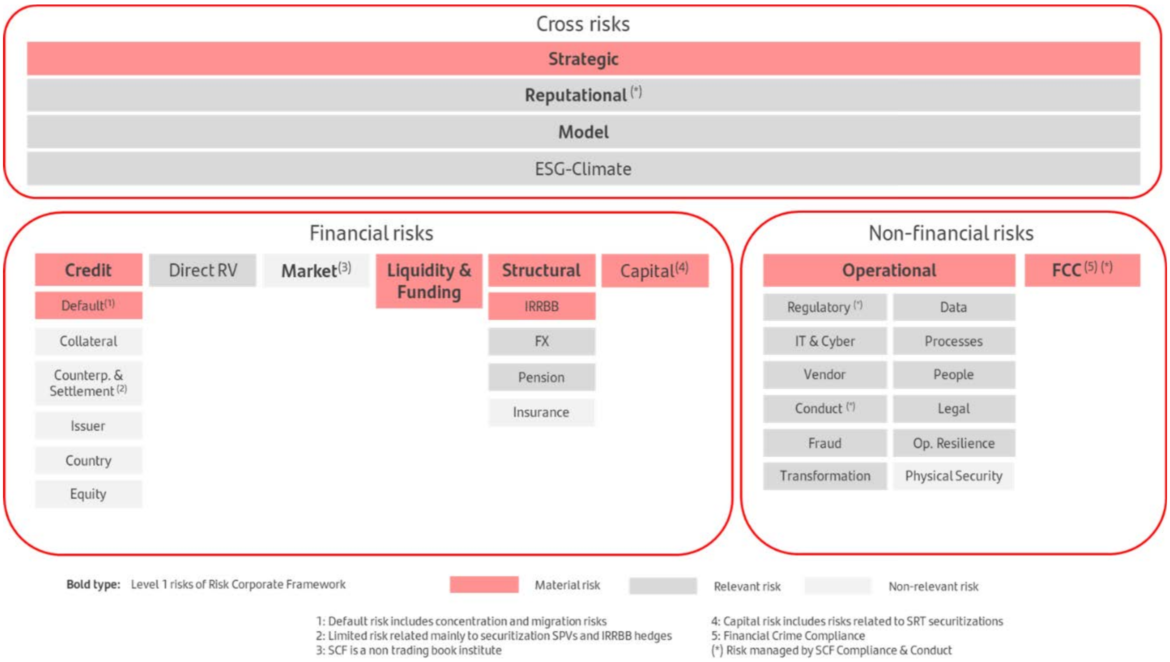
**Risk map**

Santander Consumer Finance has a recurring process for the identification of the material risks to which it is or may be exposed, which is reflected in the risk map. Material risks should be incorporated into risk appetite, risk strategy, risk profile assessment exercise and ICAAP/ILAAP. Below is the latest update of the Santander Consumer Finance risk map.




In its first level the risk map includes the following (General Risk Framework):

- **Credit risk** is the risk of financial loss caused by the default or impairment of the credit quality of a client or other third party, to which Santander Consumer Finance has financed or for which a contractual obligation has been assumed.
- **Market risk** is the risk incurred as a result of changes in market factors affecting the value of positions in trading portfolios. This risk is not relevant in Santander Consumer Finance because it is not a trading institution.
- **Liquidity risk** is the risk that Santander Consumer Finance does not have the liquid financial assets necessary to meet its obligations at maturity, or can only obtain them at a high cost.
- **Structural risk** is the risk derived from the management of the different balance sheet items, both in the bank portfolio and in relation to insurance and pension activities.
- **Capital Risk** is the risk that Santander Consumer Finance does not have sufficient capital, in quantity or quality, to meet its internal business objectives, regulatory requirements, or market expectations.
- **Operational risk** is defined as the risk of loss due to inadequacy or failure of internal processes, personnel and systems or due to external events. This definition includes legal risk.

- **Financial crime risk** is the risk arising from actions or the use of the group's means, products and services in criminal or illegal activities. These activities include, inter alia, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery and tax evasion.

- **Strategic Risk** is the risk of loss or damage arising from strategic decisions, or their poor implementation, affecting the long-term interests of our main stakeholders, or an inability to adapt to the evolving environment.

- **Reputational risk** is defined as the risk of a negative economic impact, current or potential, due to an impairment in the perception of the bank by employees, customers, shareholders/investors and society in general.

- **Model risk** is the risk of loss derived from inaccurate predictions, which may result in the bank making sub-optimal decisions, or from improper use of a model.

The material risks in Santander Consumer Finance are: Credit, default (including concentration and migration), liquidity and funding, structural, structural interest rate, capital, operational, financial and strategic crime.

The relevant risks in Santander Consumer Finance are: Direct residual value, structural exchange rate, pensions, legal, fraud, IT and cyber risk, suppliers, operational resilience, transformation, people, data, processes, regulatory compliance, conduct, reputational, model and ESG risks (related to environmental and climate, social and governance factors).

There are two types of risk whose relevance is increasing in recent times and for which Santander Consumer Finance is strengthening its management and control: Direct residual value risk and ESG/climate risks.

Direct residual value risk is defined as the risk of loss that an entity may have if at any time during the life of an automobile contract (loan, lease, etc.) the customer has the option or obligation to return the vehicle as a full and final settlement, due to uncertainty about the sale price of the vehicle made at that time.

ESG factors (environmental and climate, social and governance) can influence traditional risk types (credit, liquidity, operational, reputational, etc.) arising from the physical effects of climate change, generated by specific events as well as chronic changes in the environment, such as environmental and environmental factors. or the process of transition to a model of development of lower emissions, including legislative, technological or behavioral changes of economic agents, as well as the failure to meet the expectations and commitments acquired.

**Corporate Risk Governance**

The objective of the governance of the risk function is to establish adequate and efficient risk decision-making as well as effective risk control and to ensure that risks are managed according to the level of risk appetite approved by the Board of administration of Santander Consumer Finance.

To this end, the following principles are established:

- Segregation of decision-making and risk control.

- Strengthening the responsibility of risk-generating functions in decision-making.

- Ensure that all risk decisions have a formal approval process.

- Ensure an aggregate view of all types of risks.

- Strengthen risk control committees.

- Maintain an agile and efficient committee structure, ensuring:

    - Participation and involvement in risk decisions, as well as in their supervision and control, of management bodies and senior management.

    - Coordination between the different lines of defense that configure the functions of risk management and control.

- Alignment of objectives, monitoring of compliance and implementation of corrective measures when necessary.
- Existence of an adequate environment for managing and controlling all risks.

In order to achieve these objectives, the Model Governance Committees scheme must ensure adequate:

- Structure, which implies, at least, stratification according to levels of relevance, balanced delegation capacity and incident elevation protocols.
- Composition, with members of sufficient level of interlocution and sufficient representation of the business and support areas.
- Operability, that is, frequency, minimum attendance level and appropriate procedures.

The governance of risk activity should establish and facilitate the channels of coordination between the units and Santander Consumer Finance , as well as the alignment of risk management and control models.

The governing bodies of Santander Consumer Finance units will be structured according to local regulatory and legal requirements and the size and complexity of each unit.

There are special situations committees (Gold, Silver and Bronze) that will be activated to follow up immediately on any event that may affect the business and activity of the entity.

**Roles and responsibilities**

The risk function is structured in three lines of defense, according to corporate policy, to manage and control risks effectively:

- First line of defense: Business functions that take or generate risk exposure constitute the first line of defense. The first line of defense identifies, measures, controls, monitors and reports the risks that arise and applies the internal regulations that regulate risk management. Risk generation should be adjusted to the approved risk appetite and associated limits.
- Second line of defense: Formed by the risk functions, which independently supervise and question the risk management activities carried out by the first line of defense. This second line of defense should ensure, within their respective areas of responsibility, that risks are managed according to the risk appetite defined by senior management and promote a strong risk culture throughout the organization.
- Third line of defense: The Internal Audit function is independent to assure the board of directors, and senior management, the quality and effectiveness of internal controls, government and risk management systems, helping to safeguard our value, solvency and reputation.

**Structure of Risk Committees**

Responsibility for risk control and management lies ultimately with the Board of Directors, from which the powers delegated to commissions and committees emanate. At Santander Consumer Finance, the Board relies on the Risk Supervision, Regulation and Compliance committee, as an independent risk control and oversight committee. In addition, the Executive Committee devotes special attention to risk management. These statutory bodies form the highest level of risk governance.

<u>Bodies for independent control</u>

- *Risk, Regulation and Compliance Supervision Commission (CSRRC):*

  The Commission's mission is to assist the Board of Directors in the supervision and control of risks, in the definition and evaluation of risk policies, as well as in the determination of risk propensity and risk strategy.

  It is composed of external or non-executive directors, with a majority representation of independent directors and chaired by an independent director.

The functions of the Risk, Regulation and Compliance Supervision Commission are:

- Support and advise the Board of Directors in the definition and evaluation of risk policies affecting Santander Consumer Finance and in the determination of risk propensity and risk strategy.

- Ensure that the pricing policy for assets and liabilities offered to clients takes full account of the business model and risk strategy.

- Know and evaluate management tools, improvement initiatives, project evolution and any other relevant activity related to risk control.

- Determine, together with the Management Board, the nature, quantity, format and frequency of risk information to be received by the Commission and the Management Board.

- Collaborate to establish sound remuneration policies and practices. For this purpose, the Risk Supervision, Regulation and Compliance Commission shall examine, without prejudice to the functions of the Remuneration Commission, whether the incentive policy provided for in the remuneration system takes into account risk, capital, liquidity and probability and opportunity of profits.

- *Risk Control Committee (CCR):*

  This collegiate body is responsible for the supervision and global risk control of Santander Consumer Finance in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A.

  Its objectives are:

  - To be the instrument for effective risk control, ensuring that risks are managed according to the Bank's level of risk appetite approved by the Board of Directors of Santander Consumer Finance, S.A., and allowing a comprehensive view of all the risks identified in the risk map of the general risk framework, including the identification and monitoring of both current and emerging risks and their impact on the risk profile of the Santander Consumer Finance Group.

  - Ensure the best estimate of the provision and its proper registration.

  This committee is chaired by the Chief Risk Officer (CRO) of Santander Consumer Finance and is composed of executives of Santander Consumer Finance. They are represented, at least, among others, the risk function, which the presidency exercises, and the functions of compliance, financial and management control, as well as representatives of the business areas. The CROs of local entities may participate periodically in order to report, among others, the risk profile of the different entities.

  The Risk Control Committee reports to the Risk Supervision, Regulation and Compliance Committee and assists it in its role of supporting the Board of Directors.

- *Provisions Committee:*

  The Provisions Committee is the collegiate decision-making body responsible for the global management of the provisions in accordance with the powers delegated by the Executive Committee of Risks of Santander Consumer Finance S.A. and will supervise, within its area of action and decision, all topics related to Santander Consumer Finance provisions. Its objective is to be the instrument for decision-making, ensuring that they are within the government of provisions established in Santander Consumer Finance, as well as to inform the Board of Directors or its committees of their activity when necessary.

<u>Decision-making bodies</u>

- *Executive Risk Committee (ERC):*

  The Risk Executive Committee is the collegiate decision-making body responsible for global risk management in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A., and will continue, in its scope of action and decision, all risks identified by the Bank.

Its objective is to be the instrument for making risk-taking decisions at the highest level, ensuring that they are within the limits set in the risk appetite of the Santander Consumer Finance Group, as well as report its activity to the Council or its commissions when required.

This committee is chaired by the Head of Santander Consumer Finance and is composed of executive directors, and other executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance. The CRO of Santander Consumer Finance has the right of veto over the decisions of this committee.

- *Proposal Sub-committee (RPSc):*

  Santander Consumer Finance's Sub-Committee on Risk Proposals is the collegiate decision-making body responsible for making decisions relating to business operations and countries, in terms of credit, market, liquidity and structural risk (or any other type of risk if necessary), ensuring that they are within the limits set in Santander Consumer Finance's risk appetite as well as reporting their activity to the Risk Executive Committee when required.

  This committee is chaired by the CRO of Santander Consumer Finance, and is composed of executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance.

<u>The Risk Committee structure of the Western Hub branches:</u>

Under the merger agreements and for the purpose of ensuring proper governance and continuity of the risk function of the branches of the Western Hub by Santander Consumer Finance, S.A (absorbing company):

- As many powers, powers and attributions in matters of risk were granted individually or collectively in the branches, they will remain in force under the same terms and conditions.

- What is particularly established in its approval and risk control committees shall remain in force with the same functions, unless one or more powers are expressly claimed by a higher-ranking body.

- Any discrepancy in the understanding of the powers and competence of the committees shall be interpreted in the sense that it best favors the governance functions of the company as a whole and, in any case, subject to the practices and uses of the bodies of higher hierarchy of the entity Santander Consumer Finance S.A.

**Structural organisation of the risk function**

The Group Chief Risk Officer (GCRO) is responsible for the risk function in Santander Consumer Finance and reports to the Head of Santander Consumer Finance, who is a member of the Board.

The GCRO advises and challenges the executive line and also reports independently to the Risk, Regulatory and Compliance Committee and to the Board.

Advanced risk management is based on a holistic, forward-looking approach to risks, based on intensive use of models, to foster a robust control environment that meets the requirements of the regulator and the supervisor.

Santander Consumer Finance's risk management and control model shares certain core principles via its corporate frameworks. These frameworks are established by the Group and Santander Consumer Finance adheres to them through its management bodies. They shape the relationship between the subsidiaries and Santander Consumer Finance, including the role played by the latter in validity.

The Group-Subsidiaries Governance Model and good governance practices for subsidiaries recommend that each subsidiary should have a bylaw-mandated risk committee and an executive risk committee chaired by the Chief Executive Officer (CEO). This is in line with best corporate governance practices and consistent with those already in place in the Group, as set out in the corporate framework, to which Santander Consumer Finance has signed up.

Under the Group's internal governance framework, the management bodies of Santander Consumer Finance have their own model of risk powers (both quantitative and qualitative), which must follow the principles set out in the benchmark models and frameworks developed at the corporate level.

Given its capacity for comprehensive and aggregated oversight of all risks, the corporation exercises a validation and questioning role with regard to the operations and management policies of the units, insofar as they affect the Group's risk profile.

Identifying and evaluating risks is a cornerstone for controlling and managing risk. The main risk types to which the Group is exposed are credit risk, market risk, operational risk and compliance and conduct risk.

Santander Consumer Finance has taken several initiatives to improve the relationship between Santander Consumer Finance and its subsidiaries, and to improve the model of advanced risk management.

- **Credit Risk**

Credit risk stems from the possibility of losses arising from the failure of clients or counterparties to meet their financial obligations with the Group, in full or in part.

The risk function in Santander Consumer Finance is organised by customer type, distinguishing between individualised and standard customers throughout the risk-management process:

- Individualised customers are those assigned to a risk analyst, mainly because of the risk they entail. This category includes Wholesale Banking companies and some Retail Banking companies. Risk management involves expert analysis, complemented by decision-making support tools based on internal risk assessment models.

- Standard risks are those customers to whom no risk analyst is expressly assigned. They generally include risk with individuals, individual businesspeople and non-individualised retail banking companies. Management of these risks is based on internal-assessment and automatic-decision models, complemented by teams of analysts specialized in specific risk types when the model does not cover the risk or is not sufficiently accurate.

***Key figures in 2023***

The trend in non-performing assets and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has generally kept these figures lower than those of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate level of coverage to meet the expected loss from the credit risk portfolios managed.

As of December 2023, the default rate was 2.15%, based on controlled risk, despite the upward trend due to adverse situations that have been experienced throughout 2023, the measures applied in the units and the

Santander Consumer Finance risk appetite. Doubtful loans (2,477 million euros) are distributed by units as follows: Nordics represents 21% of the total, Spain and Portugal 26%, Germany and Austria 37%, France 8% and Italy 8%. Regarding the type of portfolio, Auto represents 46% of the total, Direct 35%, Cards 7%, Stock Finance 1%, Mortgages 3%, Durables 3% and others 5%.

Despite the macroeconomic environment due to interest rate hikes, inflation and the war between Russia and Ukraine, the non-performing loan ratio has closed slightly above the December 2022 data (9 basis points).

In terms of cost of credit, this ratio has a low risk profile thanks to the granularity and predictability of Santander Consumer Finance's portfolios. The 12-month cost of credit at the end of December 2023 was 0.59%.

***Highlights and trends***

The profile of Santander Consumer Finance's credit risk portfolio is characterised by a diversified geographic distribution and the predominance of retail banking.

***Global Credit Risk Map 2023***

The following table details the global map of Santander Consumer Finance's gross credit exposure by geographic area:

***a) Global Credit Risk Map 2023***

The following table details the global map of gross credit exposure by geographical area:

| Group- Gross exposure to credit risk | | | |
|---|---|---|---|
| | 2023 (million euros) | Variation December 2022 | % Portfolio |
| Spain and Portugal (*) | 16.159 | 8.07 % | 13.74 % |
| Italy | 15.542 | 50.14 % | 13.21 % |
| France | 19.412 | 21.78 % | 16.50 % |
| Germany and Austria | 44.172 | 4.92 % | 37.55 % |
| Nordics (Scandinavia) | 17.390 | (2.39) % | 14.78 % |
| United Kingdom | — | — % | — % |
| Rest | 4,967 | 10.90 % | 4.22 % |
| **Total** | 117.642 | 8.47 % | 100.00 % |

In terms of vision by products at the end of December 2023, Auto represents 62% of the total gross exposure, direct 11%, mortgages 3%, durables 2%, Stock Finance 14%, cards 2% and others 6%. Germany concentrates the largest percentage of the portfolio with 38% along with Austria. On the other hand Nordics (Scandinavia) represents 15%, and includes the units of Norway, Denmark, Sweden and Finland. France, including Stellantis Joint Ventures, accounts for 17% of the total. Spain, Portugal and their respective units resulting from cooperation with Stellantis, account for 14% of the total.

**Estimation of impairment losses**

**Calculation of expected credit losses:**

Grupo Santander Consumer Finance calculates expected credit losses using parameters (mainly PD and LGD) based on internal models according to specific requirements of IFRS 9 and other guidelines by regulators, supervisors and other international organizations (EBA, NCAs, BIS, GPPC). Models are built using internal information with sufficiently representative historical depth and granularity, regulatory and management experience, as well as forward-looking information based on macroeconomic scenarios, and allow estimating losses throughout the life of the operation. They follow a defined life cycle that includes, among others, a process of internal validation, monitoring and governance models to ensure their robustness and suitability for use.

**Determination of significant increase in credit risk**

In order to determine the classification in stage 2, the Group assesses whether there has been a significant increase in credit risk (SICR) since the initial recognition of the transactions, considering a series of common principles throughout the Group that guarantee that all financial instruments are subject to this assessment, which considers the particularities of each portfolio and type of product on the basis of various quantitative and qualitative indicators. Furthermore, transactions are subject to the expert judgement of the analysts, who set the thresholds under an effective integration in management and implemented according to the approved governance. The criteria thresholds used by the Group are based on a series of principles, and develop a set of techniques. The principles are as follows:

- Universality: all financial instruments subject to a credit rating must be assessed for their possible SICR.
- Proportionality: the definition of the SICR must take into account the particularities of each portfolio.
- Materiality: its implementation must be also consistent with the relevance of each portfolio so as not to incur **in** unnecessary costs or efforts.
- Holistic vision: the approach selected must be a combination of the most relevant credit risk aspects (e.g. quantitative and qualitative).
- Application of IFRS 9: the approach must take into consideration IFRS 9 characteristics, focusing on a comparison with credit risk at initial recognition, as well as considering forward-looking information.
- Risk management integration: the criteria must be consistent with those metrics considered in the day-to-day risk management.
- Documentation: Appropriate documentation must be prepared. The techniques are summarised below:
    - Stability of stage 2: in the absence of significant changes in the portfolios credit quality, the volume of assets in stage 2 should maintain a certain stability as a whole.
    - Economic reasonableness: at transaction level, stage 2 is expected to be a transitional rating for exposures that could eventually move to a deteriorating credit status at some point or stage 3, as

well as for exposures that have suffered credit deterioration and whose credit quality is improving and returns to stage 1.

- Predictive power: it is expected that the SICR definition avoids, as far as possible, direct migrations from stage 1 to stage 3 without having been previously classified in stage 2.

- Time in stage 2: it is expected that the exposures do not remain categorized as stage 2 for an excessive time.

The application of the aforementioned techniques, conclude in the setting of one or several thresholds for each portfolio in each geography. Likewise, these thresholds are subject to a regular review by means of calibration tests, which may entail updating the thresholds types or their values. Identifying a significant increase in credit risk: when classifying financial instruments under stage 2, Santander considers:

- Quantitative criteria: Santander Consumer Finance reviews and quantifies changes in the risk of default during their expected life based on their credit risk level on initial recognition. To recognize significant changes so instruments can be classified in stage 2, each subsidiary set quantitative thresholds for its portfolios based on Santander's guidelines for consistent interpretation across all our geographies These thresholds can be expressed as an absolute or relative increase in the probability of default.

  Of those quantitative thresholds, Grupo Santander considers two: the relative threshold, which shows the difference in credit quality since the transaction was approved as a percentage of variation; and the absolute threshold, which calculates the total difference in credit quality. All subsidiaries apply them (with different values) in the same manner. The use of one or both depends on portfolio type and other aspects, such as the starting point for average credit quality.

- Qualitative criteria: Several indicators aligned with ordinary credit risk management indicators (e.g. past due for over 30 days, forbearance, etc.). Each subsidiary defined these criteria for its portfolios. Santander supplements these qualitative criteria with expert opinions. When the presumption of a significant deterioration of credit risk is removed, due to a sufficient improvement of the credit quality, the obligor can be re-classified to Stage 1, without any probationary period in Stage 2.

- Definition of default: Santander incorporated the new definition to provisions calculation according to the EBA's guidelines; the Group is also considering applying it to prudential framework. In addition, the default definition and stage 3 have been aligned.

  This definition considers the following criteria to classify exposures as stage 3: financial instruments with one or more payments more than 90 consecutive days past due, representing at least 1% of the client's total exposure or the identification of other criteria demonstrating, even in the absence of defaults, that it is unlikely that the counterparty is unlikely to meet all of its financial obligations. The Group applies the default criteria to all exposures of the impaired client. Where an obligor belongs to a group, the default criteria may also be applied to all exposures of the group. The default classification is maintained during the 3-month test period following the disappearance of all default indicators described above, and this period is extended to one year for forbearances that have been classified as default.

- Expected life of financial instruments: Santander estimates the expected life of financial instruments according to their contractual terms (e.g. prepayments, duration, purchase options, etc.). The contractual period (including extension options) is the maximum time frame for measuring the expected credit loss. If financial instruments have an undefined maturity period and available balance (e.g. credit cards), Santander estimates its expected life based on the total exposure period and effective management practices to mitigate exposure.

- Forward-looking vision

To estimate expected losses, Grupo Santander requires a great deal of expert analysis as well as past, present and future data. Santander quantifies expected losses from credit events using an unbiased, weighted consideration of up to five future scenarios that could affect our ability to collect contractual cash flows. These scenarios take into account the time value of money, the relevant information available about past events and current conditions, and projections of macroeconomic factors that are considered important to estimate this amount (e.g. GDP, house prices, rate of unemployment, among others).

Santander uses forward-looking information in internal management and regulatory processes under several scenarios. The Group's guidelines and governance ensure synergy and consistency between these different processes.

During 2023, the Group has updated the macroeconomic scenarios included in the provision models with the most up-to-date information on the current environment. Consequently, the Group uses a prospective vision to estimate expected losses.

- Additional elements

Additional elements such an analysis of sectors or other pilars of credit risk analysis are included when necessary if they have not been captured by the two elements explained in the paragraph above, and their impacts has not been captured sufficiently by the macroeconomic scenarios. Collective analysis techniques are also used, when the potential impairment in a group of clients cannot be identified individually.

Based on the elements described above, Grupo Santander Consumer Finance has evaluated the performance of the credit quality of its customers in each of the geographical areas, for the purposes of their staging classification and consequently, the expected credit loss calculation.

The detail of the exposure and the impairment losses associated with each of the phases as of December 31, 2023 is shown below. In addition, based on the current credit quality of the operations, the exposure is divided in three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality (*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 123 604 | — | — | 123 604 |
| Degree of speculation | 13 008 | 4 131 | — | 17 139 |
| Non-payment | — | — | 2 541 | 2 541 |
| Total risk (**) | 136 612 | 4 131 | 2 541 | 143 284 |
| Impairment losses | 454 | 266 | 1 413 | 2 133 |

| Exposure and impairment losses by stage 2022 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality (*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 116 422 | — | — | 116 422 |
| Degree of speculation | 12 674 | 4 172 | — | 16 846 |
| Non-payment | — | — | 2 239 | 2 239 |
| Total risk (**) | 129 096 | 4 172 | 2 239 | 135 508 |
| Impairment losses | 477 | 250 | 1 229 | 1 956 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

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

**Provision sensitivity test**

Regarding the evolution of losses due to credit risk, the Group carries out a sensitivity analysis through simulations in which immediate variations (shocks) of +/- 100 bps take place in the main macroeconomic variables, assuming constant distribution phases of each portfolio of financial assets. In this way, a set of specific and complete scenarios is used, where different impacts that affect both the reference variable and the rest of the macroeconomic variables are simulated. These impacts may originate from productivity factors, taxes, wages or exchange rates and interest rates. Sensitivity is measured as the average variation of the expected loss corresponding to the aforementioned scenarios. Following a conservative approach, negative movements take into account an additional standard deviation to reflect the possible greater variability of losses. Finally, in order to provide a measure of comparable sensitivity between portfolios, when using the statistical models for scenario analysis, the advances and lags of the model are eliminated, thus avoiding capturing only part of the simulated shock.

Additionally, the Group performs stress test exercises and sensitivity analysis on a recurring basis in exercises such as ICAAP, strategic plans, budgets and recovery and resolution plans. In these exercises, a prospective vision of the sensitivity of each of the Group's portfolios is created in the event of a possible deviation from the baseline scenario, considering both the macroeconomic evolution materialized in different scenarios, and the three-year business evolution. These exercises include potentially more adverse scenarios as well as more plausible scenarios.

**Detail of the main geographical areas**

Following is the risk information related to the most relevant geographies in exposure and credit risk allowances.

- **Germany**

**Information on the estimate of impairment losses**

Below is the details of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of Santander Consumer Bank AG and Santander Consumer Leasing, GmbH. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 39,935 | 79 | — | 40,014 |
| Degree of speculation | — | 834 | — | 834 |
| Non-payment | — | — | 722 | 722 |
| Total exposure (**) | 39,935 | 913 | 722 | 41,570 |
| Impairment losses | 104 | 56 | 374 | 534 |

| Exposure and impairment losses by stage 2022 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 37,009 | 12 | — | 37,021 |
| Degree of speculation | — | 1.145 | — | 1.145 |
| Non-payment | — | — | 566 | 566 |
| Total exposure (**) | 37,009 | 1,157 | 566 | 38,732 |
| Impairment losses | 88 | 38 | 272 | 398 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

The default rate for Germany stood at 2.06% at the end of December 2023 (1.78% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. Specifically, in the case of the most significant units in Germany (Santander Consumer Bank AG and Santander Consumer Leasing, GmbH) they consider five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution in 2023 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate (interbank 12m) | 4.33% | 3.86% | 3.11% | 2.84% | 2.70% |
| Unemployment rate | 7.00% | 6.08% | 5.18% | 4.83% | 4.46% |
| GDP growth | (0.18%) | 0.31% | 1.29% | 2.22% | 2.69% |
| Growth in housing prices | (2.66%) | (0.99%) | 2.35% | 4.52% | 5.61% |

The following is the projected evolution in 2022 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate (interbank 12m) | 4.04% | 3.19% | 2.33% | 1.71% | 1.09% |
| Unemployment rate | 7.70% | 6.42% | 5.14% | 4.84% | 4.54% |
| GDP growth | (0.45%) | 0.45% | 1.36% | 2.08% | 2.80% |
| Growth in housing prices | (4.54%) | (2.55%) | 1.70% | 3.73% | 5.80% |

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of their allocation, Santander Consumer AG and Santander Consumer Leasing, GmbH associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5% |
| Worse-case scenario | 20% |
| Base-case scenario | 50% |
| Better-case scenario | 20% |
| Best-case scenario | 5% |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Germany is shown:

| | Change in expected loss (IFRS9) | | | |
|---|---|---|---|---|
| | Vehicles New | Vehicles New | Vehicles New | Direct |
| GDP growth: | | | | |
| (100) p.b. | 1.33% | 1.36% | 10.29% | 7.18% |
| 100 p.b. | (0.62%) | (0.63%) | (2.92%) | (3.08%) |
| Unemployment rate: | | | | |
| (100) p.b. | (1.17%) | (1.19%) | (2.41%) | (6.44%) |
| 100 p.b. | 1.34% | 1.36% | 4.88% | 10.15% |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The institution, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions > of 30 days. These criteria depend on the risk management practices of each portfolio.

- **Nordics (Scandinavia)**

**Information on the estimate of impairment losses**

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant unit of Nordics (Santander Consumer Bank AS). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 14,176 | — | — | 14,176 |
| Degree of speculation | 1,492 | 408 | — | 1,900 |
| Non-payment | — | — | 419 | 419 |
| Total exposure (**) | 15,667 | 408 | 419 | 16,494 |
| Impairment losses | 78 | 40 | 236 | 355 |

| Exposure and impairment losses by stage 2022 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 14,738 | 6 | — | 14,744 |
| Degree of speculation | 1,701 | 575 | — | 2,276 |
| Non-payment | — | — | 391 | 391 |
| Total exposure (**) | 16,439 | 581 | 391 | 17,411 |
| Impairment losses | 77 | 57 | 222 | 356 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

Nordics (Scandinavia) default rate stood at 2.94% at the end of December 2023 (2.70% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. In particular, Santander Consumer Bank AS considers five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

- **Norway**

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.24% | 3.75% | 3.15% | 2.63% | 2.34% |
| Unemployment rate | 4.33% | 4.09% | 3.90% | 3.55% | 3.40% |
| Growth in housing prices | (0.49%) | 0.12% | 1.24% | 2.07% | 3.22% |
| GDP growth | 0.29% | 0.98% | 1.80% | 2.42% | 2.97% |

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.23% | 4.05% | 3.30% | 3.10% | 2.80% |
| Unemployment rate | 5.24% | 4.82% | 3.85% | 3.39% | 3.03% |
| Growth in housing prices | (1.22%) | (0.49%) | 0.22% | 0.55% | 1.06% |
| GDP growth | 0.36% | 1.06% | 1.90% | 2.52% | 3.10% |

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5% |
| Worse-case scenario | 20% |
| Base-case scenario | 50% |
| Better-case scenario | 20% |
| Best-case scenario | 5% |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Norway is shown:

| | Expected loss variation IFRS9 |
|---|---|
| | Auto Physical persons |
| GDP growth: | |
| (100) p.b. | 2.00% |
| 100 p.b. | (1.55%) |
| Housing price growth: | |
| (100) p.b. | 4.84% |
| 100 p.b. | (2.32%) |

- **Denmark**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.53% | 3.95% | 3.48% | 3.10% | 2.81% |
| Unemployment rate | 6.57% | 5.66% | 4.52% | 4.13% | 3.75% |
| Growth in housing prices | (2.50%) | (0.03%) | 3.19% | 5.16% | 7.08% |
| GDP growth | (0.14%) | 0.50% | 1.32% | 1.86% | 2.40% |

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.88% | 3.23% | 2.58% | 1.96% | 1.34% |
| Unemployment rate | 5.74% | 5.24% | 4.72% | 4.22% | 3.90% |
| Growth in housing prices | (1.67%) | 0.27% | 2.17% | 4.15% | 5.87% |
| GDP growth | 0.19% | 0.80% | 1.59% | 2.11% | 2.60% |

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| GDP growth: | 5 % |
| (100) p.b. | 20 % |
| 100 p.b. | 50 % |
| Housing price growth: | 20 % |
| (100) p.b. | 5% |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Denmark is shown:

| | Expected loss variation IFRS9 |
|---|---|
| | Auto Physical persons |
| GDP growth: | |
| (100) p.b. | 2.90% |
| 100 p.b. | (2.18%) |

- **Sweden**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.94% | 3.61% | 2.98% | 2.69% | 2.41% |
| Unemployment rate | 7.80% | 7.46% | 7.01% | 6.81% | 6.61% |
| Growth in housing prices | (1.18%) | 0.60% | 4.52% | 5.40% | 8.16% |
| GDP growth | 0.35% | 1.04% | 1.97% | 2.56% | 3.19% |

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.33% | 3.51% | 3.19% | 2.74% | 2.11% |
| Unemployment rate | 7.61% | 7.36% | 7.08% | 6.80% | 6.48% |
| Growth in housing prices | (0.57%) | 0.39% | 1.60% | 2.70% | 3.73% |
| GDP growth | 0.45% | 0.95% | 1.78% | 2.33% | 2.83% |

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of its allocation, Santander Consumer AS associates the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for Sweden's most relevant portfolios is shown:

| | Expected loss variation IFRS9 | |
|---|---|---|
| | Auto Individuals | Direct |
| GDP growth: | | |
| (100) p.b. | 6.70% | 1.88% |
| 100 p.b. | (0.19%) | (0.79%) |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

- **Spain**

**Information on the estimate of impairment losses**

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant units in Spain (Santander Consumer Finance S.A.). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 4,316 | — | — | 4,316 |
| Degree of speculation | 11,017 | 268 | — | 11,285 |
| Non-payment | — | — | 509 | 509 |
| Total exposure (**) | 15,333 | 268 | 509 | 16,110 |
| Impairment losses | 97 | 45 | 303 | 445 |

*(*) Detail of credit quality grades calculated for Group management purposes.*
*(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.*

| Exposure and impairment losses by stage 2022 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 4,069 | 5 | — | 4,074 |
| Degree of speculation | 10,967 | 236 | — | 11,203 |
| Non-payment | — | — | 477 | 477 |
| Total exposure (**) | 15,035 | 241 | 477 | 15,753 |
| Impairment losses | 121 | 32 | 288 | 441 |

*(*) Detail of credit quality grades calculated for Group management purposes.*
*(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.*

The default rate in the case of the geography of Spain stood at 3.47% at the end of December 2023 (3.46% at the end of 2022).

For the estimation of expected losses, forward-looking information should be taken into account. Specifically, for Santander Consumer Finance, S.A's portfolio in Spain, five prospective macroeconomic scenarios are considered, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2023 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.54% | 4.00% | 3.48% | 3.34% | 3.11% |
| Unemployment rate | 16.40% | 14.28% | 10.97% | 9.52% | 7.96% |
| Growth in housing prices | (0.20%) | 0.54% | 2.09% | 2.64% | 3.38% |
| GDP growth | (0.88%) | (0.04%) | 1.54% | 2.71% | 3.56% |

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2022 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.39% | 2.98% | 2.59% | 2.25% | 2.00% |
| Unemployment rate | 19.43% | 16.61% | 12.20% | 10.65% | 9.46% |
| Growth in housing prices | 1.72% | 2.34% | 3.31% | 3.83% | 4.29% |
| GDP growth | (0.57%) | 0.53% | 2.05% | 3.34% | 4.15% |

Each macroeconomic scenario is associated with a given probability of occurrence. As for their allocation, Santander Consumer Finance, S.A's portfolios of business in Spain associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5% |
| Worse-case scenario | 20% |
| Base-case scenario | 50% |
| Better-case scenario | 20% |
| Best-case scenario | 5% |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Spain is shown:

| | Expected loss variation IFRS9 | | | |
|---|---|---|---|---|
| | New car | Used car | Mortgages | Cards |
| GDP growth: | | | | |
| (100) p.b. | 4.33% | 2.50% | 1.15% | 3.20% |
| 100 p.b. | (3.28%) | (2.00%) | (0.87%) | (2.56%) |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

As an example in the case of Santander Consumer Finance S.A., for its main portfolios, an operation shall be considered to be classified in Stage 2 when the PD of the entire expected life of the operation at any given time exceeds that it had at the time of initial recognition in absolute and relative terms, depending on the sub-segment.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

**II. Credit risk**

***a. Evolution of magnitudes in 2023***

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

The following is the distribution of the loan to customers by activity as of December 31, 2023(*):

| | Thousands of Euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Secured credit | | | | | | | |
| | | Net exposure | | *Loan to Value (***)* | | | | | |
| | Unsecured loans | Property Collateral | Other collateral | Less than or Equal to 40% | 40% and Less than or Equal to 60% | 60% and Less than or Equal to 80% | 80% and Less than or Equal to 100% | More than 100% | Total |
| Public sector | 122,426 | — | 20,791 | 70 | 289 | 961 | 6,464 | 13,007 | 143,217 |
| Other financial institutions | 578,406 | 2,164 | 170,271 | 4,351 | 4,882 | 14,624 | 45,465 | 103,113 | 750,841 |
| Non-financial companies and individual traders | 18,378,937 | 61,106 | 21,013,088 | 160,740 | 461,534 | 1,220,743 | 12,625,794 | 6,605,383 | 39,453,131 |
| *Of which:* | | | | | | | | | |
| *Construction and property development* | *88,025* | — | *164,289* | *180* | *940* | *3,998* | *155,723* | *3,448* | *252,314* |
| *Civil engineering construction* | — | — | *7,797* | — | — | — | *7,797* | — | *7,797* |
| *Large companies* | *8,381,720* | *32,954* | *7,944,459* | *76,223* | *225,889* | *601,618* | *4,447,121* | *2,626,562* | *16,359,133* |
| *SMEs and individual traders* | *9,909,192* | *28,152* | *12,896,543* | *84,337* | *234,705* | *615,127* | *8,015,153* | *3,975,373* | *22,833,887* |
| Other households and non-profit institutions serving households | 45,346,923 | 3,444,475 | 25,571,024 | 2,010,447 | 2,305,166 | 2,483,399 | 12,222,343 | 9,994,144 | 74,362,422 |
| *Of which:* | | | | | | | | | |
| *Residential* | *374,477* | *3,319,727* | *1,638* | *1,457,749* | *793,289* | *508,492* | *337,038* | *224,797* | *3,695,842* |
| *Consumer loans* | *44,872,031* | *36,326* | *25,131,415* | *465,936* | *1,501,212* | *1,945,527* | *11,518,443* | *9,736,623* | *70,039,772* |
| *Other purposes* | *100,415* | *88,422* | *437,971* | *86,762* | *10,665* | *29,380* | *366,862* | *32,724* | *626,808* |
| Total (*) | 64,426,692 | 3,507,745 | 46,775,174 | 2,175,608 | 2,771,871 | 3,719,727 | 24,900,066 | 16,715,647 | 114,709,611 |
| *Memorandum item* | | | | | | | | | |
| *Refinancing, refinanced and restructured transactions (**)* | *283,675* | *21,570* | *82,181* | *3,540* | *7,478* | *13,631* | *36,654* | *42,448* | *387,426* |

(*) The credit distribution does not include an amount of 798,772 thousand euros corresponding to advances to customers.
(**) Includes the net balance of accumulated impairment or accumulated fair value losses due to credit risk.
(***) Ratio resulting from dividing the carrying value of transactions as at 31 December 2023 on the amount of the last available valuation or valuation of the guarantee.

The following is the distribution of the loan to customers by activity as of December 31, 2022(*):

| | Thousands of Euros | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Secured credit | | | | | | | |
| | | Net exposure | | *Loan to Value (***)* | | | | | |
| | Unsecured loans | Property Collateral | Other collateral | Less than or Equal to 40% | 40% and Less than or Equal to 60% | 60% and Less than or Equal to 80% | 80% and Less than or Equal to 100% | More than 100% | Total |
| Public sector | 136,345 | — | 12,683 | 37 | 305 | 1,040 | 5,074 | 6,227 | 149,028 |
| Other financial institutions | 711,093 | 736 | 156,638 | 2,344 | 5,835 | 15,755 | 53,936 | 79,504 | 868,467 |
| Non-financial companies and individual traders | 14,235,811 | 100,505 | 19,145,123 | 180,124 | 455,899 | 1,184,261 | 12,289,895 | 5,135,449 | 33,481,439 |
| *Of which:* | | | | | | | | | |
| *Construction and property development* | *79,637* | — | *131,929* | *180* | *638* | *2,819* | *125,203* | *3,089* | *211,566* |
| *Civil engineering construction* | — | — | *6,675* | — | — | — | *6,675* | — | *6,675* |
| *Large companies* | *6,087,747* | *45,847* | *6,191,419* | *76,711* | *200,148* | *510,680* | *3,369,847* | *2,079,880* | *12,325,013* |
| *SMEs and individual traders* | *8,068,427* | *54,658* | *12,815,100* | *103,233* | *255,113* | *670,762* | *8,788,170* | *3,052,480* | *20,938,185* |
| Other households and non-profit institutions serving households | 43,632,578 | 3,618,739 | 24,165,622 | 1,959,454 | 2,380,446 | 2,463,870 | 12,275,055 | 8,705,536 | 71,416,939 |
| *Of which:* | | | | | | | | | |
| *Residential* | *335,960* | *3,373,757* | *2,018* | *1,356,494* | *902,311* | *501,296* | *343,124* | *272,550* | *3,711,735* |
| *Consumer loans* | *43,225,042* | *76,473* | *23,971,430* | *447,471* | *1,459,818* | *1,944,024* | *11,773,101* | *8,423,489* | *67,272,945* |
| *Other purposes* | *71,576* | *168,509* | *192,174* | *155,489* | *18,317* | *18,550* | *158,830* | *9,497* | *432,259* |
| Total (*) | 58,715,827 | 3,719,980 | 43,480,066 | 2,141,959 | 2,842,485 | 3,664,926 | 24,623,960 | 13,926,716 | 105,915,873 |
| *Memorandum item* | | | | | | | | | |
| *Refinancing, refinanced and restructured transactions (**)* | *314,772* | *23,693* | *97,304* | *3,947* | *7,074* | *17,549* | *53,987* | *38,440* | *435,769* |

(*) The credit distribution does not include an amount of 583,959 thousand euros corresponding to advances to customers.
(**) Includes the net balance of accumulated impairment or accumulated fair value losses due to credit risk.
(***) Ratio resulting from dividing the carrying value of transactions as at 31 December 2022 on the amount of the last available valuation or valuation of the guarantee.

***Forborne* loan portfolio**

The term “forborne loan portfolio” refers, for the purposes of the Group's risk management, to those transactions in which the customer has, or might foreseeably have, financial difficulty in meeting its payment obligations under the terms and conditions of the current agreement with Santander Consumer Finance and, accordingly, the agreement has been modified or cancelled or even a new transaction has been entered into.

The Santander Group, which Santander Consumer Finance Group belongs to, has a detailed customer debt forbearance policy that serves as a reference for the various local adaptations made for all the financial institutions forming part of the Group. This policy is adapted to the bank regulation establish by the EBA, like it is said in the "Guidelines relating to the management of non-performing and restructured or refinanced exposures" (EBA/GL/2018/06) of October, 31 2018. It is also adapted the Bank of Spain Circular 6/2021 that modifies 4/2017.

This policy establishes strict prudential criteria for the assessment of these loans:

– A restricted use of this practice should be made, avoiding actions that entail postponing recognition of the deterioration.

– The main objective should be the recovery of the amounts due, recognizing as soon as possible the amounts deemed irrecoverable.

– The maintenance of existing guarantees should always be considered and, if possible, improved. Effective safeguards can not only serve as mitigants of severity, but may reduce the likelihood of non-compliance.

– This practice should not involve the granting of additional financing, or serve to refinance debt of other entities, or be used as a cross-selling instrument.

– It is necessary to evaluate all alternatives to the redirection and its impacts, ensuring that the results of the same exceed those that would be expected if not performed.

– More stringent criteria are applied for the classification of redirected transactions, which, prudentially, ensure the restoration of the customer’s capacity to pay, from the moment of the redirection and for an appropriate period of time.

– In addition, in the case of those clients who have assigned a risk analyst, it is of particular relevance the individualized analysis of each case, both for its correct identification and for its subsequent classification, monitoring and adequate provision.

It also sets out various criteria related to the determination of the perimeter of operations considered as a referral, by defining a detailed set of objective indicators to identify situations of financial difficulty.

Thus, transactions that are not classified as doubtful at the date of the recoupment are generally considered to be financially difficult if they were not paid for more than one month at that date. In the event that there is no default or that it does not exceed the month of seniority, other indicators are taken into account, including:

– Operations of customers who already have difficulties with other operations.

– When the modification becomes necessary prematurely without a previous and satisfactory experience with the customer.

– In the event that the necessary modifications involve the granting of special conditions such as the need to establish a temporary deficiency in payment or when these new conditions are considered more favorable for the client than would have been granted in an ordinary admission.

– Request for successive modifications at unreasonable time intervals. In the case of Consumer Finance, a maximum of 1 restructuring agreement is established in a year or 3 in a 5-year period.

– In any case, once the modification has been made, if there is any irregularity in the payment during a certain period of observation, even if there are no other symptoms, the operation within the perimeter of the reconductions ('backtesting') will be considered.

Once it has been determined that the reasons for the modification of the client's debt conditions are due to financial difficulties of the client, regardless of whether or not the client has overdue payments and the number of days of payment arrears present, the client will be considered a customer redirected for all purposes and as such will be managed based on the criteria established in this policy.

Where the referral has been carried out, where those transactions must remain classified as a doubtful risk because they do not comply at the time of the referral with the regulatory requirements for their reclassification to another category, they must comply with a prudential continuous payment schedule to ensure a reasonable certainty of the recovery of capacity to pay, called a cure period (in this case, it will be 12 months).

Once this period has passed, conditioned by the situation of the client and the characteristics of the operation (term and guarantees provided), the operation is no longer considered doubtful, although it remains subject to a trial period in which a special follow-up is carried out.

This monitoring is maintained as long as a number of requirements are not met, including: A minimum observation period of 24 months, in the case of operations restructured in stage 2 and 12 months in stage 3; amortization of a substantial percentage of the outstanding amounts and, to satisfy the unpaid amounts at the time of the recertification. If it is justified that, while a transaction is in the 24-month cure period of Stage 2, there is no longer a significant increase in its credit risk, that transaction can be reclassified to Stage 1 and Non-Default risk, no need to complete the aforementioned cure period. However, it is important to note that restructuring at the time of origination can only be classified in stage 2 or stage 3, never in stage 1.

The original dates of non-compliance are still considered for all purposes in the conduct of a non-performing transaction, irrespective of whether the transaction is up to date as a result of such a transaction. Likewise, the re-conduct of a dubious operation does not result in any release of the corresponding provisions.

Reconductions can be long-term or short-term (less than two years). Redirections with terms not exceeding two years shall be taken into account when the borrower meets the following criteria:

– Experiencing temporary liquidity restrictions, for which the client's recovery will be evidenced in the short term.

– The application of long-term recertification measures is not effective given the temporary financial uncertainty of a general or specific nature of the customer.

– That it has been fulfilling the contractual obligations before the recertification

– Demonstrate a clear willingness to cooperate with the entity.

As a result of the analysis to be carried out, both of the client's situation and of the characteristics of the forwarding operation used, it must be ensured that the forwarding will facilitate the reduction of the client's debt, and therefore will be viable. In this regard, the feasibility of the operation will be assessed by:

a. That can be demonstrated with evidence that the proposed redirection is within the reach of the client, that is, that the full refund is expected.

b. Payment by the customer of outstanding amounts, in full or for the most part, and a considerable reduction in exposure in the medium to long term.

c. The absence of repeated non-compliance with payment plans resulting in successive recourses (more than three recourses over a three-year period).

d. In the temporary application of short-term relief measures, it can be proved by evidence that the client has sufficient capacity to pay to meet the debt, principal and interest, once the term of application of the temporary relief has expired.

e. The measure does not result in the successive application of several refinancing or restructuring measures for the same exposure.

In the event that operations are carried out that do not comply with the foregoing, they will be considered non-viable operations and will form part of the category of Non-performing Conductions.

The quantitative information required by Bank of Spain is shown below, in relation to the restructured operations in force as of December 31, 2023 and 2022, taking into account the above criteria:

## Current restructuring balances as at 31 December 2023:

| | TOTAL | | | | | | | Of which: Non-performing/Doubtful | | | | | | | TOTAL | | | | Of which: Non-performing/Doubtful | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | With real guarantee | | Impairment | | | | | With real guarantee | | With real guarantee | | | | | Without real guarantee | | | | With real guarantee | | | |
| | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered. | Gross carrying amount | Number of transactions: Property guarantee | Number of transactions: Other security rights | Without real guarantee Gross amount | Maximum amount of the actual collateral that can be considered. | Gross carrying amount | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered.: Property guarantee | Maximum amount of the actual collateral that can be considered.: Other security rights | Impairment of accumulated value or accumulated losses in fair value due to credit risk. | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered. | Carrying value (net) | Gross carrying amount | TOTAL GUARANTEES | Accumulated impairment or accumulated fair value losses due to credit risk | Carrying value (net) |
| **REFINANCING AND RESTRUCTURING** | | | | | | | | | | | | | | | | | | | | | | |
| 1. Credit entities | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. Public sector | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 3. Other financial institutions and: individual shareholder | 23 | 267 | 19 | 227 | — | 183 | 197 | 19 | 216 | 12 | 165 | — | 126 | 194 | 494 | 183 | 197 | 297 | 381 | 126 | 194 | 187 |
| 4. Non-financial institutions and individual shareholder | 3,784 | 42,470 | 3,525 | 55,673 | 3,238 | 32,909 | 22,186 | 2,301 | 20,573 | 1,677 | 14,955 | 1,897 | 5,026 | 20,377 | 98,143 | 36,147 | 22,186 | 75,957 | 35,528 | 6,923 | 20,377 | 15,151 |
| Of which: Financing for constructions and property development | 32 | 293 | 4 | 26 | — | 7 | 131 | 17 | 130 | 3 | 12 | — | 7 | 119 | 319 | 7 | 131 | 188 | 142 | 7 | 119 | 23 |
| 5. Other warehouses | 57,258 | 413,742 | 4,858 | 74,729 | 17,621 | 36,839 | 177,299 | 32,960 | 228,412 | 2,293 | 39,802 | 6,908 | 14,297 | 153,766 | 488,471 | 54,460 | 177,299 | 311,172 | 268,214 | 21,205 | 153,766 | 114,448 |
| **6. Total** | **61,065** | **456,479** | **8,402** | **130,629** | **20,859** | **69,931** | 199,682 | **35,280** | **249,201** | **3,982** | **54,922** | **8,805** | **19,449** | **174,337** | **587,108** | **90,790** | **199,682** | **387,426** | **304,123** | **28,254** | **174,337** | **129,786** |
| ADDITIONAL INFORMATION | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Financing classified as non-current assets and disposable groups of items that have been classified as held for sale | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

## Current restructuring balances as at 31 December 2022

| | TOTAL | | | | | | | Of which: Non-performing/Doubtful | | | | | | | TOTAL | | | | Of which: Non-performing/Doubtful | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | With real guarantee | | Impairment | | | | Without real guarantee Gross amount | With real guarantee | | With real guarantee | | | | Impairment of accumulated value or accumulated losses in fair value due to credit risk. | Without real guarantee | | | | With real guarantee | | | |
| | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered. | **Gross carrying amount** | Number of transactions: **Property guarantee** | Number of transactions: **Other security rights** | | Maximum amount of the actual collateral that can be considered. | **Gross carrying amount** | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered: **Property guarantee** | Maximum amount of the actual collateral that can be considered: **Other security rights** | | Number of transactions | Gross amount | Maximum amount of the actual collateral that can be considered. | **Carrying value (net)** | **Gross carrying amount** | **TOTAL GUARANTEES** | **Accumulated impairment or accumulated fair value losses due to credit risk** | **Carrying value (net)** |
| **REFINANCING AND RESTRUCTURING** | | | | | | | | | | | | | | | | | | | | | | |
| 1. Credit entities | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 2. Public sector | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| 3. Other financial institutions and: individual shareholder | 63 | 699 | 20 | 276 | — | 200 | 344 | 24 | 289 | 8 | 85 | — | 67 | 256 | 975 | 200 | 344 | 631 | 374 | 67 | 256 | 118 |
| 4. Non-financial institutions and individual shareholder | 7,632 | 76,197 | 6,055 | 77,004 | 3,209 | 39,386 | 33,122 | 2,519 | 22,466 | 1,631 | 17,156 | 1,611 | 6,408 | 24,171 | 153,201 | 42,595 | 33,122 | 120,079 | 39,622 | 8,019 | 24,171 | 15,451 |
| Of which: Financing for constructions and property development | 299 | 2,740 | 26 | 285 | — | 213 | 805 | 36 | 364 | 7 | 41 | — | 23 | 323 | 3,025 | 213 | 805 | 2,220 | 405 | 23 | 323 | 82 |
| 5. Other warehouses | 107,193 | 418,382 | 4,224 | 71,992 | 19,844 | 30,641 | 175,315 | 51,861 | 215,346 | 1,954 | 34,282 | 6,869 | 11,582 | 152,590 | 490,374 | 50,485 | 175,315 | 315,059 | 249,628 | 18,451 | 152,590 | 97,038 |
| **6. Total** | 114,888 | 495,278 | 10,299 | 149,272 | 23,053 | 70,228 | 208,780 | 54,404 | 238,101 | 3,593 | 51,523 | 8,480 | 18,057 | 177,017 | 644,550 | 93,281 | 208,780 | 435,770 | 289,624 | 26,537 | 177,017 | 112,607 |
| ADDITIONAL INFORMATION | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Financing classified as non-current assets and disposable groups of items that have been classified as held for sale | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

The operations presented in the table above are classified, as of 31 December 2023 and 2022, according to their characteristics as follows:

- Non-performing: Transactions are based on an inadequate payment plan, include contractual clauses that delay the reimbursement of the transaction through regular payments or have amounts removed from the balance sheet as they are considered irrecoverable.

- Normal: Transactions in which they are not classified as non-performing or because they have been reclassified from the non-performing risk category by meeting the specific criteria set out below shall be classified within the normal risk category:

    a) A period of one year has elapsed from the date of refinancing or restructuring.

    b) The incumbent has paid the accrued principal and interest contributions, reducing the renegotiated principal, from the date on which the restructuring or refinancing operation was formalized.

    c) The holder does not have any other transactions with amounts due more than 90 days on the date of reclassification to the normal risk category.

### *c) Metrics and measurement tools*

**Credit rating tools**

In keeping with the Santander Group tradition, which has witnessed the use of proprietary rating models since 1993, at Santander Consumer Finance Group the credit quality of customers and transactions is also measured by internal scoring and rating systems. Each credit rating assigned by models relates to a certain probability of default or non-payment, based on the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are based primarily on scoring models or tables which, combined with other credit policy rules, issue an automatic decision on the loan applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required for a purely manual analysis.

Apart from the scoring models used in the admission and portfolio management stages (rating of the operations that make up them for the assessment of their credit quality and estimation of their potential losses), there are also tools for evaluating existing accounts or clients that are used in the recovery or recovery stage of defaults. In this way, we try to provide coverage on the entire "credit cycle" (admission, follow-up and recovery) through statistical rating models based on the Group's internal historical information.

For the segments of Companies and Institutions that, in the Group, mainly include prescribers, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant aspects to take into account when evaluating, so that the allocation process generates consistent valuations, comparable between customers and summarizing all relevant information. Throughout 2023 all units have carried out reviews of these portfolios where all areas of the Group have participated. These meetings included the largest exposures, special surveillance firms and the main credit indicators of this portfolio.

The ratings given to the client are reviewed periodically, incorporating the new financial information available and the experience in the development of the banking relationship. The frequency of reviews is increased in the case of clients who reach certain levels in automatic alert systems and in those qualified as special monitoring. Similarly, the qualification tools themselves are also reviewed to adjust the accuracy of the rating they grant.

In a more residual way, the global rating tools that cover the Global Wholesale Banking segment are also applied to certain exposures, whose management is carried out centrally in the Risks Division of the Santander Group, both in determining your rating and in monitoring risk. These tools assign a rating to each client resulting from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, which is complemented by the expert judgment provided by the analyst.

The Group's portfolio of carterized companies is very unrepresentative of the total risks managed, mostly corresponding to stock financing risks to vehicle dealers.

### *d) Credit risk parameters*

The valuation of the client or the transaction, by rating or scoring, constitutes a judgment of its credit quality, which is quantified through the probability of default (probability of default or PD in Basel terminology).

In addition to the client's assessment, the quantification of credit risk requires the estimation of other parameters such as exposure at default (EAD) and the percentage of the EAD that cannot be recovered (LGD). Other relevant aspects of the risk of the operations are included, such as the quantification of the off-balance sheet exposures, which depends on the type of product or the analysis of the expected recoveries related to the existing guarantees and other properties of the operation: type of product, term, etc.

These factors make up the main parameters of credit risk. Its combination allows the calculation of the probable loss or expected loss (PE). This loss is considered as an additional cost of the activity, which reflects the risk premium and must be passed on to the price of the transactions.

The risk parameters also allow the calculation of regulatory capital according to the rules derived from the new Basel Capital Agreement (BIS II). Regulatory capital is determined as the difference between the unexpected loss and the expected loss.

Unexpected loss is the basis for capital calculation and refers to a very high but unlikely level of loss, which is not considered recurring and must be met with own resources.

Observed loss: Credit cost measurements

In addition to the predictivity provided by the advanced models previously described, other common metrics are used that allow prudent and effective management of credit risk based on the observed loss.

In terms of loss recognition, the cost of credit risk at Santander Consumer Finance is measured through different approaches: VMG - Variation of the Management Loan (late entries - cures - recovery of failures), DNI - net endowment for insolvencies (gross provisions - recovery of failures), net failures (passes to failures - recovery of failures) and expected loss. In order to obtain a monitoring ratio, the first two indicators (in 12 months) are divided by the average of 12 months of the total portfolio to obtain the risk premium and the cost of credit. These allow the manager to form a complete idea about the evolution and future prospects of the portfolio.

It should be noted that, unlike delinquency, the VMG (final doubtful – initial doubtful + failed – recovery of failures) refers to the total of the deteriorated portfolio in a period, regardless of the situation in which it is located (doubtful and failed). This makes the metric a primary driver when establishing measures for portfolio management.

The two approaches measure the same reality, and therefore approach in the long run although they represent successive moments in the measurement of the cost of credit risk: Delinquency flows (VMG) and doubtful coverage (DNIS), respectively. Although they converge in the long term within the same economic cycle, at certain times they may present differences as observed in this period. These differences are explained by the different time of calculation of losses, which is basically determined by accounting regulations (for example, mortgages have a coverage schedule and pass to failure more "slower" than consumer portfolios). In addition, the analysis can be complicated by changes in hedging policy and passing to failures, portfolio composition, changes in accounting regulations (IFRS9), portfolio sale and parameter adjustments for the calculation of expected loss etc.

### *e) Credit risk cycle*

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding, where applicable, the risks incurred by the Group's operations. During the process, both risk-taking areas and senior management intervene, as well as the risk function.

Being the member group of the Santander Group, the process starts from the senior management, through the Board of Directors and the Executive Committee of Risks, who establishes the risk policies and procedures, the limits and delegations of powers, and approves and monitors the risk function framework.

In the risk cycle three phases are differentiated: Pre-sale, sale and after-sale. The process is constantly fed back, incorporating the results and conclusions of the after-sales phase into the risk study and pre-sale planning.


- ***Pre-sale***

- **Study of risk and credit rating process**

Generally speaking, risk study consists of analysing a customer's capacity to meet their contractual commitments with the Group and other creditors. This entails analysing the customer's credit quality, risk operations, solvency and profitability on the basis of the risk assumed.

With this objective, the Group has used rating models for classifying customer solvency since 1993. These mechanisms are applied in the wholesale segment (sovereign, financial entities, corporate banking) and to SMEs and individuals.

The rating results from a quantitative model based on balance sheet ratios or macroeconomic variables, complemented by the expert judgement of analysts.

The ratings given to customers are regularly reviewed, incorporating the latest available financial information and experience in the development of the banking relationship. The regularity of the reviews increases in the case of customers who trigger certain levels in the automatic warning systems and who are classified as special watch. The rating tools are also reviewed in order to adjust the accuracy of the rating.

While ratings are used in the wholesale sector and for companies and institutions, scoring techniques predominate for individuals and smaller companies. In general, these techniques automatically assign a score to the customer for decision-making purposes, as explained in the Decisions on operations section.

- **Planning and setting limits**

The purpose of this phase is to limit the levels of risk assumed by the Group, efficiently and comprehensively. The credit risk planning process serves to set the budgets and limits at the portfolio level for subsidiaries. Planning is carried out through a dashboard that ensures that the business plan and lending policy are achieved, and that the resources needed to achieve these are available. This arose as a joint initiative between the Sales area and the Risk function, providing a management tool and a way of working as a team.

Incorporating the volatility of macroeconomic variables that affect portfolio performance is a key aspect in planning. The Group simulates this performance under a range of adverse and stressed scenarios (stress testing), enabling assessment of the Group's solvency in specific situations.

Scenario analysis enables senior management to understand the portfolio's evolution in the face of market conditions and changes in the environment. It is a key tool for assessing the sufficiency of provisions in stress scenarios.

Limits are planned and established using documents agreed between the Business and Risk areas and approved by the Group, setting out the expected business results in terms of risk and return, the limits to which this activity is subject and management of the associated risks, by group or customer.

- ***Sales***

- **Decisions and operations**

The sales phase consists of the decision-making process, analysing and deciding on operations. Approval by the risk area is a prior requirement before the contracting of any risk. This process must take into account the policies defined for approving operations, the risk appetite and the elements of the operation that are relevant to the search for the right balance between risk and profitability.

In the sphere of standardised customers (individuals and businesses and SMEs with low turnover), large volumes of credit operations can be managed more easily by using automatic decision models for classifying the customer/transaction pair. The ratings these models give to transactions enable lending to be classified consistently into homogeneous risk groups, based on information on the characteristics of the transaction and its owner.

- ***After-sales***

- **Monitoring**

The Monitoring function is based on a continuous process of ongoing observation, enabling early detection of changes that could affect the credit quality of customers, in order to take measures to correct deviations with a negative impact.

This monitoring is based on customer segmentation, and is carried out by dedicated local and global risk teams, supplemented by internal audit.

The function includes, among other tasks, the identification, monitoring and assignment of policies at customer level to anticipate surprises and manage them in the most appropriate way for their situation, credit policies, rating reviews and continuous monitoring of indicators.

The system called Santander Customer Assessment Notes (SCAN) distinguishes between four levels depending on the level of concern of the circumstances observed (Specialized Follow-up, Intensive Follow-up, Ordinary Follow-up, Do Not Attend). The inclusion of a position in SCAN does not imply that non-compliance has been recorded, but rather the convenience of adopting a specific policy with the same, determining the person responsible and the time frame in which it must be carried out. SCAN qualified clients are reviewed at least semi-annually, being such review quarterly and/or monthly for the most serious grades. The ways in which a firm qualifies in SCAN are the monitoring work itself, the review carried out by the internal audit, the decision of the commercial manager who oversees the firm or the entry into operation of the established system of automatic alarms.

Ratings are reviewed at least every year, but this may be more frequent if weaknesses are detected or based on the rating itself.

The main risk indicators for individual customers, businesses and SMEs with low turnover are monitored to detect changes in the performance of the loan portfolio with respect to the projections in the commercial strategic plans (CSPs).

- ***Measurement and control***

In addition to monitoring the customers' credit quality, the Group puts in place the necessary control procedures to analyse the current credit risk portfolio and its performance throughout the different stages of credit risk.

This function assesses risks from a range of interrelated standpoints. The key vectors of control are geographies, business areas, management models, products, etc. The approach allows for early detection of specific focal points, and the framing of action plans to correct any impairment.

Each control axis supports two types of analysis:

**1.- Quantitative and qualitative portfolio analysis**

Portfolio analysis continuously and systematically monitors changes in risk with respect to budgets, limits and benchmark standards, evaluating the effects with a view to future situations driven by external factors or arising from strategic decisions, so as to establish measures that place the profile and volume of the risk portfolio within the parameters set by the Group.

In the credit risk control phase, the following metrics, among others, are used in addition to the conventional ones:

- **MDV (change in manage NPLs)**

  MDV measures how NPLs change over a period, stripping out write-offs and including recoveries. It is an aggregate metric at the portfolio level that enables us to react to any impairments seen in the behavior of non-performing loans.

- **EL (expected loss) and capital**

  Expected loss is an estimate of the financial loss that will occur over the next year from the portfolio existing at the given time. It is a further cost of business, and must be reflected in the pricing of transactions.

**2.- Evaluation of control processes**

A systematic scheduled review of procedures and methods, implemented throughout the entire credit risk cycle, to ensure control process effectiveness and validity.

In 2006, within the corporate framework established across the Group for compliance with the Sarbanes Oxley Act, a corporate methodology was created for the documentation and certification of the Control Model, specified in terms of tasks, operating risks and controls. The risk division annually evaluates the efficiency of internal control of its activities.

Moreover, the internal validation function, as part of its mission to supervise the quality of the Group's risk management, ensures that the management and control systems for the different risks inherent in the Group's business comply with the most stringent criteria and best practices seen in the industry and/or required by regulators. In addition, internal audit is responsible for ensuring that policies, methods and procedures are adequate, effectively implemented and regularly reviewed.

– ***Recoveries management***

Recovery activity is an important function within the Group's risk management area. The area responsible is Collection and Recoveries, which frames a global strategy and a comprehensive approach to recovery management.

The Group combines a global model with local execution, taking account of the specific features of the business in each area.

The main objective of the recovery activity is to recover outstanding debts and obligations by managing our customers, thus contributing to a lesser need for provisions and a lower cost of risk.

The specific targets of the recovery process are guided as follows:

- Achieve collection or regularisation of outstanding balances, so that an account returns to its normal state; if this is not possible, the objective is total or partial recovery of debts, whatever their accounting or management status.

- Maintain and strengthen our relationship with the customer by addressing their behavior with an offer of management tools, such as refinancing products according to their needs, consistently with careful corporate policies of approval and control, as established by the risk areas.

In the recovery activity, Standardised customers and Individually Managed customers are segmented or differentiated with specific and comprehensive management models in each case, according to basic specialisation criteria.

Management is articulated through a multichannel customer relationship strategy. The telephone channel is oriented towards standardised management, with a focus on achieving contact with customers and monitoring payment agreements, prioritising and adapting management actions based on the state of progress of their situation of "in arrears", "doubtful" or "in default", their balance sheet and their payment commitments.

The commercial network of recovery management operates alongside the telephone channel. It is a means of developing a closer relationship with selected customers, and is composed of teams of agents with a highly commercial focus, specific training and strong negotiation skills. They conduct personalised management of their own portfolios of high-impact customers (large balance sheets, special products, customers requiring special management).

Recovery activities at advanced stages of non-performance are guided by a dual judicial and extra judicial management approach. Commercial and follow-up activities by telephone and via agent networks are continued, applying strategies and practices specific to the state of progress.

The management model encourages proactivity and targeted management through continuous recovery campaigns with specific approaches for customer groups and non-performance states, acting with predefined goals through specific strategies and intensive activities via appropriate channels within limited time frames.

Suitable local production and analysis of daily and monthly management information, aligned with corporate models, have been defined as the basis of business intelligence for ongoing decision-making for management guidance and results monitoring.

– ***Concentration risk***

Concentration risk is a key component of credit risk management. The Santander Group, which Santander Consumer Finance Group belongs, continuously monitors the degree of credit risk concentration, by geographical area/country, economic sector, product and customer group.

The Board of Directors, by reference to the risk appetite, determines the maximum levels of concentration, and the executive risk committee establishes the risk policies and reviews the appropriate exposure limits to ensure the adequate management of credit risk concentration.

Santander Consumer Finance is subject to Bank of Spain regulations on large exposures contained in the fourth part of the CRR (Regulation UE No.575 / 2013), according to which the exposure contracted by an entity with respect to a client or related group of clients will be considered 'great exposure' when its value is equal or greater than 10% of its computable capital. Additionally, to limit large exposures, no entity may assume against a client or group of clients linked to each other an exposure whose value exceeds 25% of its eligible capital, after taking into account the effect of credit risk reduction under rule.

At December closing, after applying risk mitigation techniques, no group reached the aforementioned thresholds.

The Santander Consumer Finance Group's Risk Division collaborates closely with the Financial Division in the active management of credit portfolios, which, among its axes of action, includes the reduction of the concentration of exposures through various techniques, such as: such as the contracting of hedge credit derivatives or securitization operations, with the ultimate purpose of optimizing the return-to-risk ratio of the total portfolio.

The breakdown as at 31 December 2023 and 2022 of the Group’s risk concentration (*) by activity and geographical area of counterparties is as follows:

| 2023 | | | | | |
|---|---|---|---|---|---|
| | Thousands of Euros | | | | |
| | Spain | Rest of EU | America | Rest of the world | Total |
| Central banks and credit institutions | 4,813,326 | 9,350,967 | — | 153,241 | 14,317,534 |
| Public administrations | 789,243 | 3,346,864 | — | 44,007 | 4,180,114 |
| *Of which:* | | | | | |
| *Central Administration* | *787,327* | *2,095,936* | — | — | *2,883,263* |
| *Other Public Administrations* | *1,916* | *1,250,928* | — | *44,007* | *1,296,851* |
| Other financial institutions | 40,028 | 993,739 | 15,074 | 386,172 | 1,435,013 |
| Non-financial corporations and individual traders | 4,012,908 | 34,601,493 | — | 1,802,545 | 40,416,946 |
| *Of which:* | | | | | |
| *Construction and real estate promotion* | — | *252,314* | — | — | *252,314* |
| *Construction of civil works* | — | *7,800* | — | — | *7,800* |
| *Large companies* | *1,435,847* | *14,869,913* | — | *436,022* | *16,741,782* |
| *SMEs and individual entrepreneurs* | *2,577,061* | *19,471,466* | — | *1,366,523* | *23,415,050* |
| Other households and non-profit institutions serving households | 10,023,439 | 58,983,648 | 734,671 | 4,722,813 | 74,464,571 |
| *Of which:* | | | | | |
| *Housing* | *1,190,283* | *2,506,878* | — | — | *3,697,161* |
| *Consumer loans* | *8,785,337* | *55,894,838* | *734,671* | *4,722,813* | *70,137,659* |
| *Other purposes* | *47,819* | *581,932* | — | — | *629,751* |
| | | | | Total | 134,814,178 |

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: 'Loans and advances: In credit institutions', 'loans and advances: Central banks', 'loans and advances: to customers', 'debt securities', 'equity instruments', 'derivatives', 'derivatives - hedge accounting', 'shares and guarantees granted'.

| 2022 | | | | | |
|---|---|---|---|---|---|
| | Thousands of Euros | | | | |
| | Spain | Rest of the European | America | Rest of the world | Total |
| Central banks and credit institutions | 2,940,703 | 6,497,642 | — | 242,744 | 9,681,089 |
| Public administrations | 924,475 | 5,504,140 | — | 42,951 | 6,471,566 |
| *Of which:* | | | | | |
| *Central Administration* | *921,804* | *4,255,960* | — | *60* | *5,177,824* |
| *Other Public Administrations* | *2,671* | *1,248,180* | — | *42,891* | *1,293,742* |
| Other financial institutions | 10,863 | 1,145,014 | 338,628 | 246,749 | 1,741,254 |
| Non-Financial corporations and individual entrepreneurs | 3,171,286 | 28,351,567 | — | 2,673,489 | 34,196,342 |
| *Of which:* | | | | | |
| *Construction and real estate promotion* | — | *211,566* | — | — | *211,566* |
| *Construction of civil works* | — | *6,678* | — | — | *6,678* |
| *Large companies* | *1,034,445* | *10,699,079* | — | *986,488* | *12,720,012* |
| *SMEs and individual entrepreneurs* | *2,136,841* | *17,434,244* | — | *1,687,001* | *21,258,086* |
| Other households and non-profit institutions | 10,121,975 | 54,814,108 | 14 | 6,575,205 | 71,511,302 |
| *Of which:* | | | | | |
| *Housing* | *1,318,606* | *2,394,903* | — | — | *3,713,509* |
| *Consumer loans* | *8,714,320* | *52,074,766* | *14* | *6,575,205* | *67,364,305* |
| *Other purposes* | *89,049* | *344,439* | — | — | *433,488* |
| | | | | Total | 123,601,553 |

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: cash balances in central banks and other demand deposits, deposits in credit institutions, customer credit, debt securities, trading derivatives, hedging derivatives, investments in joint and associated ventures, equity instruments - and guarantees granted.

**II. Market, Structural and liquidity risk**

– **Scope and definitions**

The measurement perimeter, control and monitoring of the Market Risks function covers those operations where equity risk is assumed, as consequence of changes in market factors.

These risks are generated through two fundamental types of activities:

- The trading activity, which includes both the provision of financial services in markets for clients, in which the entity is the counterparty, as well as the activity of buying and selling and own positioning in fixed income, variable income and currency products.

  Santander Consumer Finance does not do negotiation activities (trading), it limits its treasury activity to manage the structural risk of the balance sheet and its coverage, as well as to manage the liquidity necessary to finance the business.

- The management activity of the balance sheet or ALM, which involves managing the risks inherent in the entity's balance sheet, excluding the trading portfolio.

The risks generated in these activities are;

Market: risk incurred because of the possibility of changes in market factors that affect the value of the positions that the entity maintains in its trading portfolios (trading book).

Structural: risk caused by the management of the different balance sheet items. This risk includes both the losses from price fluctuations that affect the available-for-sale and held-to-maturity portfolios (banking book), as well as the losses derived from the management of the Group's assets and liabilities valued at amortized cost.

Liquidity: risk of not meeting payment obligations on time or doing so at an excessive cost, as well as the ability to finance the growth of its volume of assets. Among the types of losses caused by this risk are losses due to forced sales of assets or impacts on margin due to the mismatch between forecast cash outflows and cash inflows.

Trading and structural market risks, depending on the market variable that generates them, can be classified as:

Interest rate risk: identifies the possibility that variations in interest rates may adversely affect the value of a financial instrument, a portfolio or the Group.

Credit spread risk: identifies the possibility that variations in credit spread curves associated with specific issuers and types of debt may adversely affect the value of a financial instrument, a portfolio or the Group. The spread is a differential between financial instruments that trade with a margin over other reference instruments, mainly IRR (Internal Rate of Return) of government securities and interbank interest rates.

Exchange rate risk: identifies the possibility that variations in the value of a position in a currency other than the base currency may adversely affect the value of a financial instrument, a portfolio or the Group.

Inflation risk: identifies the possibility that variations in inflation rates may adversely affect the value of a financial instrument, a portfolio or the Group.

Volatility risk: identifies the possibility that variations in the listed volatility of market variables may adversely affect the value of a financial instrument, a portfolio or the Group.

Liquidity risk: identifies the possibility that an entity or the Group will not be able to undo or close a position on time without impacting the market price or the cost of the transaction.

Prepayment or cancellation risk: identifies the possibility that early cancellation without negotiation, in operations whose contractual relationship explicitly or implicitly allows it, generates cash flows that must be reinvested at a potentially lower interest rate.

There are other variables that exclusively affect market risk (and not structural risk), so that it can be further classified into:

Variable income risk: identifies the possibility that changes in the value of prices or in the expectations of dividends of variable income instruments may adversely affect the value of a financial instrument, a portfolio or the Group.

Raw materials risk: identifies the possibility that changes in the value of merchandise prices may adversely affect the value of a financial instrument, a portfolio or the Group.

Correlation risk: identifies the possibility that changes in the correlation between variables, whether of the same type or of a different nature, quoted by the market, may adversely affect the value of a financial instrument, a portfolio or the Group.

Underwriting risk: identifies the possibility that the placement objectives of securities or other types of debt will not be achieved when the entity participates in underwriting them.

Liquidity risk can be classified into the following categories:

- Financing risk: identifies the possibility that the entity is unable to meet its obligations as a result of the inability to sell assets or obtain financing.
- Mismatch risk: identifies the possibility that the differences between the maturity structures of assets and liabilities generate an extra cost to the entity.

Contingency risk: identifies the possibility of not having adequate management elements to obtain liquidity as a result of an extreme event that implies greater financing or collateral needs to obtain it.

- **Measurement and methods**

<u>1. Structural interest-rate risk</u>

The Group analyses the sensitivity of net interest income and of equity to interest rate fluctuations. This sensitivity is determined by mismatches in the maturity and review dates of interest rates of different balance sheet items.

According to the interest rate positioning of the balance sheet, and considering the situation and perspectives of the market, financial measures are adopted to adjust the positioning to that sought by the Bank. These measures may range from taking up positions in markets to the specification of interest rate characteristics of commercial products.

The metrics used to control the interest rate risk in these activities are the interest rate gap, financial margin sensibility and equity in the levels of interest rate.

**e.3)** Interest rate gap

Analysis of the interest rate gap deals with the mismatch between the timing of re-pricing of on and off-balance aggregates of assets and liabilities and of memorandum accounts (off-balance sheet). It provides a basic profile of the balance sheet structure and can detect concentrations of interest rate risk at different terms. It is also a useful tool for estimates of the potential impact of interest rate movements on net interest income and the equity of the entity.

All on- and off-balance sheet aggregates have to be broken down so that they can be placed in the point of repricing/maturity. For aggregates that do not have a contractual maturity, the Santander Group's internal model for analysis and estimation of their durations and sensitivity is used.

- Sensitivity of Net Interest Income (NII)

The sensitivity of net interest income measures the change in expected accruals for a certain period (12 months) in the event of a shift in the interest rate curve.

- Sensitivity of Economic Value of Equity (EVE)

This measures the implied interest rate risk in the economic value of equity which, for the purposes of interest rate risk, is defined as the difference between the net present value of assets minus the net present value of liabilities, based on the effect of a change in interest rates on such present values.

<u>2. Liquidity risk</u>

Management of structural liquidity aims to fund the recurring activity of the Santander Consumer Finance Group in optimal conditions of term and cost, while avoiding undesired liquidity risks.

The measures used for the control of liquidity risk are the liquidity gap, liquidity ratios, the statement of structural liquidity, liquidity stress tests, the financial plan, the liquidity contingency plan and regulatory reporting.

- Liquidity Gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period in each of the currencies in which the Santander Consumer Finance Group operates. The gap measures the net cash needed or the surplus at a given date and reflects the liquidity level maintained under normal market conditions.

In the contractual liquidity gap, all balance sheet items that generate cash flows are analysed and placed at their point of contractual maturity. For assets and liabilities with no contractual maturity, the Santander Group's internal analysis model is used. It is based on a statistical study of products' time series, and the so-called stable and unstable balance is determined for liquidity purposes.

- Liquidity ratios

The minimum liquidity ratio compares liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and assets at less than 12 months with liabilities of up to 12 months.

The Net Stable Funding Ratio measures the extent to which assets that require structural funding are being funded by structural liabilities.

- Structural liquidity

The purpose of this analysis is to determine the structural liquidity position according to the liquidity profile (greater or lesser stability) of different asset and liability instruments.

- Liquidity stress test

The purpose of the liquidity stress tests conducted by the Santander Consumer Finance Group is to determine the impact of a severe, but plausible, liquidity crisis. In such stress scenarios, a simulation is made of internal factors that may affect Group liquidity, such as, inter alia, a credit rating downgrade of the institution, a fall in the value of balance sheet assets, banking crises, regulatory factors, a change in consumer trends and/or a loss of depositor confidence.

Every month, four liquidity stress scenarios (banking crisis in Spain, idiosyncratic crisis at the Santander Consumer Finance Group, global crisis and a combined scenario) are simulated by stressing these factors, and the results are used to establish early warning levels.

- Financial Plan

Every year, a liquidity plan is prepared based on the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of limits on new securitisation considering eligible assets available, in addition to potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year, regular monitoring is carried out of actual trends in funding requirements, thus giving rise to the revisions of the plan.

- Contingency Funding Plan

The purpose of the Liquidity Contingency Plan is to set out the processes (governance structure) to be followed in the event of a potential or real liquidity crisis, as well as the analysis of contingency actions or levers available to Management should such a situation arise.

The Liquidity Contingency Plan is underpinned by, and must be designed in line with, two key elements: liquidity stress tests and the early warning indicator (EWI) system. Stress tests and different scenarios are used as the basis for analysing available contingency actions and for determining such actions are sufficient. The EWI system monitors and potentially triggers the escalation mechanism for activating the plan and subsequently monitoring the situation.

- Regulatory Reporting

Santander Consumer Finance applies the Liquidity Coverage Ratio (LCR) and the net stable funding ratio (NSFR), according to the European Banking Authority (EBA) for the consolidated sub-group on a monthly basis.

In addition, Santander Consumer Finance has produced an annual Internal Liquidity Adequacy and Assessment Process (ILAAP) report as part of the consolidated document of the Santander Group, although the supervisor does not require this report at sub-group level.

3. Structural change risk

Structural change risk is managed at Santander Group level, as part of the general corporate procedures of the Santander Group, trying to avoid impacts in CET1 ratio.

- **Internal Control**

The structural and liquidity risk control environment in Santander Consumer Finance Group is based on the framework of the annual limits plan, where the limits for said risks are established, responding to the Group's level of risk appetite.

The limit structure involves a process that considers:

- Efficient and comprehensive identification and delimitation of the main types of market risk incurred, consistently with the management of the business and the strategy defined.

- Quantification and communication of the risk levels and profile considered acceptable by senior management to the business areas, so that undesired risks are not incurred.

- Providing flexibility for the business areas in the acceptance of risks, responding efficiently and appropriately to developments in the market and changes in business strategies, within the risk limits considered acceptable by the entity.

- Enabling business generators to take sufficient prudent risks to achieve their budgeted results.

- Delimiting the range of products and underlying assets in which each Treasury unit can operate, considering characteristics such as the model and assessment systems, the liquidity of the instruments involved, etc.

In the event of exceeding one of these limits or their sub-limits, the risk management officers involved must explain the reasons and facilitate an action plan to correct it.

The main management limits for structural risk at the consolidated Santander Consumer level are:

- One-year net interest income sensitivity limit.

- Equity value sensitivity limit.

The limits are compared with the sensitivity that implies a greater loss among those calculated for different scenarios of parallel rise and fall of the interest rate curve. During 2023, these limits applied to eight scenarios of interest rates upwards and downwards between minus 100 basis points and plus 100 basis points. In addition, other parallel and non-parallel scenarios are calculated, including those defined by the European Banking Authority (EBA). Using various scenarios allows for better control of interest rate risk. In the lowering interest rates scenarios, negative interest rates are contemplated.

During 2023, the level of exposure at the consolidated level in the SCF Group, both on the financial margin and on economic value, is low in relation to the budget and the amount of own resources respectively, being in both cases less than 2% throughout the year. year, and within the established limits.

With regard to liquidity risk, the main limits at the Santander Consumer Finance Group level include regulatory liquidity metrics such as the LCR and NSFR, as well as liquidity stress tests under different adverse scenarios previously mentioned.

At the end of December 2023, all liquidity metrics are above the internal limits in force, as well as regulatory requirements. Both for the LCR and for the NSFR at the consolidated Group level, it has been at levels above 115% and 103% throughout the year.

– **Management**

Balance sheet management entails the analysis, projection and simulation of structural risks, along with the design, proposal and execution of transactions and strategies to manage this risk. Finance Management is responsible for this process, and it takes a projection-based approach where and when this is applicable or feasible

A high-level description of the main processes and/or responsibilities in managing structural risks is as follows:

- Analysis of the balance sheet and its structural risks.
- Monitoring of movements in the most relevant markets for asset and liability management (ALM) for the Group.
- Planning. Design, maintenance and monitoring of certain planning instruments. Finance Management is responsible for preparing, following and maintaining the financial plan, the funding plan and the liquidity contingency plan.
- Strategy proposals. Design of strategies aimed at funding the SCF sub-group's business by securing the best available market conditions or by managing the balance sheet and its exposure to structural risks, thereby avoiding unnecessary risks, preserving net interest income and safeguarding the market value of equity and capital.
- Execution. To achieve appropriate ALM positioning, Finance Management uses different tools. Chief among these are issues in debt or capital markets, securitisation, deposits and interest rate and/or currency hedges, and management of ALCO portfolios and the minimum liquidity buffer.
- Compliance with risk limits and with risk appetite

### IV. Operational risk

#### a. Definition and objectives

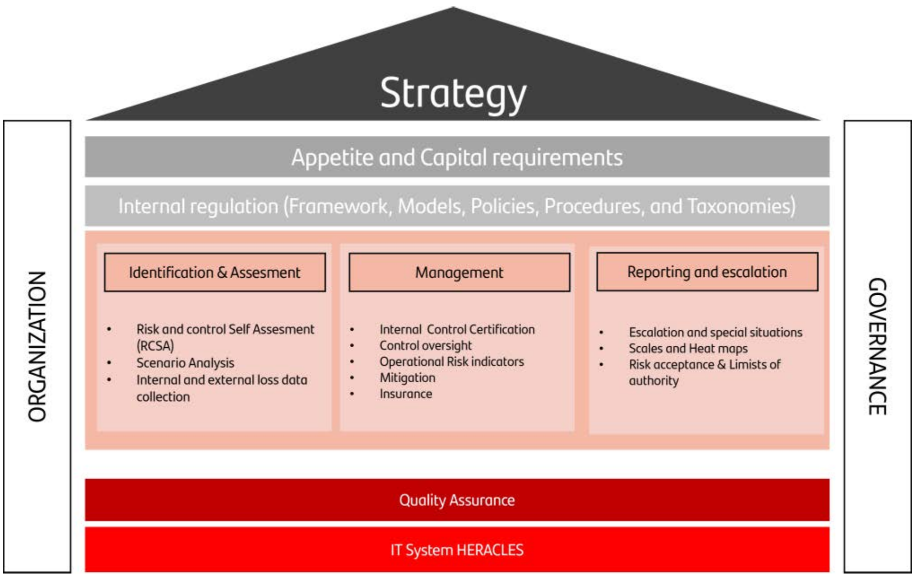
The Bank defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Accordingly, all employees are responsible for managing and controlling operational risks arising in their area of activity.

The aim pursued by the Bank in operational risk control and management is primarily to identify, measure/ assess, monitor, control, mitigate and report this risk.

The Bank's priority, therefore, is to identify and mitigate focal points of risk, irrespective of whether they have given rise to any losses. Measurement also contributes to the establishment of priorities in the management of operational risk.

Managing and mitigating risks sources is a priority to the Bank, regardless of whether these risks have originated losses or not. Measurement has also contributed to establishing priorities in managing operational risk. To improve and promote adequate operational risk management, Santander Consumer Finance has developed an advanced loss distribution model (LDA) based on internal event database such as the external loss database of our banking peers (ORX consortium database) and scenario analysis. This approach is accepted by t he industry and regulators.



***b. Operational risk management and control model***

**Operational risk management cycle**

The different stages of the operational risk management and control model involve:

- Identify the operational risk inherent in all Bank activities, products, processes and systems. This process is performed through the exercise of Risk and Control Self-assesment (RCSA)

- Define the objective operational risk profile, with specification of strategies by unit and time horizon, by establishing the appetite and tolerance of RO, budget and monitoring.

- Promote the involvement of all employees with the culture of operational risk, through appropriate training at all areas and levels of the organization.

- Measure and assess operational risk objectively, continuously and consistently with regulatory standards (Basel, Bank of Spain, etc.) and the sector.

- Continuously monitor operational risk exposures, implement control procedures, improve internal knowledge and mitigate losses.

- Establish mitigation measures that eliminate or minimize operational risk.
- Generate periodic reports on operational risk exposure and its level of control for senior management and Bank areas/units, as well as inform the market and regulatory bodies.

- Define and implement the necessary methodology to estimate the capital calculation in terms of expected and unexpected loss.

Each of the key processes listed above is based on:

- The existence of a system that allows reporting and controlling exposures to operational risk, integrated into the daily management of the Bank.

To this end, the Bank implemented in 2016 a unique tool for the management and control of operational risk, compliance and internal control, called HERACLES. HERACLES is considered the Golden Source for Risk Data Aggregation (RDA).

The internal regulations containing the principles for the management and control of operational risk, consistent with the regulations and best practices, have been defined and approved according to the established government.

In 2015, the Bank adhered to the relevant corporate framework and subsequently the model, policies and procedures, as well as the rules of the Operational Risk Committee, have been approved and implemented.

| Titlle | Type of document |
|---|---|
| Management and Control of operational risk | Model |
| Cyber Security Risk | Policy |
| Fraud management and control | Policy |
| Operational Resilience - Business Continuity Management | Policy |
| IT risk oversight | Policy |
| Operational Risk Scenario Analysis | Procedure |
| Internal Control Model Assurance | Procedure |
| Risk Control Self-Assessment (RCSA) | Procedure |
| Booking the operational risk financial impacts | Procedure |
| Communication and escalation of relevant operational risk events | Procedure |
| Control oversight and Cross check of outputs between OR instruments | Procedure |
| Definition and management of Operational Risk Indicators (ORI) | Procedure |
| Taxonomy definition and maintenance | Procedure |
| Establishment of the operational risk perimeter | Procedure |
| Identification and management of mitigation measures | Procedure |
| Management of Operational Risk Arising from Transformation | Procedure |
| Relation Between own Insurance and Operational Risk | Procedure |
| SCIIF and S-OX Compliance | Procedure |
| Suppliers Risk Oversight | Procedure |
| Management of external data | Procedure |
| Management of Internal Events | Procedure |

The operational risk management and control model implemented by the Group provides the following advantages:

- Promotes the development of a culture of operational risk.
- It enables comprehensive and effective management of operational risk (identification, measurement / assessment, control / mitigation, and information).
- It improves knowledge of operational risks, both effective and potential, and their allocation to business and support lines.
- Operational risk information helps to improve processes and controls, reduce losses and revenue volatility.
- Facilitates the establishment of operational risk appetite limits.

**c. Risk identification, measurement and assessment model**

Since November 2014, the Group adopted the new management system of Grupo Santander, having defined three lines of defense:

- 1st line of defense: Integrated in the business or support areas. Its tasks are to identify, measure or evaluate, control (primary control), mitigate and communicate the risks inherent in the activity or function for which it is responsible.

Given the complexity and heterogeneous nature of operational risk within a large-scale organization with diverse lines of business, adequate risk management is carried out in two axes:

(1) Operational risk management: Each business unit and support function of the Santander Group is responsible for the operational risks arising in its scope, as well as for its management. This particularly affects the heads of business units and support functions, but also the coordinator (or OR team) in the 1LoD.

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

**OR Managers:**

Operational risk management is the responsibility of all staff in their respective areas of activity. Accordingly, the Head of each division or area has ultimate responsibility for operational risk within its scope.

**OR Coordinators:**

RO coordinators are actively involved in operational risk management and support RO managers in their own areas of OR management and control. Each coordinator has a certain scope for action, which does not necessarily coincide with organizational units or areas, and has a deep knowledge of activities within their scope. Their roles and responsibilities include:

- Interaction Undertake interaction with the second line of defense in daily operations and communication to the management of operational risk in its scope.
- Facilitate integration into RO management in each area.
- Support the implementation of qualitative and quantitative methodologies and tools for the management and control of operations.
- Provide support and advice on operational risk within its scope.
- Maintain an overview of risk exposure in its scope.
- Ensure the quality and consistency of data and information notified to the 2LoD, identifying and monitoring the implementation of relevant controls.
- Review and monitor results provided by business units and support functions related to control testing.
- Support in the signing and certification of controls (control testing).
- Monitor mitigation plans in your area.
- Coordinate the definition of business continuity plans in your area.

– 2nd line of defense: Exercised by the Department of Non-Financial Risks and reporting to the CRO. Its functions are the design, maintenance and development of the local adaptation of the Operational Risk Management Framework (BIS), and control and challenge over the first line of operational risk defense. His main responsibilities include:

- Design, maintain and develop the operational risk management and control model, promoting the development of an operational risk culture throughout the Group.
- Safeguard the proper design, maintenance and implementation of operational risk regulations.
- Drive business units to effectively monitor identified risks.
- Ensure that each key risk affecting the institution is identified and properly managed by the relevant units.
- Ensure that the Group has implemented effective RO management processes.
- Prepare proposals for operational risk appetite tolerance and monitor risk limits in the Group and in the different local units.

- Ensure that Top Management receives a global view of all relevant risks, ensuring adequate communication and reports to senior management and the Board of Directors, through established governing bodies.

In addition, the 2LoD will provide the necessary information for its consolidation, along with the remaining risks, to the risk monitoring and consolidation function.

To ensure proper oversight, a solid knowledge of the activities of the Business Units/Support Functions is required, as well as a specific understanding of the categories of risk events (IT, compliance, etc.) and a Capacity and Capability Local Plan. In that context, the RO control function (2LOD function) needs to leverage specific profiles that can support the implementation of the RO framework in the 1LOD, but also provide trade and exposure information to specific risks, including the implementation of the RO framework in the 3LOD. to ensure that the related RO profile is well managed and reported. Business Risk Managers (BRMs), as business knowledge specialists (e.g. Global Corporate Banking) and Specialized Risk Managers (SRM) as OR control specialists (e.g. IT and cyber risks) they perform these functions within OR 2LOD and position themselves as key touchpoints for 1LOD business units and operations management support functions.

– 3rd line of defense: Exercised by Internal Audit, which evaluates the compliance of all the activities and units of the entity with its policies and procedures. His main responsibilities include:

- Verify that the risks inherent in the Group's activity are sufficiently covered, complying with the policies established by the senior management and the internal and external procedures and regulations that are applicable.

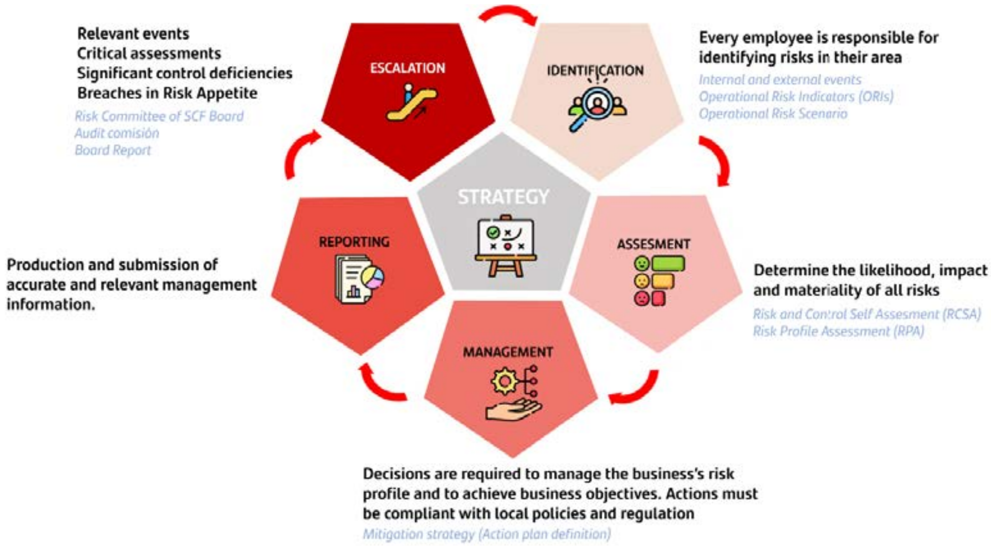
- Monitor the compliance, effectiveness and efficiency of the internal control systems of operations in the Group, as well as the quality of accounting information.

- Conduct an independent review and challenge OR controls, as well as operational risk management processes and systems.

- Evaluate the implementation status of the RO management and control model in the Group.

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

The management of the Bank is carried out according to the following elements:




To carry out the identification, measurement and assessment of operational risk, a set of corporate, quantitative and qualitative techniques / tools have been defined, they are combined to make a diagnosis from the identified risks and obtain an assessment through the measurement / evaluation of the area / unit.

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

- Internal event database, which aims to capture all the operational risk events of the Bank. The capture of events related to operational risk is not restricted by setting thresholds, i.e. no exclusions are made on the basis of amount, and contains both events with accounting impact (including positive impacts) and non-accounting.

There are accounting reconciliation processes that guarantee the quality of the information collected in the database. The most relevant events of the Bank and each operational risk unit of the Bank are especially documented and reviewed.

- External event database, since the Bank through the Santander Group participates in international consortia, such as ORX (operational risk exchange). In 2016, the use of external databases that provide quantitative and qualitative information and allow a more detailed and structured analysis of relevant events that have occurred in the sector was strengthened.

- Analysis of RO scenarios. Expert opinion is obtained from business lines and risk and control managers, which aims to identify potential events with a very low probability of occurrence, but which, in turn, can represent a very high loss for an institution. Its possible effect on the entity is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact. In addition, the results of this exercise (which has also been integrated into the HERACLES tool), will be used as one of the *inputs* for the calculation of economic capital by operational risk based on the Advanced Model (LDA).

The tools defined for qualitative analysis try to evaluate aspects (coverage / exposure) linked to the risk profile, allowing to capture the existing control environment. These tools are fundamentally:

- RCSA: Methodology for the evaluation of operational risks, based on the expert criteria of the managers, serves to obtain a qualitative view of the main sources of risk of the Bank, regardless of whether they have materialized previously.

Advantages of RCSA:

i. Incentivize the responsibility of the first lines of defense: The figures of *risk owner* and *control owner* in the front line are determined.

ii. Encourage the identification of the most relevant risks: Risks that are not pre-defined, but arise from the areas that generate the risk.

iii. Improve integration of RO tools: Root cause analysis is incorporated.

iv. Improve exercise validation. It is developed through workshops or *workshops, instead of questionnaires.*

v. Making exercises more *forward-looking:* Financial impact by risk exposure is assessed.

- Corporate system of operational risk indicators, in continuous evolution and in coordination with the corresponding corporate area. They are statistics or parameters of various kinds that provide information on an entity's risk exposure. These indicators are periodically reviewed to alert you to changes that may reveal problems with risk.

- Recommendations from regulators, Internal Audit and External Auditor. It provides relevant information about inherent risk due to internal and external factors and allows the identification of weaknesses in controls.

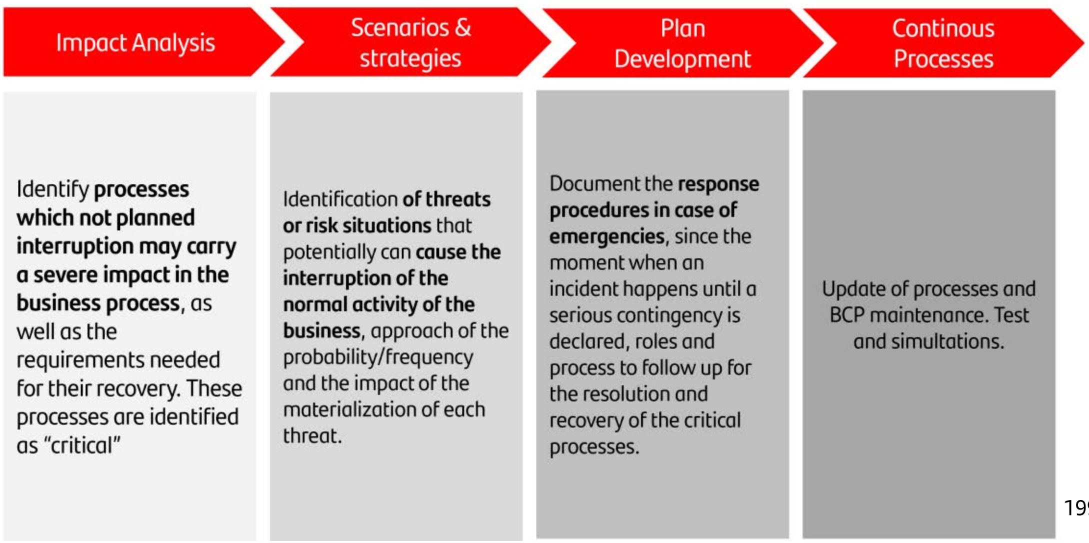
- Other specific instruments that allow a more detailed analysis of technological risk, such as the control of critical incidents in cyber-security systems and events.

**d. Operational risk information system**

HERACLES is the corporate operational risk information system. This system has modules for risk self-assessment, event registration, risk map and evaluation, indicators of both operational risk and internal control, mitigation and *reporting* systems and scenario analysis being applicable to all entities of the Consumer Group, including the Bank.

**e. Business continuity plan**

The Santander Group and, accordingly, the Santander Consumer Finance Group, have a Business Continuity Management System (BCMS) to ensure the continuity of its entities' business processes in the event of a disaster or serious incident.



This basic objective is to:

- Minimize the possible damage to people and adverse financial and business impacts for the Bank, resulting from an interruption of the normal operations of the business.
- Reduce the operational impact of a disaster by providing a set of predefined and flexible guidelines and procedures for use in the resumption and recovery of processes.
- Resume business operations and associated, time-sensitive support functions in order to achieve business continuity, profit stability and planned growth.
- Restoring technological operations and supporting business operations, sensitive to time, in case of non-operability of existing technologies.
- Protect the public image and trust in the Bank.
- Meet the Bank's obligations to its employees, customers, shareholders and other interested third parties.

**f. Corporate information**

The Santander Group's corporate operational risk control area, of which the Santander Group is a part, has an operational risk management information system that provides data on the Bank's main risk elements. The information available for each country/unit in the operational risk area is consolidated so that a global view is obtained with the following characteristics:

- Two levels of information: One corporate with consolidated information and one individualized for each country/unit.
- Dissemination of best practices among the countries/units of Santander Group, obtained through the combined study of the results derived from qualitative and quantitative analysis of operational risk.

Specifically, information is prepared on the following aspects:

- Operational risk management model in the Bank and the main units and geographies of the Group.
- Operational risk management perimeter.
- Tracking appetite metrics.
- Analysis of the internal database of relevant events and external events.
- Analysis of the most relevant risks, detected through different sources of information, such as operational and technological risk self-assessment exercises.
- Evaluation and analysis of risk indicators.
- Mitigating measures/active management.
- Business continuity plans and contingency plans.

This information serves as the basis for meeting the *reporting* needs to the Delegated Risk Committee, Risk Supervision Committee, Regulation and Compliance, Operational Risk Committee, senior management, regulators, rating agencies, etc.

**g. Insurance in operational risk management**

Grupo Santander Consumer Finance considers insurance a key element in operational risk management. Since 2014, common coordination guidelines have been established between the various functions involved in the insurance management cycle that mitigate operational risk; mainly the areas of own insurance and operational risk control but also the different areas of risk management in the front line.

These guidelines include the following activities:

- Identification of all risks in the Group that may be the subject of insurance coverage, including also the identification of new insurance coverage on risks already identified in the market.
- Establishment and implementation of criteria to quantify insurable risk, relying on loss analysis and loss scenarios to determine the Group's exposure level to each risk.
- Analysis of the coverage available in the insurance market, as well as preliminary design of the conditions that best fit the needs previously identified and evaluated.
- Technical assessment of the level of protection provided by the policy, cost and levels of withholding that the Group will assume (franchises and other elements in charge of the insured) in order to decide on its hiring.
- Negotiation with suppliers and adjudication according to the procedures established for this purpose by the Bank.
- Follow-up of incidents declared in policies, as well as those undeclared or unrecovered by an incorrect statement.
- Analysis of the adequacy of group policies to the risks covered, taking appropriate corrective measures to the deficiencies detected.
- Close collaboration of local operational risk managers with local insurance coordinators to strengthen operational risk mitigation.
- Regular meetings to report on specific activities, status statements and projects in both areas.
- Active participation of both areas in the global insurance *sourcing* table, the highest technical body in the Group for the definition of insurance coverage and contracting strategies.

***Cyber risk***

Cybersecurity risk (also known as cyber risk) is defined as any risk that results in financial loss, business interruption or damage to Santander Consumer's reputation resulting from the destruction, misuse, theft or abuse of systems or information. This risk comes from inside and outside the corporation.

In the event of a cyber incident, the main cyber risks for the Bank are composed of three elements:

- Unauthorized access to or misuse of information or systems (e.g., theft of commercial or personal information).
- Theft and financial fraud.
- Business service interruption (e.g. sabotage, extortion, denial of service).

As in previous years, the Bank has continued to maintain full attention to cybersecurity-related risks. This situation, which generates concern in entities and regulators, encourages the adoption of preventive measures to be prepared for attacks of this nature.

The Bank has evolved its cyber regulations with the approval of a new cybersecurity framework and the cyber risk monitoring model, as well as different policies related to this matter.

Similarly, a new organizational structure has been defined and the government has been strengthened for the management and control of this risk. For this purpose, specific committees have been established and cybersecurity metrics have been incorporated into the Bank's risk appetite.

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

- Compliance with cyber risk appetite The aim of this process is to ensure that the cyber risk profile is in line with the risk appetite. Cyber risk appetite is defined by a number of metrics, risk statements and indicators with their corresponding tolerance thresholds and where existing governance structures are used to track and scale up, including risk committees as well as cybersecurity committees.

- Cybersecurity risk identification and assessment: The process of identifying and assessing cyber risk is a key process to anticipate and determine risk factors that could estimate its likelihood and impact. Cyberrisks are identified and classified in line with the control categories defined in the latest industry-relevant security standards (such as ISO 27k, NIST Cybersecurity Framework, etc.). The methodology includes the methods used to identify, qualify and quantify cyber risks, as well as to evaluate controls and corrective measures developed by the front-line defense function. The cyber risk assessment exercises are the fundamental tool to identify and assess cyber security risks in the Bank. The cybersecurity and technological risk assessment shall be updated where reasonably necessary taking into account changes in the information systems, confidential or business information, as well as the business operations of the entity.

- Cyber risk control and mitigation: Processes related to the evaluation of the effectiveness of controls and risk mitigation. Once the cyber risks have been evaluated and mitigation measures defined, these measures are included in a cybersecurity risk mitigation plan of Santander Consumer Finance and the residual risks identified are formally accepted. Due to the nature of cyber risks, a periodic assessment of risk mitigation plans is carried out. A key process in the face of a successful cybersecurity attack is the business continuity plan. The Bank has mitigation strategies and measures related to business continuity management and disaster recovery plans. These measures are also linked to cyber attacks, based on defined policies, methodologies and procedures.

- Monitoring, supervision and communication of cyber risk: Santander Consumer Finance carries out a control and monitoring of cyber risk in order to periodically analyze the available information on the risks assumed in the development of the Bank's activities. For this purpose, the KRIs and KPIs are monitored and monitored to assess whether the risk exposure is in line with the agreed risk appetite. Scaling and reporting: Adequate scaling and communication of cyber threats and cyber attacks is another key process. Santander Consumer Finance has tools and processes for detecting in its infrastructure, servers, applications and databases signals of internal threats and potential compromises. Communication includes reporting and reporting to relevant committees of the information needed to assess the exposure to cyber risk and cyber risk profile and to take the necessary decisions and actions. To do this, reports on the cyberrisk situation are prepared for the steering committees. There are also mechanisms for internal scaling independent of the bank's management team of technological and cybersecurity incidents and, if necessary, the relevant regulator.

**Other emerging risks**

In addition to the aforementioned Cyber risk, the Santander Consumer Group is increasingly strengthening the supervision of other operational risks arising from 1) supplier management and 2) transformation projects.

- With regard to supplier management risks, the focus is on the quality and continuity of services provided to SCF, but also in ensuring compliance with the new EBA Guidelines and Regulations such as DORA through the implementation of specific risk instruments throughout the different phases of the supplier's life cycle

- The operational risk of transformation is that derived from material changes in the organization, the launch of new products, services, systems or processes derived from imperfect design, construction, testing, deployment of projects and initiatives, as well as the transition to day-to-day (BAU). Transformation is a root cause, which can manifest itself in a variety of risks and impacts, not restricted to operational risk, (e.g. credit, market, financial crimes...)

**Risk of compliance and conduct**

The compliance function covers all matters related to regulatory compliance, prevention of money laundering and terrorist financing, product governance and consumer protection, and reputational risk according to the provisions of the General Corporate Framework of Compliance and Conduct.

The compliance function promotes Santander Consumer Finance, S.A's adherence (hereinafter "SCF") to standards, supervisory requirements, and principles and values of good conduct by establishing standards, debating, advising and informing, in the interest of employees, customers, and the public. shareholders and the community at large. According to the current corporate configuration of the three lines of defense of the Santander Group, the compliance function is configured as an independent second-line control function and reporting directly to the board of directors and their commissions through the Chief Compliance Officer (CCO). This configuration is aligned with the requirements of banking regulation and with the expectations of supervisors.

Santander Consumer Finance's objective in terms of compliance risk and conduct is to minimize the likelihood of non-compliance and irregularities, and in the event that they occur, they are identified, valued, reported and resolved quickly.

Santander Consumer Finance aims to continue working to maintain maximum alignment with Grupo Santander standards in terms of policies, procedures and management methodologies in all its units.

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

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

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

c. Regular follow-up meetings with units and periodic reporting process on compliance risks.

**Climate and Environmental Risk**

Santander Consumer Finance's ESG (environmental and climate, social and governance factors) strategy consists of doing business in a responsible and sustainable way, supporting the green transition, building a more inclusive society and doing business correctly, following the most rigorous governance standards.

On the other hand, ESG factors can lead to traditional types of risk (e.g. credit, liquidity, operational or reputational) due to the physical impacts of a changing climate, the risks associated with the transition to a new, more sustainable economy and the failure to meet expectations and commitments. Therefore, they are included in the risk map of Santander Consumer Finance as relevant risk factors.

In recent times, climate risks (physical risks and transition risks) are becoming very important, and therefore Santander Consumer Finance is strengthening its management and control in coordination with the corporate teams of the Santander Group within the framework of the Climate Project, some of the priorities are as follows:

a. EWRM (Enterprise-Wide Risk Management) approach, which gives a holistic and anticipatory view of climate aspects as a basis for proper management.

b. Availability of relevant data (e.g. CO2 emissions of funded assets, green asset financing ratio, sectoral classification and location of companies, energy efficiency certificates and collateral location, etc.).

c. Integration of climate risks into day-to-day risk management and control.

The relevance of the data and its quality is, if possible, even greater in this area than in the rest, since some data that until recently were not very relevant and perhaps not collected have become essential for issues such as aligning portfolios with environmental objectives, disclosing information or managing climate risks. Therefore, one of the pillars of the Climate project is to collect such data with the required quality.

With regard to the EWRM approach, a fundamentally qualitative assessment of the implications and materiality of climate aspects for Santander Consumer Finance has been carried out, with a special focus on the auto portfolio, which is summarized in the following paragraphs.

As mentioned above, for Banking in general, climate is a cross-cutting issue with multiple angles, but with two main dimensions related to each other:

1. Banks play a key role in mitigating climate change and transitioning to a new green economy.

2. Climate aspects can cause losses to banks through different transmission mechanisms.

With regard to Santander Consumer Finance in particular, our vision is as follows:

1. Our role in sustainable financing: Aligning our portfolios with the ambition of net zero emissions is occurring in a natural and gradual way thanks to the policies of the European Union and the short duration of our contracts. In any case, Santander Consumer Finance is becoming more sustainable and proactively helping customers become more sustainable. The efforts being made in the area of data and information dissemination are crucial in this direction.

2. Potential impacts of climate risks in Santander Consumer Finance: From the materiality analysis carried out, it is concluded that the types of risk most affected for SCF are reputational/regulatory, strategic (business model), residual value and credit. The potential impacts are greatly mitigated thanks to the context (gradual transformation of the automotive industry) and the business model of Santander Consumer Finance (whose portfolios are mainly retail, good quality, short-term and diversified). On the other hand, climate issues could be the trigger for a general economic crisis, for example due to a disorderly transition to the new green economy. We are already managing these risks, but we will continue to strengthen their management and control.

Climate risks have been progressively incorporated into the different EWRM processes:

- "Top Risks": Framed within the event of evolution of the automotive sector, which has historically been identified as one of the main ones in the matrix,

- Risk map: As a cross-sectional risk, included as such since 2021,

- Risk profile assessment: Through a qualitative assessment,

- Risk appetite: Through stress metrics, as well as the opening of the residual value by the type of engine, and currently working on a new metric related to the target (range) of decarbonization for 2030 (for the passenger car portfolio of our sixteen main units).

- Risk strategy, with a specific section on these risks.

- Strategic risk, as a driver of changes in market trends,

- Capital risk and stress tests. Stress tests included in Santander Consumer Finance's strategic plans and ICAAP take into account climate risks through idiosyncratic events, in addition to a specific scenario included in this exercise to reflect the potential impact of a disorderly transition to a low-emission economy. The results of these stress exercises are part of the entity's risk appetite.

Stress testing scenarios and methodologies will become more sophisticated as more information becomes available. In 2022, Santander Consumer Finance participated, together with the teams of the Santander Group, in the first climate stress test of the ECB and in the thematic review of climate risks.

Finally, with regard to the integration into the day-to-day management and control of risks, Santander Consumer Finance's EWRM team produces a quarterly internal report to monitor climate risks, in which the results of the Pillar III ESG exercise will also be incorporated from its publication.

This report includes, among other aspects, the following:

a. Materiality analysis: Currently most of the portfolio has a low physical risk and moderate transition risk. It is essential to keep in mind that the portfolio consists basically of loans to private clients, of good quality, very diversified and short term.

b. Kris tracking (Key Risk Indicators): For each type of risk affected (e.g. reputational), potential risks (e.g. inadequate speed of portfolio alignment to decarbonization objectives), main driver (physical or transition), the period in which the risk can materialize (short, medium, long) and the Kris with which the evolution of the risk is followed (e.g. percentage of the entity's electric car vs. the whole market).

c. Main focus areas in the quarter (news, relevant projects, etc.).

At the same time, work is under way to integrate climate risks at all stages of the risk cycle, ensuring compliance with commitments made and supervisory expectations. It is worth noting the progress being made in relation to the corporate model "The Climate Race" to integrate climate factors in the process of granting and monitoring credit risk.

As noted above, the SCF risk map includes climate risks, as risk elements related to the environment and climate change are considered to be factors that could affect the different types of risks existing in all relevant time horizons. These elements cover, on the one hand, those derived from the physical effects of climate change and, on the other hand, those derived from the process of transition to a more sustainable economy, including legislative, technological or behavioral changes of economic agents.

In view of the activities of the companies of the SCF Group, the SCF Group does not have any liabilities, expenses, assets or contingencies of an environmental nature that could be material in relation to equity, financial position and consolidated results.

Exposures in the sectors potentially most affected by climate factors in accordance with the market consensus and the execution of our materiality analysis correspond mainly to wholesale customers. The wholesale activity of SCF is very limited (it accounts for less than 2% of the total portfolio), since the fundamental activity is consumer financing, but in any case, within the framework of the implementation of the corporate model "The Climate Race", we are working on the consideration of climate aspects in the analysis of wholesale customers.

In addition, SCF has participated (within the Santander Group as a whole) in the different regulatory exercises on climate stress carried out recently, which have been classified as learning exercises in the industry. The results of these exercises show that, overall, the current coverage of potential losses would be adequate in the time horizons of the maturities of our portfolios. SCF also includes a climate scenario in its ICAAP exercise to assess the adequacy of domestic capital.

In view of the above, SCF considers that, with the best information available at the time of the formulation of these consolidated annual accounts, there is no significant additional impact arising from climate and environmental risk on the assets, financial situation and results in the financial year 2023.

This integration in management is also part of the emission calculation initiatives, as a basis for the commitments of Net Zero Banking Alliance.

***g) Adaptation to the new regulatory framework***

In 2023, at a consolidated level, Santander Consumer Finance Group must maintain a minimum capital ratio of 8.51% of CET1 phase-in (4.5% being the requirement by Pilar I, 1.5% the requirement by Pilar II, a 2.5% requirement for capital conservation buffer and 0.67% countercyclical buffer). This requirement includes: (i) Common Equity Tier 1 minimum requirement that must be maintained at all times under Article 92(1)(a) of Regulation (EU) No 575/2013 (ii) the Common Equity Tier 1 required to overhold at all times in accordance with Article 16(2)(a) of Regulation (EU) No. 1024/2013; and (iii) the capital conservation buffer under Article 129 of Directive 2013/36/EU. In addition, Santander Consumer Finance Group must maintain a minimum capital ratio of 10.30% of T1 phase-in as well as a minimum total ratio of 12.67% phase-in.

As of December 31, 2023, the Bank meets the minimum capital requirements required by current regulations.

**Reconciliation of accounting capital with regulatory capital (millions of Euros)**

| | 2023 | 2022 |
|---|---|---|
| Subscribed capital | 5.639 | 5.639 |
| Share premium account | 1.140 | 1.140 |
| Reserves | 3.654 | 3.649 |
| Other equity instruments | 1.200 | 1.200 |
| Attributable profit | 1.004 | 1.243 |
| Approved dividend | — | — |
| Interim dividend | (100) | (652) |
| **Shareholders' equity on public balance sheet** | 12.537 | 12.219 |
| Valuation adjustments | (678) | (582) |
| Non- controlling interests | 2.520 | 2.555 |
| **Total Equity on public balance sheet** | 14.379 | 14.192 |
| Goodwill and intangible assets | (1.889) | (1.849) |
| Accrued dividend | (1.004) | (1.243) |
| Eligible preference shares and participating securities | — | — |
| Other adjustments (*) | (118) | 33 |
| **Tier 1 (Phase-in)** | 11.368 | 11.133 |

(*) Fundamentally for non-computable minority interest and other prudential deductions and filters under CRR.

The following are the capital ratios and a detail of the Group's computable own resources:

| | 2023 | 2022 |
|---|---|---|
| **Capital ratios** | | |
| Level 1 ordinary eligible capital (millions of euros) | 9.903 | 9.706 |
| Level 1 additional eligible capital (millions of euros) | 1.465 | 1.427 |
| Level 2 eligible capital (millions of euros) | 2.005 | 1.669 |
| Risk-weighted assets (millions of euros) | 78.958 | 77.480 |
| Level 1 ordinary capital coefficient (CET 1) | 12.54% | 12.53% |
| Level 1 additional capital coefficient (AT1) | 1.86% | 1.84% |
| Level 1 capital coefficient (TIER1) | 14.40% | 14.37% |
| Level 2 capital coefficient (TIER 2) | 2.54% | 2.15% |
| **Total capital ratio** | 16.94% | 16.52% |

**Eligible capital (EUR millions**

| | 2023 | 2022 |
|---|---|---|
| **Eligible capital** | | |
| **Common Equity Tier I** | 9.903 | 9.706 |
| Capital | 5.639 | 5.639 |
| Share Premium | 1.140 | 1.140 |
| Reserves | 3.654 | 3.649 |
| Other retained earnings | (655) | (645) |
| Minority interests | 1.631 | 1.456 |
| Profit net of dividends | 904 | 591 |
| Deductions | (521) | (411) |
| *Goodwill and intangible assets* | (1.889) | (1.714) |
| *Others* | — | — |
| **Additional Tier I** | 1.465 | 1.427 |
| Eligible instruments AT1 | 1.200 | 1.200 |
| T1- excesses-subsidiaries | 265 | 227 |
| Residual value of dividends | — | — |
| Others | — | — |
| **Tier II** | 2.005 | 1.669 |
| Eligible instruments T2 | 1.913 | 1.471 |
| Gen. funds and surplus loans loss prov. IRB | — | — |
| T2-excesses- subsidiaries | 92 | 199 |
| Others | — | — |
| **Total eligible capital** | 13.373 | 12.802 |

On credit risk, the Bank is continuing its plan to implement Basel's Advanced Internal Model Approach (AIRB). This progress is also conditioned by the acquisitions of new entities, as well as by the need for coordination among supervisors of the validation processes of internal models.

Santander Consumer Finance Group is present mainly in geographies where the legal framework between supervisors is the same, as happens in Europe through the Capital Requirements Directive and Regulation.

Currently, Santander Consumer Finance Group has the supervisory authorization for the use of advanced approaches to the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, certain portfolios in Germany, Nordics and France.

In terms of operational risk, the Santander Consumer Finance Group currently uses the standard regulatory capital calculation approach provided for in the European Capital Directive.

In relation to the rest of the risks explicitly contemplated in Pillar I of Basel, market risk is not significant in Santander Consumer Finance since it is not the object of the business, using the standard approach.

**Leverage ratio**

The leverage ratio has been established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital required of financial institutions. The Group performs the calculation in accordance with CRD IV and its subsequent amendment to Regulation (EU) No. 575/2013 as of 17 January 2015, the aim of which was to harmonize the calculation criteria with those specified in the document *Basel III leverage ratio framework and disclosure* Basel Committee *requirements*.

This ratio is calculated as the ratio between *Tier* 1 divided by the leverage exposure. This exposure is calculated as the sum of the following elements:

- Accounting asset, without derivatives and without elements considered as deductions in *Tier* 1 (for example, the balance of loans is included but not funds of commerce).

- Order accounts (guarantees, credit limits granted unused, documentary credits, mainly) weighted by credit conversion factors.

- Inclusion of the net value of derivatives (capital gains and handicaps are net with the same counterparty, less collateral if they meet criteria) plus a surcharge for future potential exposure.

- A surcharge for the potential risk of securities financing transactions.

- Finally, a credit derivatives risk surcharge (CDS) is included.

Below is the breakdown of the leverage ratio at sub consolidated level 'fully loaded':

| Millions of euros | 31-12-2023 | 31-12-2022 |
|---|---|---|
| **Leverage** | | |
| Level 1 capital | 11,368 | 11,133 |
| Exhibition | 133,370 | 124,648 |
| **Leverage ratio** | 8.52% | 8.93% |

**Economic Capital**

From the standpoint of solvency, Santander Consumer Finance Group uses, in the context of Basel Pillar II, its economic model for the capital self-assessment process (PAC or ICAAP). To do this, the evolution of the business and capital needs is planned under a central scenario and under alternative stress scenarios. In this planning, the Group ensures that it maintains its solvency objectives even in adverse economic scenarios.

Economic capital is the necessary capital, according to a model developed internally, to withstand all the risks of our activity with a certain level of solvency. In our case the solvency level is determined by the long-term objective rating of 'A' (two steps above the rating of Spain), which means applying a confidence level of 99.95% (above the regulatory 99.90%) to calculate the necessary capital.

The Group's economic capital model includes in its measurement all the significant risks incurred by the Group in its operations, so it considers risks such as concentration, structural interest, business, pensions and others that are outside the scope of the so-called Regulatory Pillar 1. In addition, economic capital incorporates the diversification effect, which in the case of the Group is key, due to the multinational and multi-business nature of its activity, to determine the overall risk and solvency profile.

Santander Consumer Finance Group uses RORAC methodology in its risk management to calculate the consumption of economic capital and return on it of the Group's business units, as well as segments, portfolios or customers, as well as the company's business units. in order to periodically analyze value creation and to facilitate an optimal allocation of capital.

The RORAC methodology makes it possible to compare, on a homogeneous basis, the performance of operations, customers, portfolios and businesses, identifying those who obtain a risk-adjusted return higher than the Group's cost of capital, thus aligning risk and business management with the intention of maximizing value creation, ultimate objective of Santander Consumer Finance's senior management.

## Annex I

# Dependent entities

| Entity | Domicile | Country | Bank's ownership interest (%) | | Voting rights (%) (c) | | Line of business | EUR Millions | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Capital and Reserves (A) | Net results (a) | Direct |
| Andaluza de Inversiones, S.A. Unipersonal | Ciudad Grupo Santander, Av. Cantabria, 28660, Boadilla del Monte - Madrid | Spain | 100 % | — | 100 % | 100 % | Holding company | 37 | — | 27 |
| Allane Leasing GmbH | Ortsstraße 18a – Vösendorf – Austria | Austria | — | 47 % | — | — | Renting | (2) | — | — |
| Allane Location Longue Durée S.a.r.l. | 1 Rue Francois Jacob - France | France | — | 47 % | — | — | Renting | 17 | 4 | — |
| Allane Mobility Consulting AG | Grossmattstrasse 9-Urdorf – Switzerland | Switzerland | — | 47 % | — | — | Consultancy | 1 | (1) | — |
| Allane Mobility Consulting B.V. | Kruisweg 791 - Netherlands | Netherlands | — | 47 % | — | — | Consultancy | (3) | — | — |
| Allane Mobility Consulting GmbH | Dr.-Carl-von-Linde-Str. 2, Pullach i. Isartal – Germany | Germany | — | 47 % | — | — | Consultancy | 11 | 1 | 11 |
| Allane Mobility Consulting Österreich GmbH | Tuchlauben 7th – Austria | Austria | — | 47 % | — | — | Consultancy | (1) | — | — |
| Allane Mobility Consulting S.a.r.l | Rue Francois Jacob – France | France | — | 47 % | — | — | Consultancy | (1) | — | — |
| Allane Schweiz AG | Grossmattstrasse 9-Urdorf – Switzerland | Switzerland | — | 47 % | — | — | Renting | 12 | — | — |
| Allane SE | Dr.-Carl-von-Linde-Str. 2, Pullach i. Isartal – Germany | Germany | — | 47 % | — | — | Leasing | 212 | 6 | 343 |
| Allane Services GmbH & co. KG | Grubenstrasse, 27 - Germany | Germany | — | 47 % | — | — | Services | 2 | — | — |
| Allane Services Verwaltungs GmbH | Grubenstraße, 27 - Germany | Germany | — | 47 % | — | — | Portfolio management | — | — | — |
| AMS Auto Markt am Schieferstein GmbH | Schieferstein, 9, Flörsheim | Germany | — | 90 % | — | — | Automotive | — | — | — |
| Auto ABS Belgium Loans 2019 SA/NV (d) | - | Belgium | — | (d) | — | — | Securitisation | — | — | — |
| Auto ABS DFP Master Compartment France 2013 (d) | - | France | — | (d) | — | — | Securitisation | — | — | — |
| Auto ABS French leases 2021 (d) | - | France | — | (d) | — | — | Securitisation | — | — | — |
| Auto ABS French leases 2023 (d) | - | France | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS French Leases Master Compartment 2016 (d) | - | France | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS French Loans Master (d) | - | France | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS French LT Leases Master (d) | - | France | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS italian Balloon 2019-1 S.R.L. (d) | - | Italy | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS Italian Rainbow Loans S.r.l. (d) | - | Italy | — | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS Spanish Loans 2018-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |

| Entity | Domicile | Country | Bank's ownership interest (%) | | Voting rights (%) (c) | | Line of business | EUR Millions | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Capital and Reserves (A) | Net results (a) | Direct |
| Auto ABS Spanish Loans 2020-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |
| Auto ABS Spanish Loans 2022-1, Securitisation Fund (d) | - | Spain | — | (d) | — % | — % | Securitisation | — | — | — |
| Autodescuento S.L. | Calle Alcala nº4, 5th floor 28014 Madrid, Spain | Spain | — | 94 % | 94 % | 94 % | Financial | 3 | — | 18 |
| Autohaus24 GmbH | Dr.-Carl-von-Linde-Str. 2, Pullach – Germany | Germany | — | 47 % | — | — | Renting | (2) | — | — |
| Banque Stellantis France | 9 rue Henri Barbusse 92330 Gennevilliers | France | — | 50 % | — | — | Banking | 1,058 | 129 | 881 |
| Walk D-Services, Unipessoal Lda. | Rua Urbanização Bracara Augusta, sn - freguesia de Nogueira, Fraião e Lamações | Portugal | — | 100 % | — | — | Services | — | — | 3 |
| Compagnie Generale de Credit Aux particuliers - Credipar S.A. | 9 rue Henri Barbusse 92330 Gennevilliers | France | — | 50 % | — | — | Banking | 1,682 | 343 | 855 |
| Compagnie Pour La Location de Vehicules - CLV | 9 rue Henri Barbusse 92330 Gennevilliers | France | — % | 50 % | — | — | Financial | 35 | 2 | 52 |
| Drive S.r.l. | Via Giovanni Caproni 1, Bolzano | Italy | — | 100 % | — | — | Leasing | 7 | (1) | 6 |
| Financeira El Corte Inglés, Portugal, S.F.C., S.A. | Av. Antonio Augusto Aguiar, 31 1069-413 Lisbon | Portugal | — | 51 % | 51 % | 51 % | Financial | 8 | 1 | 8 |
| Financiera El Corte Inglés, E.F.C., S.A. | C/ Hermosilla 112, 28009, Madrid | Spain | — | — % | 51 % | 51 % | Financial | 267 | 41 | 140 |
| Fondation Holding Auto ABS Belgium Loans (d) | - | Belgium | — | (d) | — % | — % | Securitisation | — | — | — |
| Asset Securitisation Fund Santander Consumer Spain Auto 2014-1 (d) | - | Spain | — | (d) | — % | — % | Securitisation | — | — | — |
| Santander Consumer Spain Auto 2016-2 (d) | - | Spain | — | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar (SECURITIZATION) S.r.l. (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2019-1 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2020-1 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2020-2 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2021-1 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2022-1 (d) | - | Italy | — | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2023-1 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Golden Bar Stand Alone 2023-2 (d) | - | Italy | — % | (d) | — % | — % | Securitisation | — | — | — |
| Guaranty Car, S.A. | Nacional II, km 16.500 – 28830 San Fernando de Henares (Madrid) | Spain | — | 100 % | 100 % | 100 % | Automotive | 3 | — | 2 |
| Hyundai Capital Bank Europe GmbH | Friedrich-Ebert-Anlage 35-37 · 60327 Frankfurt am Main | Germany | — % | 51 % | 51 % | 51 % | Financial | 938 | (35) | 493 |
| Isar Valley S.A. (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| MCE Bank GmbH | Schieferstein, 9, Flörsheim | Germany | — % | 90 % | 90 % | — % | Banking | 140 | (2) | 86 |
| MCE Verwaltung GmbH | Schieferstein, 9, Flörsheim | Germany | — % | 90 % | 90 % | — % | Real estate rental | 10 | — | 10 |

| Entity | Domicile | Country | Bank's ownership interest (%) | | Voting rights (%) (c) | | Line of business | EUR Millions | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Capital and Reserves (A) | Net results (a) | Direct |
| Midata Service GmbH | Schieferstein, 9, Flörsheim | Germany | — % | 90 % | 90 % | — % | Other services | — | — | — |
| One Mobility Management GmbH | Dr.-Carl-von-Linde-Straße,2 - Pullach i.Isartal | Germany | — % | 47 % | — % | — % | Management services | — | — | — |
| Pony S.A. (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| Pony S.A., Compartment German Auto Loans 2021-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| Pony S.A., Compartment German Auto Loans 2023-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| Santander Consumer Bank A.S. | Strandveien 18, 1366 Lysaker, 0219 (Baerum) | Norway | 100 % | — % | 100 % | 100 % | Financial | 2,638 | 205 | 1,980 |
| Santander Consumer Bank AG | Santander Platz I, 41061 (Mönchengladbach) | Germany | — % | 100 % | 100 % | 100 % | Banking | 3,529 | 286 | 5,145 |
| Santander Consumer Bank GmbH | Andromeda Tower, Donan City. Strow-Wien | Austria | — % | 100 % | 100 % | 100 % | Banking | 539 | 80 | 363 |
| Santander Consumer Bank S.p.A. | Via Nizza 262, I-10126 (Turin) | Italy | 100 % | — % | 100 % | 100 % | Banking | 926 | 43 | 603 |
| Santander Consumer Finance Global Services, S.L. | Ciudad Grupo Santander, Av Cantabria, 28660, Boadilla del Monte - Madrid | Spain | 100 % | — % | 99 % | 99 % | Other services | 7 | 3 | 5 |
| Santander Consumer Finance Inc. | 855-2 STREET SW, SUITE 3500. CALGARY | Canada | — % | 100 % | 100 % | — % | Automotive | 113 | — | 149 |
| Santander Consumer Finance Oy | Hermannin Rantatie 10, 00580 (Helsinki) | Finland | — % | 100 % | 100 % | 100 % | Financial | 416 | 42 | 161 |
| Santander Consumer Finance Schweiz AG | Brandstrasse 24, 8952 Schlieren | Switzerland | 100 % | — % | 100 % | 100 % | Leasing | 76 | 10 | 60 |
| Santander Consumer Holding Austria GmbH | Rennweg 17, A 1030 (Wien) | Austria | 100 % | — % | 100 % | 100 % | Holding company | 364 | — | 518 |
| Santander Consumer Holding GmbH | Santander Platz I, 41061 (Mönchengladbach) | Germany | 100 % | — % | 100 % | 100 % | Holding company | 5,599 | 153 | 6,077 |
| Santander Consumer Inc. | 855-2 STREET SW, SUITE 3500. CALGARY | Canada | 100 % | — % | 100 % | — % | Banking | 95 | 3 | 47 |
| Santander Consumer Leasing B.V. | Waterman 7th, 's-Hertogenbosch | Netherlands | 100 % | — % | 100 % | — % | Leasing | 10.00 | 3 | 21.00 |
| Santander Consumer Leasing S.A | Quai Charles Pasqua, 26 | France | 100 % | — % | 100 % | — % | Leasing | 3.00 | — | 3.00 |
| Santander Consumer Leasing GmbH | Santander Platz I, 41061 (Mönchengladbach) | Germany | — % | 100 % | 100 % | 100 % | Leasing | 82.00 | 50 | 151.00 |
| Santander Consumer Mobility Services, S.A. | Ciudad Grupo Santander Av. Cantabria s/n, 28660 Boadilla del Monte | Spain | — % | 100 % | 100 % | 100 % | Renting | 16.00 | (4) | 20.00 |
| Santander Consumer Operations Services GmbH | Madrider Strabe, 1D – 41069, Monchengladbach (Germany) | Germany | — % | 100 % | — % | — % | Other services | 23.00 | 1 | 18.00 |
| Santander Consumer Renting S.R.L. | Via Caproni 1, Bolzano | Italy | — % | 100 % | 100 % | — % | Renting | 8.00 | (2) | 9.00 |
| Santander Consumer Renting, S.L. | Santa Barbara 1, 28180, Torrelaguna - Madrid | Spain | 100 % | — % | 100 % | 100 % | Leasing | 41.00 | 2 | 38.00 |
| Santander Consumer Services GmbH | Thomas Alva Edison Str. I, Eisendstadt | Austria | — % | 100 % | 100 % | 100 % | Services | — | — | — |
| Santander Consumer Services, S.A. | Rua Gregorio Lopez Lote 1596 B-1400 195 Lisbon – Portugal | Portugal | 100 % | — % | 100 % | 100 % | Financial | 13.00 | 1 | 10.00 |
| Santander Consumer Spain Auto 2019-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |

| Entity | Domicile | Country | Bank's ownership interest (%) | | Voting rights (%) (c) | | Line of business | EUR Millions | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Capital and Reserves (A) | Net results (a) | Direct |
| Santander Consumer Spain Auto 2020-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |
| Santander Consumer Spain Auto 2021-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |
| Santander Consumer Spain Auto 2022-1, Securitisation Fund (d) | - | Spain | — % | (d) | — % | — % | Securitisation | — | — | — |
| Santander Consumer Technology Services GmbH | Kaiserstr 74, 41061, Monchengladbach (Germany) | Germany | — % | 100 % | — % | — % | Other services | 24.00 | (2) | 22.00 |
| SC Austria Consumer Loan 2021 Designated Activity Company (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Austria Finance 2020-1 Designated Activity Company (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Canada Asset Securitization Trust | - | Canada | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany Auto 2019-1 UG (haftungsbeschränkt) (d) | - | Germany | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany Consumer 2018-1 UG (haftungsbeschränkt) (d) | - | Germany | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A. (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Consumer 2020-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Consumer 2021-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Consumer 2022-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Consumer 2023-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Consumer Private 2023-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Leasing 2023-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Germany S.A., Compartment Mobility 2020-1 (d) | - | Luxembourg | — % | (d) | — % | — % | Securitisation | — | — | — |
| SC Mobility AB | Hemvärnsgatan ,9 – Solna | Sweden | — % | 100 % | — % | — % | Renting | — | — | — |
| SC Mobility AS | Strandveien 18 | Norway | — % | 100 % | — % | — % | Renting | 10 | — | 10 |
| SCF Ajoneuvohallinto IX Limited (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Ajoneuvohallinto VIII Limited (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Ajoneuvohallinto X Limited (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Ajoneuvohallinto XI Limited (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Ajoneuvohallinto XII Limited (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |

| Entity | Domicile | Country | Bank's ownership interest (%) | | Voting rights (%) (c) | | Line of business | EUR Millions | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Capital and Reserves (A) | Net results (a) | Direct |
| SCF Rahoituspalvelut IX DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Rahoituspalvelut VIII DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Rahoituspalvelut X DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Rahoituspalvelut XI DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| SCF Rahoituspalvelut XII DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| Secucor Finance 2021-1, DAC (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| Silk Finance No. 5 (d) | - | Portugal | — % | (d) | — % | — % | Securitisation | — | — | — |
| Stellantis Financial Services Belux SA | Parc L'Alliance Avenue Finlande 4-8 1420 Braine Lalleud Belgium | Belgium | — % | 50 % | 50 % | 50 % | Financial | 105 | 19 | 113 |
| Stellantis Financial Services España, E.F.C., S.A. | C/ Eduardo Barreiros No. 110. 28041, Madrid | Spain | 50 % | — % | 50 % | 50 % | Financial | 479 | 93 | 283 |
| Stellantis Financial Services Italia S.p.A. | Via Gallarate 199, 20151 Milano | Italy | — % | 50 % | 50 % | 50 % | Banking | 741 | 61 | 293 |
| Stellantis Financial Services Nederland B.V. | Hoofdweg 256, 3067 GJ Rotterdam | Netherlands | — % | 50 % | 50 % | 50 % | Financial | — | 16 | 77 |
| Stellantis Renting Italia S.p.A. | Via Nizza 262, I-10126 - Turin | Italy | — % | 50 % | 50 % | 50 % | Renting | — | 17 | 6 |
| Suzuki Servicios Financieros, S.L. | C/Carlos Sainz 35, Pol. City of the automobile, Leganés - Madrid | Spain | — % | 51 % | 51 % | 51 % | Intermediation | — | 1 | — |
| Svensk Autofinans WH 1 Designated Activity Company (d) | - | Ireland | — % | (d) | — % | — % | Securitisation | — | — | — |
| TIMFin S.p.A. | Corso Massimo D'Azeglio n. 33/E – 20126 Turin | Italy | — % | 51 % | 51 % | 51 % | Financial | — | — | 38 |
| Transolver Finance EFC, S.A. | Av. Aragon 402, Madrid | Spain | 51 % | — % | 51 % | 51 % | Leasing | — | 5 | 17 |
| TVG-Trappgroup Versicherungsvermittlungs-GmbH | Schieferstein, 9, Flörsheim | Germany | — % | — % | — % | — % | Insurance | — | — | 2 |

(a) Data obtained from the annual accounts of each dependent entity corresponding to the financial year 2023. These annual accounts are pending approval by their respective Control Bodies. The Bank Administrators consider that they will be ratified without modification.
(b) The amount for which the shares of each dependent entity are recorded in the books of the holding company, net, where appropriate, of its corresponding depreciation provision.
(c) In accordance with Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the formulation of consolidated annual accounts, to determine the voting rights have been added to those directly owned by the dominant company, those that correspond to the companies dominated by this or to other persons acting in their own name but on behalf of a company of the Group. For this purpose, the number of votes that corresponds to the dominant company, in relation to the companies in which it indirectly participates, is that corresponding to the dependent company that participates directly in the share capital of these companies.
(d) Vehicles over which effective control is maintained.

# Annex II.

## Associated Entities and Joint Business Entities

| Name | Entity | Country | Bank's ownership interest (%) | | Voting rights (%) (b) | | Line of business | EUR Million(a) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | Indirect | 2022 | 2021 | | Active | Capital and Reservatio | Direct |
| Bank of Beijing Consumer Finance Company | Associate | China | 20 % | — | 20 % | 20 % | Financial | 1,694 | 103 | — |
| Ethias Lease | Associate | Netherlands | 50 % | — | 50 % | — % | Leasing | 5 | 5 | (1) |
| Fortune Auto Finance Co., Ltd. | Multigroup | China | 50 % | — | 50 % | 50 % | Financial | 2,222 | 476 | 51 |
| Payever GmbH | Associate | Germany | 10 % | — | 10 % | 10 % | Other services | 4 | 2 | 1 |
| Santander Consumer Bank S.A. | Associate | Poland | 40 % | — | 40 % | 40 % | Banking | 4,625 | 942 | 15 |
| Santander Consumer Financial Solutions Sp. Z O.O. | Associate | Poland | — | 40 % | 40 % | 40 % | Leasing | 57 | 2 | (2) |
| Santander Consumer Multirent Sp. z o.o. | Associate | Poland | — | 40 % | 40 % | 40 % | Leasing | 996 | 67 | 9 |
| Stellantis Consumer Finance Polska sp.zo.o. | Associate | Poland | — | 20 % | 20 % | 20 % | Financial | 52 | 4 | — |
| Stellantis Finance Polsja sp.z o.o | Associate | Poland | — | 20 % | 20 % | 20 % | Financial | 696 | 52 | 10 |
| Stellantis Insurance Europe Limited | Multigroup | Malta | 50 % | — % | 50 % | 50 % | Insurance | 422 | 74 | 31 |
| Stellantis Life Insurance Europe Limited | Multigroup | Malta | 50 | — % | 50 % | 50 % | Insurance | 208 | 20 | 16 |
| VCFS Germany GmbH | Multigroup | Germany | — | 50 % | 50 % | 50 % | Marketing | 1 | 1 | — |

(a) Data obtained from the annual accounts of each associated entity and/or joint ventures corresponding to the financial year 2023. These annual accounts are pending approval by their respective Control Bodies. The Bank Administrators consider that they will be ratified without modification.

(b) In accordance with Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the formulation of consolidated annual accounts, to determine the voting rights have been added to those directly owned by the dominant company, those that correspond to the companies dominated by this or to other persons acting in their own name but on behalf of a company of the Group. For this purpose, the number of votes that corresponds to the dominant company, in relation to the companies in which it indirectly participates, is that corresponding to the company that participates directly in the share capital of these companies.

**Annex III.**

## Changes and notifications on the acquisition and sale of equity shares in the financial year 2023

(Art. 155 of the consolidated text of the Capital Companies Act and Art. 125 of Royal Legislative Decree 4/2015, of 23 October, approving the consolidated text of the Securities Market Law).

| Investee | Line of business | Net ownership interest (%) | | Effective date of the transaction (or date of notification if appropriate) |
|---|---|---|---|---|
| | | Purchased/(sold) In the exercise | At the end of the financial year | |
| **Acquisitions in 2023:** | | | | |
| Ethias Lease | Operating lease | 50 % | 50 % | September 13, 2023 |
| SC Mobility AS | Operating lease | 100 % | 100 % | August 14, 2023 |
| SC Mobility AB | Operating lease | 100 % | 100 % | October 20, 2023 |
| MCE Bank Group | Financial services associated with the automotive sector and the collection of deposits | 100 % | 100 % | April 1, 2023 |
| Santander Consumer Finance Inc. | Consumer finance | 100 % | 100 % | March 17, 2023 |
| Santander Consumer Inc. | Consumer finance | 100 % | 100 % | March 17, 2023 |
| Camine D - Services, Unipessoal Lda. | Provision of internet, computer and multimedia services | 100 % | 100 % | 4 January 2023 |

## Annex IV

List of agents in accordance with the provisions of article 21 of Royal Decree 84/2015, of February 13, which develops Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions as of December 31, 2023

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| Palma del Río Finance, S.L. | POGL. IND EL GARROTAL EDF SARA BENITEZ C/ JARA 17 -1 (14700) Palma del Rio | 14700 | B09987843 | 13-07-2022 | Almodovar del Rio, Fuente Palmera, Palma del Rio, Posadas, Lora del Rio, Penaflor, Carmona, La Campana, La Puebla de los Infantes, Mairena del Alcor, El Viso del Alcor | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Gestión Financiera Villalba, S.L.U. | C/ Consuelo Vega, 23 A - A(11600) Ubrique | 11600 | B011517620 | 15-12-2020 | Ubrique, Alcala del Valle, Algodonales, Arcos de la Frontera, Benaocaz, Bornos, El Bosque, El Gastor, wait, Grazalema, Olivera, Prado del Rey, Setenil, Torre Alhaquine, Villanueva del Rosario, Villa Martin, Puerto Serrano | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Juan Jiménez Gestión Financiera, S.L. | C/ BARTOLOME DE MEDINA , Local 18 (41004) SEVILLA | 41004 | B91167973 | 01-02-2002 | Bormujos, Coria del Rio, Gelves, Gines, Pilas, Sanlucar la Mayor, Umbrete, Villamanrique de la Condesa, Villanueva del Ariscal. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| EFINCAR FLEET SERVICES , S.L. | RONDA DE LOS MOLINOS, 35 LOCAL, ECIJA ( SEVILLA) | 41400 | B91958363 | 01-01-2012 | Écija, Fuentes de Andalucia, La Luisina, Canada Rosal, La Carlota. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Financiaciones Costa del Sol Oriental, SCA | C/ del Mar, 27 1º-C, Jaime Building, 29740 Torre del Mar | 29740 | F093385102 | 15-12-2020 | Alcaucin, Alfarnate, Algarrobo, Almachar, Archez, Arenas, Benamargosa, El Boger, Canillas de Aceituno, Canillas de Albaida, Comares, Competa, Macharaviaya, Moclinejo, Frigiliana, Nerja, Periana, Riogordo, Salares, Sayalonga, Torre del Mar, Torrox, Velez Malaga, Vinuela. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| INSEMA INVERSIONES, S.L. | Av. de Andalucia, 11 (14500) Puente Genil | 14500 | B14840896 | 19-12-2008 | Aguilar de la Frontera, Benameji, Castro del Rio, Espejo, Fernan Nunez, Montalbal de Cordoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Carrasco Agentes, S.L. | C/ BETULA Nº 9 FLOOR 1º A (23400)UBEDA | 23400 | B023478704 | 02-01-2004 | Alblanchez de Ubeda, Almenara, Arquillos, Baeza, Beas de Segura, Bedmar and Garciez, Begijar, Belmez de la Moraleda, Benatae, Cabra de Santo Cristo, Cambil, Canena, Castellar, Cazorla, Chiclana de Segura, Chilluevar, Escanuela, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Ramsa Serv. End. Y Empresarial, S.L. | C/ Blas Infante, 7A (21440) Lepe | 21440 | B021347190 | 15-12-2020 | Punta Umbria, Cartaya, Lepe, Isla Cristina and Ayamonte | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Martín & Castilla Servicios Financieros, S.L. | C/ Fray Diego de Cadiz, 163 (41530) Moron de la Frontera | 41530 | B091369231 | 15-12-2020 | Algamitas, Arahal, Caripe, El Coronil, Marchena, Montellano, Moron de la Frontera, Paradas, Pruna, La Puebla de Cazalla, Villanueva de San Juan | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| Fromán Consultores, S.L.U. | Av. Del Mantecado, 21 (41560) Estepa | 41560 | B041969767 | 15-12-2020 | Aguadulce, Badolatosa, Casariche, Los Corrales, Estepa, Gilena, Herrera, The Sequin, Lora de Estepa, Marinaleda, Martin de la Jara, Osuna, Pedrea, La Roda de Andalucia, El Rubio, El Saucejo. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Geyba Servicios Financieros, S.L. | Avda. La Libertad No. 2 Local (41980) La Algaba | 41980 | B091385377 | 15-12-2020 | Arevalillo de Cega, Alacala del Rio, Alcolea del Rio, La Algaba, Almaden de la Plata, Brenes, Burguillos, Cantillana, Castilblanco de los Arroyos, El Castillo de las Guardas, Cazalla de la Sierra, Constantina, El Garrobo, Gerena, El Madroyo, Navas de la Concepcion, El Pedroso, La Roda de Andalucia, La Rinconada | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Fincar Gestiones Hermanos P.Q. Servicios Financieros, S.L. Financieras. | Avda. Buenos Aires, 32 18500 Guadix | 18500 | B21507751 | 01-02-2012 | Guadix, Baza, Huescar, Cullar, Country Caves, Iznalloz and Guadahortuna. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Hermanos P.Q. Servicios Financieros, S.L. | Pasaje Neptuno, Local 7 (next to BBVA) Vera (04620). | 04620 | B004678348 | 15-12-2020 | Vera | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| SERVITAL ASESSORS, S.L. | Pza. Nuestro Padre Jesús, 3 (21700) La Palma del Condado | 21700 | B021261177 | 15-12-2020 | Almonte, Bollullos Par del Condado, Bonares, Chucena, Escacena del Campo, Finojos, Lucena del Puerto, Manzanilla, Niebla, La Palma del Condado, Paterna del Campo, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| FINANCIACEUTA, S.L.U. | C/ Cervantes, gallery "La Riojana", 2nd floor, local No. 26 (51001) Ceuta | 51001 | B051017101 | 15-12-2020 | Ceuta | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Gª y Trinidad Asesoramiento y Financiación S.L. | C/ Rosario Nº 46(04800) Albox | 04800 | B004577383 | 15-12-2020 | Albox, Alcontar, Almanzorra, Armuña de Almanzorra, Bacares, Bayarque, Benitagla, Bezalon, Cantoria, Cobrar, Fines, Laroya, Lijar, Lubrin, Lucar, Macael, Olula del Rio, Partaloa, Purchena, Seron, Sierro, Somontin, Tahall, Tijola, Uleila del | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Antonio Gana Fdez. Servicios Financieros S.L. | C/ Jara, nº1 local, esquina doctor Antonio Cabrera (14400) | 14400 | B014771554 | 15-12-2020 | Alcaracejos, Añora, Belalcazar, Belmez, Los Blázquez, Cardenas, Conquista, Dos Torres, Espiel, Fuente La Lancha, Fuente Obejuna, El Guijo, Hinojosa del Duque, Pedroche, Peñarroya-Pueblonuevo, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| DONAT FINANCE SERVICE, S.L. | Pza. Velazquez, 11 - bass (52004) Melilla | 52004 | B052015435 | 01-02-2007 | Melilla | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| ASEDIME SERVICIOS FINANCIEROS, S.L. | C/ Doctor Dorronsoro, 2 (21600) Valverde del Camino | 21600 | B021380746 | 01-04-2008 | Alajar, Almonaster La Real, Aracena, Aroche, Arroyo Molinos de Leon, Beas, Berrocal, Cala, Calanas, El Campillo, Campofrio, Canaveral de Leon, Oak Chestnut, Corteconcepcion, Cortegana, Cortelazor, Summit in the Middle, Summits of San Bartolomé, Summits Major, Encinasola, Fuenteheridos, Galaroza, La Granada de Ritinto, La Nava, Nerva, Puerto del Moral, Rosal de la Frontera, Santa Ana la Real, Santa Olalla del Cala, Trigueros, Valdelarco, Valverde del Camino, Zalamea la Real and Zufre. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| SERVICIOS FINANCIEROS JIENENSES, SL. | c/plaza del camping 4 local 10 23740 anduja | 23740 | B86340767 | 01-12-2011 | Aldeaquemada, Andújar, Arjona, Arjonilla, Bailén, Baños de Quemada, Carboneros, La Carolina, Cazalilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Santa Elena, Villanueva de la Reina, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| FINANRONDA SERVICIOS FINANCIEROS, S.L. | C/ Molino, 82 (29400) Ronda | 29400 | B92963388 | 02-01-2009 | Agatocin, Alpendeire, Arriate, Atajate, Benalid, Benalauria, Benaojan, Benarraba, El Burgo, Canete la Real, Cartajima, Cortes de la Frontera, Cuevas del Becerro,Faraja, Gaucin, Genalquacil, Igualeja, Jimera de Libas, Jubrique, Juzcar, Montecorto, Montejaque, Parauta, Pujerra, Ronda and | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| 128INNOVA24H, S.L. | c/Oasis, 17 Elejido Almeria | 04700 | B92999846 | 01-03-2011 | El Ejido, ADTA and Berja | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Finangi Cat | Av. de la Rapita, 33 1º (43870) Amposta | 43870 | B043571660 | 15-12-2020 | Alcanar, Aldover, Alfara de Carles, Amposta, Arboli, Arnes, Asco, Falset, Fix, Freginals, Gandesa, Garcia, Ginestar, Godall, Masdenverge, Miravent, Mora DÉbre, Mora la Nova, Pauls, Poboleda, Porrera, Batea, Bellmunt de Falset, Benicaro, Benifallet, Benissanet, Bot, Cabassers, Camarles, Capcanes, Caseres, Corbera dÉbre, Cormudella del Montsant, Deltebre, El Lloar, El Masroig, El Molar, El Perello, El Pinell de Bray, Els Guiaments, Gratallops, Horta de Sant Joan, Aldea, Lametro de Mar, LAmpolla, La Fatarella, La Figuera, La Galera, La Morera de Montsant, La Palma débre, La Pobla de Massaluca, La Sénia, La Torre de Fontanbella, La Torre de Léspanyol, La Vilella Alta, La Vilella Baixa, Marca, Margalef de Montsant, Mas de Barberans, Pradell de la Teixeta, Prat de Compte, Rasquera, Riba Roja D´Ebre, Roquetes, Sant Carles Rapita, Sant Jaime Enveja, Santa Barbara, tivissa, Torroja del Priorat, Tortosa, Ulldecona, Ulldemolins, Vilalba dels Arcs, Vinaroz, Vinebre, Xerta. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Indastec Asociados, S.L. | C/ Madrid, 20 - Bajo (07800) Ibiza | 07800 | B057150310 | 15-12-2020 | Eivissa, Sant Antoni de Portmany, Santa Eulalia del Rio San Jose Formentera | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| Noguer Bau, S.L. | C/ Sant Fidel, 5 - 1º (08500) Vic | 08500 | B064018179 | 15-12-2020 | Aiguafreda, Alpens, El Brull, Calldetenes, Centelles, Collsuspina, Espinelves, Folgueroles, Gurb, Els Hostalets de Balenya, Lluça, Perafita, Prats de Lluçanes, Roda de Ter, Rupit-Pruit, Santa Cecilia de Voltrega, Santa Eugenia de Berga Santa Eulalia de Riuprimer, Sant Agusti del Lluçanes, Santa Maria de Corco L'asquirol, Sant Bartomeu del Grau, Sant Boi de Lluçanes, Sant Hipolit de Voltrega | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Gestió de Finançament i Inversions de Ponent, S.L. | Avda. Pau, 49 (25230) Mollerusa | 25230 | B025539123 | 01-10-2006 | Comarcas del Pla D´urgel, la Noguera, L´urgell y La Segarra | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Gestió de Finançament i Inversions de Ponent, S.L. | Avda. Alcalde Porqueras, 10 (25008) Lérida | 25008 | B025539123 | 01-10-2006 | Lérida, Balafia; Les Basses D'Alpicat, La Bordeta, Camps D'Escorts, cap Pont, Castel de Gardeny, Clot_Princep de Viana, Gualda; Llivia, Magraners, Mariola, Pardinyes, Raimat, Seca Sant Pere, Sucs, Suquets; Les Torres de Sanui, Abella de la Conca Les Alamus, L'Albages, Albatarrec, L'Albi, Alanco, Alcarras, Alcoletge, Alfes, Alguaire, Almatret, Almenar, Alpicat, Artessa de Lleida, ASPA, Aitona, Benavent de Segria, Bovera, Les Borges, Blanquets, Castelldans, Cervia de Garrigues, Corbins, L'Espluga Calba, La Floresta, Fulleda, La Granja D'Escarp, GIMENELLS i Pla de la Font, Granyera de les Garrigues, Juncosa, Juneda, Llardecans, Masalcoreig, Maials de Lleida, Els Omellons, La Pobla de Cervoles, Bellaguarda, La Portella, Puiggros, Puigverd, de Lleida; Rosello, Seros, El Soleras, Soses, Tarres, Els TOrms, Torrebesses, Torrefarrera, Torres de Segre, Torre Serona, Vilanova de Segria, Vilosell, Vilanova de la Barca and Vinaixa. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| BERGA GESTIÒ, S.L. | C/ Gran Via, 46 (08600) Berga | 08600 | B064396476 | 15-12-2020 | Berga, Navas, Cardona and Nou de la Bergueda. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| M&G figueres Associats, S.L. | c/Col. Legi nº 54 basses (17600) Figueres | 17600 | B17673823 | 01-01-2011 | Agullana, Albanya, Arrentera, Bascara, Biure, Boadella i les Escaudes, Cebanes, Cantallaps, Capmany, Cistella, Escada, Empolla, Figueres, Garniguelia, Jenguera, Llado, Masarac, Mollet de Peralado, Pont de Mollins and Crespia. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Orges-Fin gestiones 2018, s.l. Unipersonal | SA ROVELLADA DE DALT 38 bajos izq (07702) MAHONMENORC A (Illes | 07702 | B55733471 | 25-12-2020 | Island of Menorca | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Consultoría Financiera de la Mancha, S.L. | C/ Ramiro Ledesma, s/n bloque 5 Local 3 (13630) Socuéllamos | 13630 | B013354303 | 15-12-2003 | We overlook, Tomelloso, Argamasilla de Alba, Pedro Munoz, Campo de Criptana, Alcazar de San Juan, Las Pedroneras, Monta del Cuervo, Villanueva de los Infantes | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| Estudios y Análisis de Riesgos, S.L. | Plaza de los Carros, 2, 16001 Cuenca. | 16001 | B016156598 | 30-06-2007 | Cuenca | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Intermediación y Servicios Junval, S.L | C/ BEBRICIO , 39, Pasaje Local nº 7 (26500) Calahorra | 26500 | B026319178 | 15-12-2020 | Calahorra | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Services Financieros Quintanar, S.L. | C/ Vicente Galvez Villarejo, 12. (45800) Quintanar of the Order | 45800 | B045545167 | 15-12-2020 | Quintanar de la Orden, Madridejos | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Medifirent, S.L. | C/Carretil, 2, 3ºD 26007. Logrono (La Rioja) | 26007 | B009410572 | 15-12-2020 | Miranda de Ebro and Logrono | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Soluciones Financieros del Este, S.L. | C/ Mariano Barbacid, 5 - 2nd - 3 (28521) Rivas Vaciamadrid | 28521 | B084418904 | 15-12-2020 | Arganda del Rey, Rivas – Vaciamadrid | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Servicios Financieros Sorianos | C/Del Ferial , 4 Oficina 3 B2 4200 Soria | 4200 | B042180927 | 15-12-2020 | Soria | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Finanduero 2007, S.L.U. | CALLE EL CARRO, 9, 3ºB -09400 ARANDA DE DUERO (BURGOS) | 09400 | B009480013 | 02-11-2007 | Aranda de Duero, Lerma, Huerta del Rey, Salas de los Infantes and Roa. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| GASTEIZ FINANCE, SLU | Avda. De los Huetos, 79 Ed. Sugar company. Vitoria 01010 (Alava) | 01010 | B10818698 | 02-03-2021 | Alava | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| FINANCESTHER S.L. | AVENIDA CENTRAL NUMERO 1 OFICINA 1 (31500) TUDELA | 31500 | B71392179 | 15-12-2020 | Tudela | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Inversiones Financieras Bilegi, S.L. | Plaza Aita Arrupe 3 Office No. 2 (48100) Mungia_Bizkaia | 48100 | B95659579 | 01-10-2012 | Eibar, Mondragon, Genika - Lumo | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| PRAGA SERVICES 64, S.L. | C/ Patrimonio Mundial, 7 1ª planta Oficina 13, 28300 | 28300 | B85464402 | 01-03-2014 | Aranjuez | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| ALANA CONSUMER SERVICES,SL | C/ SOL, 32-2ºC (45600) Talavera de la Reina | 45600 | B72754914 | 01-04-2023 | TALAVERA DE LA REINA AND ZONE INFLUENCE | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Gestión de Servicios Financieros Artimar | Av. de Canarias, 344 (35110) Vecindario | 35110 | B035496777 | 15-12-2020 | Agüimes, Santa Lucía de Tirajana, San Bartolomé de Tirajana | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| TENERIFELAPALMA INVERSIONES 2023, S.L. | AVDA/ DE LAS NIEVES, 6, 1º C, Santa Cruz de la Palma (La Palma) | 38700 | B13639406 | 01-05-2023 | Island of La Palma | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| L´Eliana Finance, S.L. | Av. Cortes Valencianas, 35 L A2 (46183) L´Eliana | 46183 | B097639462 | 01-10-2005 | Riba - Roja de Turia, Lliria, Betera, Bunol, Requena, Utiel, L'Eliana, La Pobla de Vallbona | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| CENTRO ADVISOR DE TERUEL FINANCIAL, S.L. | The street is Ronda Ambeles n. 52 (44004) Teruel | 44004 | B44224947 | 02-06-2008 | Teruel. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Lual Soluciones y Gestion, S.L. | C/ Isabel La Catolica Nº 6 03803 Alcoy ( Aliacante) | 03803 | B01612019 | 15-12-2020 | Villena, Sax, Biar, Benejama, Salinas, Canada, Campo de Mirra, Alcoy, Ibi, Castalla, Onil, Swimsuits, Tibi, PenEagle, Benifallim, Cocentaina, Muro de Alcoy, Beniarrés, Benilloba, Planes, Lorcha, Agres, Alqueria de Aznar, Gayanes, Alfafara, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| AVILA CONSUMER SERVICES SL | CENTRO DE NEGOCIOS ANDAMUR, POL.IND SAPRELORCA, C/ MANUEL JÓDAR | 30817 | B05265764 | 15-12-2020 | Hellin, Jumilla, Albacete | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Alvarez y Garros, S.L.U. | Av. A Coruna, 439 Bajo (27003) Lugo | 27003 | B027274216 | 15-12-2020 | Lugo. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| AMP FINANSERVIC S.L. | C/ RIO TERA 30, OFFICE 7 (05004) AVILA | 05004 | B44584761 | 01-02-2023 | Avila | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

| Name | Domicile | Post Code | Employer/National identification | Date of granting | Geographical area of activity | Scope of representation |
|---|---|---|---|---|---|---|
| Asesoramiento Financiero Zafra, S.L. | Avenida Antonio Chacon nº 17 Local. C.P. 06300 Zafra ( Badajoz ) | 06300 | B006433973 | 15-12-2020 | Zafra, Villanueva del Fresno, Higuera de Vargas, Zahinos, Oliva de la Frontera, Barcarrota, Matamoros Valley, Frejenal de la Sierra, Higuera la Real, Burgullos del Cerro, Salvatierra de los Barros, Feria, Santa Marta, Villalba de los Barros, Aceuchal, Fuente del Maestre, Valencia del Ventoso, Segura del Leon, Calera de Leon, Monesterlo, | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Alvarez and Garrúes Dos, S.L.U. | Av. de Vigo, 65 (36003) Pontevedra | 36003 | B027380799 | 01-08-2008 | Pontevedra, Villagarcia de Arosa, O Grove, Sanxenxo, Cambados, Lalin, La Estrada, Silleda and Caldas de Rey | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| SOLUCIONES FINANCIEROS GRIGEM S.L. | Cámara de Comercio GijonVivero de Empresas Carretera de Somio 652 | 33203 | B05256375 | 01-04-2017 | Gijon, Cabrales, Cangas de Onis, Caravia, Caso, Colunga, Llanes, Nava, Onis, Parres, Penamellera Alta, Penamellera Baja, Pesoz, Piloha, Ponga, Ribadedeva, Rivadesella, Villaviciosa. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Asfinza Badajoz, S.L. | Av. Sinforiano Madronero, nº 15 Edificio Paraiso 3 Mezzanine 4 premises A-B. 06011 Badajoz – Badajoz. | 06011 | B06580708 | 01-06-2010 | Badajoz. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| Alvarez y Garrues Tres, S.L.U. | c/Salvador Dali, 12 (32002) Orense | 32002 | B27412816 | 01-11-2010 | Ourense, Barco de Valdeorras and Rua. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| European Finantial Consumer, S.L | Parc.ET-8 Complejo Quitapesares, Carretera CL-601 Km 7 Edificio Vicam | 40194 | B86080280 | 03-01-2011 | Segovia. | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |
| FINZAMORA SERVICES, SL. | C\ Juan II, 23. 1° Dcha. 49011. Zamora. | 49011 | B49282403 | 01-01-2015 | Zamora/Palencia | Automotive finance, automotive leasing, automotive renting, consumer loan policies, cobranded cards, generalist cards. |

# Annex V.

## Annual Banking Report

This Annual Banking Report has been prepared in compliance with the provisions of Article 87 of Law 10/2014, of 26 June, on the Regulation, Supervision and Solvency of Credit Institutions.

In accordance with that article, from 1 January 2015, credit institutions must submit to the Bank of Spain and publish annually, as an annex to the financial statements audited in accordance with the regulatory regulations on auditing accounts, specifying by country where they are established, the following information on a consolidated basis for each year:

a) Name, nature and geographical location of the activity.

b) Turnover.

c) Number of full-time equivalent employees.

d) Gross result before tax.

e) Taxes on the result.

f) Subsidies or public aid received.

The criteria used for the preparation of the annual bank report for the financial year 2023 are detailed below:

### a) Name, nature and geographical location of the activity

The aforementioned information is available in Annexes I and II to the Group's consolidated annual accounts, which detail the companies operating in each jurisdiction, including, among other information, their name, geographical location and nature of their activity.

As can be seen from these Annexes, the main activity developed by the Group in the different jurisdictions in which it operates is commercial banking. The Group operates mainly in 15 markets through a model of autonomous subsidiaries in capital and liquidity, which has clear strategic and regulatory advantages, as it limits the risk of contagion between units of the Group, it imposes a double layer of global and local supervision and facilitates crisis management and resolution. The total number of Group offices is 290, which provide our clients with all their basic financial requirements.

### b) Turnover

For the purposes of this report, turnover at gross margin is considered as defined and presented in the consolidated profit and loss account that is part of these consolidated annual accounts of the Group.

The turnover data by country have been obtained from the statutory accounting records of the Group companies with the corresponding geographical location and have been converted into euros. It is therefore aggregated information of the individual financial statements of the entities operating in each jurisdiction, the reconciliation of which with the information in the Group's consolidated annual accounts requires a series of adjustments for homogenization and elimination of transactions between the various companies of the Group, such as those relating to the distribution of dividends from the subsidiaries to their respective matrices.

### c) Number of employees on a full-time equivalent basis

Full-time equivalent employee data have been obtained from the average staffing of each jurisdiction.

### d) Taxes on the result

In the absence of a specific criterion, the amount actually paid for those taxes whose effect is recorded under the income tax heading of the consolidated income and loss account has been included.

The taxes actually paid in the year by each of the entities of each jurisdiction include:

- Supplementary payments relating to income tax settlements, usually from previous years.

- Advances, payments on account and withholdings paid or incurred in relation to the tax on the profit or loss of the financial year itself. In the case of taxes borne abroad, given their scarcely representative amount, it has been decided to include them in the jurisdiction of the entity that has borne them.

- The refunds collected in the year relating to liquidations of previous years whose result was to be returned.

- Where applicable, settlements by inspection minutes and disputes related to these taxes.

The above amounts are part of the statement of cash flows (359,529 thousand euros in the financial year 2023, which represents an effective rate of 20%) and therefore differ from the expenditure on income tax recorded in the consolidated income and loss account (433,953 thousand euros in the financial year 2022 which represents an effective rate of 19.7%) This is because the tax regulations of each country establish:

The time when taxes must be paid. Normally, payment dates have a time lag from the date of generation of the tax-taxed income.

Their own criteria for calculating the tax, establishing temporary or permanent restrictions on the deduction of expenses, exemptions, bonuses or deferrals of certain income, etc., generating the corresponding differences between the accounting result and the tax result that is finally taxed, to which should be added the compensation of tax losses of previous years, deductions and / or rebates of the quota, etc. Also, in some cases special regimes are established, such as the tax consolidation of companies of the same jurisdiction, etc.

## e) Public subsidies received

In the context of the information requested by the current legislation, this term has been interpreted as any aid or grant in line with the provisions of the European Commission's State Aid Guide and, in that context, the companies that make up the Group have not received any subsidies or public aid in 2023.

The details of the information for the financial year 2023 (in millions of euros) are as follows:

| Jurisdiction (EUR million) | Turnover | No. of employees on a fulltime equivalent basis | Gross profit/(loss) before tax | Tax on profit /(loss) |
|---|---|---|---|---|
| Germany | 1,350 | 4,855 | 395 | 143 |
| Austria | 218 | 333 | 104 | 16 |
| Belgium | 62 | 179 | 30 | 5 |
| Canada | 67 | 235 | 7 | 1 |
| Spain | 777 | 1,746 | 233 | 62 |
| Denmark | 216 | 224 | 112 | 34 |
| Finland | 101 | 157 | 51 | 8 |
| France | 733 | 863 | 508 | 22 |
| Greece | 6 | 30 | (2) | — |
| Ireland | 2 | — | (2) | — |
| Italy | 464 | 1,190 | 169 | 30 |
| Luxembourg | (22) | — | (23) | — |
| Norway | 243 | 516 | 118 | 5 |
| Netherlands | 87 | 277 | 40 | 12 |
| Portugal | 41 | 249 | 5 | 1 |
| United Kingdom | — | 928 | 1 | — |
| Sweden | 153 | 275 | 44 | 19 |
| Switzerland | 29 | 67 | 12 | — |
| **Total** | **4,527** | **13,694** | **1,802** | **360** |

As of December 31, 2023, the Group's return on assets (ROA) was estimated at 0.92%.

# Santander Consumer Finance, S.A. And companies that make up the Santander Consumer Finance Group (consolidated)

Consolidated Management Report for the financial year 2023

## General external framework

### Economic, regulatory and competitive context

In 2023, Santander operated in an environment dominated by geopolitical tensions and higher interest rates as central banks looked to contain inflation, which gradually eased during the year. The world's major economies withstood monetary policy tightening well, although there was a gradual slowdown in activity.

Our core regions' economies performed as follows:

- **Eurozone** (GDP: Estimated +0.5% in 2023). The positive start of the year, supported by the normalization of global supply chains and the less uncertainty about energy supply, was slowed in the second half of the year by the rise in interest rates, the difficulties of industry in adapting to rising energy costs and the caution of households with regard to consumption. Inflation fell (2.9% in December) as a result of the ECB's interest rate hike of 450 bp in this monetary cycle (the deposit facility from -0.5% to 4%).

- **Spain** (GDP: +2.5% estimated in 2023). During the first half, GDP growth was driven by the external sector, especially tourism. In the second half of the year, private consumption takes over as an engine of growth. The labor market has remained solid, with record number of affiliates. Inflation closes the year at 3.1% (3.6% on average) with a decrease in all components and a moderation of the underlying higher than expected (3.8% in December from 4.5% in November)

- **Germany** (GDP: -0.1% estimated in 2023). The German economy went into recession in 4T23. Consumer spending suffered due to the collapse of real incomes due to still high inflation (it ended the year at 3.6%, but the year average is 6%). Rising interest rates weighed investment in construction, while exports fell by almost 2% due to weak global demand and structural problems with industry competitiveness. The labor market remained strong, employment continued to be created, but the unemployment rate increased (5.7%).

- **France** (GDP: +0.9% estimated in 2023). Domestic demand has been led by investment while private consumption has also grown (less than in 2022) as the year progressed thanks to the recovery of household income. The contribution of the external sector is being positive, but exports are growing much less than in 2022. Inflation ends the year at 3.7% and the underlying at 3.4%, with food growing above 7%.

- **Norway** (GDP: +1.0% estimated in 2023). Activity growth has remained low, following a slowdown in the first half of the year, GDP remained virtually unchanged. The worst performance was recorded by private consumption and investment. The labor market remains tight, but somewhat looser, with stable employment and a very low unemployment rate (3.6% in 3T23). Inflation has slowed due to lower energy prices (3.8% in December) but remains high and well above the Central Bank target (2%). For this reason, the Norges bank raised interest rates to 4.5% in December.

- **Finland** (GDP: -0.4% average annual estimated for 2023). Activity in Finland began to recover, albeit slowly, in the first part of the year from the declines in GDP in the second half of 2022. However, in the third quarter it fell again (-0.9% quarterly) and the data known so far, indicate that the weakness has continued in the latter part of the year. The weakness of the Finnish economy is widespread, with declines in private consumption, investment and the external sector, although thanks to the weaker domestic demand, its contribution to GDP will be positive. Inflation has fallen throughout the year since the peak reached in December 2022 (9.5% year-on-year), thanks mainly to the fall in energy prices. The labor market has slowly worsened with 2023, with the unemployment rate rising to 7.6% (it closed 2022 at 6.9%). Vacancies remain very high, although they have been reduced.

- **Italy:** (GDP: Estimated 0.7% in 2023). Economic activity in 2023 has registered moderate and very stagnant growth in the last half of the year. Private consumption has been progressively affected by high inflation, although in the last quarter it registered a significant reduction (0.6% in December and 3.1% the underlying) due to lower energy prices. Tighter financial conditions have also dragged investments down. Weak external demand has affected exports. Despite poor growth, unemployment has been declining to 7.6% in 3T23, due to the increase in employment. The commitment to fiscal consolidation seems more lax for the future, although by 2023 we expect the debt and deficit to have fallen, the latter from -8% of GDP to -5.3%.

- **Poland** (GDP: +0.6% estimated in 2023). Growth has shown an upward path supported by domestic demand. Consumption has been supported by a strong labor market with full employment and a sharp increase in real household income. Strong wage growth, coupled with the fall in inflation (6.5% in November), has allowed this boost. Faced with this, the Central Bank has slowed its monetary easing, leaving the official rate at 5.75%

- **Portugal** (GDP: +2.1% estimated in 2023). Growth has slowed over the year due to the continued cooling of demand in the rest of the European Union. Despite this, the labor market is still in full employment (6.1% in 3 23) and inflation has moderated rapidly (1.4% in December). Noteworthy is the improvement in Moody's rating until A3, supported by economic and fiscal reforms, private sector deleveraging and the continued strengthening of the banking sector.

- **Austria**. It is estimated that the Austrian economy will close 2023 with a fall in GDP. It grew slightly in the first quarter, after falls in the second half of 2022, but in the second quarter it fell significantly (1.1% quarterly) and in the third quarter it continued in negative terrain. The sharp slowdown has been explained by the significant drop in investment and exports, accompanied by weak private consumption. Inflation has slowed from the peak it reached in January (11.2% year-on-year) and, although it remains at very high levels and above the average for the euro area (it closed the year at 5.6% year-on-year). Despite the economic slowdown, the impact on the labor market has been limited.

## Information on expected developments in 2024

The management report contains certain forward-looking information reflecting plans, forecasts or estimates of the administrators, which are based on assumptions that are considered reasonable by them. However, the user of this report should bear in mind that forward-looking information should not be considered as a guarantee of the institution's future performance, in the sense that such plans, forecasts or estimates are subject to numerous risks and uncertainties that imply that the future performance of the entity does not have to coincide with that originally anticipated. Such risks and uncertainties are described in the 'Risk Management and Compliance' chapter of this Management Report and in note 47 to the consolidated annual accounts.

The outlook for 2024 is for a moderate economic slowdown, in an environment that will continue to be of relative uncertainty, due to global geopolitical tensions. Inflation, meanwhile, will continue to slow toward the central bank target, allowing regions such as Europe to start reducing rates slowly, particularly during the second half of the year. We do not expect this slowdown to have a marked impact in terms of rising unemployment, due to the narrowness of most labor markets. In a detail by geography, the macroeconomic forecast for 2024 is as follows:

### Eurozone

Following the economic stagnation in 2023, we expect the weaker tone to continue in 2024 (GDP forecast at 0.7%). However, the eurozone can avoid going into recession because we expect a revival of private consumption and external demand. Inflation will continue to decline, but not linearly, as the withdrawal of fiscal measures will lead to transient rebounds. The unemployment rate is expected to rise slightly in the labor market, but it will remain close to historic lows. Fiscal policy, we believe, will take a restrictive tone as the Stability Pact is revived. On the other hand, the reduction in inflation may open the way to lower interest rates in the second half of 2024.

### Spain

Growth is expected to slow down in 2024 to 1.4%, which will go from less to more. Private consumption will be the main driver of growth as household disposable income will remain high (less inflation and a predictable rate drop in 2024 and a stable labor market). Inflation (general and underlying) is expected to end the year at around 3%. Energy will no longer subtract further inflation and the withdrawal of measures against the energy crisis will be a step in inflation. Despite this, the underlying pressures will be moderated and we do not expect second-round effects.

**Germany**

Average growth of 0.6% is expected for 2024. A recovery in German growth is expected for 2024, in a year that will go from less to more. The main driver will be private consumption, which will be favored by an environment of lower prices and interest rates that have already hit the ceiling. Investment will also improve in 2024, but the industry continues to face significant structural challenges. The contribution of the external sector will be negative in 2024 due to the higher growth of imports in line with stronger domestic demand. Inflation will continue to decline in 2024 (both general and underlying) gradually, ending the year at around 2.5 per cent.

**France**

GDP growth will accelerate in 2024, but will remain below 1% (we estimate 0.8%). As inflation slows and households' purchasing power increases, consumer spending will recover, driving economic growth from less to more. We expect business investment to remain resilient, although it should grow a little slower than activity. Job creation will continue, but at a slower pace than in 2023. Inflation should fall by 3% by mid-2024, and end the year by about 2.5% (also the underlying).

**Norway**

Activity will remain strong, but continental GDP growth will be moderate in 2024 (around 1%). This will keep core inflation high, forcing the Central Bank to maintain the strict financial conditions that will weigh on household consumption (households continue to maintain a high level of indebtedness) and investment, especially the housing construction industry. The expected gradual acceleration in Europe will affect Norway's exports, and so far the depreciated krone has helped the dynamism of tourism that could continue to support services exports. The scarcity of the labor market together with the slowdown in inflation in the second half of the year will allow some growth in consumption. The labor market has already begun to show signs of slack (greater labor supply and lower employment growth), so the unemployment rate will increase from the current 3.6% to about 4% of the working population. Inflation will slow as the krona appreciates and could reach 2% in September when we expect Norges Bank to begin its monetary easing process with the first cut of 25 pb (up to 4.25%) that would continue in the last meeting in december with another cut that would bring the official interest rate to 4%.

**Finland**

Activity will gain dynamism as the year progresses, but it will do so slowly and already the drag effect of poor performance at the end of 2023 will make the average GDP growth in the year limited or we could even see a new, although lower, cession of the activity. The labor market will notice the economic weakness, where we will see a fall in the employment rate and an increase in unemployment, although the deterioration will be limited. Labour shortages in some sectors will continue to be a problem. Inflation, both general and underlying, will continue to moderate in 2024, although, on average, it will still be at levels above 2%.

**Italy**

The economy is expected to grow by 0.6% this year as activity progressively recovers thanks to an improvement in private consumption driven by an increase in real household income - we expect an average inflation of 2% - and the maintenance of job creation that it will allow the unemployment rate to remain at 7.7%. Public spending will be supported by EU Next Generation Recovery Funds, investment will be undermined by still tight financing conditions and the disappearance of incentive effects for the construction sector, effects partly offset by the European Recovery and Resilience Funds. The external sector will improve as the year progresses as a result of the gradual improvement of world trade and activity in Europe. With regard to public accounts, the deficit is expected to decrease to 4.4% of GDP thanks to the elimination of measures aimed at helping families cope with the energy cost and the elimination of tax credits for housing.

**Poland**

The economy began to rebound in 3T23 and GDP growth in 2024 is expected to be more pronounced, around 3%, driven by private consumption. We expect the strong labor market and rising real incomes to support domestic demand. The external situation will contribute less to this scenario of economic recovery. We expect further falls in inflation to 4%

year-on-year in the first quarter and then rebound around 6%, all depending on the measures of the new government. We assume that the central bank's benchmark interest rate could remain unchanged at 5.75% until the fourth quarter of 2024.

**Portugal**

After a year of moderation, 2024 is expected to be a year of stagnation (0.2% GDP growth). If core inflation continues to moderate longer, monetary policy will need to remain restrictive for a longer period. In addition, increasing geoeconomic risks and renewed energy shock also increase fears of increased inflationary pressures in 2024. In this context, the Portuguese economy will not be immune to the gradual improvement in external demand, where companies will try to keep their margins high as domestic demand loses momentum, which may consequently contribute to a deterioration in labor market conditions. Unemployment is expected to rise to its natural level (7.8%) and inflation is expected to remain above 2%. We expect the fiscal deficit to be close to equilibrium, after the 2023 surplus, as fiscal revenues lose traction driven by a weaker labor market and economic activity. The fiscal budget must maintain a path of fiscal consolidation, essential for achieving a sustainable trend in public debt.

**Austria**

Activity will gain dynamism as 2024 progresses and return to growth, leaving behind the poor performance accumulated by the Austrian economy since mid-2022, where private consumption will be the driver of growth. The labor market will remain robust, but the weakness of economic activity will be reflected in 2023 with lower employment growth and a slight increase in the unemployment rate. Inflation will continue to slow down, but will remain high in the medium term.

## Economic outlook

**Financial markets**

Financial markets ended 2023 up optimistically trading an upcoming turn in monetary policies in advanced countries. Periods of monetary policy easing, and more in the early stages, historically often lead to a downward correction in long-term debt returns. This pattern of behavior  repeat itself in 2024, although with a larger track record in US debt than in German debt. Another trend in the sovereign debt market will be a gradual normalization of the slopes of the yield curves once official rates begin to decline.

The expected narrowing of interest rate differentials and the narrower cyclical gap between the US economies and the eurozone advocate a slow and gradual depreciation of the dollar.

The smooth landing of the economy we believe will support equity markets. The global environment suggests positive but low absolute returns for equities in 2024. The slowdown in activity, the higher interest burden and the lower capacity to translate costs to prices mean greater pressure on profit margins

In emerging economies, a major focus of uncertainty remains the Chinese economy and the measures it takes to solve its problems in the real estate sector.

The risk in this central scenario would be that central banks in the advanced ones would delay the start of their Y cuts or the Chinese economy slowing further, with adverse effects on investor appetite.

The banking environment will be marked by a change of bias in monetary policy, the gradual withdrawal of excess liquidity and economic cooling, which will have an impact on the interest margin and the evolution of portfolio quality.

Risks are biased downwards and may come from non-bank financial players, with the risk of disorderly asset price adjustments and market liquidity disruptions. Still, for the moment, most entities are in a position of solid solvency to face such a scenario.

In addition to the economic environment, banks must cope with the acceleration of the business digitalization process and the knowledge and management of the risks associated with climate change.

## Financial regulation

In 2024, a greater weight of the sustainability, digital and retail banking agenda is expected. As happens every five years, the June 2024 European Parliament elections could slow down the adoption and submission of new proposals.

### Prudential and resolution

Following the 2023 agreement in Europe on Basel 3 reform, the final framework is expected to be published in early 2024 and its implementation from 1 January 2025. The Basel Committee will continue to work on lessons from the fall of Silicon Valley Bank and Credit Suisse, and on further developments of the prudential framework for crypto asset exposures. On the other hand, we expect to discuss specific issues such as the framework for capital buffers in Europe as well as the framework for securitizations at international level. We do not expect much progress in the revision of the crisis management framework in Europe, given the absence of consensus on issues that are considered highly political and sensitive.

### Sustainability

Agreements are expected on the due diligence directive, energy efficiency directive and ESG ratings in Europe. During 2024 the European Commission will work on its commitment to reduce the reporting burden, which involves reducing requirements by 20%. The EBA, EIOPA and ESMA are expected to publish their proposal for the definition of greenwashing in the European financial sector. In addition, the EBA will consider the desirability of revising the Pillar 1 framework to ensure that climate and environmental risks are properly integrated into the prudential framework. In parallel, we expect you to start working on the content guides of the transition plans for banks. The Basel Committee will reach an agreement to complement the transparency requirements of Pillar 3, with environmental risk management information.

### Digital

It is expected that all discussions in the field of artificial intelligence (AI) will be further intensified, in the heat of the manifestations of opportunities and risks of the use of generative artificial intelligence. It is this issue that has prevented the adoption in 2023 of the AI regulation in Europe, which is now expected in 2024. We will also see the development of more international principles from different forums, along with those of the G7, recently adopted. Discussions in the world of data, payments and CBDCs will continue very intensively. The Financial Stability Board (FSB) approved different frameworks of recommendations for the regulation of crypto assets and stablecoins during 2023 that are expected to be implemented by some jurisdictions during 2024.

### Retail banking

The debate will focus heavily on the European Commission's Retail Investment Strategy and on specific issues in specific jurisdictions linked to the debate on consumer protection and rising cost of living.

## Business evolution

After a difficult environment in 2022, 2023 was also a complex year due to rising interest rates that affected new business profitability, cost of risk and customers' credit appetite. Some of the headwinds were: i) the change of TLTRO contractual conditions, ii) rising interest rates that put pressure on consumer finance monoliners' margins, compressing them while loan books reprice, added to a time when the Auto and Consumer industries are transforming towards more sustainable businesses (from a mobility and consumption perspective), iii) provisioning for the Swiss franc mortgage portfolio in Poland, and iv) normalization from a very low cost of risk towards the average across the cycle.

After a 2022 in which new market registrations in Europe fell by 4% compared to 2021 and -29% compared to 2019, in 2023 they grew by +14% compared to 2022. New business volumes increased by 13% in new cars and fell 4% in used cars, both year-on-year, slightly below the transactions of our market, as we prioritize profitability over volume. The new business is also being actively revalued to compensate for the higher financing costs resulting from the rise in interest rates in recent quarters.

The stock of loans and advances to customers reached 117,642 million euros, 8% more than in 2022 rose by 8%. Portfolios continue to be monitored to prevent the impact of deterioration on activity. In addition, the balance of assets transferred under operating leases reached 3,925 million euros, increasing by 29% compared to the previous year.

Customer deposits increased by 18% in euros, to 48,844 million euros. Access to wholesale finance markets remains strong and diversified. New operations are being actively revalued to offset higher financing costs.

## Results

**Santander Consumer Finance obtained an attributable profit in 2023 of 1,003.9 million euros** less than 2022 by 238.9 million euros and being able to compensate for the negative impacts of a macro environment marked by high inflation, the rise in interest rates and the impact of certain regulatory changes that have impacted several of the geographies in which Santander Consumer Finance is present. Likewise, the year 2023 is impacted by the change of perimeter derived from the renewal of the agreement with Stellantis.

By heading of the income statement, the following impacts are:

- **Interest margin** decreased by 4.1% compared to the previous year, impacted by the sharp increase in financing costs, higher interest rates that have impacted during the full year and the change in TLTRO conditions. In 2023, the margin is also particularly impacted by the change of perimeter resulting from the renewal of the agreement with Stellantis that involved the sale of the joint ventures of the UK and Germany (including the branch in Austria). These impacts have been partially mitigated by active margin management and price review initiatives on new loans.

  The liquidity position has remained strong at all times and no additional liquidity stresses have been generated, thanks to the evolution of deposits and wholesale line arrangements. Liquidity metrics have remained above their internal limits and in compliance with regulatory levels. At the end of December, the consolidated LCR (Liquidity coverage ratio) of SCF Subgroup was 357% and the NSFR (Net Stable Funding Ratio) for the same perimeter was 111% maintaining comfortable levels throughout the year.

- **The commissions** were 6.9% lower than the previous year affected by the new regulations that impact insurance commissions in Germany and partially compensated by improvements in the rest of the geographies.

- **Financial Transaction Results** reflect the positive result of hedging operations and write-off assets and liabilities at amortized cost.

- The **other operating results** increased by 17.8% with the growth of the results of the leasing activity and the lower contribution to the Single Bank Resolution Fund, which offset the negative impact of the new bank tax in Spain paid in 2023.

- **Operating and amortization costs** stand at €2,093 million, up 7.6% from 2022 due to inflation, strategic and transformation investments to increase future revenues and reduce operating expenses of new businesses. It also includes the impact of perimeter changes due to the renewal of the agreement with Stellantis and the acquisition of MCE Bank. The efficiency ratio stood at 46.2%, increasing compared to the previous year due to the impact of the fall in revenue mentioned in the previous paragraphs.

- **Provisions for bad debts** were 51.3% higher than the previous year due to the normalization of credit quality and a very low comparison base. The cost of credit stood at 0.59%, 17 bp higher than the previous year and a default ratio of 2.15% very similar to 2022 (2.06%).

- **Other results** grow significantly, especially due to the gains generated by the renewal of the agreement with Stellantis in 2023.

In summary, **Santander Consumer Finance continues to generate high revenues and results while maintaining high profitability, efficiency and a low cost of credit in a year marked by inflation and strong rise in interest rates consolidated in 2023. Expectations for 2024 are positive in all the markets in which it operates.**

## Strategy

SCF is a European leader in consumer finance, is present in 18 countries (16 in Europe, China and Canada) and works through more than 130,000 associated points of sale. It offers its customers and partners a value proposition to improve their sales capabilities by financing products and developing advanced technologies that give them a competitive advantage. SCF aims to become the best provider of automotive finance and digital mobility services in Europe.

SCF's goal is to offer competitive financing solutions to maintain our European leadership in Profitability and scale in car and consumer loans, taking advantage of our own platforms in mobility, leasing, subscription and BNPL.

The strategy developed in 2023 is based on the following priorities:

- **Strengthen leadership in digital consumer lending,** focused on growth and transformation:

    - **Auto: Reinforce** the leading position in car finance, gain market share, strengthen the leasing business and develop subscription services. SCF focuses on providing advanced digital financing capabilities to its partners to support their sales growth strategy and the best customer experience.

    - **Consumer (not auto):** Gain market share by specializing and developing Technology platforms leveraging Europe's leading position in buy now, pay later (BNPL), credit cards and direct loans.

    - **Retail:** focus on digital banking.

- **Continue the transformation of the operating model** in Europe while maintaining efficiency and being a reference in the sector, through:

    - A **simplified** operational structure**,** using **common technological platforms;** redesign and **automation of processes.**

    - **Reducing sensitivity to rate increases** by boosting deposit collection and accelerating the revaluation of new loans.

    - **Increase profit** through strategic operations such as Stellantis (auto), the launch of auto leasing and subscription; the development of BNPL.; and the acquisition of Mitsubishi Bank Germany.

- Promote **technological transformation** projects in Europe, with new agreements with manufacturers, the car leasing platform

- **At ESG,** the transition to a greener economy is taking place by doing business sustainably. SCF supports the green transition of its customers through the financing of clean vehicles, solar Groups, bicycles, heating systems and energy solutions.

SCF has been recognized as a Top Employer or Great Place to Work (GPTW) in four countries.

## Alternative performance measures (APMs)

In addition to financial information prepared under the International Financial Reporting Standards (IFRS), this report includes certain alternative performance measures (APMs) for the purpose of complying with the guidelines on alternative performance measures published by the European Securities and Markets Authority (ESMA) on 5 October 2015, as well as non-IFRS measures.

These APMs and non-IFRS measures have been used to plan, monitor and assess our evolution. We believe that these APMs and non-IFRS measures are useful for management and investors since they facilitate the comparison of operating performance between periods. Although we believe that these APMs and non-IFRS measures allow for a better assessment of the evolution of our business, this information should be considered only as additional information, and in no case substitute for financial information prepared under IFRS. In addition, the way Santander Group defines and calculates these APMs and non-IFRS measures may differ from the way they are calculated by other companies using similar measures and therefore may not be comparable.

The APMs and non-IFRS measures used in this document can be categorized as follows:

## Indicators of profitability and efficiency

The efficiency ratio allows to measure how many administrative overheads (staff and others) and depreciation expenses are needed to generate income.

Roa ratios have been incorporated, considering that they better reflect the evolution of the underlying business.

| Ratio | Formula | Relevance of use |
|---|---|---|
| **RoA (return on assets)** | $\frac{\text{Profit /loss of the year}}{\text{Average of total assets}}$ | This metric measures the return on the Bank's total assets. It is an indicator that reflects the efficiency in managing the company's total assets to generate profit |
| **Efficiency ratio (cost to income)** | $\frac{\text{Operating expense (*)}}{\text{Gross margin}}$ | One of the most widely used indicators when comparing the productivity of different financial institutions. It measures the level of resources used to generate the Group's operating income. |

(*) Operating costs: Administrative overhead + amortization

| Profitability and efficiency (thousands of euros | 2023 | 2022 |
|---|---|---|
| **Roa** | 0.92 % | 1.23 % |
| Profit / loss for the year | 1,321,150 | 1,601,623 |
| Total assets | 143,347,488 | 130,279,694 |
| | | |
| Efficiency ratio (cost to income) | (46.24%) | (41.87%) |
| Operating expenses | (2,093,356) | (1,945,415) |
| Administrative expenses | (1,884,565) | (1,756,232) |
| Amortization | (208,791) | (189,183) |
| Gross margin | 4,527,405 | 4,646,491 |

## Credit risk indicators

Credit risk indicators measure the quality of the credit portfolio and the percentage of the delinquent portfolio that is covered by insolvency provisions.

| Ratio | Formula | Relevance of use |
|---|---|---|
| **NPL ratio** | Doubtful balances of loans and advances to customers, guarantees to customers and commitments granted to customers / Total risk (1) | The NPL ratio is a very important variable in the activity of financial institutions, as it provides information on the level of credit risk assumed by financial institutions. It relates the risks classified for accounting purposes as doubtful to the total balance of loans granted, for customers and contingent risks. |
| **Coverage ratio** | Loan loss provisions (2) / Doubtful balances of loans and advances to customers, guarantees to customers and commitments granted to customers | One of the most widely used indicators when comparing the productivity of different financial institutions. It measures the level of resources used to generate the Group's operating income |

| Ratio | Formula | Relevance of use |
|---|---|---|
| **Cost of credit** | Impairment (3) / Financial assets at amortised cost – Loans and | This ratio relates the level of accounting impairments for credit risk in a given period of time that are necessary based on the portfolio of loans granted to customers, and therefore serves to measure the Group's credit quality. |

(*1) Total risk = normal and doubtful balances of loans and client advances and client guarantees + normal and doubtful balances of contingent client commitments.

(*2) Provisions for hedging losses on loans and advances to customers, guarantees to customers and commitments granted to customers.

(*3) impairment or (-) reversal of impairment and gains or losses on changes in cash flows of financial assets not measured at fair value through profit or loss or (-) net gains on modification.

| Credit risk (thousands of euros and %) | 2023 | 2022 |
|---|---|---|
| Delinquency rate | 2.15 % | 2.06 % |
| Impaired assets | 2,512,918 | 2,180,048 |
| Commitments and guarantees granted | 27,854 | 59,106 |
| Loans and advances to customers without considering impairment adjustments | 117,641,700 | 108,455,886 |
| Commitments and guarantees granted total | 362,244 | 355,245 |
| Coverage ratio | 84.79 % | 88.61 % |
| Impairment losses on loans and advances to customers at amortized cost and at fair value through other comprehensive income | 2,154,375 | 1,984,064 |
| Impaired assets | 2,512,918 | 2,180,048 |
| Commitments and guarantees granted | 27,854 | 59,106 |
| Cost of credit | 0.59 % | 0.42 % |
| Impairment | (683,873) | (451,931) |
| Loans and advances - Customers | 115,508,383 | 106,499,832 |

**Corporate principles**

Grupo Santander, of which Santander Consumer Finance is a part, has set itself as a strategic objective to achieve excellence in risk management. It has always been a priority axis of action throughout its more than 150 years of experience.

In recent years, it has accelerated its evolution to anticipate and respond to the great challenges of an ever-changing economic, social and regulatory environment.

Consequently, the risk function is more important than ever for Grupo Santander to remain a solid, safe and sustainable bank, an example for the entire financial sector and a benchmark for all those who aspire to turn leadership into risks into a competitive advantage.

Santander Consumer Finance aims to build the future through early management of all risks and to protect the present through a robust control environment. Thus, it has determined that the risk function is based on the following pillars, which are aligned with the strategy and business model of the Santander Group and take into account the recommendations of the supervisory bodies, regulators and best market practices:

1. The business strategy is defined within the risk appetite. The Board of Santander Consumer Finance determines the amount and typology of the risks it considers reasonable to assume in the execution of its business strategy and its development in objective limits, verifiable and consistent with the risk appetite for each relevant activity.

2. All risks must be managed by the units that generate them through advanced models and tools integrated into the different businesses. Santander Consumer Finance is promoting advanced risk management with innovative models and metrics, in addition to a control, reporting and scaling framework, which allow to identify and manage risks from different perspectives.

3. Anticipatory vision for all types of risks must be integrated into the processes of risk identification, assessment and management.

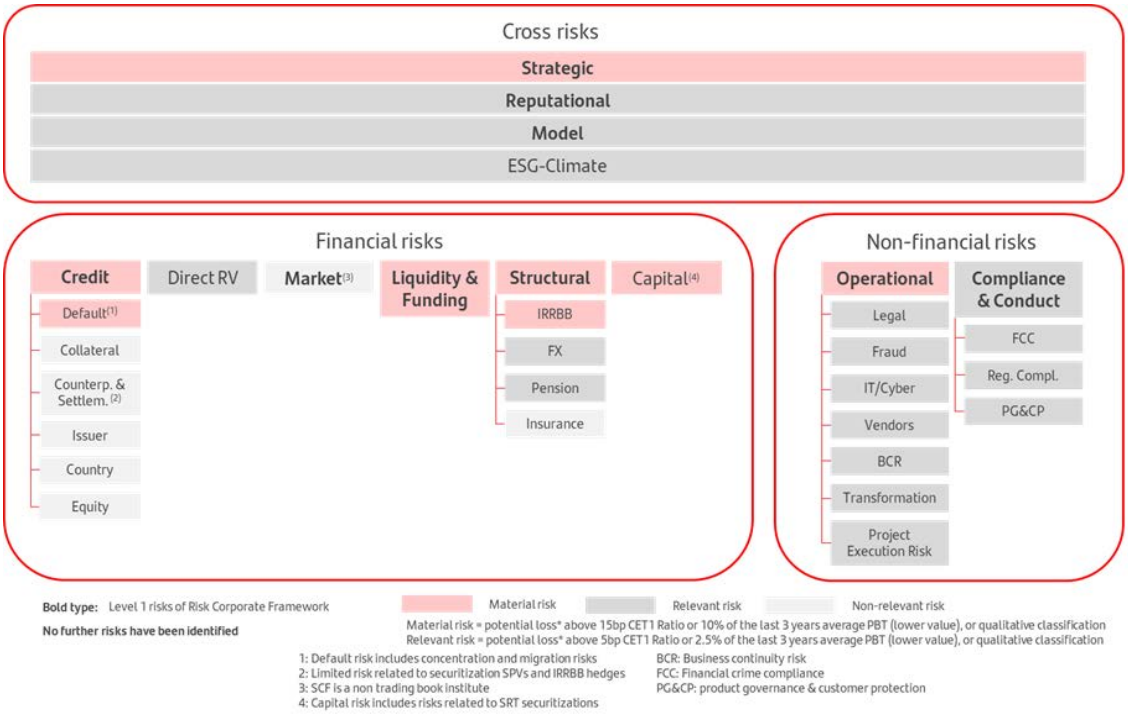
4. The independence of the risk function encompasses all risks and provides an adequate separation between the risk generating units and those responsible for their control. It implies that it has sufficient authority and direct access to the management and governance bodies responsible for setting and overseeing risk strategy and policies.

5. Risk management needs to have the best processes and infrastructures. Santander Consumer Finance aims to be the reference model in the development of infrastructures and processes to support risk management.

6. A risk culture integrated throughout the organization, comprising a series of attitudes, values, skills and guidelines for action against all risks. Santander Consumer Finance understands that advanced risk management cannot be achieved without a strong and constant risk culture that is present in each and every one of its activities.

## Risk map

Santander Consumer Finance has a recurring process for the identification of the material risks to which it is or may be exposed, which is reflected in the risk map. Material risks should be incorporated into risk appetite, risk strategy, risk profile assessment exercise and ICAAP/ILAAP. Below is the latest update of the Santander Consumer Finance risk map.




In its first level the risk map includes the following (General Risk Framework):

- **Credit risk** is the risk of financial loss caused by the default or impairment of the credit quality of a client or other third party, to which Santander Consumer Finance has financed or for which a contractual obligation has been assumed.
- **Market risk** is the risk incurred as a result of changes in market factors affecting the value of positions in trading portfolios. This risk is not relevant in Santander Consumer Finance because it is not a trading institution.
- **Liquidity risk** is the risk that Santander Consumer Finance does not have the liquid financial assets necessary to meet its obligations at maturity, or can only obtain them at a high cost.
- **Structural risk** is the risk derived from the management of the different balance sheet items, both in the bank portfolio and in relation to insurance and pension activities.
- **Capital Risk** is the risk that Santander Consumer Finance does not have sufficient capital, in quantity or quality, to meet its internal business objectives, regulatory requirements, or market expectations.
- **Operational risk** is defined as the risk of loss due to inadequacy or failure of internal processes, personnel and systems or due to external events. This definition includes legal risk.
- **Financial crime risk** is the risk arising from actions or the use of the group's means, products and services in criminal or illegal activities. These activities include, inter alia, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery and tax evasion.

- **Strategic Risk** is the risk of loss or damage arising from strategic decisions, or their poor implementation, affecting the long-term interests of our main stakeholders, or an inability to adapt to the evolving environment.

- **Reputational risk** is defined as the risk of a negative economic impact, current or potential, due to an impairment in the perception of the bank by employees, customers, shareholders/investors and society in general.

- **Model risk** is the risk of loss derived from inaccurate predictions, which may result in the bank making sub-optimal decisions, or from improper use of a model.

The material risks in Santander Consumer Finance are: Credit, default (including concentration and migration), liquidity and funding, structural, structural interest rate, capital, operational, financial and strategic crime.

The relevant risks in Santander Consumer Finance are: Direct residual value, structural exchange rate, pensions, legal, fraud, IT and cyber risk, suppliers, operational resilience, transformation, people, data, processes, regulatory compliance, conduct, reputational, model and ESG risks (related to environmental and climate, social and governance factors).

There are two types of risk whose relevance is increasing in recent times and for which Santander Consumer Finance is strengthening its management and control: Direct residual value risk and ESG/climate risks.

Direct residual value risk is defined as the risk of loss that an entity may have if at any time during the life of an automobile contract (loan, lease, etc.) the customer has the option or obligation to return the vehicle as a full and final settlement, due to uncertainty about the sale price of the vehicle made at that time.

ESG factors (environmental and climate, social and governance) can influence traditional risk types (credit, liquidity, operational, reputational, etc.) arising from the physical effects of climate change, generated by specific events as well as chronic changes in the environment, such as environmental and environmental factors. or the process of transition to a model of development of lower emissions, including legislative, technological or behavioral changes of economic agents, as well as the failure to meet the expectations and commitments acquired.

**Corporate Risk Governance**

The objective of the governance of the risk function is to establish adequate and efficient risk decision-making as well as effective risk control and to ensure that risks are managed according to the level of risk appetite approved by the Board of administration of Santander Consumer Finance.

To this end, the following principles are established:

- Separation of decision-making and risk control.

- Strengthening the responsibility of risk-generating functions in decision-making.

- Ensure that all risk decisions have a formal approval process.

- Ensure an aggregate view of all types of risks.

- Strengthen risk control committees.

- Maintain an agile and efficient committee structure, ensuring:

  - Participation and involvement in risk decisions, as well as in their supervision and control, of management bodies and senior management.

  - Coordination between the different lines of defense that configure the functions of risk management and control.

  - Alignment of objectives, monitoring of compliance and implementation of corrective measures when necessary.

- Existence of an adequate environment for managing and controlling all risks.

In order to achieve these objectives, the Model Governance Committees scheme must ensure adequate:

- Structure, which implies, at least, stratification according to levels of relevance, balanced delegation capacity and incident elevation protocols.
- Composition, with members of sufficient level of interlocution and sufficient representation of the business and support areas.
- Operability, that is, frequency, minimum attendance level and appropriate procedures.

The governance of risk activity should establish and facilitate the channels of coordination between the units and Santander Consumer Finance , as well as the alignment of risk management and control models.

The governing bodies of Santander Consumer Finance units will be structured according to local regulatory and legal requirements and the size and complexity of each unit.

There are special situations committees (Gold, Silver and Bronze) that will be activated to follow up immediately on any event that may affect the business and activity of the entity.

## Roles and responsibilities

The risk function is structured into three lines of defense, according to corporate policy, to manage and control risks effectively:

- First line of defense: Business functions that take or generate risk exposure constitute the first line of defense. The first line of defense identifies, measures, controls, monitors and reports the risks that arise and applies the internal regulations that regulate risk management. Risk generation should be adjusted to the approved risk appetite and associated limits.

- Second line of defense: Formed by the risk functions, which independently supervise and question the risk management activities carried out by the first line of defense. This second line of defense should ensure, within their respective areas of responsibility, that risks are managed according to the risk appetite defined by senior management and promote a strong risk culture throughout the organization.

- Third line of defense: The Internal Audit function is independent to assure the board of directors, and senior management, the quality and effectiveness of internal controls, government and risk management systems, helping to safeguard our value, solvency and reputation.

**Structure of Risk Committees**

Responsibility for risk control and management lies ultimately with the Board of Directors, from which the powers delegated to commissions and committees emanate. At Santander Consumer Finance, the Board relies on the Risk Supervision, Regulation and Compliance committee, as an independent risk control and oversight committee. In addition, the Executive Committee devotes special attention to risk management. These statutory bodies form the highest level of risk governance.

<u>Bodies for independent control</u>

– *Risk, Regulation and Compliance Supervision Commission (CSRRC):*

  The Commission's mission is to assist the Board of Directors in the supervision and control of risks, in the definition and evaluation of risk policies, as well as in the determination of risk propensity and risk strategy.

  It is composed of external or non-executive directors, with a majority representation of independent directors and chaired by an independent director.

  The functions of the Risk, Regulation and Compliance Supervision Commission are:

  – Support and advise the Board of Directors in the definition and evaluation of risk policies affecting Santander Consumer Finance and in the determination of risk propensity and risk strategy.

  – Ensure that the pricing policy for assets and liabilities offered to clients takes full account of the business model and risk strategy.

  – Know and evaluate management tools, improvement initiatives, project evolution and any other relevant activity related to risk control.

  – Determine, together with the Management Board, the nature, quantity, format and frequency of risk information to be received by the Commission and the Management Board.

  – Collaborate to establish sound remuneration policies and practices. For this purpose, the Risk Supervision, Regulation and Compliance Commission shall examine, without prejudice to the functions of the Remuneration Commission, whether the incentive policy provided for in the remuneration system takes into account risk, capital, liquidity and probability and opportunity of profits.

– *Risk Control Committee (CCR):*

  This collegiate body is responsible for the supervision and global risk control of Santander Consumer Finance in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A.

Its objectives are:

- To be the instrument for effective risk control, ensuring that risks are managed according to the Bank's level of risk appetite approved by the Board of Directors of Santander Consumer Finance, S.A., and allowing a comprehensive view of all the risks identified in the risk map of the general risk framework, including the identification and monitoring of both current and emerging risks and their impact on the risk profile of the Santander Consumer Finance Group.

- Ensure the best estimate of the provision and its proper registration.

This committee is chaired by the Chief Risk Officer (CRO) of Santander Consumer Finance and is composed of executives of Santander Consumer Finance. They are represented, at least, among others, the risk function, which the presidency exercises, and the functions of compliance, financial and management control, as well as representatives of the business areas. The CROs of local entities may participate periodically in order to report, among others, the risk profile of the different entities.

The Risk Control Committee reports to the Risk Supervision, Regulation and Compliance Committee and assists it in its role of supporting the Board of Directors.

– *Provisions Committee:*

The Provisions Committee is the collegiate decision-making body responsible for the global management of the provisions in accordance with the powers delegated by the Executive Committee of Risks of Santander Consumer Finance, S.A. and will supervise, within its area of action and decision, all topics related to Santander Consumer Finance provisions. Its objective is to be the instrument for decision-making, ensuring that they are within the government of provisions established in Santander Consumer Finance, as well as to inform the Board of Directors or its committees of their activity when necessary

<u>Decision-making bodies</u>

– *Executive Risk Committee (CER):*

The Risk Executive Committee is the collegiate decision-making body responsible for global risk management in accordance with the powers assigned to it by the Board of Directors of Santander Consumer Finance, S.A., and will continue, in its scope of action and decision, all risks identified by the Bank.

Its objective is to be the instrument for making risk-taking decisions at the highest level, ensuring that they are within the limits set in the risk appetite of the Santander Consumer Finance Group, as well as report its activity to the Council or its commissions when required.

This committee is chaired by the Head of Santander Consumer Finance and is composed of executive directors, and other executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance. The CRO of Santander Consumer Finance has the right of veto over the decisions of this committee.

– *Sub-Committee on Proposals (RPSc):*

Santander Consumer Finance's Sub-Committee on Risk Proposals is the collegiate decision-making body responsible for making decisions relating to business operations and countries, in terms of credit, market, liquidity and structural risk (or any other type of risk if necessary), ensuring that they are within the limits set in Santander Consumer Finance's risk appetite as well as reporting their activity to the Risk Executive Committee when required.

This committee is chaired by the CRO of Santander Consumer Finance, and is composed of executives of Santander Consumer Finance, being represented, among others, the functions of risk, financial, management control and compliance.

<u>The Risk Committee structure of the Western Hub branches:</u>

Under the merger agreements and for the purpose of ensuring proper governance and continuity of the risk function of the branches of the Western Hub by Santander Consumer Finance, S.A (absorbing company):

- As many powers, powers and attributions in matters of risk were granted individually or collectively in the branches, they will remain in force under the same terms and conditions.

- What is particularly established in its approval and risk control committees shall remain in force with the same functions, unless one or more powers are expressly claimed by a higher-ranking body.

- Any discrepancy in the understanding of the powers and competence of the committees shall be interpreted in the sense that it best favors the governance functions of the company as a whole and, in any case, subject to the practices and uses of the bodies of higher hierarchy of the entity Santander Consumer Finance S.A.

## Organizational structure of the risk function

The Group Chief Risk Officer (GCRO) is responsible for the risk function at Santander Consumer Finance and reports to the Head of Santander Consumer Finance, who is a member of the Board of Directors.

The GCRO, which provides advice and challenges to the executive line, reports in addition and independently to the Risk Supervision, Regulation and Compliance Commission as well as to the Board of Directors.

Advanced risk management has a holistic and anticipatory view of risks, based on intensive model use, aimed at building a strong control environment while meeting the requirements of the regulator and supervisor.

The risk management and control model shares, in Santander Consumer Finance, basic principles through corporate frameworks. These emanate from the Group itself and Santander Consumer Finance has joined them through their respective management bodies, shaping the relations between the subsidiaries and Santander Consumer Finance, including its participation in the making of relevant decisions through their validation.

The Group-Subsidiaries and Good Governance Practices model for subsidiaries recommends that each subsidiary have a statutory risk committee and another executive risk committee, chaired by the Chief Executive Officer (CEO), in line with the best standards of corporate governance, homogeneous to those existing in the Group and collected through the corporate framework, to which Santander Consumer Finance is adhering.

The administrative bodies of Santander Consumer Finance, according to the internal governance framework established by the Group, have their own risk faculties model (quantitative and qualitative), it must follow the principles of action contained in the models and frameworks of reference that are developed at the corporate level.

Given its ability to provide a comprehensive and aggregated view of all risks, the corporation reserves the powers to validate and challenge operations and management policies in the different units, insofar as they affect the Group's risk profile.

The identification and assessment of all risks is a cornerstone for their control and management. The Group's main types of risk are described below: Credit Risk, Market Risk, Operational Risk, and Compliance and Conduct Risk.

Santander Consumer Finance has undertaken several initiatives to improve the relationship between Santander Consumer Finance and its subsidiaries, and to improve the advanced risk management model.

## II. Credit risk

Credit risk stems from the possibility of losses arising from the failure of clients or counterparties to meet their financial obligations with the Group, in full or in part.

The risk function in Santander Consumer Finance is organised by customer type, distinguishing between individualised and standard customers throughout the risk-management process:

- Individualised customers are those assigned to a risk analyst, mainly because of the risk they entail. This category includes Wholesale Banking companies and some Retail Banking companies. Risk management involves expert analysis, complemented by decision-making support tools based on internal risk assessment models.

- Standard risks are those customers to whom no risk analyst is expressly assigned. They generally include risk with individuals, individual businesspeople and non-individualised retail banking companies. Management of these risks is based on internal-assessment and automatic-decision models, complemented by teams of analysts specialized in specific risk types when the model does not cover the risk or is not sufficiently accurate.

***Evolution of magnitudes in 2023***

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

As of December 2023, the NPL rate was 2.15%, based on controlled risk, despite the upward trend due to adverse situations experienced throughout 2023, to the measures applied in the units and to the risk appetite of Santander Consumer Finance. Non-performing loans (2,477 million euros) are distributed by units as follows: Nordics accounts for 21% of the total, Spain and Portugal 26%, Germany and Austria 37%, France 8% and Italy 8%. As for the type of portfolio, Auto represents 46% of the total, Direct 35%, Cards 7%, Stock Finance 1%, Mortgages 3%, Durable 3% and others 5%.

Despite the macroeconomic environment due to interest rate hikes, inflation, the war between Russia and Ukraine, the default ratio has closed slightly above the December 2022 figure (9 basis points).

In terms of the cost of credit, this ratio has a low risk profile thanks to the granularity and predictability of Santander Consumer Finance portfolios. The cost of 12-month credit at the end of December 2023 was 0.59%.

***Main magnitudes and evolution***

The credit risk portfolio profile of Santander Consumer Finance is characterized by a diversified geographical distribution and the predominance of retail banking activity.

***Global Credit Risk Map 2023***

The following table details the global map of gross credit exposure by geographical area:

| SCF Group - Gross Credit risk exposure | | | |
|---|---|---|---|
| | 2023 (million euros) | Variation December 2022 | % Portfolio |
| Spain and Portugal (*) | 16 159 | 8.07 % | 13.74 % |
| Italy | 15 542 | 50.14 % | 13.21 % |
| France | 19 412 | 21.78 % | 16.50 % |
| Germany and Austria | 44 172 | 4.92 % | 37.55 % |
| Nordics (Scandinavia) | 17 390 | (2.39) % | 14.78 % |
| United Kingdom | — | — % | — % |
| Rest | 4 967 | 10.90 % | 4.22 % |
| **Total** | 117 642 | 8.47 % | 100.00 % |

In terms of vision by products at the end of December 2023, Auto represents 62% of the total gross exposure, direct 11%, mortgages 3%, durables 2%, Stock Finance 14%, cards 2% and others 6%. Germany concentrates the largest percentage of the portfolio with 38% along with Austria. On the other hand Nordics (Scandinavia) represents 15%, and includes the units of Norway, Denmark, Sweden and Finland. France, including Stellantis Joint Ventures, accounts for 17% of the total. Spain, Portugal and their respective units resulting from cooperation with Stellantis, account for 14% of the total.

**Information on the estimate of impairment losses**

**Calculation of expected credit losses:**

The expected credit losses are calculated, in the Santander Consumer Finance group, based on parameters (mainly PD and LGD) that are obtained from models developed internally following the specific requirements of IFRS 9, as well as other guidelines issued by regulators, supervisors and other international bodies (EBA, NCA, BIS, GPPC). The models are constructed using internal information with historical depth and granularity sufficiently representative, the experience acquired in the regulatory and management field, as well as forward-looking information based on macroeconomic scenarios, and allow to estimate losses throughout the life of the operation. The models follow a clearly defined life cycle that includes, among others, an internal validation process, monitoring and governance, to ensure their robustness and suitability for use.

**Determination of the significant increase in risk:**

For the determination of the classification in Stage 2, it is evaluated if there is a significant increase in credit risk (SICR) since the initial recognition of the transactions, considering a set of common principles across the Group that ensure that all financial instruments are subject to this assessment, which considers the particularities of each portfolio and product type from various indicators, quantitative and qualitative. All this, subject to the expert judgment of analysts, who set the thresholds under an adequate integration in management, and implemented according to the approved government. The judgments and criteria used by the Group to establish the thresholds are based on a set of principles and develop a set of techniques. The principles are as follows:

- Universality: All financial instruments under a credit rating must be evaluated by their possible SICR.
- Proportionality: The definition of the SICR must take into account the particularities of each portfolio.
- Materiality: Its implementation must also be consistent with the relevance of each portfolio so as not to incur unnecessary cost or effort.
- Holistic view: The selected approach should be a combination of the most relevant aspects of credit risk (i.e. quantitative and qualitative).

- Application of IFRS 9: The approach should consider the characteristics of IFRS 9, focusing on a comparison with credit risk on initial recognition, in addition to considering forward-looking information.

- Integration of risk management: The criteria must be consistent with those metrics considered in the day-to-day life of risk management.

- Documentation: Appropriate documentation must be prepared. The techniques are summarized below:

  – Stage 2 stability: In the absence of significant changes in the credit quality of portfolios, the volume of assets in Stage 2 should maintain some stability as a whole.

  – Economic reasonableness: At the transaction level, stage 2 is expected to be a transitional classification for exposures that could eventually move into a credit impairment statement at some point or stage 3, as well as for exposures that have suffered credit impairment and whose credit quality is improving and return to stage 1.

  – Predictive power: The SICR definition is expected to avoid as far as possible direct migrations from stage 1 to stage 3 without having been previously classified in stage 2.

  – Time in Stage 2: Exposures are not expected to remain marked as Stage 2 for an excessive amount of time.

The application of several of the above techniques results in the setting of one or more thresholds for each portfolio in each geography. In addition, these thresholds are subject to periodic review by calibration tests, which may lead to the updating of threshold types or their values. To classify financial instruments in stage 2, we consider the following criteria:

- Quantitative Criteria: Changes in the risk of default occurring over the expected life of the financial instrument are analyzed and quantified in relation to its level of credit risk at the initial time. In order to consider significant changes when financial instruments are classified in Stage 2, each subsidiary has defined the quantitative thresholds of its portfolios in accordance with the guidelines of the group, ensuring a consistent interpretation across our geographies. These thresholds can be expressed as an absolute or relative increase in the probability of default.

  Within the aforementioned quantitative thresholds, we consider two types: The relative threshold is understood to be one that compares the current credit quality with the credit quality at the time of the concession of the transaction in percentage terms of variation. In addition, an absolute threshold compares both references in total terms, calculating the difference between the two. These absolute/relative concepts are used homogeneously (with different values) across all geographies. The use of one type of threshold or another is determined according to the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.

- Qualitative criteria: Various indicators are used that are aligned with those employed in the ordinary management of credit risk and in accordance with current regulations (e.g. irregular with more than 30 days, refinancing, etc.). Each subsidiary has defined these indicators for its portfolios, with special attention to reinforce these qualitative criteria through expert judgment. When the presumption of significant impairment of credit risk is eliminated, due to a sufficient improvement of the credit rating, the debtor can be re-classified in Stage 1, without any trial period in Stage 2.

- Definition of default; the new definition of the EBA Guidelines is incorporated into the calculation of provisions, considering their application to the prudential field, and they have also been aligned with the definitions of default and stage 3. This definition leads to the application of the following criteria to classify exposures as Stage 3: one or more payments unpaid for 90 consecutive days, representing at least 1% of the customer's total exposure or identification of other criteria showing, even in the absence of defaults, that the counterparty is unlikely to be able to meet all its financial obligations. The Group applies the principle of contagion of deterioration to all customer exposures marked in arrears. Where a debtor belongs to a group, the principle of contagion of impairment may also apply to all Group exposures. The default rating is maintained during the 3-month trial period following the disappearance of all of the default indicators described above, and this period is extended to one year for restructured loans that have been classified as default.

- Expected life of the financial instrument: The expected life of a financial instrument is estimated taking into account all contractual terms (e.g. advance payments, duration, purchase options, etc.). The contract period (including extension options) is the maximum period for measuring expected credit losses. In the case of financial instruments with undefined contractual maturity and with an available balance component (e.g. credit cards), the expected life shall be estimated taking into account the period during which the institution is exposed to credit risk and the effectiveness of the management practices that mitigate such exposure.

1. Prospective vision

Estimating expected losses requires a high degree of expert judgment and the support of historical, current and future information. In this sense, the estimates of expected loss are based on an unbiased and weighted probability of occurrence of up to five possible future scenarios that could affect the capacity to collect contractual cash flows. These scenarios take into account the time value of money, relevant information available on past events and current conditions and projections of macroeconomic factors that are considered important for estimating this amount (e.g., GDP, house price, unemployment rate, etc.).

The use of forward-looking information through macroeconomic scenarios is common to various internal management processes and regulatory requirements. The guidelines and governance of the Group ensure synergy and coherence between the different processes.

During 2023, the Group updated the macroeconomic scenarios included in the provisioning models with the most up-to-date information on the current environment. Accordingly, the Group uses a forward-looking view to estimate the expected losses.

2. Additional elements

When necessary because they have not been captured under the two above elements, they include, among others, the analysis of sectors, or other axes of credit profile analysis, if their impacts are not sufficiently collected by the macroeconomic scenarios. Also the collective analysis techniques, when the potential deterioration in a group of customers is not possible to identify it individually.

With the elements indicated above, Santander Consumer Finance Group evaluates in each of the geographies the evolution of the credit quality of its customers, for the purposes of its classification in stages and consequently the calculation of the expected loss.

Quantification of additional provisions by the current macroeconomic environment

At the end of 2022, additional provisions were included, where necessary, to cover potential impacts related to the scenario of persistent inflation and high interest rates. Adjustments have been continuously monitored, recalculated or reformulated throughout 2023. In total, at the end of 2023, the additional adjustments recorded by the Santander Consumer Finance Group on the basis of macroeconomic aspects amount to 3.51 million euros and are mainly due to the inclusion of additional effects derived from inflation and interest rates, that do not respond to the historical casuistry included in the projection models. The Group geographies affected by these additional adjustments are the Netherlands and France.

The details of the exposure and impairment losses associated with each of the stages as of 31 December 2023 are shown below. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality (*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 123,604 | — | — | 123,604 |
| Degree of speculation | 13,008 | 4,131 | — | 17,139 |
| Default | — | — | 2,541 | 2,541 |
| Total risk (**) | 136,612 | 4,131 | 2,541 | 143,284 |
| Impairment losses | 454 | 266 | 1,413 | 2,133,000 |

| Exposure and impairment losses by stage 2022 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality (*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 116,422 | — | — | 116,422 |
| Degree of speculation | 12,674 | 4,172 | — | 16,846 |
| Default | — | — | 2,239 | 2,239 |
| Total risk (**) | 129,096 | 4,172 | 2,239 | 135,508 |
| Impairment losses | 477 | 250 | 1,229 | 1,956 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

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

**Exercise of sensitivity of provisions**

With regard to the evolution of credit risk losses, the Group conducts a sensitivity analysis using simulations in which immediate variations (shocks) of +/- 100 bps occur in the main macroeconomic variables, constantly assuming the current distribution of stages of each portfolio of financial assets. In this way, a set of specific and complete scenarios is used, where different impacts affecting both the reference variable and the rest of macroeconomic variables are simulated. These impacts can have their origin in productivity factors, taxes, wages or exchange rates and interest rates. Sensitivity is measured as the average variation of expected loss corresponding to the mentioned scenarios. Following a conservative approach, negative movements take into account an additional standard deviation to reflect the possible greater variability of losses. Finally, in order to provide a measure of comparable sensitivity between portfolios, in the use of statistical models of scenario analysis, the advances and delays of the model are eliminated, thus avoiding that only part of the simulated shock is captured.

In addition, the Group conducts stress test exercises and sensitivity analysis on a recurring basis in exercises such as ICAAP, strategic plans, budgets and recovery and resolution plans. In these exercises, a prospective vision is created of the sensitivity of each of the Group's portfolios to the possible deviation from the base scenario, considering both the macroeconomic evolution materialized in different scenarios, as well as the evolution of business to three years. These exercises include potentially more adverse scenarios as well as more plausible scenarios.

**Detail of main geographies**

The following is the risk information for the most relevant segments of the Group, both in terms of exposure and credit risk provisions.

- **Germany**

**Information on the estimate of impairment losses**

Below is the details of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of Santander Consumer Bank AG and Santander Consumer Leasing, GmbH. In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 39,935 | 79 | — | 40,014 |
| Degree of speculation | — | 834 | — | 834 |
| Default | — | — | 722 | 722 |
| Total exposure (**) | 39,935 | 913 | 722 | 41,570 |
| Impairment losses | 104 | 56 | 374 | 534 |

| Exposure and impairment losses by stage 2022 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 37,009 | 12 | — | 37,021 |
| Degree of speculation | — | 1.145 | — | 1.145 |
| Default | — | — | 566 | 566 |
| Total exposure (**) | 37,009 | 1,157 | 566 | 38,732 |
| Impairment losses | 88 | 38 | 272 | 398 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

The NPL for Germany stood at 2.06% at the end of December 2023 (1.78% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. Specifically, in the case of the most significant units in Germany (Santander Consumer Bank AG and Santander Consumer Leasing, GmbH) they consider five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution in 2023 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate (interbank 12m) | 4.33% | 3.86% | 3.11% | 2.84% | 2.70% |
| Unemployment rate | 7.00% | 6.08% | 5.18% | 4.83% | 4.46% |
| GDP growth | (0.18%) | 0.31% | 1.29% | 2.22% | 2.69% |
| Growth in housing prices | (2.66%) | (0.99%) | 2.35% | 4.52% | 5.61% |

The following is the projected evolution in 2022 of the main macroeconomic indicators used to estimate expected losses at Santander Consumer Bank AG and Santander Consumer Leasing, GmbH:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate (interbank 12m) | 4.04 % | 3.19 % | 2.33 % | 1.71 % | 1.09 % |
| Unemployment rate | 7.70 % | 6.42 % | 5.14 % | 4.84 % | 4.54 % |
| GDP growth | (0.45 %) | 0.45 % | 1.36 % | 2.08 % | 2.80 % |
| Growth in housing prices | (4.54 %) | (2.55 %) | 1.70 % | 3.73 % | 5.80 % |

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of their allocation, Santander Consumer AG and Santander Consumer Leasing, GmbH associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Germany is shown:

| | Expected loss variation IFRS9 | | | |
|---|---|---|---|---|
| | New car | Used car | Leasing new | Direct |
| GDP growth: | | | | |
| (100) p.b. | 1.33% | 1.36% | 10.29% | 7.18% |
| 100 p.b. | (0.62%) | (0.63%) | (2.92%) | (3.08%) |
| Unemployment rate: | | | | |
| (100) p.b. | (1.17%) | (1.19%) | (2.41%) | (6.44%) |
| 100 p.b. | 1.34% | 1.36% | 4.88% | 10.15% |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The institution, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions > of 30 days. These criteria depend on the risk management practices of each portfolio.

- **Nordics (Scandinavia)**

**Information on the estimate of impairment losses**

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant unit of Nordics (Santander Consumer Bank AS). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 14,176 | — | — | 14,176 |
| Degree of speculation | 1,492 | 408 | — | 1,900 |
| Non-payment | — | — | 419 | 419 |
| Total exposure (**) | 15,667 | 408 | 419 | 16,494 |
| Impairment losses | 78 | 40 | 236 | 354 |

| Exposure and impairment losses by stage 2022 *(Millions of Euros)* | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 14,738 | 6 | — | 14,744 |
| Degree of speculation | 1,701 | 575 | — | 2,276 |
| Non-payment | — | — | 391 | 391 |
| Total exposure (**) | 16,439 | 581 | 391 | 17,411 |
| Impairment losses | 77 | 57 | 222 | 356 |

*(*) Detail of credit quality grades calculated for Group management purposes.*

*(**) assets at amortized cost, loans and advances, clientele + credit commitments granted.*

Nordics (Scandinavia) NPL stood at 2.94% at the end of December 2023 (2.70% at the end of 2022).

Forward-looking information should be taken into account when estimating expected losses. In particular, Santander Consumer Bank AS considers five prospective macroeconomic scenarios, which are updated periodically, over a time horizon of 5 years.

- **Norway**

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.24% | 3.75% | 3.15% | 2.63% | 2.34% |
| Unemployment rate | 4.33% | 4.09% | 3.90% | 3.55% | 3.40% |
| Growth in housing prices | (0.49%) | 0.12% | 1.24% | 2.07% | 3.22% |
| GDP growth | 0.29% | 0.98% | 1.80% | 2.42% | 2.97% |

The following is the projected evolution in 2023 for the next five years of the main macroeconomic indicators used to estimate expected losses in Santander Consumer Bank AS:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.23 % | 4.05 % | 3.30 % | 3.10 % | 2.80 % |
| Unemployment rate | 5.24 % | 4.82 % | 3.85 % | 3.39 % | 3.03 % |
| Growth in housing prices | (1.22 %) | (0.49 %) | 0.22 % | 0.55 % | 1.06 % |
| GDP growth | 0.36 % | 1.06 % | 1.90 % | 2.52 % | 3.10 % |

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Norway is shown:

| | Expected loss variation IFRS9 |
|---|---|
| | Auto Physical persons |
| GDP growth: | |
| (100) p.b. | 2.00% |
| 100 p.b. | (1.55%) |
| Housing price growth: | |
| (100) p.b. | 4.84% |
| 100 p.b. | (2.32%) |

- **Denmark**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.53% | 3.95% | 3.48% | 3.10% | 2.81% |
| Unemployment rate | 6.57% | 5.66% | 4.52% | 4.13% | 3.75% |
| Growth in housing prices | (2.50%) | (0.03%) | 3.19% | 5.16% | 7.08% |
| GDP growth | (0.14%) | 0.50% | 1.32% | 1.86% | 2.40% |

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.88 % | 3.23 % | 2.58 % | 1.96 % | 1.34 % |
| Unemployment rate | 5.74 % | 5.24 % | 4.72 % | 4.22 % | 3.90 % |
| Growth in housing prices | (1.67 %) | 0.27 % | 2.17 % | 4.15 % | 5.87 % |
| GDP growth | 0.19 % | 0.80 % | 1.59 % | 2.11 % | 2.60 % |

Each macroeconomic scenario is associated with a given probability of occurrence. As for its allocation, Santander Consumer Bank AS associates the base scenario with the highest weight, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for the most relevant portfolios in Denmark is shown:

| | Expected loss variation IFRS9 |
|---|---|
| | Auto Physical persons |
| GDP growth: | |
| (100) p.b. | 2.90% |
| 100 p.b. | (2.18%) |

- **Sweden**

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2023 is presented below:

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.94% | 3.61% | 2.98% | 2.69% | 2.41% |
| Unemployment rate | 7.80% | 7.46% | 7.01% | 6.81% | 6.61% |
| Growth in housing prices | (1.18%) | 0.60% | 4.52% | 5.40% | 8.16% |
| GDP growth | 0.35% | 1.04% | 1.97% | 2.56% | 3.19% |

The projected evolution of the main macroeconomic indicators used for estimating expected losses in 2022 is presented below:

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.33% | 3.51% | 3.19% | 2.74% | 2.11% |
| Unemployment rate | 7.61% | 7.36% | 7.08% | 6.80% | 6.48% |
| Growth in housing prices | (0.57%) | 0.39% | 1.60% | 2.70% | 3.73% |
| GDP growth | 0.45% | 0.95% | 1.78% | 2.33% | 2.83% |

Each macroeconomic scenario is associated with a given probability of occurrence. In terms of its allocation, Santander Consumer AS associates the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of expected losses at the end of 2023 for Sweden's most relevant portfolios is shown:

| | Expected loss variation IFRS9 | |
|---|---|---|
| | Auto Physical persons | Direct |
| GDP growth: | | |
| (100) p.b. | 6.70% | 1.88% |
| 100 p.b. | (0.19%) | (0.79%) |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

- **Spain**

**Information on the estimate of impairment losses**

Below is the detail of the exposure and impairment losses associated with each of the stages as of December 31, 2023 of the most significant units in Spain (Santander Consumer Finance S.A.). In addition, depending on the current credit quality of the transactions, the exposure is divided into three degrees (investment, speculation and default):

| Exposure and impairment losses by stage 2023 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 4,316 | — | — | 4,316 |
| Degree of speculation | 11,017 | 268 | — | 11,285 |
| Default | — | — | 509 | 509 |
| Total exposure (**) | 15,333 | 268 | 509 | 16,110 |
| Impairment losses | 97 | 45 | 303 | 445 |

*(*) Detail of credit quality grades calculated for Group management purposes.*
*(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.*

| Exposure and impairment losses by stage 2022 (Millions of Euros) | | | | |
|---|---|---|---|---|
| Credit quality(*) | Stage 1 | Stage 2 | Stage 3 | Total |
| Degree of investment | 4,069 | 5 | — | 4,074 |
| Degree of speculation | 10,967 | 236 | — | 11,203 |
| Default | — | — | 477 | 477 |
| Total exposure (**) | 15,036 | 241 | 477 | 15,754 |
| Impairment losses | 121 | 32 | 288 | 441 |

*(*) Detail of credit quality grades calculated for Group management purposes.*
*(**) Asset at amortized cost, loans and advances - clientele + credit commitments granted.*

The NPL in the case of the geography of Spain stood at 3.47% at the end of December 2023 (3.46% at the end of 2022).

For the estimation of expected losses, forward-looking information should be taken into account. Specifically, for Santander Consumer Finance, S.A's portfolio in Spain, five prospective macroeconomic scenarios are considered, which are updated periodically, over a time horizon of 5 years.

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2023 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

| Magnitudes | Scenario at 5 years (2024-2028) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 4.54% | 4.00% | 3.48% | 3.34% | 3.11% |
| Unemployment rate | 16.40% | 14.28% | 10.27% | 9.52% | 7.96% |
| Growth in housing prices | (0.20%) | 0.54% | 2.09% | 2.64% | 3.38% |
| GDP growth | (0.88%) | (0.04%) | 1.54% | 2.71% | 3.56% |

The following is the projected evolution for the coming years of the main macroeconomic indicators used in 2022 for the estimation of the expected losses in the portfolios in Spain of Santander Consumer Finance, S.A.

| Magnitudes | Scenario at 5 years (2023-2027) | | | | |
|---|---|---|---|---|---|
| | Worst-case scenario | Worse-case scenario | Base-case scenario | Better-case scenario | Best-case scenario |
| Interest rate | 3.39% | 2.98% | 2.59% | 2.25% | 2.00% |
| Unemployment rate | 19.43% | 16.61% | 12.20% | 10.65% | 9.46% |
| Growth in housing prices | 1.72% | 2.34% | 3.31% | 3.83% | 4.29% |
| GDP growth | (0.57%) | 0.53% | 2.05% | 3.34% | 4.15% |

Each macroeconomic scenario is associated with a given probability of occurrence. As for their allocation, Santander Consumer Finance, S.A's portfolios of business in Spain associate the base scenario with the highest weights, while associating the lower weights with the most extreme scenarios. The weights used in both 2023 and 2022 were as follows:

| | |
|---|---|
| Worst-case scenario | 5 % |
| Worse-case scenario | 20 % |
| Base-case scenario | 50 % |
| Better-case scenario | 20 % |
| Best-case scenario | 5 % |

Following, based on the details in the *Provisions Sensitivity Exercise* section, the estimated sensitivity of the expected losses at the end of 2023 for the most relevant portfolios in Spain is shown:

| | Expected loss variation IFRS9 | | | |
|---|---|---|---|---|
| | New car | Used car | Mortgages | Cards |
| GDP growth: | | | | |
| (100) p.b. | 4.33% | 2.50% | 1.15% | 3.20% |
| 100 p.b. | (3.28%) | (2.00%) | (0.87%) | (2.56%) |

In relation to the determination of the classification in stage 2, the quantitative criteria applied in the institution are based on identifying whether any increase in the PD for the entire expected life of the operation exceeds a number of absolute and relative thresholds. Each portfolio has a set of thresholds according to the characteristics and credit risk profile of the products that make it up.

As an example in the case of Santander Consumer Finance S.A., for its main portfolios, an operation shall be considered to be classified in Stage 2 when the PD of the entire expected life of the operation at any given time exceeds that it had at the time of initial recognition in absolute and relative terms, depending on the sub-segment.

In addition, for each portfolio, a number of specific qualitative criteria are defined indicating that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the time of initial recognition. The entity, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions more than 30 days. These criteria depend on the risk management practices of each portfolio.

***Credit risk***

***a. Evolution of magnitudes in 2023***

The evolution of arrears and the cost of credit reflect the impact of the deterioration of the economic environment mitigated by prudent risk management, which has, in general, allowed us to maintain such data at levels below that of our competitors in recent years. As a result, Santander Consumer Finance maintains an adequate hedge level to address the expected loss of the credit risk portfolios it manages.

**Portfolio redirected**

The term "Returned Portfolio" refers to the Group's risk management purposes to all transactions in which the Client has submitted, or it is expected that it may present financial difficulties that could prevent the fulfillment of its payment obligations under the contractual terms in force with Santander Consumer Finance and, for this reason, it has proceeded to modify, cancel and / or even formalize a new transaction.

Grupo Santander, of which Grupo Santander Consumer Finance is a part, has a robust policy of redirecting customer debts that acts as a reference in the different local transpositions of all the financial institutions that are part of the Group. This policy is in line with the banking regulations established by the EBA, in accordance with the "Guidelines on the management of non-performing and restructured or refinanced exposures" (EBA/GL/2018/06) of 31 October 2018. It is also adapted to Circular 6/2021, of Bank of Spain, which modifies Circular 4/2017.

This policy establishes strict prudent criteria in the assessment of these risks:

- A restricted use of this practice should be made, avoiding actions that entail postponing recognition of the deterioration.

- The main objective should be the recovery of the amounts due, recognizing as soon as possible the amounts deemed irrecoverable.

- The maintenance of existing guarantees should always be considered and, if possible, improved. Effective safeguards can not only serve as mitigants of severity, but may reduce the likelihood of non-compliance.

- This practice should not involve the granting of additional financing, or serve to refinance debt of other entities, or be used as a cross-selling instrument.

- It is necessary to evaluate all alternatives to the redirection and its impacts, ensuring that the results of the same exceed those that would be expected if not performed.

- More stringent criteria are applied for the classification of redirected transactions, which, prudentially, ensure the restoration of the customer's capacity to pay, from the moment of the redirection and for an appropriate period of time.

- In addition, in the case of those clients who have assigned a risk analyst, it is of particular relevance the individualized analysis of each case, both for its correct identification and for its subsequent classification, monitoring and adequate provision.

It also sets out various criteria related to the determination of the perimeter of operations considered as a referral, by defining a detailed set of objective indicators to identify situations of financial difficulty.

Thus, transactions that are not classified as doubtful at the date of the recoupment are generally considered to be financially difficult if they were not paid for more than one month at that date. In the event that there is no default or that it does not exceed the month of seniority, other indicators are taken into account, including:

- Operations of customers who already have difficulties with other operations.

- When the modification becomes necessary prematurely without a previous and satisfactory experience with the customer.

- In the event that the necessary modifications involve the granting of special conditions such as the need to establish a temporary deficiency in payment or when these new conditions are considered more favorable for the client than would have been granted in an ordinary admission.

- Request for successive modifications at unreasonable time intervals. In the case of Consumer Finance, a maximum of 1 restructuring agreement is established in a year or 3 in a 5-year period.

- In any case, once the modification has been made, if there is any irregularity in the payment during a certain period of observation, even if there are no other symptoms, the operation within the perimeter of the reconductions ('backtesting') will be considered.

Once it has been determined that the reasons for the modification of the client's debt conditions are due to financial difficulties of the client, regardless of whether or not the client has overdue payments and the number of days of payment arrears present, the client will be considered a customer redirected for all purposes and as such will be managed based on the criteria established in this policy.

Where the referral has been carried out, where those transactions must remain classified as a doubtful risk because they do not comply at the time of the referral with the regulatory requirements for their reclassification to another category, they must comply with a prudential continuous payment schedule to ensure a reasonable certainty of the recovery of capacity to pay, called a cure period (in this case, it will be 12 months).

Once this period has passed, conditioned by the situation of the client and the characteristics of the operation (term and guarantees provided), the operation is no longer considered doubtful, although it remains subject to a trial period in which a special follow-up is carried out.

This monitoring is maintained as long as a number of requirements are not met, including: A minimum observation period of 24 months, in the case of operations restructured in stage 2 and 12 months in stage 3; amortization of a substantial percentage of the outstanding amounts and, to satisfy the unpaid amounts at the time of the recertification. If it is justified that, while a transaction is in the 24-month cure period of Stage 2, there is no longer a significant increase in its credit risk, that transaction can be reclassified to Stage 1 and Non-Default risk, no need to complete the aforementioned cure period. However, it is important to note that restructuring at the time of origination can only be classified in stage 2 or stage 3, never in stage 1.

The original dates of non-compliance are still considered for all purposes in the conduct of a non-performing transaction, irrespective of whether the transaction is up to date as a result of such a transaction. Likewise, the re-conduct of a dubious operation does not result in any release of the corresponding provisions.

Reconductions can be long-term or short-term (less than two years). Redirections with terms not exceeding two years shall be taken into account when the borrower meets the following criteria:

- Experiencing temporary liquidity restrictions, for which the client’s recovery will be evidenced in the short term.
- The application of long-term recertification measures is not effective given the temporary financial uncertainty of a general or specific nature of the customer.
- That it has been fulfilling the contractual obligations before the recertification
- Demonstrate a clear willingness to cooperate with the entity.

As a result of the analysis to be carried out, both of the client’s situation and of the characteristics of the forwarding operation used, it must be ensured that the forwarding will facilitate the reduction of the client’s debt, and therefore will be viable. In this regard, the feasibility of the operation will be assessed by:

a. That can be demonstrated with evidence that the proposed redirection is within the reach of the client, that is, that the full refund is expected.

b. Payment by the customer of outstanding amounts, in full or for the most part, and a considerable reduction in exposure in the medium to long term.

c. The absence of repeated non-compliance with payment plans resulting in successive recourses (more than three recourses over a three-year period).

d. In the temporary application of short-term relief measures, it can be proved by evidence that the client has sufficient capacity to pay to meet the debt, principal and interest, once the term of application of the temporary relief has expired.

e. The measure does not result in the successive application of several refinancing or restructuring measures for the same exposure.

In the event that operations are carried out that do not comply with the foregoing, they will be considered non-viable operations and will form part of the category of Non-performing Conductions.

The following is the quantitative information required by the Bank of Spain, in relation to the restructured operations in force as of December 31, 2023 and 2022, taking into account the above criteria:

### *c) Metrics and measurement tools*

**Credit rating tools**

In keeping with the Santander Group tradition, which has witnessed the use of proprietary rating models since 1993, at Santander Consumer Finance Group the credit quality of customers and transactions is also measured by internal scoring and rating systems. Each credit rating assigned by models relates to a certain probability of default or non-payment, based on the Group's historical experience.

Since the Group focuses mainly on the retail business, assessments are based primarily on scoring models or tables which, combined with other credit policy rules, issue an automatic decision on the loan applications received. These tools have the dual advantage of allocating an objective appraisal of the level of risk and speeding up the response time that would be required for a purely manual analysis.

In addition to the scoring models used for the approval and management of portfolios (rating of the transactions composing the portfolios in order to assess their credit quality and estimate their potential losses), other tools are available to assess existing accounts and customers which are used in the defaulted loan recovery process. The intention is to cover the entire "loan cycle" (approval, monitoring and recovery) by means of statistical rating models based on the Bank's internal historical data.

For individualised corporates and institutions, which at the Group include mainly dealers/retailers, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant factors to be taken into account in the assessment, in such a way that the rating process generates appraisals that are consistent and comparable among customers and summarise all the relevant information. In 2018 all the units conducted reviews of the aforementioned portfolios, involving the participation of all areas of the Group. The review meetings covered the largest exposures, companies under special surveillance and the main credit indicators of these portfolios.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

To a lesser extent, certain exposures are also assessed using the global rating tools which cover the global wholesale banking segment. Management of this segment is centralised at the Risk Division of the Santander Group, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's expert judgement.

The Group's portfolio of individualised corporates is scarcely representative of the total risks managed, since it relates mainly to vehicle dealer stock financing.

### *d) Credit risk parameters*

The valuation of the client or the transaction, by rating or scoring, constitutes a judgment of its credit quality, which is quantified through the probability of default (probability of default or PD in Basel terminology).

In addition to the client's assessment, the quantification of credit risk requires the estimation of other parameters such as exposure at default (EAD) and the percentage of the EAD that cannot be recovered (LGD). Other relevant aspects of the risk of the operations are included, such as the quantification of the off-balance sheet exposures, which depends on the type of product or the analysis of the expected recoveries related to the existing guarantees and other properties of the operation: type of product, term, etc.

These factors make up the main parameters of credit risk. Its combination allows the calculation of the probable loss or expected loss (PE). This loss is considered as an additional cost of the activity, which reflects the risk premium and must be passed on to the price of the transactions.

The risk parameters also allow the calculation of regulatory capital according to the rules derived from the new Basel Capital Agreement (BIS II). Regulatory capital is determined as the difference between the unexpected loss and the expected loss.

Unexpected loss is the basis for capital calculation and refers to a very high but unlikely level of loss, which is not considered recurring and must be met with own resources.

Observed loss: Credit cost measurements

In addition to the predictivity provided by the advanced models previously described, other common metrics are used that allow prudent and effective management of credit risk based on the observed loss.

In terms of loss recognition, the cost of credit risk at Santander Consumer Finance is measured through different approaches: VMG - Variation of the Management Loan (late entries - cures - recovery of failures), DNI - net endowment for insolvencies (gross provisions - recovery of failures), net failures (passes to failures - recovery of failures) and expected loss. In order to obtain a monitoring ratio, the first two indicators (in 12 months) are divided by the average of 12 months of the total portfolio to obtain the risk premium and the cost of credit. These allow the manager to form a complete idea about the evolution and future prospects of the portfolio.

It should be noted that, unlike delinquency, the VMG (final doubtful – initial doubtful + failed – recovery of failures) refers to the total of the deteriorated portfolio in a period, regardless of the situation in which it is located (doubtful and failed). This makes the metric a primary driver when establishing measures for portfolio management.

The two approaches measure the same reality and, consequently, converge in the long term although they represent successive moments in credit risk cost measurement: flows of non-performing loans (MOV), coverage of non-performing loans (net credit loss provisions), respectively. Although they converge in the long term within the same economic cycle, the three approaches show differences at certain times, which are particularly significant at the start of a change of cycle, as observed in this period. These differences are explained by the different moment of calculation of losses, which is basically determined by accounting regulations (for example, mortgage loans have a coverage calendar and becomes written off "slower" than consumer portfolios). In addition, the analysis can be clouded by changes in the policy of hedging and default, composition of the portfolio, doubtful of acquired entities, changes in accounting regulations (IFRS9), sale of portfolios and adjustments on expected losses calculation parameters, etc.

***e) Credit risk cycle***

The risk management process consists of identifying, measuring, analyzing, controlling, negotiating and deciding, where applicable, the risks incurred by the Group's operations. During the process, both risk-taking areas and senior management intervene, as well as the risk function.

Being the member group of the Santander Group, the process starts from the senior management, through the Board of Directors and the Executive Committee of Risks, who establishes the risk policies and procedures, the limits and delegations of powers, and approves and monitors the risk function framework.

In the risk cycle three stages are differentiated: Pre-sale, sale and after-sale. The process is constantly fed back, incorporating the results and conclusions of the after-sales stage into the risk study and pre-sale planning.


***e.1) Pre-sale***

**- Risk study and credit rating process**

In general, the risk study consists of analyzing the client's ability to meet its contractual commitments with the Group and other creditors. This involves analyzing the credit quality of the same, its risk operations, its solvency and the profitability to obtain depending on the risk assumed.

To this end, the Group has been using since 1993 models for assigning solvency ratings to customers, known as *rating. These mechanisms are used both in the wholesale segment (sovereign, financial institutions and corporate banking), as well as in other companies and institutions.*

The rating is the result of a quantitative module based on balance sheet ratios or macroeconomic variables, which is complemented by the expert judgment provided by the analyst.

The ratings given to the client are reviewed periodically, incorporating the new financial information available and the experience in the development of the banking relationship. The frequency of reviews is increased in the case of clients who reach certain levels in automatic alert systems and in those qualified as special monitoring. Similarly, the qualification tools themselves are also reviewed to adjust the accuracy of the rating they grant.

Compared to the use of rating in the wholesale world and other companies and institutions, in the segment of individuals and small companies predominate scoring techniques, which in general automatically assign a customer assessment for decision making, as explained in the Operations Decision section.

- **Planning and setting limits**

This stage aims to limit, in an efficient and comprehensive manner, the levels of risk that the Group assumes. The credit risk planning process serves to establish budgets and limits at the portfolio level of subsidiaries. The planning is implemented through a dashboard, ensuring the combination of the business plan, credit policy and the necessary means to achieve it. It is born, therefore, as a joint initiative between the commercial area and risks and it is not only a management tool, but a form of teamwork.

An important aspect in planning is the consideration of the volatility of macroeconomic variables that affect the evolution of portfolios. The Group carries out simulations of this evolution in different adverse and stress scenarios (stress test) that allow to evaluate the solvency of the Group in certain future circumstances.

The analysis of scenarios allows senior management to have a better understanding of the evolution of the portfolio in the face of changing market conditions and circumstances, and is a fundamental tool to evaluate the sufficiency of the provisions constituted in the face of stress scenarios.

The planning and setting of limits is carried out through documents agreed between the business and risk areas and approved by the Group in which the expected results of the business are reflected in terms of risk and profitability, as well as the limits to which this activity should be subject and the associated risk management by group / client.

***e.1) Sale***

**- Decision of operations**

The sale stage is constituted by the decision process, which aims at the analysis and resolution of transactions, with risk approval being a prerequisite before contracting any risk operation. This process must take into account defined transaction approval policies and take into account both risk appetite and those elements of the transaction that are relevant in the search for a balance between risk and profitability

In the field of standardized clients (individuals, businesses and SMEs with lower turnover), the management of large volumes of credit transactions will be facilitated with the use of automatic decision models that qualify the client/transaction binomial. With them, the investment is classified into homogeneous risk groups based on the qualification that the model gives to the operation, based on information on the characteristics of that operation and characteristics of its holder.

***e.1) After-sales***

**- Follow-up**

The monitoring function is based on a continuous observation process, which allows to detect in advance the variations that may occur in the credit quality of customers in order to take action to correct deviations that impact negatively.

Monitoring is based on customer segmentation, and is carried out through dedicated local and global risk teams, complemented by internal audit work.

The role is, among other tasks, in the identification and monitoring of signatures under special surveillance, ratings reviews and continuous monitoring of indicators.

Monitoring is based on customer segmentation, and is carried out through dedicated local and global risk teams, complemented by internal audit work.

The role is, among other tasks, in the identification, monitoring and allocation of policies at the client level that allow anticipating surprises and managing them in the most appropriate way to their situation, credit policies, ratings reviews and the continuous monitoring of indicators.

The system called Santander Customer Assessment Notes (SCAN) distinguishes four degrees according to the level of concern of the circumstances observed (specialized follow-up, intensive follow-up, regular follow-up, not attending). The inclusion of a position in SCAN does not imply that there have been breaches but the desirability of adopting a specific policy with it, determining responsibility and time frame in which it must be carried out. Qualified customers in SCAN are reviewed at least semi-annually, such review being quarterly and/or monthly for those of the most severe grades. The ways by which a firm is qualified in SCAN are the monitoring work itself, review carried out by the internal audit, decision of the commercial manager who guards the signature or entry into operation of the established system of automatic alarms.

Reviews of assigned ratings are performed at least annually, but if weaknesses are detected, or depending on the rating itself, they are carried out more regularly.

For the risks of individuals, businesses and SMEs with lower turnover, a task of monitoring the main indicators is carried out in order to detect deviations in the behavior of the credit portfolio with respect to the forecasts made in the strategic commercial programs - Pecs.

***f) Measurement and control***

In addition to monitoring the credit quality of customers, the Group establishes the necessary control procedures to analyze the current credit risk portfolio and its evolution, through the different phases of credit risk.

The function is developed by assessing the risks from different complementary perspectives, establishing as main axes the control by geographies, business areas, management models, products, etc., facilitating the early detection of specific focus areas, as well as the development of action plans to correct any deterioration.

Each control axis supports two types of analysis:

**1.- Quantitative and qualitative analysis of the portfolio**

In the portfolio analysis, the evolution of risk with respect to budgets, limits and reference standards is monitored permanently and systematically, evaluating the effects on future situations, both exogenous and those arising from strategic decisions, in order to establish measures that place the profile and volume of the risk portfolio within the parameters set by the Group.

In the credit risk control stage, the following are used, among others and in addition to traditional metrics:

**a. MDV (variation in management arrears)**

The VMG measures how arrears vary over a period, discounting failures and taking into account recoveries. It is an aggregate measure at the portfolio level that allows to react to deterioration observed in the evolution of late payment.

**b. EL (expected loss) and capital**

The expected loss is the estimate of the economic loss that will occur during the next year of the existing portfolio at any given time. It is an additional cost of the activity, and must be passed on to the price of the operations.

**2.- Evaluation of control processes**

It includes the systematic and periodic review of procedures and methodology, developed throughout the entire credit risk cycle, to ensure their effectiveness and validity.

In 2006, within the corporate framework established in the Group for compliance with the Sarbanes Oxley Law, a corporate methodology was established for the documentation and certification of the Control Model, defined in tasks, operational risks and controls. The risk division assesses annually the efficiency of internal control of its activities.

Moreover, the internal validation function, within its mission of overseeing the quality of the Group's risk management, it ensures that the models used in the admission and management of different risks meet the most demanding criteria and best practices observed in the industry and/or required by regulators. In addition, internal audit is responsible for ensuring that policies, methods and procedures are adequate, effectively implemented and regularly reviewed.

*g) rRecoveries*

Recovery activity is a relevant function within the Group's risk management area. This function is developed by the area of recovery and recoveries that defines a global strategy and a comprehensive approach to recovery management.

The Group combines a global model with a local execution considering the peculiarities of the business in each area.

The main objective of the recovery activity is the recovery of outstanding obligations by managing our clients, contributing to reduce the need for provisions and reduce the cost of risk.

This is how the specific objectives of the recovery process are oriented:

- To obtain the collection or regularization of the outstanding balances, so that an account returns to its normal state; if this is not possible the objective is the total or partial recovery of the debts, in any of the accounting or management situations in which they may be found.

- Maintain and strengthen our relationship with the client taking care of their behavior of and with an offer of management levers such as refinancing products according to their needs and in accordance with the careful corporate policies of admission and control, established from the risk areas.

In the recovery activity, Standardised customers and Individually Managed customers are segmented or differentiated with specific and comprehensive management models in each case, according to basic specialisation criteria.

The management is articulated through a multichannel strategy of relationship with customers. customers and follow-up of payment agreements, prioritizing and adapting the arrangements based on the status of progress of their situation of delay, doubtful or delinquent, their balance sheet, and their payment commitments.

The commercial network of recovery management, is a complementary channel to the telephone, which is oriented as a way of proximity relationship to selected customers, and is composed of teams of agents with high commercial orientation, specific training and high negotiation capabilities, performing personalized management of their own high impact customer portfolios (high balance sheets, special products, special management clients).

Recovery activities in advanced stages of the non-payment situation are guided by dual judicial and non-judicial management, maintaining commercial and follow-up activities through telephone channels and networks of agents, applying strategies and practices specific to the state of progress.

The management model encourages proactivity, and oriented management, through continuous recovery campaigns with specific designs to customer groups and states of default, acting with predefined objectives through specific strategies and intensive activities through the appropriate channels in limited time periods.

An adequate local production and analysis of daily and monthly management information, aligned with corporate models, have been defined as the basis of business intelligence for continuous decision-making in the management orientation and for the monitoring of its results.

## h) *Risk of concentration*

Concentration risk, within the scope of credit risk, is an essential element of management. The Santander Group, of which Grupo Santander Consumer Finance is part, continuously monitors the degree of concentration of credit risk portfolios under different relevant dimensions: Geographical areas and countries, economic sectors, products and customer groups.

The board of Directors, through risk appetite, determines maximum concentration levels, the Executive Risk committee establishes risk policies and reviews appropriate exposure levels for the proper management of the degree of concentration of credit risk portfolios.

Santander Consumer Finance is subject to the regulation on 'big risks' contained in Part Four of the CRR (EU Regulation No.575/2013), according to which the exposure incurred by an entity to a client or a group of related customers shall be considered 'large exposure' when its value is equal to or greater than 10% of its computable capital. In addition, to limit large exposures, no entity may assume an exposure to a client or group of related clients whose value exceeds 25% of its eligible capital, after taking into account the effect of the credit risk reduction contained in the standard.

At the end of December 2023, after applying risk mitigation techniques, no group reaches the above-mentioned thresholds.

The Santander Consumer Finance Group's Risk Division collaborates closely with the Financial Division in the active management of credit portfolios, which, among its axes of action, includes the reduction of the concentration of exposures through various techniques, such as: such as the contracting of hedge credit derivatives or securitization operations, with the ultimate purpose of optimizing the return-to-risk ratio of the total portfolio.

The breakdown as at 31 December 2023 and 2022 of the Group's risk concentration (*) by activity and geographical area of counterparties is as follows:

| 2023 | | | | | |
|---|---|---|---|---|---|
| | Thousands of Euros | | | | |
| | Spain | Rest of the European Union | America | Rest of the world | Total |
| Central banks and credit institutions | 4.813.326 | 9.350.967 | — | 153.241 | 14.317.534 |
| Public administrations | 789.243 | 3.346.864 | — | 44.007 | 4.180.114 |
| *Of which:* | | | | | |
| *Central Administration* | *787.327* | *2.095.936* | — | — | *2.883.263* |
| *Other Public Administrations* | *1,916* | *1,250,928* | — | *44,007* | *1,296,851* |
| Other financial institutions | 40.028 | 993.739 | 15.074 | 386.172 | 1.435.013 |
| Non-Financial corporations and individual entrepreneurs | 4,012,908 | 34,601,493 | — | 1,802,545 | 40,416,946 |
| *Of which:* | | | | | |
| *Construction and real estate promotion* | — | *252.314* | — | — | *252.314* |
| *Construction of civil works* | — | *7.800* | — | — | *7.800* |
| *Large companies* | *1.435.847* | *14.869.913* | — | *436.022* | *16.741.782* |
| *SMEs and individual entrepreneurs* | *2.577.061* | *19.471.466* | — | *1.366.523* | *23.415.050* |
| Other households and non-profit institutions serving households | 10,023,439 | 58,983,648 | 734,671 | 4,722,813 | 74,464,571 |
| *Of which:* | | | | | |
| *Housing* | *1.190.283* | *2.506.878* | — | — | *3.697.161* |
| *Consumption* | *8.785.337* | *55.894.838* | *734.671* | *4.722.813* | *70.137.659* |
| *Other purposes* | *47,819* | *581,932* | — | — | *629,751* |
| | | | | Total | 134.814.178 |

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: 'Loans and advances: In credit institutions', 'loans and advances: Central banks', 'loans and advances: to customers', 'debt securities', 'equity instruments', 'derivatives', 'derivatives - hedge accounting', 'shares and guarantees granted'.

| 2022 | | | | | |
|---|---|---|---|---|---|
| | Thousands of Euros | | | | |
| | Spain | Rest of the European Union | America | Rest of the world | Total |
| Central banks and credit institutions | 2,940,703 | 6,497,642 | — | 242,744 | 9,681,089 |
| Public administrations | 924,475 | 5,504,140 | — | 42,951 | 6,471,566 |
| *Of which:* | | | | | |
| *Central Administration* | *921,804* | *4,255,960* | — | *60* | *5,177,824* |
| *Other Public Administrations* | *2,671* | *1,248,180* | — | *42,891* | *1,293,742* |
| Other financial institutions | 10,863 | 1,145,014 | 338,628 | 246,749 | 1,741,254 |
| Non-Financial corporations and individual entrepreneurs | 3,171,286 | 28,351,567 | — | 2,673,489 | 34,196,342 |
| *Of which:* | | | | | |
| *Construction and real estate promotion* | — | *211,566* | — | — | *211,566* |
| *Construction of civil works* | — | *6,678* | — | — | *6,678* |
| *Large companies* | *1,034,445* | *10,699,079* | — | *986,488* | *12,720,012* |
| *SMEs and individual entrepreneurs* | *2,136,841* | *17,434,244* | — | *1,687,001* | *21,258,086* |
| Other households and non-profit institutions | 10,121,975 | 54,814,108 | 14 | 6,575,205 | 71,511,302 |
| *Of which:* | | | | | |
| *Housing* | *1,318,606* | *2,394,903* | — | — | *3,713,509* |
| *Consumption* | *8,714,320* | *52,074,766* | *14* | *6,575,205* | *67,364,305* |
| *Other purposes* | *89,049* | *344,439* | — | — | *433,488* |
| | | | | Total | 123,601,553 |

(*) The definition of risk for the purposes of this table includes the following items in the consolidated public balance sheet: cash balances in central banks and other demand deposits, deposits in credit institutions, customer credit, debt securities, trading derivatives, hedging derivatives, investments in joint and associated ventures, equity instruments - and guarantees granted.

**Market risk, structural risk and liquidity**

***a.* Scope and definitions**

The perimeter of measurement, control and monitoring of the market risk function covers those operating where equity risk is assumed, as a result of changes in market factors.

These risks are generated through two types of fundamental activities:

- The trading activity, which includes both the provision of financial services in markets for clients, in which the entity is the counterparty, as well as the activity of buying and selling itself in fixed income products, equities and currency mainly.

  Santander Consumer Finance does not carry out trading activities, limiting its treasury activity to managing the structural risk of its balance sheet and its coverage, as well as managing the liquidity necessary to finance its business.

- The balance sheet management activity or ALM, which involves the management of the risks inherent in the balance sheet of the entity, excluding the trading book.

The risks generated in these activities are:

- Market: Risk incurred as a result of the possibility of changes in market factors affecting the value of the positions that the entity holds in its trading books.

- Structural: Risk caused by the management of the different items in the balance sheet. This risk includes both losses due to price changes affecting the portfolios available for sale and at maturity (banking book), as well as losses arising from the management of the assets and liabilities valued at amortized cost of the Group.

- Liquidity: Risk of not meeting payment obligations on time or doing so at excessive cost, as well as the ability to finance the growth of your asset volume. Among the typologies of losses caused by this risk are losses due to forced sales of assets or impacts in margin due to the mismatch between outflows and cash inflows forecasts.

Trading market and structural risks, depending on the market variable that generates them, can be classified as:

- Interest rate risk: Identifies the possibility that changes in interest rates may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Credit spread risk: Identifies the possibility that variations in credit spread curves associated with specific issuers and debt types may adversely affect the value of a financial instrument, a portfolio or the Group as a whole. The spread is a differential between financial instruments trading with a margin over other reference instruments, mainly IRR (Internal Rate of Return) of state securities and interbank interest rates.

- Exchange rate risk: Identifies the possibility that changes in the value of a position in currency other than the base currency may adversely affect the value of a financial instrument, a portfolio, or the Group as a whole.

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

- Volatility risk: Identifies the possibility that changes in the quoted volatility of market variables may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Market liquidity risk: Identifies the possibility that an entity or the Group as a whole is not able to undo or close a position on time without impacting the market price or transaction cost.

- Pre-payment or cancelation risk: Identifies the possibility that early cancelation without negotiation, in transactions whose contractual relationship explicitly or implicitly allows it, generates cash flows that must be reinvested at a potentially lower interest rate.

There are other variables that affect exclusively market risk (and not structural risk), so that it can be classified additionally in:

- Equity risk: Identifies the possibility that changes in the value of prices or dividend expectations of equity instruments may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Commodity risk: Identifies the possibility that changes in the value of the prices of goods may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Correlation risk: Identifies the possibility that changes in the correlation between variables, whether of the same type or of a different nature, quoted by the market, may adversely affect the value of a financial instrument, a portfolio or the Group as a whole.

- Insurance risk: Identifies the possibility that the objectives of placement of securities or other debt are not met when the entity participates in the insurance of the same.

Liquidity risk can also be classified into the following categories:

- Financing risk: Identifies the possibility that the entity is unable to meet its obligations as a result of the inability to sell assets or obtain financing.

- Mismatch risk: Identifies the possibility that differences between the maturity structures of assets and liabilities will result in an overrun to the institution.

- Contingency risk: Identifies the possibility of not having adequate management elements to obtain liquidity as a result of an extreme event that involves greater financing or collateral needs to obtain it.

**a. Measurement and methodologies**

1. Structural interest rate risk

The Group conducts sensitivity analyzes of financial margin and equity to interest rate variations. This sensitivity is conditioned by the mismatches in the maturity dates and revision of the interest rates of the different items in the balance sheet.

Depending on the position of interest rate of the balance sheet, and considering the situation and prospects of the market, the financial measures are agreed to adapt this positioning to the desired by the Group. These measures can range from taking market positions to defining the interest rate characteristics of commercial products.

The measures used to control interest risk in these activities are the interest rate gap, the sensitivity of financial margin and equity to changes in interest rate levels.

- Interest rate gap

The analysis of interest rate gap deals with the mismatches between the revaluation periods of equity masses within the items, both of the balance sheet (assets and liabilities) and of the standby accounts (off-balance sheet). It facilitates a basic representation of the balance sheet structure and allows for the detection of interest risk concentrations over the different timeframes. It is also a useful tool for the estimation of possible impacts of possible movements in interest rates on the financial margin and on the equity value of the entity.

All balance sheet and off-balance sheet masses must be spread out in their flows and placed at the repricing/maturity point. In the case of those masses that do not have a contractual maturity, the internal model of Santander Group of analysis and estimation of the durations and sensitivities of the same is used.

- Financial Margin Sensitivity (NII)

The sensitivity of the financial margin measures the change in expected accruals for a given term (12 months) in the face of a shift in the interest rate curve.

- Equity Value Sensitivity (EVE)

Measures the interest rate risk implied in equity, which for interest rate risk purposes is defined as the difference between the net present value of assets minus the net present value of liabilities due; based on the impact of interest rate changes on these current values.

2. Liquidity risk

Structural liquidity management aims to finance the recurring activity of Santander Consumer Finance Group under optimal terms of time and cost, avoiding unwanted liquidity risks.

The measures used to control liquidity risk are the liquidity gap, liquidity ratios, structural liquidity chart, liquidity stress tests, financial plan, liquidity contingency plan and regulatory reporting.

- Liquidity gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period, in each of the currencies in which Grupo Santander Consumer Finance operates. It measures the need or net excess of funds on a date and reflects the level of liquidity maintained under normal market conditions.

In the contractual liquidity gap, all the masses that provide cash flows are analyzed, placed at their contractual maturity point. For those assets and liabilities without contractual maturity, the internal model of Santander Group analysis is used, based on the statistical study of the historical series of products, and what is called stable and unstable balance for liquidity purposes is determined.

- Liquidity ratios

The Minimum Liquidity Ratio compares liquid assets available for sale or assignment (once applicable discounts and adjustments are applied) and assets less than 12 months with liabilities up to 12 months.

The Structural Financing Ratio measures the extent to which assets requiring structural financing are being financed with structural liabilities.

- Structural liquidity table

The purpose of this analysis is to determine the structural liquidity position based on the liquidity profile (greater or lesser stability) of the different asset and liability instruments.

- Liquidity stress tests

The liquidity stress tests developed by the Santander Consumer Finance Group aim to determine the impact in the face of a severe, but plausible, liquidity crisis. In these stressful scenarios, internal factors that may affect the Group's liquidity are simulated, such as the fall in the institutional credit rating, the value of assets on balance sheet, banking crises, regulatory factors, change in consumption trends and / or loss of trust of depositors, etc. among others.

Through the stress of these factors, four scenarios of liquidity stress are simulated monthly (banking crisis in Spain, idiosyncratic crisis of Santander Consumer Finance Group, Global Crisis, as well as a combined scenario) establishing, on its result, a minimum level of liquid assets.

- Financial Plan

The liquidity plan is prepared annually, based on the financing needs derived from the business budgets of all the Group's subsidiaries. Based on these liquidity needs, the limitations of appeal to new securitizations are analyzed based on the possible eligible assets available, as well as the possible growth of client deposits. On the basis of this information, the emissions and securitizations plan for the financial year is established. The actual evolution of funding requirements is regularly monitored throughout the year, resulting in subsequent updates to the plan.

– Liquidity contingency plan

The Liquidity Contingency Plan aims to foresee the processes (governance structure) that should be followed in the event of a liquidity crisis, whether potential or real, as well as the analysis of the contingency actions or levers available for the management of the entity in such a situation.

The Liquidity Contingency Plan is based on, and should be designed in line with, two key elements: Liquidity Stress Testing and the Early Warning Indicator System (EWI). Stress tests and their different scenarios serve as a basis for analyzing available contingency actions as well as determining their sufficiency. The EWIs system is used to monitor and potentially trigger the scaling mechanism to activate the plan and monitor the evolution of the situation once activated

– Regulatory reporting

Santander Consumer Finance performs the Liquidity Coverage Ratio (LCR) of the European Banking Authority (EBA) for the Consolidated Group, as well as the Net Stable Funding Ratio (NSFR).

In addition, Santander Consumer Finance annually produces the report corresponding to the ILAAP (Internal Liquidity Adequacy and Assessment Process) to be integrated into the consolidated document of the Santander Group, despite not being required by the Supervisor at the level of Liquidity Management Subgroup.

3. Structural Change Risk.

Structural change risk is managed within the general corporate procedures, with the aim of maintaining the CET1 ratio constant, both at Grupo Santander and Grupo Santander Consumer Finance.

**a. Control environment**

The structural risk and liquidity control environment in the Santander Consumer Finance group is based on the framework of the annual limits plan, where the limits for these risks are established, responding to the level of risk appetite of the Group.

The boundary structure requires a process that takes into account, among others, the following aspects:

– Identify and delimit, efficiently and comprehensively, the main types of market risks incurred, so that they are consistent with business management and defined strategy.

– Quantify and communicate to business areas the levels and risk profile that senior management considers to be acceptable, to avoid incurring unwanted risks.

– Give flexibility to business areas in taking financial risks efficiently and timely according to changes in the market, and in business strategies, and always within the levels of risk that are considered acceptable by the entity.

– Allow business generators to take prudent but sufficient risk to achieve the budgeted results.

– Define the range of products and underlying in which each Treasury unit can operate, taking into account characteristics such as the model and valuation systems, the liquidity of the instruments involved, etc.

In the event of an excess over one of these limits, the market, structural and liquidity risk function shall report such excess, requesting the reasons and an action plan from those responsible for risk management.

In terms of structural risk, the main management limits at Santander Consumer Finance consolidated level are:

- Limit of sensitivity of the financial margin to one year.

- Sensitivity limit of equity value.

The limits are compared with the sensitivity of a greater loss among those calculated for different parallel rise and fall scenarios of the interest rate curve. During 2023 these limits applied on the most adverse loss between 8 parallel rise and fall scenarios up to 100 basic points. In addition, other parallel and non-parallel scenarios are calculated, including those defined by the European Banking Authority (EBA). Using several scenarios allows for better control of interest rate risk. Negative interest rates are contemplated in downward scenarios.

During 2023, the level of exposure at consolidated level in the SCF Group, both on financial margin and on economic value, is low in relation to the budget and the amount of own resources respectively, being in both cases less than 2% throughout the year, and within the established limits.

With respect to liquidity risk, the main limits at Grupo Santander Consumer Finance level include regulatory liquidity metrics such as the LCR and the NSFR, as well as liquidity stress tests under different adverse scenarios discussed above.

At the end of December 2023, all liquidity metrics are above the internal limits in force, as well as regulatory requirements. For both the LCR and the NSFR at the consolidated Group level, it has been at levels above 115% and 103% throughout the year.

**a. Management**

Balance sheet management involves the analysis, projection and simulation of structural risks along with the design, proposal and execution of transactions and strategies for their management. The Financial Management area is responsible for this process and in the performance of this function follows a projective approach, as long as this is applicable or feasible.

The following is a high-level description of the main processes and/or responsibilities in managing structural risks:

- Analysis of the balance sheet and its structural risks.

- Monitoring the evolution of the most relevant markets for asset and liability management (ALM) in the Group.

- Planning. Design, maintenance and monitoring of certain planning instruments. Financial Management is responsible for developing, following and maintaining the Financial Plan, the Financing Plan and the Liquidity Contingency Plan.

- Strategy proposals. Design of strategies to finance the SCF Subgroup business through better available market conditions or through balance sheet management and exposure to structural risks, avoiding unnecessary risks; preserving financial margin and protecting the market value of equity and capital.

- Implementation. To achieve an adequate positioning of ALM, the Financial Management area uses different tools, the main ones being the issuances in debt / capital markets, securitizations, deposits and hedges of interest rates and / or currency, as well as the management of ALCO portfolios and the minimum liquidity buffer.

- Compliance with limits and risk appetite

***Operational risk***

***a) Definition and objectives***

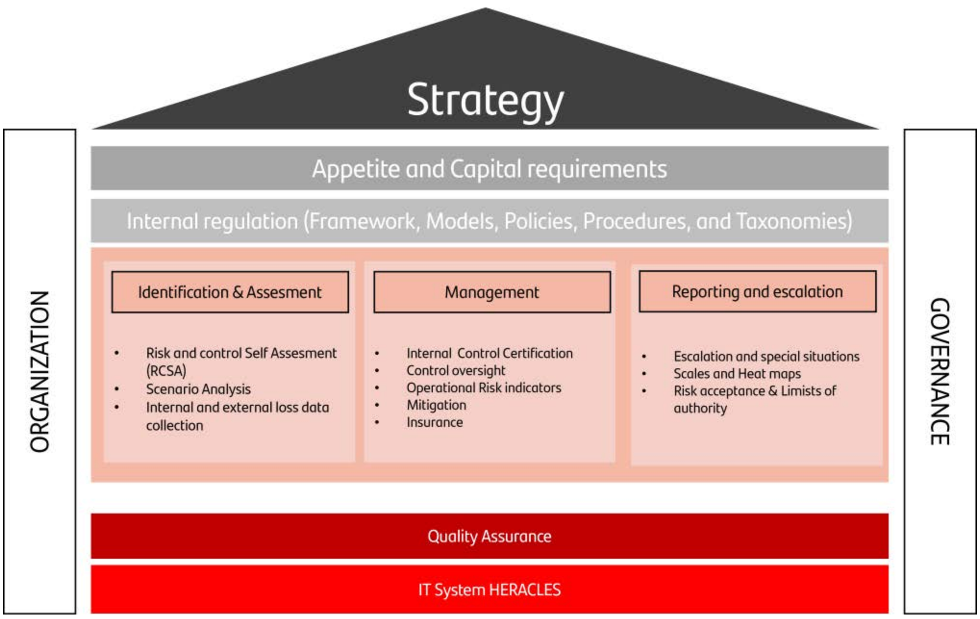
The Bank defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational risk is inherent to all products, activities, processes and systems, and is generated in all business and support areas. Accordingly, all employees are responsible for managing and controlling operational risks arising in their area of activity.

The aim pursued by the Bank in operational risk control and management is primarily to identify, measure/ assess, monitor, control, mitigate and report this risk.

The Bank's priority, therefore, is to identify and mitigate focal points of risk, irrespective of whether they have given rise to any losses. Measurement also contributes to the establishment of priorities in the management of operational risk.

To improve and promote adequate operational risk management, Santander Consumer Finance has developed an advanced loss distribution model (LDA) based on internal event database such as the external loss database of our banking peers (ORX consortium database) and scenario analysis. This approach is accepted by t he industry and regulators



*b. Operational risk management and control model*

**Operational risk management cycle**

The stages of the model of operational risk management and control involve the following:

- Identifying the operational risk inherent to all activities, products, processes and systems of the Group. This process is carried out via the Risk and Control Self-assessment (RCSA) exercise.

- Definition of the target operational risk profile, specifying the strategies by unit and time horizon, through the establishment of the operational risk appetite and tolerance, the budget and the related monitoring.

- Encouragement of the involvement of all employees in the operational risk culture, through appropriate training for all areas and levels of the organisation.

- Objective and ongoing measurement and assessment of operational risk, consistent with industry and regulatory standards (Basel, Bank of Spain, etc.).

- Continuous monitoring of operational risk exposures, implementation of control procedures, improvement of internal awareness and mitigation of losses.

- Establishment of mitigation measures to eliminate or minimize operational risk.

- Preparation of periodic reports on the exposure to operational risk and its level of control for the senior management of the Group and its areas/units, and reporting to the market and the regulatory authorities.

- Definition and implementation of the methodology required for calculating capital in terms of expected and unexpected loss.

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

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

  Towards this end, in 2016 the Group implemented a single tool for management and control of operational risk, compliance and internal control, called Heracles, and which is considered the Golden Source for Risk Data Aggregation (RDA).

  Internal rules and regulations based on principles for management and control of operational risk have been defined and approved pursuant to the established governance system and in line with prevailing regulation and best practices.

  In 2015, the Group adhered to the relevant corporate framework and subsequently, the model, policies and procedures were approved and implemented, along with the Operational Risk Committee Regulation..

| Titlle | Type of document |
|---|---|
| Management and Control of operational risk | Model |
| Cyber Security Risk | Policy |
| Fraud management and control | Policy |
| Operational Resilience - Business Continuity Management | Policy |
| IT risk oversight | Policy |
| Operational Risk Scenario Analysis | Procedure |
| Internal Control Model Assurance | Procedure |
| Risk Control Self-Assessment (RCSA) | Procedure |
| Booking the operational risk financial impacts | Procedure |
| Communication and escalation of relevant operational risk events | Procedure |
| Control oversight and Cross check of outputs between OR instruments | Procedure |
| Definition and management of Operational Risk Indicators (ORI) | Procedure |
| Taxonomy definition and maintenance | Procedure |
| Establishment of the operational risk perimeter | Procedure |
| Identification and management of mitigation measures | Procedure |
| Management of Operational Risk Arising from Transformation | Procedure |
| Relation Between own Insurance and Operational Risk | Procedure |
| SCIIF and S-OX Compliance | Procedure |
| Suppliers Risk Oversight | Procedure |
| Management of external data | Procedure |
| Management of Internal Events | Procedure |

The model of operational risk management and control implemented by the Group provides the following benefits:

- It promotes the development of an operational risk culture.
- It allows for comprehensive and effective management of operational risk (identification, measurement / assessment, control / mitigation, and reporting).
- It improves knowledge of both actual and potential operational risks and their assignment to businesses and support lines.
- Information on operational risk helps improve processes and controls and reduce losses and income volatility.
- It facilitates the setting of limits for operational risk appetite.

**c. *Risk identification, measurement and assessment model***

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

- 1st line of defense: integrated in areas of business or support areas. Its tasks are to identify, measure or assess, control (primary control) mitigate and report the risks inherent to the activity or function for which it is responsible.

Given the complexity and heterogeneous nature of Operational Risk within a large-scale organization with various lines of business, appropriate risk management is carried out in two axes:

(1) Operational Risk Management: each business unit and support function of the Santander Group is responsible for the Operational Risks arising within its scope, as well as for their management. This particularly affects the heads of the business units and support functions, but also the coordinator (or OR team) in the 1LoD.

(2) Management of specialized Operational Risk controls: there are some functions that tend to manage specialized controls for certain risks where they have greater visibility and specialization. Such functions have a global view of the specific Operational Risk exposure in all areas. We can also refer to them as Subject Matter Experts or SME.

**OR Managers:**

Operational Risk management is the responsibility of all staff in their respective areas of activity. Consequently, the Head of each division or area has the ultimate responsibility for Operational Risk in its scope.

**OR Coordinators:**

OR coordinators are actively involved in Operational Risk management and support the RO managers in their own areas of OR management and control. Each coordinator has a certain scope for action, which does not necessarily coincide with organizational units or areas, and has an in-depth knowledge of the activities within their scope. Their roles and responsibilities include:

- Interaction Undertake interaction with the second line of defense in day-to-day operations and communication to Operational Risk Management in their scope.
- Facilitate integration in the management of OR in each scope.
- Support the implementation of qualitative and quantitative methodologies and tools for operations management and control.
- Provide support and advice on Operational Risk within its scope.
- Maintain an overview of risk exposure in scope.
- Ensure the quality and consistency of data and information reported to 2LoD, identifying and monitoring the implementation of relevant controls.
- Review and monitor results provided by business units and support functions related to controls testing.
- Support in sign-off and certification of controls (control testing).
- Monitor mitigation plans in your area.
- Coordinate the definition of business continuity plans in your area.

2nd line of defense: Exercised by the Non-Financial Risks Department and reporting to the CRO. Its functions are the design, maintenance and development of the local adaptation of the Operational Risk Management Framework (BIS), and control and challenge on the first line of defense of Operational Risk. Their main responsibilities include:

- Design, maintain and develop the Operational Risk management and control model, promoting the development of an operational risk culture throughout the Group.
- Safeguard the adequate design, maintenance and implementation of the Operational Risk regulations.
- Encourage the business units to effectively supervise the identified risks.
- Guarantee that each key risk that affects the entity is identified and duly managed by the corresponding units.
- Ensure that the Group has implemented effective RO management processes.
- Prepare Operational Risk appetite tolerance proposals and monitor risk limits in the Group and in the different local units.
- Ensure that Top Management receives a global vision of all relevant risks, guaranteeing adequate communication and reports to Senior Management and the Board of Directors, through the established governing bodies.

In addition, the 2LoD will provide the information necessary for its consolidation, along with the remaining risks, to the risk consolidation and supervision function.

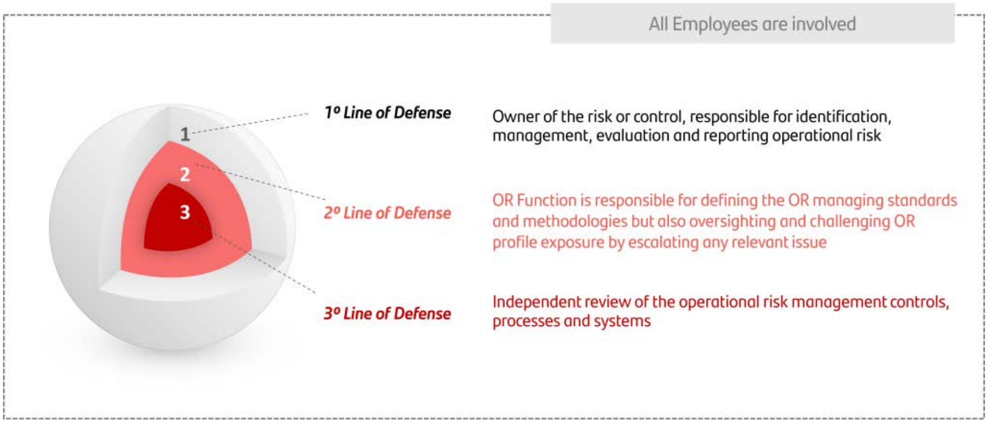
To ensure proper supervision, a solid knowledge of the activities of the Business Units / Support Functions is required, as well as a specific understanding of the categories of risk events (IT, Compliance, etc.) and a Local Capacity and Capability Plan. In that context, the RO control function (2LOD function) needs to take advantage of specific profiles that can support the implementation of the RO framework in the 1LOD, but also provide specific risk exposure and business information, to ensure that the RO profile related is well managed and reported. Business Risk Managers (BRM) as business insight specialists (e.g. Global Corporate Banking) and Specialized Risk Managers (SRM) as OR control specialists (e.g. IT and cyber risks) perform these functions within OR 2LOD and are positioned as key contact points for 1LOD business units and operations management support functions.

3rd line of defense: Exercised by Internal Audit, which evaluates the compliance of all activities and units of the entity with its policies and procedures. His main responsibilities include:

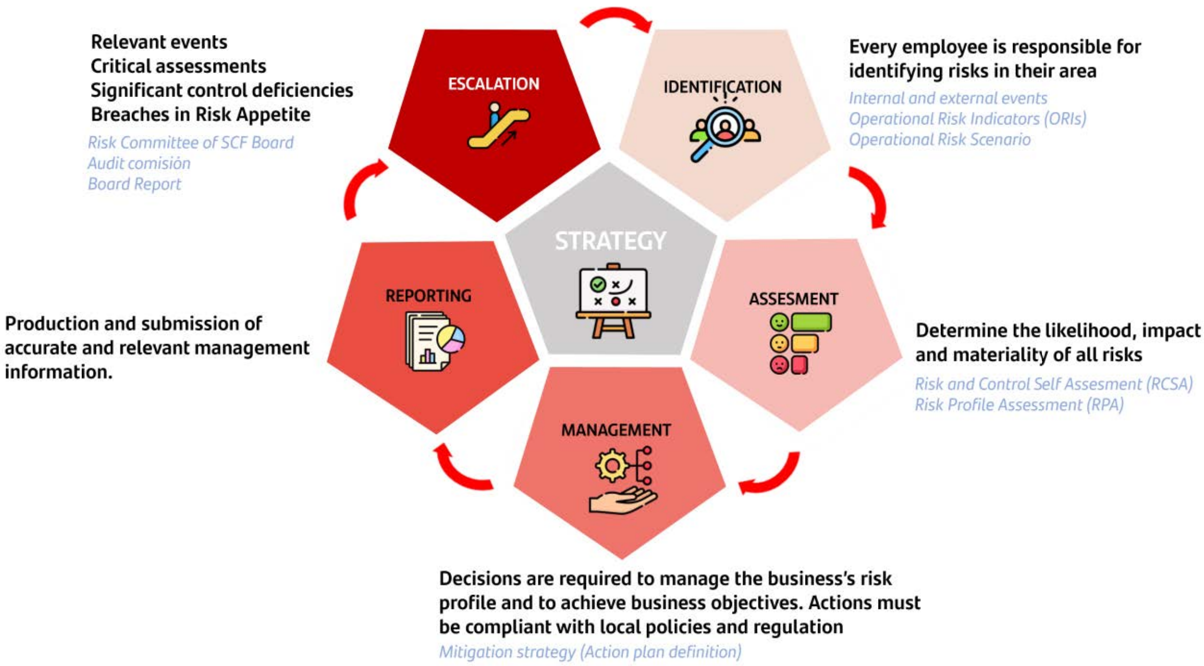
- Verify that the risks inherent to the Group's activity are sufficiently covered, complying with the policies established by Senior Management and the applicable internal and external procedures and regulations.
- Supervise compliance, effectiveness and efficiency of the internal control systems for operations in the Group, as well as the quality of accounting information.
- Carry out an independent review and challenge the OR controls, as well as the Operational Risk management processes and systems.

- Evaluate the state of implementation of the OR management and control model in the Group.

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



Management at the Bank is carried out based on the following elements:




To carry out the identification, measurement and evaluation of operational risk, a set of quantitative and qualitative corporate techniques / tools have been defined, which are combined to carry out a diagnosis based on the identified risks and obtain an assessment through the measurement / evaluation of area / unit.

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

- Internal events database, whose objective is to capture all the Bank's operational risk events. The capture of events related to operational risk is not restricted by establishing thresholds, that is, there are no exclusions based on the amount, and it contains both events with an accounting impact (including positive impacts) and non-accounting ones.

There are accounting reconciliation processes that guarantee the quality of the information collected in the database. The most relevant events of the Bank and of each operational risk unit thereof are specially documented and reviewed.

- External database of events, since the Bank, through the Santander Group, participates in international consortiums, such as ORX (operational risk exchange). In 2016, the use of external databases that provide quantitative and qualitative information and that allow a more detailed and structured analysis of relevant events that have occurred in the sector was reinforced.

- Analysis of RO scenarios. Expert opinion is obtained from the business lines and risk and control managers, whose objective is to identify potential events with a very low probability of occurrence, but which, in turn, may entail a very high loss for an institution. Its possible effect on the entity is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact. In addition, the results of this exercise (which has also been integrated into the HERACLES tool) will be used as one of the inputs for the calculation of economic capital for operational risk based on the advanced model (LDA).

The tools defined for the qualitative analysis try to evaluate aspects (coverage / exposure) linked to the risk profile, thereby allowing the capture of the existing control environment. These tools are mainly:

- RCSA: Methodology for the evaluation of operational risks, based on the expert criteria of the managers, serves to obtain a qualitative vision of the main sources of risk of the Bank, regardless of whether they have materialized previously.
  Advantages of the RCSA:

  - Encourage the responsibility of the first lines of defense: The figures of risk owner and control owner in the first line are determined.

  - Favor the identification of the most relevant risks: Risks that are not pre-defined, but arise from the areas that generate risk.

  - Improve the integration of RO tools: Root cause analysis is incorporated.

  - Improve exercise validation. It is developed through workshops or workshops, instead of questionnaires.

  - Make the exercises have a more forward-looking approach: The financial impact of risk exposure is evaluated.

- Corporate system of operational risk indicators, in continuous evolution and in coordination with the corresponding corporate area. They are statistics or parameters of various kinds that provide information on an entity's exposure to risk. These indicators are reviewed periodically to warn of changes that may reveal problems with risk.

- Recommendations from regulators, Internal Audit and the external auditor. These provide relevant information on inherent risk arising from internal and external factors, and enable identification of weaknesses in controls.

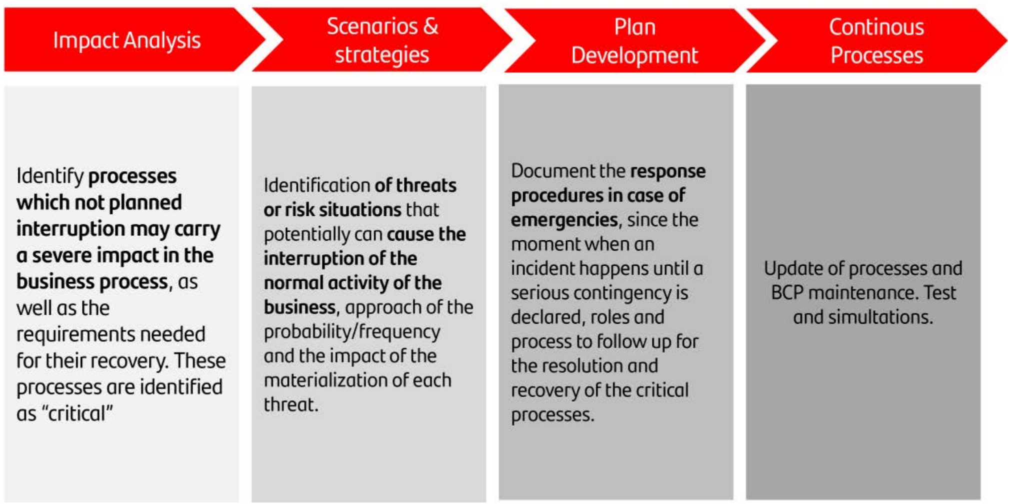
- Other specific instruments that permit a more detailed analysis of technology risk, such as control of critical incidences in systems and cyber-security events.

**d. Operational risk information system**

HERACLES is the corporate operational risk information system. This system has modules for risk self-assessment, event registration, a risk and assessment map, indicators of both operational risk and of internal control, mitigation and reporting systems and scenario analysis, and it is applied to all entities of the Consumer Group including Bank.

**e. Business Continuity Plan**

The Santander Group and, accordingly, the Santander Consumer Finance Group, have a Business Continuity Management System (BCMS) to ensure the continuity of its entities' business processes in the event of a disaster or serious incident.




The basic objective consists of the following:

- Minimizing possible injury to persons, as well as adverse financial and business impacts for the Bank, resulting from an interruption of normal business operations.

- Reducing the operational effects of a disaster by supplying a series of pre-defined, flexible guidelines and procedures to be employed in order to resume and recover processes.

- Resuming time-sensitive business operations and associated support functions, in order to achieve business continuity, stable earnings and planned growth.

– Re-establishing the time-sensitive technology and transaction-support operations of the business if existing technologies are not operational.

– Safeguarding the public image of, and confidence in, the Bank.

– Satisfy the Bank's obligations to its employees, customers, shareholders and other interested third parties.

**f. Corporate information**

The Santander Group's and Bank´s corporate operational risk control area has an operational risk management information system that provides data on the Bank's main risk elements. The information available from each country/unit in the operational risk sphere is consolidated to obtain a global view with the following features:

– Two levels of information: a corporate level, with consolidated information, and an individual level containing information for each country/unit.
– Dissemination of best practices among the Santander Group countries/units, obtained from the combined study of the results of quantitative and qualitative analyses of operational risk.

Specifically, information is prepared on the following subjects:

– The operational risk management model in the Bank and the main units and geographic areas of the Group.

– The scope of operational risk management.

– The monitoring of appetite metrics

– Analysis of internal event database and of significant external events.

– Analysis of most significant risks detected using various information sources, such as operational and technology risk self-assessment processes.

– Evaluation and analysis of risk indicators.

– Mitigation measures/active management.

– Business continuity plans and contingency plans.

This information is used as the basis for meeting reporting requirements to the Executive Risk Committee, the Risk Supervision, Regulation and Compliance Committee, the Operational Risk Committee, senior management, regulators, credit rating agencies, etc.

**g. The role of insurance un operational risk management**

The Santander Consumer Finance Group considers insurance to be a key tool in the management of operational risk. Since 2014, common guidelines have been in place for coordination between the different functions involved in the management cycle of operational risk-mitigating insurance, mainly the areas of proprietary insurance and operational risk control, but also different areas of first line risk management.

These guidelines include the following activities:

- Identification of all risks at the Group that could be covered by insurance, as well as new insurance cover for risks already identified in the market.
- Establishment and implementation of criteria for quantifying insurable risk, based on the analysis of losses and in loss scenarios that make it possible to determine the Group's level of exposure to each risk.
- Analysis of the cover available in the insurance market, as well as preliminary design of the terms and conditions that best suit the requirements previously identified and evaluated.
- Technical assessment of the level of protection provided by a policy, the cost and levels of retention that would be assumed by the Group (deductibles and other items borne by the insured) for the purpose of deciding whether to contract it.
- Negotiation with suppliers and contract awards in accordance with the relevant procedures established by the Bank.
- Monitoring of claims reported under the policies, as well as those not reported or not recovered due to incorrect reporting.
- Close cooperation between local operational risk officers and local insurance coordinators in order to enhance operational risk mitigation.
- Regular meetings to inform on the specific activities, situation and projects of the two areas.
- Analysis of the adequacy of the group's policies to the risks covered, taking the appropriate corrective measures for the deficiencies detected.
- Active participation of both areas in the global insurance sourcing table, the highest technical body in the Group for the definition of insurance coverage and contracting strategies.

***Cyber risk***

Cybersecurity risk (also known as cyber risk) is defined as any risk that produces financial loss, business interruption or damage to the reputation of Santander Consumer derived from the destruction, misuse, theft or abuse of systems or information. This risk comes from inside and outside the corporation.
In the event of a cyber incident, the main cyber risks for the Bank are made up of three elements:

– Unauthorized access or misuse of information or systems (e.g. theft of business or personal information).

– Theft and financial fraud.

– Interruption of business service (e.g., sabotage, extortion, denial of service).

As in previous years, the Bank has continued to pay full attention to risks related to cybersecurity. This situation, which generates concern in entities and regulators, prompts them to adopt preventive measures to be prepared for attacks of this nature.

The Bank has evolved its cyber regulations with the approval of a new cybersecurity framework and the cyberrisk supervision model, as well as different policies related to this matter.

Similarly, a new organizational structure has been defined and governance for the management and control of this risk has been strengthened. For this purpose, specific committees have been established and cybersecurity metrics have been incorporated into the Bank's risk appetite.

The main instruments and processes established to control cybersecurity risk are:

- Compliance with the cyber risk appetite, the objective of this process being to guarantee that the cyber risk profile is in line with the risk appetite. The cyber risk appetite is defined by a series of metrics, risk statements and indicators with their corresponding tolerance thresholds and where existing government structures are used to monitor and escalate, including Risk committees, as well as Cybersecurity committees. .

- Cybersecurity risk identification and assessment: The cyberrisk identification and assessment process is a key process to anticipate and determine risk factors that could estimate their probability and impact. Cyber risks are identified and classified in line with the control categories defined in the latest relevant industry security standards (such as ISO 27k, the NIST Cybersecurity Framework, etc.). The methodology includes the methods used to identify, qualify and quantify cyber risks, as well as to evaluate the controls and corrective measures that the first line of defense function develops. Cyber risk assessment exercises are the fundamental tool for identifying and evaluating cyber security risks in the Bank. The cybersecurity and technological risk assessment will be updated when reasonably necessary taking into account changes in information systems, confidential or business information, as well as the entity's business operations.

- Control and mitigation of cyber risk: processes related to the evaluation of the effectiveness of controls and risk mitigation. Once the cyber risks have been assessed and the mitigation measures have been defined, these measures are included in a Santander Consumer Finance cybersecurity risk mitigation plan and the residual risks identified are formally accepted. Due to the nature of cyber risks, a periodic evaluation of risk mitigation plans is carried out. A key process in the face of a successful cybersecurity attack is the business continuity plan. The Bank has mitigation strategies and measures related to business continuity and disaster recovery management plans. These measures are also linked to cyber attacks, based on defined policies, methodologies and procedures.

- Monitoring, supervision and communication of cyber risk: Santander Consumer Finance carries out control and monitoring of cyber risk in order to periodically analyze the information available on the risks assumed in the development of the Bank's activities. For this, the key risk indicators (KRI) and the key performance indicators (KPI) are controlled and supervised to assess whether the risk exposure is in accordance with the agreed risk appetite. Escalation and reporting: The proper escalation and communication of cyber threats and cyber attacks is another key process. Santander Consumer Finance has tools and processes to detect internal threat signals and potential compromises in its infrastructure, servers, applications and databases. Communication includes the preparation of reports and the presentation to the relevant committees of the information necessary to assess the exposure to cyber risk and the profile of cyber risk and take the necessary decisions and measures. For this, they prepare reports on the cyber risk situation for the management committees. Also, there are mechanisms for internal escalation independent of the bank's management team of technological and cybersecurity incidents and, if necessary, the corresponding regulator.

**Other emerging risks**

In addition to the aforementioned Cyber Risk, the Santander Consumer Group is increasingly strengthening the supervision of new emerging risks derived from 1) supplier management and 2) transformation projects.

– Regarding supplier management risks, the focus is on the quality and continuity of services provided to SCF, but also on ensuring compliance with the new EBA Guidelines and Regulations such as DORA through implementation of specific risk instruments throughout the different stages of the supplier's life cycle

– The operational risk of transformation is that arising from material changes in the organization, launch of new products, services, systems or processes derived from imperfect design, construction, testing, deployment of projects and initiatives, as well as the transition to the day- a-day (BAU). The transformation constitutes a root cause, which can manifest itself in a variety of risks and impacts, not restricted to Operational Risk, (for example, Credit, Market, Financial Crimes…)

**Compliance and conduct risk**

The compliance function includes all issues relating to regulatory compliance, prevention of money laundering and terrorist financing, governance of products and consumer protection, and reputational risk according to the General Corporate Compliance and Conduct Framework (Marco Corporativo General de Cumplimiento y Conducta).

The compliance function promotes the adhesion of Santander Consumer Finance, S.A. ("SCF") to standards, supervisory requirements, and the principles and values of good conduct by setting standards, debating, advising and reporting, in the interest of employees, customers, shareholders and the wider community. In accordance with the current corporate configuration of the Santander Group's three lines of defence, the compliance function is a second-line independent control function that reports directly to the Board of Directors and its committees through the CCO. This configuration is aligned with the requirements of banking regulation and with the expectations of supervisors.

The SCF Group's objective in the area of compliance and conduct risk is to minimise the probability that noncompliance and irregularities occur and that any that should occur are identified, assessed, reported and quickly resolved.

The main tools used by the Compliance function in order to meet their objectives are (among others): establishment and coordination with the Compliance Program, coordination of the Risk Assessments of all the areas of Compliance and Conduct, definition and monitoring of the Compliance Metrics that participate in the SCF Appetite Risk Framework and monitoring of the Norms of Obligatory Compliance.

The Compliance function applies the Regulatory framework (corporate frameworks, models, policies and procedures) of Banco Santander and adapts it when necessary according to the specificities of the SCF business, being approved by the business units.

**Climate and environmental risk**

Santander Consumer Finance's ESG strategy (environmental, climate, social and governance factors) consists of doing business in a responsible and sustainable way, supporting the green transition, building a more inclusive society and doing business correctly, following the most rigorous government standards.

On the other hand, ESG factors can carry over to traditional types of risk (for example, credit, liquidity, operational or reputational) due to the physical impacts of a changing climate, the risks associated with the transition to a new, more sustainable economy and the Failure to meet expectations and commitments. For this reason, they are included in the Santander Consumer Finance risk map as a relevant risk factor.

In recent times, climate risks (physical risks and transition risks) have become very relevant, and for this reason Santander Consumer Finance is reinforcing its management and control in coordination with the Santander Group corporate teams within the framework of the Climate Project, being Some of the priorities are as follows:

a. EWRM (Enterprise-Wide Risk Management) approach, which provides a holistic and anticipatory vision of climatic aspects as a basis for their proper management.
b. Availability of relevant data (for example, CO2 emissions from financed assets, financing ratio of green assets, sectoral classification and location of companies, energy efficiency certificates and location of collaterals, etc.).
c. Integration of climatic risks in the day-to-day management and control of risks.

The relevance of the data and its quality is, if possible, even greater in this area than in the rest, given that some data that until recently was not very relevant and perhaps was not even collected has become essential for issues such as Alignment of portfolios to environmental objectives, information disclosure or climate risk management. Therefore, one of the pillars of the Climate Project is to collect said data with the required quality.

Regarding the EWRM approach, first of all, a fundamentally qualitative evaluation has been carried out on the implications and materiality of climatic aspects for Santander Consumer Finance, with special focus on the auto portfolio, which is summarized in the following paragraphs.

As previously mentioned, for Banking in general, the climate is a transversal issue with multiple angles, but with two main interrelated dimensions:

1. Banks have a key role in mitigating climate change and the transition towards a new green economy.
2. Climate aspects can cause losses to Banks through different transmission mechanisms.

With regard to Santander Consumer Finance in particular, our vision is as follows:

1. Our role in sustainable financing: the alignment of our portfolios to the ambition of net zero emissions is happening naturally and gradually thanks to the policies of the European Union and the short duration of our contracts. In any case, Santander Consumer Finance is becoming more sustainable and proactively helping clients to become more sustainable. In this path, the effort that is being made in terms of data and information dissemination is essential.

2. Potential impacts of climate risks on Santander Consumer Finance: from the materiality analysis carried out, it is concluded that the types of risk most affected for SCF are credit, residual value, reputational and strategic (business model). The potential impacts are greatly mitigated thanks to the context (gradual transformation of the automobile industry) and the business model of Santander Consumer Finance (whose portfolios are mainly retail, of good quality, short-term and diversified). On the other hand, climate issues could be the trigger for a general economic crisis, for example due to a disorderly transition to the new green economy. We are already managing these risks, but we will continue to strengthen their management and control.

Climate risks have been progressively incorporated into the different EWRM processes:

- "Top Risks": framed within the event of evolution of the automotive sector, which has historically been identified as one of the main ones in the matrix,
- Risk map: as a transversal risk, included as such since 2021,
- Assessment of the risk profile: with a qualitative assessment based on concentration and exposure,
- Risk appetite: through stress metrics, as well as the opening of the residual value by the type of engine,
- Risk strategy,
- Strategic risk, as a driver of changes in market trends,
- Capital risk and stress tests. The stress tests included in the strategic plans and in the ICAAP of Santander Consumer Finance take into account climate risks through idiosyncratic events, in addition to a specific scenario included in this exercise to reflect the potential impact of a disorderly transition towards an economically low emissions. The results of these stress tests form part of the entity's risk appetite.

Stress test scenarios and methodologies will become more sophisticated as more information becomes available. In 2022, Santander Consumer Finance has participated, together with the Santander Group teams, in the first ECB climate stress test and in the thematic review of climate risks.

Finally, with regard to day-to-day integration of risk management and control, Santander Consumer Finance's EWRM team prepares an internal climate risk monitoring report quarterly, which will also be incorporated from of its publication.

This report includes, among other aspects, the following:

a. Materiality analysis: Currently most of the portfolio has a low physical risk and moderate transition risk. It is essential to keep in mind that the portfolio consists basically of loans to private clients, of good quality, very diversified and short term.
b. Kris tracking (Key Risk Indicators): For each type of risk affected (e.g. reputational), potential risks (e.g. inadequate speed of portfolio alignment to decarbonization objectives), main driver (physical or transition), the period in which the risk can materialize (short, medium, long) and the Kris with which the evolution of the risk is followed (e.g. percentage of the entity’s electric car vs. the whole market).

c. Main focus areas in the quarter (news, relevant projects, etc.).

At the same time, work is under way to integrate climate risks at all stages of the risk cycle, ensuring compliance with commitments made and supervisory expectations. It is worth noting the progress being made in relation to the corporate model “The Climate Race” to integrate climate factors in the process of granting and monitoring credit risk.

As noted above, the SCF risk map includes climate risks, as risk elements related to the environment and climate change are considered to be factors that could affect the different types of risks existing in all relevant time horizons. These elements cover, on the one hand, those derived from the physical effects of climate change and, on the other hand, those derived from the process of transition to a more sustainable economy, including legislative, technological or behavioral changes of economic agents.

In view of the activities of the companies of the SCF Group, the SCF Group does not have any liabilities, expenses, assets or contingencies of an environmental nature that could be material in relation to equity, financial position and consolidated results.

Exposures in the sectors potentially most affected by climate factors in accordance with the market consensus and the execution of our materiality analysis correspond mainly to wholesale customers. The wholesale activity of SCF is very limited (it accounts for less than 2% of the total portfolio), since the fundamental activity is consumer financing, but in any case, within the framework of the implementation of the corporate model “The Climate Race”, we are working on the consideration of climate aspects in the analysis of wholesale customers.

In addition, SCF has participated (within the Santander Group as a whole) in the different regulatory exercises on climate stress carried out recently, which have been classified as learning exercises in the industry. The results of these exercises show that, overall, the current coverage of potential losses would be adequate in the time horizons of the maturities of our portfolios. SCF also includes a climate scenario in its ICAAP exercise to assess the adequacy of domestic capital.

In view of the above, SCF considers that, with the best information available at the time of the formulation of these consolidated annual accounts, there is no significant additional impact arising from climate and environmental risk on the assets, financial situation and results in the financial year 2023.

This integration in management is also part of the emission calculation initiatives, as a basis for the commitments of Net Zero Banking Alliance.

**Proposal for distribution of results**

The distribution of the profit obtained by the Bank in the financial year 2023 for 917,223 thousand euros, will be submitted to the approval of the General Meeting of Shareholders in accordance with the following proposal:

A Legal reserve: 91,722 thousand euros.

A Voluntary reserve: 725,509 thousand euros.

Dividend on account: 99,992

**Capital and own shares**

The Group has not carried out any operations with its own shares during the 2023 financial year. Likewise, there is no self-portfolio balance in its balance sheet as of December 31, 2023.

**Research and Development**

The Santander Group understands innovation and technological development as a key anchor point of corporate strategy, and tries to take advantage of the opportunities offered by digitalization. Aligned with the technological and innovation strategy of the Santander Consumer Finance Group, it takes advantage of global capabilities and incorporates local particularities to maximize the development of its business and remain at the forefront of its competitors.

It is crucial to support Technology and Operations to the needs of the business, with specific value-added proposals for the supply of consumer finance value, with a focus on the point of sale, customer management and the design of specialized products, ensuring optimal process management to maintain good efficiency ratios and ensure control of technological and operational safety.

On the other hand, like the rest of the units of the Santander Group, Santander Consumer Finance is receiving increasing pressure from the increasingly demanding regulatory requirements that impact on the systems model and the underlying technology. and they require additional investments to ensure compliance and legal certainty.

**Relevant events that occurred after the end of the year**

The relevant events after the end of the 2023 financial year are detailed in Note 1-i of the Consolidated Report.

**Adaptation to the regulatory framework**

In 2014, Basel III came into force, setting new global standards for capital, liquidity and leverage in financial institutions.

From a capital point of view, Basel III redefines what is considered to be available capital in financial institutions (including new deductions and raising the requirements of computable equity instruments), raises the required capital minimums, and raises the capital requirements. it requires financial institutions to operate permanently with excess capital (capital buffers), and adds new requirements on the risks considered.

In Europe, the regulation was implemented through Directive 2013/36/EU, known as 'CRD IV', and its regulation 575/2013 (CRR) that is directly applicable in all EU states (Single Rule Book). In addition, these standards are subject to regulatory developments commissioned by the European Banking Authority (EBA).

CRD IV was transposed into Spanish legislation through Law 10/2014 on the regulation, supervision and solvency of credit institutions and its subsequent regulatory development Royal Decree 84/2015. The CRR is directly applicable in the Member states as of 1 January 2014 and repeals those lower-ranking rules that entail additional capital requirements.

The RRC envisages a gradual implementation schedule that allows a progressive adaptation to the new requirements in the European Union. These calendars have been incorporated into the Spanish regulation through Circular 2/2014 of the Bank of Spain affecting both new deductions, as well as those issues and elements of own funds that with this new regulation are no longer eligible as such. The capital buffers provided for in CRD IV are also subject to gradual implementation, being applicable for the first time in 2016 and should be fully implemented in 2019.

In 2023, at a consolidated level, Santander Consumer Finance Group must maintain a minimum capital ratio of 8.51% of CET1 phase-in (4.5% being the requirement by Pilar I, 1.5% the requirement by Pilar II, a 2.5% requirement for capital conservation buffer and 0.67% countercyclical buffer). This requirement includes: (i) Common Equity Tier 1 minimum requirement that must be maintained at all times under Article 92(1)(a) of Regulation (EU) No 575/2013 (ii) the Common Equity Tier 1 required to overhold at all times in accordance with Article 16(2)(a) of Regulation (EU) No. 1024/2013; and (iii) the capital conservation buffer under Article 129 of Directive 2013/36/EU. In addition, Santander Consumer Finance Group must maintain a minimum capital ratio of 10.30% of T1 phase-in as well as a minimum total ratio of 12.67% phase-in.

At the end of 2023, the Bank exceeded the prudential requirement defined by the ECB, standing at a CET1 (Fully Loaded) ratio of 12.54% and a total capital ratio of 16.94% (Fully Loaded).

On credit risk, the Bank is continuing its plan to implement Basel's Advanced Internal Model Approach (AIRB). This progress is also conditioned by the acquisitions of new entities, as well as by the need for coordination among supervisors of the validation processes of internal models.

Santander Consumer Finance Group is present mainly in geographies where the legal framework between supervisors is the same, as happens in Europe through the Capital Directive.

Currently, Santander Consumer Finance Group has the supervisory authorization for the use of advanced approaches to the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, certain portfolios in Germany, Nordic countries and France.

In terms of operational risk, the Santander Consumer Finance Group currently uses the standard regulatory capital calculation approach provided for in the European Capital Directive.

In relation to the rest of the risks explicitly contemplated in Pillar I of Basel, market risk is not significant in Santander Consumer Finance since it is not the object of the business, using the standard approach.

**Leverage ratio**

The leverage ratio has been established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital required from financial institutions. The Group performs the calculation in accordance with CRD IV and its subsequent amendment to Regulation (EU) No. 575/2013 as of 17 January 2015, the aim of which was to harmonize the calculation criteria with those specified in the document Basel III leverage ratio framework and disclosure Basel Committee requirements. This ratio is calculated as the ratio between Tier 1 divided by the leverage exposure.

This ratio is calculated as the ratio between *Tier 1* divided by the leverage exposure. This exposure is calculated as the sum of the following elements:

- Accounting asset, without derivatives and without elements considered as deductions in *Tier* 1 (for example, the balance of loans is included but not funds of commerce).
- Order accounts (guarantees, credit limits granted unused, documentary credits, mainly) weighted by credit conversion factors.
- Inclusion of the net value of derivatives (capital gains and handicaps are net with the same counterparty, less collateral if they meet criteria) plus a surcharge for future potential exposure.
- A surcharge for the potential risk of securities financing transactions.
- Finally, a credit derivatives risk surcharge (CDS) is included.

Santander Consumer Finance maintains a fully loaded sub-consolidated leverage ratio of 8.52% at the end of 2023 over a benchmark ratio of 3%.

**Economic Capital**

From the standpoint of solvency, Santander Consumer Finance Group uses, in the context of Basel Pillar II, its economic model for the capital self-assessment process (PAC or ICAAP). To do this, the evolution of the business and capital needs is planned under a central scenario and under alternative stress scenarios. In this planning, the Group ensures that it maintains its solvency objectives even in adverse economic scenarios.

Economic capital is the necessary capital, according to a model developed internally, to withstand all the risks of our activity with a certain level of solvency. In our case the solvency level is determined by the long-term objective rating of

‘A’ (two steps above the rating of Spain), which means applying a confidence level of 99.95% (above the regulatory 99.90%) to calculate the necessary capital.

The Group’s economic capital model includes in its measurement all the significant risks incurred by the Group in its operations, so it considers risks such as concentration, structural interest, business, pensions and others that are outside the scope of the so-called Regulatory Pillar 1. In addition, economic capital incorporates the diversification effect, which in the case of the Group is key, due to the multinational and multi-business nature of its activity, to determine the overall risk and solvency profile.

Santander Consumer Finance Group uses RORAC methodology in its risk management to calculate the consumption of economic capital and return on it of the Group’s business units, as well as segments, portfolios or customers, as well as the company’s business units. in order to periodically analyze value creation and to facilitate an optimal allocation of capital.

The RORAC methodology makes it possible to compare, on a homogeneous basis, the performance of operations, customers, portfolios and businesses, identifying those who obtain a risk-adjusted return higher than the Group’s cost of capital, thus aligning risk and business management with the intention of maximizing value creation, ultimate objective of Santander Consumer Finance’s senior management.

**Annual corporate governance report**

The Bank, an entity domiciled in Spain, whose voting rights correspond, directly and/or indirectly, to Banco Santander, S.A., in compliance with the provisions of Article 9.4 of Order ECC/461/2013, of March 20, of the Ministry of Economy and Competitiveness, does not prepare an Annual Corporate Governance Report, that is prepared and presented to the CNMV by Banco Santander, S.A., as the head company of the Santander Group.

**Non-financial information**

On 28 December 2018, the Council of Ministers adopted Law 11/2018 amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Audit of Accounts, in the field of non-financial information and diversity.

The statement of non-financial information shall contain the following aspects: A brief description of the group's business model, the group's policies on those issues and their implementation results, the main risks associated with its activities; as well as information on key indicators of non-financial performance on environmental, personnel, human rights, anti-corruption and bribery issues and diversity issues.

This Directive applies to institutions whose average number of employees in the financial year exceeds 500 and which are either considered to be public interest entities in accordance with the auditing legislation; or for two consecutive years they meet at the closing date of each of them, at least two of the circumstances indicated in the said Law. However, a dependent undertaking belonging to a group shall be exempt from the above obligation if the undertaking and its dependents are included in the consolidated management report of another undertaking.

In this regard, as a subsidiary entity of Banco Santander S.a., Santander Consumer Finance, S.A., and the companies that make up the Santander Consumer Finance Group (consolidated), it incorporates the content of this information in the Management Report of Banco Santander S.A. and subsidiaries of the annual year ended December 31, 2023 that together with the consolidated annual accounts of Banco Santander Group and subsidiaries, as indicated in note 1 of the attached report, they are deposited in the Mercantile Registry of Santander and is also available at www.santander.com

**Capital Structure and Significant Participations**

| | | |
|---|---|---|
| Banco Santander, S.A. | 1,879,546,152 | Percentage 99.99% |
| Cantabro Catalana de Inversiones, S.A. | 20 | Percentage 0.00000106% |
| | | |
| Total number of shares | 1,879,546,172 | |
| Nominal value | 3.00 | |
| Share Capital | 5,638,638,516 | |

As of December 31, 2023, the Bank's share capital was formalized in 1,879,546,172 nominal shares, each of which had a nominal value of 3 euros, fully subscribed and paid up, with identical political and economic rights.

**Restrictions on the transferability of values**

Not applicable

**Restrictions on voting rights**

Attendees to the General Shareholders Meeting will have one vote for each share they own or represent.
Only holders of twenty or more shares shall be entitled to attend the General Shareholders' Meeting, provided that they are registered in their name in the Register of Nominative Shares.

**Side agreements**

Not applicable

**Appointment and replacement of the members of the Board of Directors and modification of social statutes**

The representation of the Bank corresponds to the Board of Directors, which shall be composed of a number of members not less than five or more than fifteen, who shall be appointed by the General Shareholders' Meeting for a term of three years and who may, however, be re-elected, as many times as desired, for periods of equal duration.

To be a Director, you do not have to be a shareholder of the Bank

**Powers of the members of the Board of Directors**

On December 17, 2020, the Board of Directors of SCF, S.A. approved the appointment of Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir as Managing Directors of Santander Consumer Finance, S.A. the Board of Directors agreed to delegate in favor of Mr. José Luis de Mora Gil-Gallardo and Mr. Ezequiel Szafir, in solidarity, all the powers of the Board, except those legally indelegable.

However, in view of the fact that Mr Ezequiel Szafir resigned for personal reasons at the Council of 27 July 2023 as a member of the Board and as CEO of the company, all the powers of the Board conferred on him were revoked.

On the occasion of his re-election as Director, agreed by the General Shareholders Meeting of February 24, 2022, the Board of Directors, on that date, agreed to the re-election of Don José Luis de Mora as CEO, attributing, again, in solidarity, to him, all the powers of the Board of Directors, except those which are legally or by statute or under the Regulation of the Board are non-delegable. The powers qualified as non-delegable in the Council Regulation are as follows:

a. The adoption of the Company's general policies and strategies, and the monitoring of their implementation.

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

c. The formulation of any kind of report required by law to the board of directors provided that the operation to which the report relates cannot be delegated.

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

e. The definition of the structure of the Group of Companies of which the Company is the dominant entity.

f. Monitoring, monitoring and periodic evaluation of the effectiveness of the corporate governance and internal governance system and of regulatory compliance policies, as well as the adoption of appropriate measures to address, where appropriate, their deficiencies.

g. The approval, within the framework of the provisions of the Statutes of Companies and in the remuneration policy of directors approved by the general meeting, of the remuneration that corresponds to each director.

h. The approval of contracts regulating the provision by directors of functions other than those that correspond to them in their capacity as such and the remuneration that corresponds to them for the performance of functions other than the supervision and collegial decision that they carry out in their capacity mere members of the council.

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

j. The selection and continuous evaluation of the directors.

k. Supervision of the development of the Responsible Banking Agenda.

l. The powers delegated by the general meeting to the board of directors, unless it had been expressly authorized by the board to sub-delegate them.

m. The determination of its organization and functioning and, in particular, the adoption and amendment of the rules of procedure of the Council

**<u>Significant agreements that are modified or terminated in case of change of control of the Company</u>**

Not applicable.

**<u>Agreements between the Company, directors, directors or employees that provide for compensation at the end of the relationship with the Company due to a public takeover offer</u>**

Not applicable.