
Current assets	47.9
Financial liabilities at amortised cost	(512.5)
Non-current and current liabilities	(43.0)
Net assets	**137.8**
Purchase consideration	148.7
Goodwill	10.9

The fair value of the receivables acquired amounts to 639 million euros and does not differ from the gross contractual amounts. The parent company's directors consider that there were no indications that they would not be fully collected at the acquisition date.

Net cash flow on acquisition:

	Million euro
Cash paid	148.7
Less: Cash and cash equivalents.	(4.8)
Total	**143.9**

The amount contributed by this business to the Group's attributed net profit since the acquisition date is immaterial. The results that this business would have contributed to the Group had the transaction taken place on 1 January 2023 are also immaterial.

MCE Bank Group

In November 2022, Santander Consumer Bank AG reached an agreement to purchase all of the shares in MCE Bank, GmbH on 31 March 2023. This company's share capital consists of 40,903,360 shares with a total value of 40,903,360 euros and 1 euro par value.

MCE Bank GmbH was Mitsubishi's captive financial institution in Germany. It has a banking licence and is engaged in providing financial services, essentially in the automotive industry, and in deposit-taking, its shareholders being various companies of the Mitsubishi Group. MCE Bank GmbH in turn has the following subsidiaries that are wholly owned, directly or indirectly:

- MCE Verwaltung GmbH, engaged in managing real estate for the group in Germany.
- Midata Service GmbH, engaged in providing IT services, particularly to dealers.
- AMS Auto Markt am Schieferstein GmbH, engaged in remarketing activities.
- TVG-Trappgroup Versicherungsvermittlungs GmbH, engaged in insurance intermediation for retail customers and dealers.

After obtaining the relevant authorisations from the regulatory authorities, the acquisition was completed for a total amount of 94,768,237 euros on 31 May 2023.

The acquisition took place as follows, with retroactive effects to 1 April 2023:

- Acquisition of the entire ownership interest (45%) held by MC-V Beteiligung Verwaltungsgesellschaft mbH, consisting of 18,406,512 shares with a par value of 18,406,512 euros, for 40,243,434 euros.

- Acquisition of the entire ownership interest (45%) held by MC Automobile (Europe) N.V., consisting of 18,406,512 shares with a par value of 18,406,512 euros, for 40,243,434 euros.

- Acquisition of the entire ownership interest (10%) held by Mitsubishi International GmbH, consisting of 4,090,336 shares with a par value of 4,090,336 euros, for 8,942,985 euros.

Details of the acquired business are set out below:

Business acquired	Main activity	Acquisition date	Ownership interest (voting rights) acquired	Purchase consideration (million euro)
MCE Bank Group	Financial services associated with the automotive business and deposit-taking	31/05/2023 (*)	100%	94.8 (**)

(*) The acquisition was completed with retroactive effects to 1 April 2023, so the results pertain entirely to Santander Consumer Finance as from that date.
(**) Includes the cash payment of the purchase price of the shares plus other transaction costs.

Set out below is an analysis of the net assets acquired:

	Carrying amount (Million euro)
Cash	30.4
Clients	906.9
Non-current assets	48.8
Current assets	32.5
Financial liabilities at amortised cost	(828.0)
Non-current and current liabilities	(53.1)
Net assets	**137.5**
Purchase consideration (*)	94.8
Purchase difference	42.7

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

At the issuance date of these accounts, the accounting treatment of the business combination is still provisional, since IFRS 3 allows one year to study the allocation of the price to the net assets acquired. Group management has identified certain adjustments to the fair value of the portfolio acquired, due primarily to the difference in interest rates applied to customers compared to present market values, which could adjust the value of the net assets acquired in an amount similar to the purchase difference identified on a preliminary basis, so management has decided not to recognise the purchase difference as negative goodwill in the income statement.

The parent company's directors consider that, at the acquisition date, there were no indications that the receivables acquired would not be fully collected.

The amount contributed by this business to the Group's attributed net profit since the acquisition date is immaterial. The results that this business would have contributed to the Group had the transaction taken place on 1 January 2023 are also immaterial.

Also, in November 2022, Santander Consumer Bank AG reached an agreement with Emil Frey Automobil Holding Deutschland GmbH to sell 9.99% of its ownership interest in MCE Bank GmbH. The acquisition is expected to be completed before year-end 2023.
Stellantis Financial Services Belux, S.A. (formerly PSA Finance Belux, S.A) and Stellantis Financial Services Nederland, B.V. (formerly PSA Financial Services Nederland, B.V.)

On 30 May 2023, the Group undertook a corporate reorganisation in which Banque Stellantis France, S.A. (formerly PSA Banque France, S.A., owned 50% by Santander Consumer Banque, S.A. and 50% by Stellantis Financial Services, S.A.) acquired all the shares in Stellantis Financial Services Belux, S.A. and Stellantis Financial Services Nederland, B.V. Before the acquisition, they were both already controlled due to being 100% owned by Stellantis Financial Services España, E.F.C., S.A. (formerly PSA Financial Services Spain, E.F.C., S.A.), which is in turn owned 50% by Santander Consumer Finance, S.A. and 50% by Stellantis Financial Services, S.A. Both purchase transactions were closed at the consolidated book values after obtaining the relevant authorisations from the European and local authorities.
Vizolution

On 31 December 2022, Santander Consumer Finance, S.A. held a 10.99% ownership interest (3,239,956 shares) in Vizolution Limited, a UK company that will engage in creating software products that facilitate the closure of online financing transactions. This interest was acquired at the end of 2018 for 6,500 thousand sterling pounds.

In the first half of 2023, the company Lightico, Ltd. (based in Israel) submitted an offer to Vizolution's shareholders to acquire all the shares in Vizolution in exchange for shares in Lightico, Ltd.

As a result of the agreements reached on 12 June 2023, Santander Consumer Finance, S.A. held a 2.28% interest (29,070 shares) in Lightico valued at 2,380 thousand US dollars, in exchange for the shareholding in Vizolution Limited. Therefore, at 30 June 2023, the value of the ownership interest in Vizolution Limited was adjusted, recognising an immaterial loss in the condensed consolidated interim financial statements. The share exchange was completed in July on the agreed terms.

Collaboration agreement between Ethias Lease Corporation N.V. and Santander Consumer Leasing, B.V.

On 19 June 2023, Santander Consumer Leasing B.V. signed a Memorandum of Understanding with Ethias Lease Corporation N.V., a Belgian insurance company, to set up a joint venture in Belgium to engage in the electric car operational leasing business in Belgium.

The two companies will develop the agreements in the coming months and obtain the relevant regulatory authorisations to set up the company. The company is expected to be incorporated before year-end 2023.

There were no other material changes to the Group's consolidation scope.

a.2) First half of 2022

Santander Consumer Leasing, B,V. (formerly 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., comprising 45,400 shares of 1 euro par value. This company's core business is the provision of operational leasing services in the Dutch market through its platform.

After obtaining the relevant authorisations from the Dutch authorities, the acquisition was completed for a total amount of 21,308,805 euros on 9 June 2022.

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.,of its entire stake in the share capital (33.33%) consisting of 15,132 shares, for 7,102,309 euros.

The details of the acquired business were as follows:

Business acquired	**Main activity**	**Acquisition date**	**Ownership interest (voting rights) acquired**	**Purchase consideration (million euro)**
Riemersma Leasing, B.V.	Operational leasing services	09/06/2022 (*)	100%	21.3

(*) The acquisition was completed with retroactive effects to 1 January 2022, so the 2022 results pertain entirely to Santander Consumer Finance as from that date, except for the agreed dividend.

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

	Carrying amount (Million euro)
Clients	0.4
Non-current assets	63.7
Current assets	1.2
Financial liabilities at amortised cost	(49.6)
Non-current and current liabilities	(2.7)
Provisions	(2.0)
Net assets	**11.0**
Agreed dividend (*)	(3.0)
Net assets after dividend	**8.0**
Purchase consideration	21.3
Goodwill	13.9

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

The fair value of the receivables acquired amounts to 0.4 million euros and does not differ from the gross contractual amounts. The parent company's directors consider that there were no indications that they would not be fully collected at the acquisition date.

Net cash flow on acquisition:

	Million euro
Cash paid	21.3
Less: Cash and cash equivalents.	—
Total	**21.3**

This company contributed a profit of 1.4 million euros to the consolidated Group's results at 30 June 2022.

On 11 May 2023, its name was changed from Riemersma Leasing, B.V. to Santander Consumer Leasing, B.V.

Drive, S.r.l. and 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 shares and 2,000,000 shares, respectively, with a par value of 1 euro each. Both companies began to do business at the end of the second quarter 2022.

In December 2022, both companies increased capital directly under reserves without issuing any shares:

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

Vinturas Group

In 2020 and 2021, Santander Consumer Finance, S.A. took part in several capital increases in the Dutch company Vinturas Holding, B.V. (whose corporate objects included holding shares in companies developing a blockchain logistics platform so as to digitalise the supply chain), having reached a shareholding of 14.75% at 31 December 2021 for a total amount of 500,000 euros.

In 2022, an impairment loss was recognised for the entire ownership interest.

Merger of Santander Consumer Finance, S.A. and Santander Consumer Banque, S.A.

France

On 22 and 24 February 2022, the members of the Boards of Directors of Santander Consumer Banque, S.A. and Santander Consumer Finance, S.A. approved the common plan for the merger of Santander Consumer Banque, S.A. (target company) into Santander Consumer Finance, S.A. (acquiring company).

Therefore, when the merger was registered, with effects on 14 October 2022, Santander Consumer Banque, S.A. was dissolved without liquidation and all its assets and liabilities were transferred *en bloc* to Santander Consumer Finance, S.A., which acquired them by way of universal succession and without interruption. In addition, on that same date, Santander Consumer Banque, S.A.'s assets and liabilities were automatically assigned to the branch that Santander Consumer Finance, S.A. had set up in France during the merger process.

In accordance with applicable legislation, the date of the merger was 1 January 2022 for accounting purposes as the date as from which the target's operations were deemed to be effected by the acquiring company.

There were no other material changes to the Group's consolidation scope.

b) Impairments of investments in subsidiaries, joint ventures and associates

As at 30 June 2023 and 2022, 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 14 March 2023, the Extraordinary General Meeting of Shareholders agreed at the proposal of the Board of Directors, the payment of a dividend charged to unrestricted reserves of 507,477 thousand euros paid on 29 March 2023.

The cash remuneration paid by the Bank to its shareholders in the first six months of 2023 and 2022 was as follow:

	First half of 2023			First half of 2022		
	% of par value	Euros per share	Amount (Thousands of euros)	% of par value	Euros per share	Amount (Thousands of euros)
Ordinary shares	100%	0.270	507,477	100%	0.510	958,569
Other shares (non-voting, redeemable, etc.)	—	—	—	—	—	—
Total remuneration paid	100%	—	507,477	100%	—	958,569
Remuneration charged against profit or loss	100%	—	—	100%	0.448	842,037
Remuneration charged against reserves or the share premium account	100%	0.270	507,477	100%	0.062	116,532
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 2023 and 2022 is as follows:

	EUR Thousand	
	30/06/2023	30/06/2022
Consolidated profit of the year attributable to the Parent (thousands of euros)	461,837	575,811
Remuneration of contingently convertible preference shares PPC (thousands of euros)	(47,051)	(36,438)
Dilutive effect of changes in profit for the period arising from potential conversion of ordinary shares	414,786	539,373
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)	*414,786*	*539,373*
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)	0.221	0.287
Of which:		
from continuing operations (euros)	*0.221*	*0.287*

4. Remuneration and other benefits paid to the Bank's Directors and Senior Managers

In May 2023, changes were made to the Board of Directors of Santander Consumer Finance, S.A. five new directors were designated, bringing the total number of directors to 11 as of 30 June 30, 2023 (10 directors as of 31 December, 2022).

Remuneration paid by Santander Consumer Finance, S.A. to independent directors unrelated to the Santander Group and independent 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.

In compliance with the above criteria, during the first six months of 2023, it has been agreed to set a 1,500 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. The remunerations paid to these group of directors during the first half of 2023 and 2022 is as follows:

	EUR thousand	
	30/06/2023	30/06/2022
Unrelated and independent directors		
Type of remuneration-		
Fixed salary remuneration of executive Directors	—	—
Variable remuneration in cash of executive Directors	—	—
Bylaw-stipulated emoluments and allowances of Directors (*)	654	684
Other (except insurance premiums)	—	—
Sub-total	**654**	**684**
Transactions with shares and/or other financial instruments	—	—
	654	**684**

(*) As of June 30, 2023, the bylaw-stipulated emoluments and allowances of directors reflect the remuneration corresponding to the 2022 financial year. As of June 30, 2022, the bylaw-stipulated emoluments and allowances of directors reflect the remuneration corresponding to the 2021 financial year.

Other information on remuneration paid by other Santander Group entities

The following table shows both the fixed remuneration and other benefits paid to directors remunerated by other Santander Group entities.

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	
	30/06/2023	30/06/2022
Other remuneration paid by the Santander Group to the members of the board of Directors:		
Fixed salary compensation in cash	*4,148*	*3,169*
Other benefits-		
Advances	—	—
Loans granted	—	—
Pension funds and plans: Endowments and/or contributions (1)	*1,077*	*618*
Pension funds and plans: Accumulated rights (2)	*55,754*	*9,542*
Life insurance premiums	*334*	*133*
Guarantees provided for directors	—	—

(1) These correspond to the endowments and/or contributions made during the first six months of 2023 and 2022 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 33,629 thousands of euros at 30 June 2023 (14,498 thousands of euros at 30 June 2022) . The cost of these insurance policies is assumed by Santander Group entities that are not part of Santander Consumer Finance Group.

Remuneration of senior management

The amounts related to remunerations of senior management, at 30 June 2023 and 2022, excluding the executive directors, that have been fully paid other entities of the Santander Group, not integrated into the Santander Consumer Finance Group are summarized below:

	Thousands of euros	
	30/06/2023	30/06/2022
Senior management (1):		
Total remuneration of senior management	2,646	2,295

(1) The number of senior managers of the Santander Consumer Finance, excluding executive directors, is 16 as at 30 June 2023 (13 as of 30 June 2022).

The variable annual remuneration (or bonuses) received for fiscal year 2022, 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 2023 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	
	30/06/2023	30/06/2022
Senior management:		
Pension funds: Endowments and / or contributions (1)	576	544

(1) Corresponds to the allocations and/or contributions made during the first six months of 2023 and 2022 as retirement pensions. These contributions have been made by Santander Group entities not integrated in the Santander Consumer Finance Group.

The information presented regarding the remuneration of the Board of Directors and Senior Management considers the composition of these groups as of June 30, 2023.

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 2023 and 31 December 2022 is as follows:

	Thousands of euros				
	30/06/2023				
	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 or loss	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost
Derivatives	408,341	—	—	—	—
Equity instruments	—	41	—	18,453	—
Debt instruments	—	1,102	—	600,934	3,759,190
Loans and advances	—	416	—	—	111,343,249
Central Banks	—	—	—	—	—
Credit institutions	—	—	—	—	*2,882,219*
Customers	—	*416*	—	—	*108,461,030*
Total	**408,341**	**1,559**	**—**	**619,387**	**115,102,439**

	Thousands of euros				
	31/12/2022				
	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 or loss	Financial assets designated at fair value through other comprehensive income	Financial assets at amortised cost
Derivatives	494,664	—	—	—	—
Equity instruments	—	45	—	21,961	—
Debt instruments	—	1,444	—	726,508	6,185,061
Loans and advances	—	387	—	—	106,909,487
Central Banks	—	—	—	—	*19,736*
Credit institutions	—	—	—	—	*390,306*
Customers	—	*387*		—	*106,499,445*
Total	**494,664**	**1,876**	—	**748,469**	**113,094,548**

Hereafter, it is included the gross exposure of financial assets by stages of impairment as of 30 June 2023 and 31 December 2022:

	Thousands of euros							
	30/06/2023				31/12/2022			
	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	**600,993**	**—**	**—**	**600,993**	**726,608**	**—**	**—**	**726,608**
Debt instruments	600,993	—	—	600,993	726,608	—	—	726,608
Loans and advances	—	—	—	—	—	—	—	—
Central Banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Customers	—	—	—	—	—	—	—	—
Financial assets at amortised cost	**110,820,718**	**4,093,172**	**2,218,246**	**117,132,136**	**108,827,576**	**4,045,038**	**2,180,048**	**115,052,662**
Debt instruments	3,759,965	—	—	3,759,965	6,185,087	—	—	6,185,087
Loans and advances	107,060,753	4,093,172	2,218,246	113,372,171	102,642,489	4,045,038	2,180,048	108,867,575
Central Banks	—	—	—	—	19,736	—	—	19,736
Credit institutions	2,872,101	12,173	—	2,884,274	392,325	15	—	392,340
Customers	104,188,652	4,080,999	2,218,246	110,487,897	102,230,428	4,045,023	2,180,048	108,455,499
Total	**111,421,711**	**4,093,172**	**2,218,246**	**117,733,129**	**109,554,184**	**4,045,038**	**2,180,048**	**115,779,270**

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 2023 and 2022, 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	
	30/06/2023	30/06/2022
Balance at beginning of period	1,958,114	2,117,325
Net impairment losses charged to income for the period (*)	472,133	314,825
Of which:		
Impairment charges	*1,150,665*	*1,176,479*
Impairment losses reversed with a credit to income	*(678,532)*	*(861,654)*
Perimeter change	(37,452)	—
Write-off of impaired balances against recorded impairment allowance	(365,268)	(360,750)
Exchange differences and other (**)	2,170	(10,346)
Balance at end of period	**2,029,697**	**2,061,054**
Of which:		
Depending of their determination:		
Impaired assets	*1,267,267*	*1,265,781*
Other assets	*762,430*	*795,273*
Of which:		
Calculated individually	*158,728*	*129,005*
Calculated collectively	*1,870,969*	*1,932,049*

(*) 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 2023 and 2022, amounted to 120,284 thousands of euros and 69,796 thousands of euros, respectively 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. Considering these amounts, the impairment of financial assets at amortized cost is 351,859 thousand euros and 245,029 thousand euros during the first six months of 2023 and 2022, respectively.

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 2023 and 2022 has taken place:

	Thousands of euros			
	30/06/2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment allowance as at beginning of period	476,717	250,728	1,228,609	1,956,054
Transfers between stages	(23,232)	15,779	287,863	280,410
Variation due to credit risk	33,760	(9,129)	166,338	190,969
Write-offs	—	—	(365,268)	(365,268)
Exchange differences and other	2,539	12,438	(50,275)	(35,298)
Carrying amount at period-end	**489,784**	**269,816**	**1,267,267**	**2,026,867**

	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**

In the first half of 2023 and 2022, the Group sold the following portfolios of written-off loans:

Company	EUR million	
	30/06/2023	30/06/2022
	Nominal Value	Nominal Value
Santander Consumer Bank AS (Norway)	101	60
Santander Consumer Finance OY (Finland)	23	—
Santander Consumer Bank S.P.A. (Italy)	40	—
Santander Consumer Bank GmbH (Austria)	—	24
Santander Consumer Bank A.G. (Germany)	3	2
Financiera El Corte Inglés E.F.C., S.A. (Spain)	68	—
Santander Consumer Finance, S.A. (Spain)	125	122
Of which:		
Spain branch in Netherlands	4	**4**
Total	**360**	**208**

The sale price of the written of portfolios realized in the first semester of 2023 was 90 million of euros (54 million euros as of 30 June 2022). 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) Impaired assets at financial assets at amortised cost portfolio

The detail of the changes in the six-month periods ended 30 June 2023 and 2022 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	
	30/06/2023	30/06/2022
Balance as at beginning of period	2,180,048	2,033,052
Net additions	471,376	551,089
Written-off assets	(365,268)	(360,750)
Perimeter	(45,142)	—
Exchange differences and other	(22,768)	(13,915)
Balance at the end of period	**2,218,246**	**2,209,476**

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 2023 and 31 December 2022:

	Thousands of euros	
	30/06/2023	31/12/2022
Real Guarantees value	40,497,047	41,827,725
Of which guarantee doubtful risk	*211,089*	*210,701*
Other guarantees value	281,347	334,972
Of which guarantee doubtful risk	*2,809*	*3,063*
Total value of the guarantees received	**40,778,394**	**42,162,697**

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 2023 and 31 December 2022:

	Thousands of euros		Thousands of euros	
	30/06/2023		31/12/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and advances:	111,343,249	109,197,103	106,909,487	104,883,727
Central banks	—	—	19,736	19,736
Loans and advances to credit institutions	2,882,219	2,890,398	390,306	388,633
Loans and advances to customers	108,461,030	106,306,705	106,499,445	104,475,358
Debt instruments	3,759,190	3,675,333	6,185,061	6,097,660
ASSETS	**115,102,439**	**112,872,436**	**113,094,548**	**110,981,387**

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 in the 2022 consolidated financial statements 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 2023 and 31 December 2022 is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Tangible assets	**48,420**	**45,337**
Of which:		
Forecolosed assets	10,348	8,477
Of which property assets in Spain	*2,400*	*2,568*
Other tangible assets held for sale:	38,072	36,860

The balance of the provisions as of 30 June 2023 is 15,446 thousand euros (15,534 thousand euros as of 31 December 2022). The charges recorded in the first six months of 2023 and 2022 amounted to 2,400 and 476 thousands of euros respectively and the recoveries undergone during those periods amount to 1,830 and 1,083 thousands of euros.

The following table shows the breakdown at 30 June 2023 and 31 December 2022 of the foreclosed assets for the Spanish business:

Thousands of euros	30/06/2023		31/12/2022	
	Gross carrying amount	Valuation adjustments	Gross carrying amount	Valuation adjustments
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	14,154	(11,980)	14,744	(12,364)
Other real estate assets foreclosed or received in lieu of debt repayment	1,404	(1,178)	1,267	(1,079)
Total property assets	**15,558**	**(13,158)**	**16,011**	**(13,443)**

7. Tangible Assets

a) Changes in the period

In the first six months of 2023 and 2022, the Group acquired tangible assets for 882,203 thousands of euros and 409,267 thousands of euros, respectively.

Likewise, during the first semester of 2023 and 2022, tangible asset items were disposed with a carrying amount of 241,828 thousands of euros and 49,509 thousands of euros, respectively, generating a net profit for the amount of 409 thousands of euros during the first half of 2023 and a net profit of 198 thousands of euros during the first half of 2022.

At 30 June 2023, the Group has tangible assets under lease for the amount of 258,425 thousand euros (264,104 thousand euros at 31 December 2022)

b) Property, plant and equipment purchase commitments

At 30 June 2023 and 2022, the Group did not have any significant commitments to purchase property, plant and equipment items.

8. Intangible assets

a) Goodwill

The detail of Intangible Assets - Goodwill at 30 June 2023 and 31 December 2022, based on the cash-generating units giving rise thereto, is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Germany	1,297,469	1,297,469
Nordics (Scandinavia)	199,316	215,443
Austria	98,074	98,074
Spain and others	90,016	87,543
Netherlands	13,897	13,897
Canada	10,909	—
	1,709,681	**1,712,426**

During the first half of the year 2023 there has been an increase in goodwill of 13,381 thousands of euros, due to the acquisitions of “PDC Digital” for 2,681 thousands of euros (Spain and others) and the acquisition of "Santander Consumer Finance Inc." (Canada) for 10,909 thousand of euros (see note 2). This increase is partly offset by exchange rate in Nordics (Scandinavia).

Note 14 to the consolidated annual accounts for the year ended 31 December 2022 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 (IAS 36) requires that a Cash Generating Unit (CGU) to which goodwill has been allocated, should be subjected to an annual impairment test as long as there are signs of impairment.

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 2023 no indicators of impairment existed.

b) Other intangible assets

In the first half of 2023, impairment losses due to obsolescence of intangible assets have been recognized amounting to 384 thousands of euros, which have been recorded in the “Impairment or reversal of the impairment of non-financial assets – Intangible assets” of the condensed consolidated income statement. In the first half of 2022, impairment losses due to obsolescence of intangible assets have been recognized amounting to 230 thousands of euros, which have been 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 2023 and 31 December 2022 is as follows:

	Thousands of euros			Thousands of euros		
	30/06/2023			31/12/2022		
	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	422,331	—	—	466,031	—	—
Short Positions	—	—	—	—	—	—
Deposits:	—	—	71,258,432	—	—	70,848,070
Central Banks	—	—	*11,252,263*	—	—	*17,900,641*
Credit institutions	—	—	*16,333,100*	—	—	*11,620,202*
Customer	—	—	*43,673,069*	—	—	*41,327,227*
Debt securities	—	—	*43,320,384*	—	—	*38,855,760*
Other financial liabilities	—	—	1,752,827	—	—	1,373,400
Total	**422,331**	**—**	**116,331,643**	**466,031**	**—**	**111,077,230**

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	
	30/06/2023	31/12/2022
Bonds and debentures outstanding	30,475,890	31,242,461
Mortgage notes	—	—
Promissory notes and other securities	11,635,419	6,695,321
Subordinated bonds	1,209,075	917,978
Total debt instruments issued	**43,320,384**	**38,855,760**

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, 2023 and 2022. Likewise, a detail of the movement experienced during the first six months of 2023 and 2022 is shown:

	Thousands of euros					
	30/06/2023					
	Opening balance at 01-01-2023	**Perimeter**	**Issuances of placements**	**Repurchases or redemptions**	**Exchange rate and other adjustments**	**Closing balance at 30-06-2023**
Bonds and debentures outstanding	31,242,461	(1,467,263)	4,471,884	(3,737,268)	(33,924)	30,475,890
Total Bonds and debentures outstanding	**31,242,461**	**(1,467,263)**	**4,471,884**	**(3,737,268)**	**(33,924)**	**30,475,890**

	Thousands of euros					
	30/06/2022					
	Opening balance at 01-01-2022	**Perimeter**	**Issuances of placements**	**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**

c) Other issues guaranteed by the Group

As of June 30, 2023 and 2022, 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 2023 and 31 December 2022:

	Thousands of euros			
	30/06/2023		31/12/2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Short positions				
Deposits:	71,258,432	70,513,882	70,848,070	69,483,115
Central Banks	*11,252,263*	*11,166,920*	*17,900,641*	*17,553,543*
Credit institutions	*16,333,100*	*16,036,087*	*11,620,202*	*11,054,994*
Customer	*43,673,069*	*43,310,875*	*41,327,227*	*40,874,578*
Debt instruments	43,320,384	42,682,695	38,855,760	37,826,675
Liabilities	**114,578,816**	**113,196,577**	**109,703,830**	**107,309,790**

Other financial liabilities amounting to 1,752,827 thousands of euros and 1,373,400 thousands of euros are also recognized in June 2023 and December 2022, 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 2022 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 2023 and 31 December 2022 is as follows:

	Thousands of euros	
	30/06/2023	31/12/2022
Provisions for pensions and other post-retirement obligations	416,416	414,385
Provisions and other long-term employee remuneration	27,894	31,488
Provisions for taxes and other legal contingencies	18,885	10,089
Commitments assumed and guarantees conferred	23,855	28,010
Other provisions	122,498	126,903
Total	**609,548**	**610,875**

"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 and Spain 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 2023, 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, 2023, 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 Holding GmbH (Germany), amounting to 11,214 thousand euros for legal contingencies.

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.

On 15 June 2023, the European Court of Justice (CJEU) passed judgement on case C-520/21 confirming that national law must be applied to determine the effects of the declaration of nullity of an agreement, in view of the principles deriving from Directive 93/13/EEC. The CJEU also found that, in the event of the termination of a loan agreement due to the annulment of an abusive clause, bank claims for reimbursement exceeding the nominal amount of loan principal and, if applicable, late-payment interest are contrary to the aims of Directive 93/13/EEC, since this would allow a similar profit to be made as that which would arise from the normal enforcement of the agreement, thus eliminating the deterrent effect.

The CJEU also found that, under European legislation, there is nothing to prevent consumers from claiming an indemnity from the bank exceeding the reimbursement of instalments paid, although it stipulated that such claim must be assessed in the light of all circumstances affecting the case, such that any benefits for consumers arising from the nullity of the agreement may not exceed the amount necessary to restore the factual and legal situation the consumer would be in had the defective agreement not been signed, and may not be an excessive penalty for the professional (proportionality principle).

Spanish national court case-law applying the CJEU's rulings (including the recent judgement of 15 June 2023) and the Supreme Court's potential stance will be crucial to the final assessment of legal risk associated with this matter.

At the date of these condensed consolidated interim financial statements, it is not possible to predict the decisions that will be made by the Spanish Supreme Court and the CJEU in the individual cases raised. Santander Consumer Bank Poland estimates legal risks based on an approach that considers different possible outcomes and regularly reviews judgements on this matter so as to identify changes in case-law.

At 30 June 2023, Santander Consumer Bank S.A. (Poland) records a portfolio of loans denominated in or indexed to CHF for an approximate amount of PLN 1,648 (371 million euros). On the same date, a provision of PLN 840 million (189 million euros) is recognised for the CHF mortgage portfolio. These provisions reflect the best estimate at 30 June 2023. Santander Consumer Bank, S.A. (Poland) will carry on monitoring and assessing the suitability of these provisions.

In December 2020, the chairperson of the Polish Financial Supervision Authority (KNF) announced a high-level proposal on voluntary arrangements between banks and borrowers whereby loans denominated in Swiss francs would be subject to settlement as zloty loans bearing interest indexed to the WIBOR rate plus the applicable spread. Following the CJEU's judgement of 15 June 2023, the KNF stated that banks should continue to reach agreements with borrowers within the framework of the above-mentioned proposal. The Bank has prepared agreement proposals that take into account both the key aspects of the conversion of CHF mortgage loans, as proposed by the KNF's chairperson, and the Bank's internally defined terms and conditions. The proposals will be presented to customers. The approach currently followed to calculate provisions for legal risks takes this information into consideration.

The Group's stake in Santander Consumer Bank, S.A. (Poland) was accounted for using the equity method and at 30 June 2023 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 2023.

The main tax risks affecting the Group at such date are described in Note 21 of the consolidated financial statements for 2022.

During the first half of 2023, 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 2023 and 2022 in relation to these condensed consolidated interim financial statements is not significant.

11. Shareholder's equity

In the six-month periods ended 30 June 2023 and 2022 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 2023 and 31 December 2022, 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 30 June 2023 and 31 December 2022, 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	
	30/06/2023	31/12/2022
Other comprehensive income accumulated	**(627,705)**	**(582,107)**
Items not reclassified to profit or loss	**(34,762)**	**(33,865)**
Actuarial gains or losses on defined benefit pension plans	(38,869)	(41,487)
Non-current assets held for sale	—	—
Share in other income and expenses recognised in investments, joint ventures and associates	310	195
Other valuation adjustments	—	—
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income	3,797	7,427
Items that may be reclassified to profit or loss	**(592,943)**	**(548,242)**
Hedge of net investments in foreign operations (effective portion)	122,836	(46,397)
Exchange differences	(722,955)	(495,612)
Hedging derivatives. Cash flow hedges (effective portion)	47,276	62,111
Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income	(612)	(1,149)
Hedging instruments (items not designated)	—	—
Non-current assets held for sale	—	—
Share in other income and expenses recognised in investments, joint venture and associates	(39,488)	(67,195)

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 2023 actuarial losses (net of actuarial gains) on defined benefit pension plans amounts to 1,029 thousands of euros, mainly due to the variation in the discount rate in the main units.

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 2022 includes the corresponding segment information for 2022 and 2021.

In accordance with the requirements of Circular 5/2015 of the Comisión 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 2023 and 2022 is as follows:

Geographical area	Interest and Similar Income by Geographical Area (Thousands of euros)			
	Individual		Consolidated	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Spain	439,395	235,272	635,401	366,414
Abroad:				
European Union	166,310	34,383	1,751,890	1,281,265
OCDE countries	81,026	7,761	540,872	408,805
Other countries	—	3,490	—	—
	247,336	45,634	2,292,762	1,690,070
Total	**686,731**	**280,906**	**2,928,163**	**2,056,484**

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 2023 and 2022.

Segments	Revenue (Thousands of euros)					
	Revenue from External Customers		Inter-segment Revenue		Total Revenue	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Spain and Portugal	772,516	449,435	305,127	66,553	1,077,643	515,988
Italy	417,679	294,804	13,819	10,113	431,498	304,917
Germany	1,154,133	1,062,641	272,632	211,141	1,426,765	1,273,782
Nordics (Scandinavia)	582,850	393,382	26,067	45,701	608,917	439,083
France	544,039	398,091	287,485	281,802	831,524	679,893
Other	382,270	306,283	138,478	113,461	520,748	419,744
Inter-segment revenue adjustments and eliminations	—	—	(1,043,608)	(728,771)	(1,043,608)	(728,771)
Total	**3,853,487**	**2,904,636**	**—**	**—**	**3,853,487**	**2,904,636**

Likewise, following is the reconciliation of the Group's consolidated profit before tax for the six-month periods ended 30 June 2023 and 2022, 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)	
	30/06/2023	30/06/2022
Spain and Portugal	(181,948)	5,487
France	235,065	192,469
Italy	124,660	87,780
Germany	145,018	214,586
Nordics (Scandinavia)	205,345	86,598
Other	110,335	180,592
Total profit (loss) of the segments reported	638,475	767,512
(+/-) Unallocated profit/loss	—	—
(+/-) Elimination of inter-segment profit/loss	—	—
(+/-) Other profit/loss	—	—
(+/-) Income tax and/or profit from discontinued operations	242,239	268,225
Profit before tax	**880,714**	**1,035,737**

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 2023 and 2022, 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				
	30/06/2023				
Expenses and income	Significant shareholders	Directors and executives	Group companies or entities	Other related parties (*)	Total
Expenses:					
Finance costs	101,714	—	—	160,551	262,265
Leases	—	—	—	—	—
Services received	25	—	—	—	25
Purchases of goods	—	—	—	—	—
Other expenses	18,682	—	2,086	63,493	84,261
	120,421	**—**	**2,086**	**224,044**	**346,551**
Income:					
Finance income	91,784	—	1,091	—	92,875
Dividends received	—	—	—	—	—
Services rendered	111	—	294	2,794	3,199
Sale of goods (finished or in progress)	—	—	—	—	—
Other income	295,029	—	64,498	17,325	376,852
	386,924	**—**	**65,883**	**20,119**	**472,926**

(*) 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				
	30/06/2023				
Other transactions	Significant Shareholders	Directors and executives	Group Employees Companies or Entities	Other related parties (*)	Total
Financing agreements: loans and capital contributions (lender)	2,153,475	—	(20,419)	8,758	2,141,813
Financing agreements: loans and capital contributions (borrower)	(6,085,017)	—	(46,448)	9,507,532	3,376,067
Guarantees provided	8,384	—	—	—	8,384
Guarantees received	—	—	—	—	—
Obligations acquired	(3,384)	—	—	—	(3,384)
Dividends and other distributed profit	—	—	—	—	—
Other transactions	(2,428,012)	—	1,508	5,404	(2,421,100)

(*) 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				
	30/06/2023				
	Significant shareholders	Directors and executives	Individuals, Group companies or entities	Other related parties	Total
Debt balances:					
Customers and commercial debtors	—	—	—	—	—
Loans and credits granted	2,404,553	—	38,256	5,565	2,448,374
Other collection rights	1,475,723	—	6,388	28,678	1,510,789
	3,880,276	**—**	**44,644**	**34,243**	**3,959,163**
Credit balances:					
Suppliers and creditors granted	—	—	—	—	—
Loans and credits received	1,243,753	—	12,949	11,929,933	13,186,635
Other payment obligations	9,193,261	—	22,764	321,758	9,537,783
	10,437,014	**—**	**35,713**	**12,251,691**	**22,724,418**

Expenses and income	Thousands of euros				
	30/06/2022				
	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 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				
	30/06/2022				
	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, including the entities from Grupo Santander.

Period end closing balances	Thousands of euros				
	31/12/2022				
	Significant shareholders	Directors and executives	Individuals, Group companies or entities	Other related parties	Total
Debt balances:					
Customer and commercial debtors	—	—	—	—	—
Loans and credits granted	251,078	—	58,675	333,514	643,267
Other collection rights	1,634,574	—	9,709	15,683	1,659,966
	1,885,652	**—**	**68,384**	**349,197**	**2,303,233**
Credit balances:					
Suppliers and creditors granted	—	—	—	—	—
Loans and credits received	7,328,769	—	59,398	2,498,792	9,886,959
Other payment obligations	6,924,101	—	27,593	314,176	7,265,870
	14,252,870	**—**	**86,991**	**2,812,968**	**17,152,829**

14. Off-balance-sheet exposures

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

Financial guarantees granted 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	
	30/06/2023	31/12/2022
Loan commitments granted	**25,428,475**	**25,756,041**
Of which doubtful	*31,527*	*56,500*
Financial guarantees granted	**84,052**	**84,997**
Of which doubtful	—	—
Bank sureties	84,052	84,997
Credit derivatives sold	—	—
Other commitments granted	**1,209,441**	**1,211,006**
Of which doubtful	*5,109*	*2,604*
Other granted guarantees	565,207	552,398
Other	644,234	658,608

The breakdown of the off-balance sheet exposure and impairment granted as of 30 June 2023 and 31 December 2022 by impairment phases is 26,587,403 thousands euros and 26,865,725 thousand euros of exposure and 17,925 and 21,000 thousand euros of provision fund in phase 1, 97,929 thousands euros and 127,214 thousand euros of exposure and 1,329 and 1,570 thousand euros of provision fund in phase 2, and 36,636 thousands euros and 59,105 thousand euros of exposure and 4,602 thousands euros and 5,440 thousand euros provision fund in phase 3, respectively.

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 2023 and 2022 is as follows:

	Bank		Other		Group	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Men	565	497	5,215	5,080	5,780	5,577
Women	552	483	5,477	5,159	6,029	5,642
	1,117	**980**	**10,692**	**10,239**	**11,809**	**11,219**

The average number of offices at 30 June 2023 and 2022 are as follows:

Number of branches	Group	
	30/06/2023	30/06/2022
Spain	47	49
Foreign	265	264
	312	**313**

16. Other disclosures

a) Valuation techniques for financial assets and liabilities

The following table shows a summary of the fair values, at 30 June 2023 and 31 December 2022, 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					
	30/06/2023			31/12/2022		
	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	—	408,341	**408,341**	—	494,664	**494,664**
Non-trading financial assets mandatorily at fair value through profit or loss	6	1,553	**1,559**	6	1,870	**1,876**
Financial assets designated at fair value through profit or loss	—	—	**—**	—	—	**—**
Financial assets at fair value through other comprehensive income	611,223	8,164	**619,387**	735,775	12,694	**748,469**
Hedging derivatives (assets)	—	1,137,680	**1,137,680**	—	1,131,071	**1,131,071**
Financial liabilities held for trading	—	422,331	**422,331**	—	466,031	**466,031**
Financial liabilities designated at fair value through profit and loss	—	—	**—**	—	—	**—**
Hedging derivatives (liabilities)	—	177,619	**177,619**	—	193,787	**193,787**
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 2023. 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 2023 and 31 December 2022:

	Thousands of euros			
	Fair values Calculated Using Internal Models 30/06/2023 (Level 2)	Fair values Calculated Using Internal Models 30/06/2023 (Level 3)	Valuation techniques	Main assumptions
ASSETS:				
Non-current assets held for sale	**408,341**	**—**		
Trading derivatives	408,341	—		
Swaps	*325,823*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*81,240*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*1,278*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**1,137,680**	**—**		
Swaps	*991,346*	**—**	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*146,334*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Non-trading Financial Assets mandatorily at fair value though profit and loss	**—**	**1,553**		
Equity instruments	—	*35*		
Debt Securities	—	*1,102*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Loans and advances	—	*416*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Financial assets at fair value through other comprehensive income	**1,334**	**6,830**		
Equity instruments (*)	*1,334*	*6,830*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Debt securities	**—**	—		
Loans and advances	**—**	—		
TOTAL ASSETS	**1,547,355**	**8,383**		
LIABILITIES:				
Financial liabilities held for trading	**422,331**	**—**		
Trading Derivatives	422,331	—		
Swaps	*340,769*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*80,500*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*1,062*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**177,619**	**—**		
Swaps	*153,123*	**—**	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*24,496*	**—**	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL LIABILITIES	**599,950**	**—**		

	Thousands of euros			
	Fair values Calculated Using Internal Models 31/12/2022 (Level 2)	Fair values Calculated Using Internal Models 31/12/2022 (Level 3)	Valuation techniques	Main assumptions
ASSETS:				
Non-current assets held for sale	**494,664**	**—**		
Trading derivatives	494,664	—		
Swaps	*425,843*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*37,316*	—	Black Scholes SLN	Interest rate curves, Volatility surfaces
Others	*31,505*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**1,131,071**	**—**		
Swaps	*1,068,242*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*62,829*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Non-trading Financial Assets mandatorily at fair value though profit and loss	**—**	**1,870**		
Equity instruments	—	*39*		
Debt securities	—	*1,444*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Loans and advances	—	*387*	Present Value Method	Interest rate curves, FX Market Prices, Basis
Financial assets at fair value through other comprehensive income	**1,205**	**11,489**		
Equity securities	*1,205*	*11,489*	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL ASSETS	**1,626,940**	**13,359**		
LIABILITIES:		—		
Financial liabilities held for trading	**466,031**	—		
Trading Derivatives	466,031	—		
Swaps	*430,526*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Exchange rate options	6	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Interest rate options	*35,484*			
Others	15	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Hedging Derivatives	**193,787**	**—**		
Swaps	*163,493*	—	Present Value Method	Interest rate curves, FX Market Prices, Basis
Others	*30,294*	**—**	Present Value Method	Interest rate curves, FX Market Prices, Basis
TOTAL LIABILITIES	**659,818**	**—**		

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.

	30/06/2023 (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
					Maximum amount of the actual collateral that can be considered							Maximum amount of the actual collateral that can be considered		
	Number of operations	Gross amount	Number of operations	Gross amount	Mortgage guarantee	Other guarantees		Number of operations	Gross amount	Number of operations	Gross amount	Mortgage guarantee	Other guarantees	
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other financial institutions and: individual shareholder	25	317	18	214	—	171	238	21	260	6	44	—	39	227
Non-financial institutions and individual shareholders	3,312	34,583	2,948	47,039	3,074	34,172	22,959	2,022	19,546	1,560	14,467	1,641	4,616	20,687
Of which: Financing for constructions and property development	47	1,782	5	2,121	—	28	2,709	32	1,595	4	2,099	—	7	2,684
Rest of households	98,135	380,749	4,467	73,309	19,236	33,907	163,664	51,024	204,858	2,143	34,333	6,356	13,248	142,818
Total	**101,472**	**415,649**	**7,433**	**120,562**	**22,310**	**68,250**	**186,861**	**53,067**	**224,664**	**3,709**	**48,844**	**7,997**	**17,903**	**163,732**
ADDITIONAL INFORMATION														
Financing classified as non-current assets and included in disposal groups as classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—

	31/12/2022 (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
					Maximum amount of the actual collateral that can be considered							Maximum amount of the actual collateral that can be considered		
	Number of operations	Gross amount	Number of operations	Gross amount	Mortgage guarantee	Other guarantees		Number of operations	Gross amount	Number of operations	Gross amount	Mortgage guarantee	Other guarantees	
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other financial institutions and: individual shareholder	63	699	20	276	—	200	344	24	289	8	85	—	67	256
Non-financial institutions and individual shareholders	7,632	76,197	6,055	77,004	3,209	39,386	33,122	2,519	22,466	1,631	17,156	1,611	6,408	24,171
Of which: Financing for constructions and property development	299	2,740	26	285	—	213	805	36	364	7	41	—	23	323
Rest of households	107,193	418,382	4,224	71,992	19,844	30,641	175,315	51,861	215,346	1,954	34,282	6,869	11,582	152,590
Total	**114,888**	**495,278**	**10,299**	**149,272**	**23,053**	**70,227**	**208,781**	**54,404**	**238,101**	**3,593**	**51,523**	**8,480**	**18,057**	**177,017**
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 2023 and 2022 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 2023 and on 31 December 2022 no home purchase loans in Spain have been granted to families.

The breakdown of the book at 30 June 2023 and 31 December 2022 is as follows:

	Thousands of euros			
	30/06/2023		31/12/2022	
	Gross Amount	Of which: Impaired	Gross Amount	Of which: Impaired
Home purchase loans to families	—	—	—	—
- Without mortgage guarantee	—	—	—	—
- With mortgage guarantee	1,136,270	53,169	1,216,220	55,421
	1,136,270	**53,169**	**1,216,220**	**55,421**

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 2023, 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 2022, 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).

	30/06/2023					
	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	288	293	199	160	196	**1,136**
- Of which: Non Performing	5	8	9	10	21	**53**

	31/12/2022					
	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	299	315	218	169	215	**1,216**
- Of which: Non Performing	5	9	11	8	22	**55**

17. Solvency information

The breakdown of the Group's capital and leverage ratios at 30 June 2023 and 31 December 2022 is provided below:

Capital ratio

	Millions of euros	
	30/06/2023	31/12/2022
Capital ratio		
Ordinary common equity Tier 1 (Millions of euros)	8,970	9,706
Additional capital common equity Tier 1 (Millions of euros)	1,430	1,427
Ordinary common equity Tier 2 (Millions of euros)	1,992	1,669
Risk weighted assets (Millions of euros)	78,747	77,480
Ordinary common equity Tier 1 ratio (CET 1)	11.39%	12.53%
Additional capital Tier 1 ratio (AT 1)	1.82%	1.84%
Capital Tier 1 ratio (TIER 1)	13.21%	14.37%
Capital Tier 2 ratio (TIER 2)	2.53%	2.15%
Total Capital Ratio	**15.74%**	**16.52%**

Leverage

	Millions of euros	
	30/06/2023	31/12/2022
Leverage		
Tier 1 capital (Millions of euros)	10,400	11,133
Exposure (Millions of euros)	127,349	124,648
Leverage ratio	**8.17%**	**8.93%**

Consolidated Interim Directors' Report for the six month-period ended 30 June 2023

GENERAL BACKGROUND

Santander Consumer Finance has carried out its activity in the first half of 2023 in an environment of market volatility, gradually declining inflation, though still at high levels, and continuing geopolitical tensions. In this context, the world's main central banks once again raised interest rates in an attempt to contain inflationary pressures and anchor medium-term expectations to their respective targets. We expect this process to lead to a gradual slowdown in global economic activity in the second half of 2023 and the first half of 2024 while inflation returns to levels that are compatible with the official goals.

There follows a summary of trends in the main macroeconomic variables by country:

- **Eurozone** (GDP: +1.1% year-on-year in Q1 2023). The economy fell into recession in Q1 2023, although the situation differed considerably from one country to the next, contracting in Germany, Netherlands and Ireland while there was an upturn in France, Spain and Italy. Inflation declined, as did core inflation, but the ECB is concerned by the slow progress towards its target. It therefore continued to raise interest rates (the deposit facility reached 3.5% in June).

- **Spain** (GDP: +4.2% year-on-year in Q1 2023). Spain returned to pre-pandemic GDP levels in Q1. GDP grew by 0.6% QoQ thanks to the positive contribution from external demand, although consumption fell once again (-1.3%). Employment performed well but began to slow towards the end of the period. The jobless rate increased to 13.3%, mainly for seasonal reasons. Inflation declined considerably in June due to energy and food (1.9%), as did core inflation, though at a slower pace.

- **Germany** (GDP -0.5% YoY in the first quarter of 2023). Germany entered a technical recession. Consumption fell very sharply (particularly in the public sector). The easing of supply issues allowed investment to improve, but not construction, which was impacted by high interest rates. The unemployment rate fell to 2.9% but job creation began to slow. The fall in energy prices caused inflation to begin to dip, but it was still very high (6.4% June) due particularly to food.

- **France** (GDP +0.9% year-on-year in Q1 2023). The year got off to a weak start. External demand helped but declined due to a drop in imports. Domestic demand made a negative contribution, with investment plunging (particularly in construction) and private consumption stagnating. Inflation hit 4.5% in June, drained by energy, but food prices remained very high. Unemployment remained at 7.1%.

- **Norway** (GDP 2.2% YoY in Q1 2023). Economic activity cooled in the second quarter, the growth trend staying flat until May, when continental GDP returned to March levels. Inflation in June decreased to 6.4% YoY from 6.7% thanks to lower energy prices, but core inflation rose from 6.7% to 7.0% YoY. This, coupled with the higher expected wage increase (5.4%) in 2023 due to the tight job market, will lead Norges Bank to raise interest rates to 4.25% in September from the current 3.75%.

- **Finland** (GDP 0.1% year-on-year in Q1 2023). The Finnish economy gained momentum in the first quarter of the year, growing by 0.4% quarter-on-quarter, following two consecutive negative quarters. The rebound in public consumption and exports drove growth once more. Rigidities continued in the job market, the unemployment rate having returned to around 6.9% in the last few months after exceeding 7% in the second half of 2022. Inflation continued to moderate down to 6.3% year-on-year in June.

- **Poland** (GDP: -0.3% year-on-year in Q1 2023). GDP declined during the quarter due to shrinking consumption. The economy is expected to improve gradually as reflected in retail sales, business and consumer confidence indices, and the labour market (jobless rate of 2.9%). Inflation dropped to 11.5% in June and, if the downward trend continues, the Central Bank might start cutting interest rates during the third quarter.

- **Portugal** (GDP: +2.5% year-on-year in Q1 2023). The strong growth recorded in Q1 2023 is expected to slow down following the erosion of household purchasing power caused by inflation and higher interest rates. The labour market, with very low levels of unemployment (at 7.2%), is fuelling higher wage increases that sustain inflationary pressures (5.3% core inflation in June).

BUSINESS PERFORMANCE

Activity

SCF faces a complex year following on from historical results in all the most relevant metrics in 2022. Some of these impacts are listed below: (i) change in TLTRO contractual terms and conditions; (ii) inflation; (iii) rate hikes that temporarily reduce margins while repricing the loan portfolio; and (iv) normalisation from a very low cost of risk towards the mid-cycle, including an additional provision for our Swiss franc mortgage portfolio in Poland.

The most significant first-half activities were the implementation of the new agreement to become the Stellantis Group's main financial partner and the acquisition of the MCE Bank Group in Germany.

New lending in Europe is beginning to recover following a very weak 2022, with an 18% rise in new vehicle registrations. SCF increased lending by 5%, 8% in the auto industry, compared to the first half of 2022 when SCF's lending also grew considerably. Setting aside the impact of scope changes (sale of Stellantis joint ventures and acquisition of SC Canada and MCE Germany), new lending would have grown by 8% of the total or 12% in the auto business.

New auto leasing solutions and the commercial focus triggered growth of over 8% in new contracts against the previous year. We carried on developing our own digital leasing platform in Europe with the aim of revolutionising the market by building organic capabilities through the new Santander Auto Engineering team.

Our auto subscription service offers flexible solutions starting at one month. Our platform has two models: (i) Wabi, a direct-to-consumer brand that is already operational in Spain, Norway and Germany and will be launched in more countries in the coming years; and (ii) Ulity, a white-label brand solution for car manufacturers, dealers and distributors launched in June 2022. Through Ulity, we have already entered into significant agreements with chauffeur-driven transportation companies and pan-European manufacturers.

The joint venture with TIMFin, the leading Italian telecom company, has won over 1.7 million contracts since it was launched and has more than 5,800 active points of sale and 2,500 connected vendors.

The Group's total assets stood at 135,528 million euros at 30 June 2023 (4.03% up on year-end 2022).

Lending to customers grew 2% compared to December 2022 to reach 108,479 million euros. As regards liabilities, customer deposits grew 5.7% in the same period up to 43,673 million euros and central bank deposits decreased by 37% down to 27,585 million euros.

At end-June 2023, customer deposits, medium- and long-term securitisations and market issues covered 79% of net customer loans.

With respect to the issuance plan, Santander Consumer Finance, S.A. issued a volume of 3,352 million euros to June 2023, of which 1,102 million euros is senior debt, 300 million euros is subordinated debt and 1,950 million euros is senior non-preferred debt.

These good results were achieved in a very price-competitive auto market environment, somewhat volatile financial markets due to the SBV and Credit Suisse crises, and a macro environment of high inflation triggering uncertainty and reducing our customers' disposable income.

Our market approach will be cautious and we will remain vigilant to react swiftly to any specific event that may affect our business.

Results

Santander Consumer Finance posted a profit after tax of +638 million euros at June 2023, down -17% year-on-year.

The following impacts on each heading are of note:

- **Net interest income** is -7.2% below the first half of the previous year due to the change in TLTRO programme conditions and the interest rate hike. To offset this increase, we are actively repricing loans, focusing on the most profitable segments and increasing customer deposits.

Our liquidity position has been sound at all times and no additional liquidity constraints arose thanks to the trend in deposits and to drawdowns on wholesale facilities. Liquidity metrics stayed above internal limits and complied with regulatory levels. At end-June 2023, the Santander Consumer Finance Subgroup's consolidated LCR (Liquidity Coverage Ratio) was 231% and the NSFR (Net Stable Funding Ratio) was 110% for the same scope at March 2023.

- **Commission** income fell 8% compared to the second half of the previous year as a result of the new legislation affecting insurance fees in Germany.

- **Net gains/(losses) on financial assets and liabilities and other operating results** improved considerably thanks to hedging transactions. This line also includes the Single Resolution Fund (SRF) payment, the new tax on banking activities in Spain and the results of the operational leasing business, which are still highly relevant.

- **Operating costs (administration expenses plus depreciation/amortisation)** amounted to €1,041 million, 5.7% up on the first half of 2022 due to inflation, strategic investments that will boost future income and reduce operating expense, and the effects of the growth in the consolidation scope (Stellantis agreement renewal and MCE). The efficiency ratio stood at 47.30% at the half-year-end, above the 43.14% achieved in the first half of 2022, having been considerably affected by interest rates and particularly by the change to the TLTRO contractual conditions.

- **Loan loss provisions** were 44% above the same period of the previous year due primarily to a low base from the previous year, normalisation of cost of credit and the positive effect of the new default definition regulation at the start of 2022. Credit quality ratios remained low, with a non-performing loan ratio of 2.03%, three basis points below December 2022.

Strategy

SCF is the leader in consumer finance in Europe with a presence in 18 countries (16 in Europe plus China and Canada) and more than 130,000 associated points of sale. It offers value propositions to its clients and partners to enhance their sales capacity through the financing of their products, and the development of technologies that give them a competitive advantage. SCF aspires to be the best auto financer and digital provider of digital mobility services in Europe.

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 2023 are:

The following impacts on each heading are of note:

- **Bolster our leading position** in digital consumer lending based on:

    - **Auto**: progress with our strategic initiatives by creating a world-class digital mobility offering; support for manufacturers' transformation through new lending, leasing (financial and operational), contract hire and online subscription offerings; and provide partners with innovative financing and sales solutions through dealer websites and auto marketplaces.

    - **Consumer (non-auto):** gain market share through specialisation and the development of technology platforms by leveraging our leading position in Europe through our buy now, pay later (BNPL) service, checkout lending, credit cards and direct lending.

    - **Digital Bank:** increase retail customer loyalty in SC Germany and promote our digital banking activity.

- **Continue to transform our operating model** while maintaining efficiency and our industry benchmark status, through: (i) common technology platforms; (ii) a simplified operational and legal structure; and (iii) process redesign and automation.

- **Reduce sensitivity to rising interest rates** through increased deposit-gathering and swifter loan repricing. We are also promoting an originate-to-distribute model that mobilises the balance sheet and makes the business less capital intensive.

- **Drive technology transformation projects**. In the Auto business, thanks to the new agreement with Stellantis, the acquisition of MCE Bank in Germany and the leveraging of opportunities with car manufacturers and dealers, as well as the launch of our new digital leasing platform.

We continue to support the green transition in European mobility. In 2023, besides financing battery electric vehicles, we have other initiatives under way that are spreading rapidly across Europe: electric chargers, solar panels, ecological heating systems, electric bicycles, etc.

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 Consumer Finance 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 Consumer Finance 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 2023	1S 2022
Efficiency ratio (cost-to-income)	**(47.30)%**	**(43.14)%**
Operating expenses	(1,040,911)	(988,657)
Administrative expenses	(940,823)	(889,690)
Amortization	(100,088)	(98,967)
Gross margin	2,200,507	2,291,826

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 2023	2022
Delinquency rate	**2.03%**	**2.06%**
Doubtful balances of loans and advances to customers, guarantees to customers and commitments to customers	2,254,882	2,239,154
- Impaired assets	2,218,246	2,180,048
- Commitments and guarantees granted	36,636	59,106
Total Risk	110,805,536	108,808,130
- Loans and advances to customers without considering impairment adjustments	110,487,897	108,445,886
- Guarantees granted	317,639	362,244
Coverage ratio	**90.95%**	**88.61%**
Impairment losses on loans and advances to customers at amortized cost and at fair value through other comprehensive income	2,026,867	1,956,054
Contingent liabilities and commitments	23,855	28,010
Impaired assets	2,218,246	2,180,048
Commitments and guarantees granted	36,636	59,106

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.

The Santander Consumer Finance Group is geographically diversified, with a presence in eighteen countries, concentrated in our core markets. The Group's profile is mainly retail (85% consumer credit and 15% dealer stock finance), with the main activity being funding vehicle purchases.

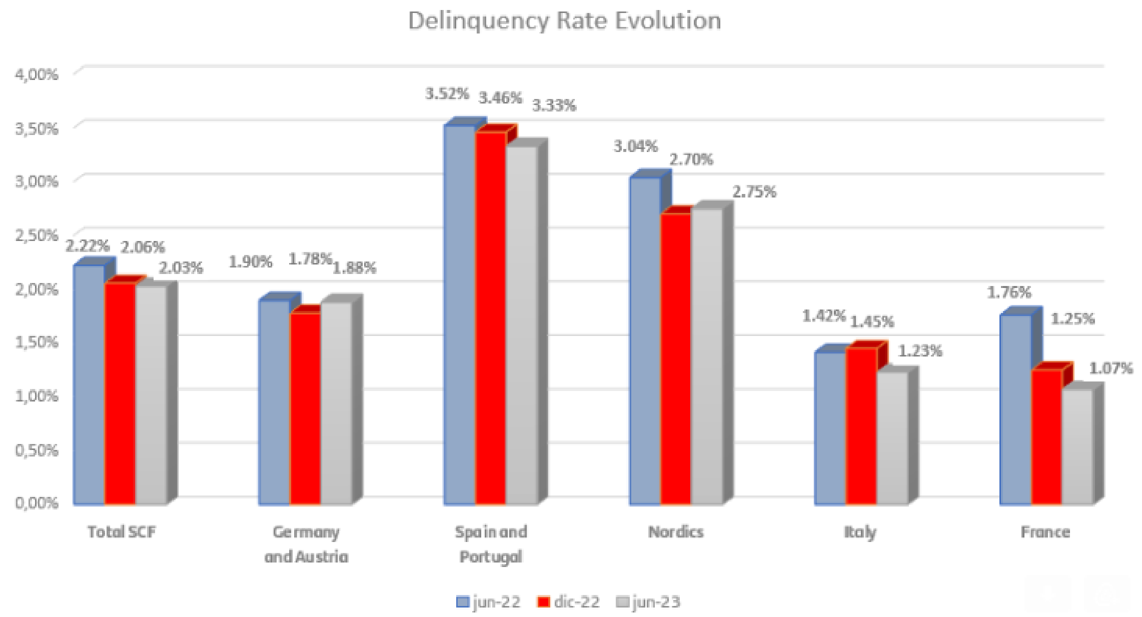
The exposure to credit risk of our portfolio is detailed in the following table (figures in millions of euros):

SCF Group - Gross Credit Risk Exposure				
	2023 (Millions of euros)	Change vs. December 2022	% Portfolio	2022 (Millions of euros)
Spain and Portugal	17,495	17.01%	15.83%	14,952
Italy	13,224	27.74%	11.97%	10,352
France	17,215	7.99%	15.58%	15,940
Germany and Austria	41,793	-0.73%	37.83%	42,099
Scandinavia	17,130	-3.85%	15.50%	17,815
Other	3,632	-50.23%	3.29%	7,298
Total	**110,488**	**1.87%**	**100.00%**	**108,456**

Credit risk exposure cost is stable throughout 2023 at around 0.47% in June 2023. This is due to the increase in the recovery of economic activity to the pre-COVID level of performance, largely explained by the change in the product mix. Greater weight in the financing of used vehicles (with a stable credit quality) and a clear focus on the direct portfolio (with a more conservative approach in terms of risk appetite in the current environment).

Germany continues to account for the largest share of the portfolio with 37.83% with its respective JVs and Austria. In turn, Spain, FECI and Portugal represent 15.83% of the total credit risk of Santander Consumer Finance, France including JV France represents 15.58%, and the units in the Nordic countries represent 15.50%.

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 2023, the delinquency rate is 2.03%, slightly lower than that of December 2022, which was 2.06%, which is mainly due to the fact that a controlled risk profile continues to be maintained.



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. <u>Scope and definitions</u>

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 measures used to control interest rate risk in these activities are the interest rate gap, the financial margin sensitivities and the equity value to variations in interest rate levels.

– *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. <u>Control environment</u>

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 100 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 2% 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 2023, 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. <u>Management</u>

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

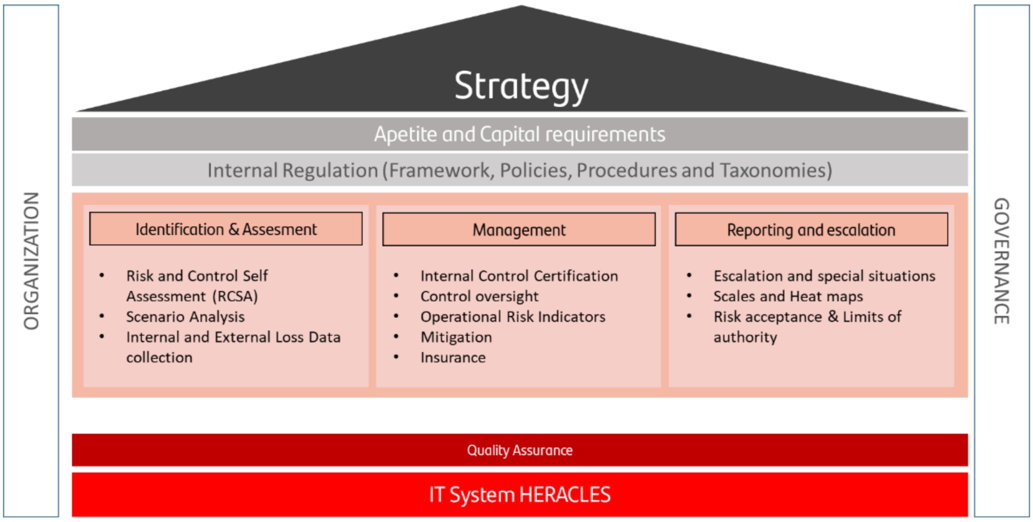
The Group defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

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. it 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.

Models	Policies	Procedures
▪ Management and control of operational risk	▪ Fraud management and control ▪ Business Continuity Management ▪ Cyber Security Risk ▪ IT risk oversight	▪ Management of Internal Events ▪ Relation Between own Insurance and Operational Risk ▪ Management of external data ▪ Risk Control Self-Assessment (RCSA) ▪ Internal Control Model Assurance ▪ Taxonomy definition and maintenance ▪ Control oversight and Cross check of outputs between OR instruments ▪ Communication and escalation of relevant operational risk events ▪ Development and management of ORIs ▪ Identification and management of mitigation measures ▪ Booking the operational risk financial impacts ▪ Non-Financial risk perimeter review ▪ Supervising Management of Operational Risks in Agreements with Suppliers ▪ Operational Risk Scenario Analysis ▪ SCIIF and S-OX Compliance

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 (1LOD): 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 (RO): 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:

- 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 (2LOD): 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 Senior Managers receives a global vision of all relevant risks, guaranteeing adequate communication and reports to Senior Managers 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:

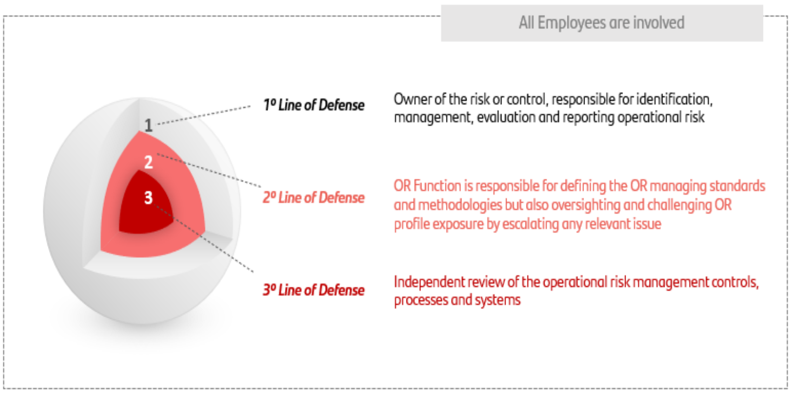
    - To verify that the risks inherent to the Group's activity are sufficiently covered, complying with the policies established by Senior Management and the internal and external procedures and regulations that may be applicable.

    - 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, however, they are already working on the projections of calculating regulatory capital by the Standardized Measurement Approach (SMA).

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 2023 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. Due to the war in Ukraine, and the current geopolitical situation, the cybersecurity threat level is set at level 2, highlighting the greatest exposure in attempted DDoS attacks and ransomware campaigns.

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 encompasses all matters related to regulatory compliance, prevention of money laundering and terrorist financing, product governance 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 2023 complete alignment with the Santander Group's standards in terms of management policies, procedures and methods at all its units.

The tools available to the compliance function to identify and manage the risks under its responsibility are:

i. Annual Risk Assessment exercises for conduct, regulation, prevention of money laundering and reputational risk.

ii. Preparation by each entity of an annual compliance plan that reflects the corporate initiatives of Grupo Santander, the local initiatives necessary to comply with local regulation and good sectoral practices, the deficiencies identified in the Risk Assessment exercises and the potential audit recommendations internal as a third line of defense and any other requirements from local supervisors.

iii. Periodic monitoring meetings with units and periodic reporting process regarding compliance risks.

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 (the limits established by Santander Consumer Finance follow the Group's policies).

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 2023 of the distribution of customer loans by activity (carrying value, not including advances) is as follows:

Loan to clients by activity	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	**141,256**	**124,313**	**—**	**16,943**	**61**	**418**	**1,524**	**6,465**	**8,475**
2. Other financial corporations and individual entrepreneurs (financial business)	**547,913**	**381,897**	**2,328**	**163,688**	**4,736**	**5,097**	**17,267**	**49,760**	**89,156**
3. Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**36,267,158**	**16,733,933**	**63,861**	**19,469,364**	**158,842**	**458,553**	**1,147,780**	**11,742,308**	**6,025,742**
3.1 Real estate construction and development (including land)	215,647	84,867	—	130,780	238	969	3,987	121,620	3,966
3.2 Civil engineering	7,736	—	—	7,736	—	—	—	7,736	—
3.3 Large corporations	14,051,603	6,767,925	31,531	7,252,147	64,147	199,348	501,101	3,799,821	2,719,261
3.4 SMEs and individual entrepreneurs	21,992,172	9,881,141	32,330	12,078,701	94,457	258,236	642,692	7,813,131	3,302,515
4. Other households (broken down by purpose)	**70,649,034**	**43,634,597**	**3,578,706**	**23,435,731**	**2,095,590**	**2,338,828**	**2,561,612**	**10,944,017**	**9,074,390**
4.1 Housing units	3,719,738	352,421	3,365,481	1,836	1,498,653	817,972	473,782	332,173	244,737
4.2 Consumer loans	66,377,958	43,191,912	89,034	23,097,012	467,104	1,509,540	2,055,345	10,348,112	8,805,945
4.3 Other purposes	551,338	90,264	124,191	336,883	129,833	11,316	32,485	263,732	23,708
5. TOTAL	**107,605,361**	**60,874,740**	**3,644,895**	**43,085,726**	**2,259,229**	**2,802,896**	**3,728,183**	**22,742,550**	**15,197,763**
MEMORANDUM ITEMS									
Refinancing, refinanced and restructured operations (*2)	349,350	255,672	22,799	70,879	3,535	7,262	12,696	27,873	42,312

(1*) In addition, the Consumer Group has granted advanced to customers in the amount of 856,085 thousands of euros; hence, total loans and advances to customers amounts to 108,461,446 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 2023 of the concentration of the Group's risk, by activity and geographic location of counterparties, is as follows:

Concentration of Risks by activity and geographical area	Spain	Rest of EU	America	Rest	**Total**
1. Central Banks and credit institutions	**5,908,312**	**8,190,023**	**4,560**	**309,720**	**14,412,615**
2. Public Administrations	**767,496**	**3,146,933**	**—**	**38,255**	**3,952,684**
2.1 Central Governments	*765,129*	*1,837,562*	—	—	*2,602,691*
2.2 Other Central Administrations	*2,367*	*1,309,371*	—	*38,255*	*1,349,993*
3 Other financial institutions and individual entrepeneurs	**10,303**	**1,138,747**	**13,982**	**245,276**	**1,408,308**
4 Non-financial institutions and individual entrepreneurs	**3,732,027**	**31,620,524**	**—**	**1,918,579**	**37,271,130**
4.1 Construction and real estate development (including land)	—	*215,647*	—	—	*215,647*
4.2 Civil Engineering	—	*7,739*	—	—	*7,739*
4.3.1 Large companies	*1,337,420*	*12,324,164*	—	*732,288*	*14,393,872*
4.3.2 SMEs and individual entrepeneurs	*2,394,607*	*19,072,974*	—	*1,186,291*	*22,653,872*
5 Other households (breakdown by purpose)	**9,912,130**	**55,875,657**	**703,976**	**4,267,216**	**70,758,979**
5.1 Property	*1,265,779*	*2,456,700*	—	—	*3,722,479*
5.2 Consumption	*8,570,408*	*52,942,666*	*703,976*	*4,267,216*	*66,484,266*
5.3 Other purposes	*75,943*	*476,291*	—	—	*552,234*
6. TOTAL	**20,330,268**	**99,971,884**	**722,518**	**6,779,046**	**127,803,716**

(*) 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

Between June 30, 2023 and the date of preparation of the condensed consolidated interim financial statements, no additional event has occurred other than those described in these explanatory notes that has a significant effect on them, as indicated in the Note 1h.

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.

The mortgage bonds issued by the Bank were securities whose capital and interests were specially guaranteed by mortgages, without the need for registration, without prejudice to the Bank's universal patrimonial responsibility. All of the mortgage bonds issued expired during fiscal year 2022.

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 2023, 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 2023, and no treasury shares are held at 30 June 2023.

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 2021, 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 17 December 2020, the SCF, S.A. Board of Directors granted powers of attorney to Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir as Managing Directors of Santander Consumer Finance, S.A. The Board of Directors agreed to delegate in favor of Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir, jointly and severally, all the powers of the Board, except those that cannot be legally delegated.

Because of the reason of his re-election as Director, agreed by the General Shareholders' Meeting on February 24, 2022, the Board of Directors, agreed to the re-election of Mr. José Luis de Mora as CEO, attributing him, jointly and severally, all the Board Directors' faculties, except those that may not be delegated by law or bylaws, which cannot be delegated classified as non-delegable in the Board Regulations, which are the following:

a. The approval of the Company's general policies and strategies, and the supervision of their application.

b. The formulation of the annual accounts and their presentation to the general meeting.

c. The formulation of any kind of report required by law to the board of directors as long as the operation to which the report refers cannot be delegated.

d. The announcement of the shareholders' general meeting and the preparation of the agenda and the proposal of agreements.

e. The definition of the Group's structure of companies of which the Company is the parent entity

f. The monitoring, control and periodic evaluation of the corporate governance and internal governance system and of the regulatory compliance policies, as well as the adoption of appropriate measures to solve, where appropriate, its deficiencies.

g. The approval, within the framework of the Social Statute and the remuneration policy for directors approved by the general meeting, of the remuneration that corresponds to each director.

h. The approval of the contracts that regulate the provision by the directors that its functions differs on those that correspond to them in their capacity as such and the remuneration that corresponds to them for the performance of other functions different from the supervision and collegiate decision that they carry out in their capacity as mere council members.

i. The design and supervision of the director selection policy, as well as the director succession plans.

j. The selection and evaluation of directors.

k. The supervision of the development of the Responsible Banking Agenda.

l. The faculties that the general meeting has delegated to the board of directors, unless expressly authorized by it to sub-delegate them.

m. The determination of its organization and operation and, in particular, the approval and modification of the regulations of the Council.

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.