Financial Statements at 31 December 2020

Company subject to coordination and management by Santander Consumer Finance S.A. pursuant to art. 2497 bis of the Italian Civil Code

General Information

General information

Head office

Corso Massimo D'Azeglio 33/E

Tel: 011/63.19.111 – Fax 011/63.19.119

Shareholder structure

Santander Consumer Finance S.A.

(Santander Group) 100%

Directors and officers

Board of Directors

Chairman	Ettore Gotti Tedeschi
Chief Excutive Officer	Alberto Merchiori
Directors	Pedro De Elejabeitia Rodriguez
	Adelheid Maria Sailer-Schuster
	Antonella Tornavacca
	Patrizia Rizzo
	Rafael Moral Salarich
	Pedro Miguel Aguero Cagigas

Board of Statutory Auditors

Chairman	Walter Bruno
Acting Auditors	Maurizio Giorgi
	Franco Riccomagno
Substitute Auditors	Luisa Girotto
	Marta Montalbano

General Manager Alberto Merchiori

Indipendent Auditors PricewaterhouseCoopers S.p.A.

History and Ownership

Santander Consumer Bank S.p.A. (hereinafter also Santander Consumer Bank or the Bank) was founded in November 1988 with the name of Finconsumo S.p.A. on the initiative of ten private banks in the north-west of Italy and their Turin-based subsidiary Leasimpresa S.p.A. with the strategic aim of ensuring its shareholders a presence in the consumer credit market through a specialised entity.

Some key moments in the Company's history:

- 1993, Istituto Bancario San Paolo di Torino (now Banca Intesa Sanpaolo S.p.A.) acquired 15.8% of the Bank;
- 1998, Istituto Bancario San Paolo di Torino and CC-Holding GmbH, the holding company of CC-Bank AG Group, a German bank specialised in consumer credit and a wholly-owned subsidiary of the Spanish group Banco Santander Central Hispano (now Banco Santander S.A.) acquired each 50% of the company;
- 1999, the company set up Fc Factor S.r.l., specialised in the purchase and management of non-performing loans;
- 2001, Finconsumo S.p.A. became Finconsumo Banca S.p.A.;
- 2003, Santander Consumer Finance S.A., parent company of Santander Group's consumer credit business in Europe, acquired 20% of Banca Sanpaolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A.) and 50% of CC-Holding GmbH;
- 2004, Santander Consumer Finance S.A. became 100% shareholder;
- 2006, Finconsumo Banca S.p.A. became Santander Consumer Bank S.p.A.;
- 2006, Santander Consumer Finance Media S.r.l. was set up (with a 65% holding) as a joint venture with the DeAgostini publishing group;
- 2011, Santander Consumer Finanzia S.r.l. (formerly FCFactor S.r.l.) was merged by incorporation in the parent company Santander Consumer Bank S.p.A.;
- 2013, Santander Consumer Unifin S.p.A. (formerly Unifin S.p.A.) joined the Santander Consumer Bank banking group after the sole shareholder Santander Consumer Finance S.A. subscribed the capital increase decided by Santander Consumer Bank S.p.A. by contributing its equity investment in Santander Consumer Unifin S.p.A.;
- 2015, Santander Consumer Unifin S.p.A. was merged by incorporation in the parent company Santander Consumer Bank S.p.A.;
- The joint venture Banca PSA Italia S.p.A. was formed, 50% holding of Banque PSA Finance, belonging to the Peugeot Group;
- 2016, the joint venture Banca PSA Italia S.p.A. became operational through a capital increase subscribed 50% by Santander Consumer Bank S.p.A. and 50% by the shareholder Banque PSA Finance through the transfer of the business segment;
- The purchase by Accedo S.p.A. (Intesa San Paolo Group) of a business segment made up of a network of sole agents and the relevant sales agreements with leading companies was completed.
- 2018, the procedure to liquidate and remove from the Register of Companies the company Santander Consumer Finance Media S.r.l., a joint venture formed in 2006 with the DeAgostini publishing group, was completed.
- Santander Consumer Bank S.p.A. acquired from the Italian subsidiary of the company of the Santander Group, Ingenierìa de Banking Software S.L., a business segment represented by activities for the management and planning of projects related to information systems.
- Banca PSA Italia S.p.A., acquired from Banque PSA Finance S.A. 100% of the shareholding in PSA Renting S.p.A.
- 2019 Santander Consumer Bank SpA and TIM SpA signed an agreement to form a joint venture, which will offer consumer credit services to TIM's customers in Italy. The initial objective is to offer loans for the purchase of terminals through instalments loans and, at a later stage, other consumer credit and insurance products.
- 2020 Establishment of the joint venture between Santander Consumer Bank S.p.A. (51%) and TIM S.p.A. (49%), which will start operations in 2021.

Corporate Governance

Corporate Governance

The system of corporate governance adopted by Santander Consumer Bank S.p.A. is based on the central role of the Board of Directors, the proper management of conflicts of interest, the transparency in the communication of corporate management decisions and the efficiency of its system of internal control.

The system was established to strengthen the minimum standards of corporate governance and organisation and ensure the Group's "sound and prudent management" (art. 56 of Consolidated Banking Act), as last defined by the Bank of Italy in its update of Circular 285 of 17 December 2013, with the inclusion of Chapter 1 "Corporate Governance" in Part One, Title IV of the Circular (the "Rules"). By including this chapter, the Supervisory Authority outlined a regulatory framework that gives the organisation a central role in defining corporate strategies and policies for the management and control of the risks that are typical of banking activities.

The internal control system is also intended to ensure the reliability, accuracy, trustworthiness and timeliness of financial reporting.

In defining its organisational structure to make it compliant with current regulations, Santander Consumer Bank S.p.A. intended to achieve the following objectives: (i) a clear distinction between functions and responsibilities; (ii) an appropriate balance of powers; (iii) a balanced composition of the corporate bodies; (iv) an integrated and effective control system; (v) monitoring of all business risks; (vi) remuneration mechanisms consistent with the policies of risk management and long-term strategies; (vii) reliability, accuracy, trustworthiness and timeliness of financial reporting.

Santander Consumer Bank S.p.A. has adopted a traditional governance model that consists of the following main corporate bodies:

- Board of Directors
- Board Committees
- Chairman of the Board of Directors
- Chief Executive Officer
- General Management
- Shareholders' Meeting
- Board of Statutory Auditors
- Internal Standing Committees

The functions and powers of the corporate bodies are governed by law, the Articles of Association and the resolutions passed by the competent bodies.

The Articles of Association are available at the Company's head office and on its website (www.santanderconsumer.it).

The Board of Directors

The Board of Directors is appointed by the Shareholders′ Meeting for a maximum of three years.

It elects a Chairman, and possibly a Deputy Chairman, from among its members. It can also appoint a Chief Executive Officer, establishing his powers; if appointed, the Chief Executive Officer holds also the position of General Manager.

The Board can also appoint a General Manager and one or more Deputy General Managers.

The current Board of Directors, which was appointed for the period 2018-2020, is made up as follows:

- Ettore Gotti Tedeschi (Chairman)
- Alberto Merchiori (Chief Executive Officer)
- Pedro De Elejabeitia Rodriguez (Director)
- Patrizia Rizzo (Independent Director)
- Antonella Tornavacca (Director)
- Adelheid Maria Sailer-Schuster (Independent Director)
- Rafael Moral Salarich (Director)
- Pedro Miguel Aguero Cagigas (Director)

Alberto Merchiori holds also the position of General Manager.

The Board of Directors is made up of representatives of the Santander Group's Spanish top management, which ensures that the Parent/Subsidiary relationship is extremely effective, as it shortens the chain of transmission of information in the exercise of the Parent's management and coordination.

In accordance with art. 13 of the Articles of Association, the members of the Board of Directors, of which one out of four needs to be an independent member, must satisfy the independence requirements laid down therein. The Independent Directors ensure a high level of debate within the Board and make a significant contribution to the formation of Board decisions.

The Board of Directors is responsible for determining the criteria for the coordination and management of the Santander Consumer Bank Group companies, consisting of Santander Consumer Bank S.p.A., and Banca PSA Italia S.p.A. It exercises all of the functions pertaining to overall governance of the Group, dealing effectively with the various issues that form part of its mandate.

With particular regard to the subsidiary Banca PSA Italia S.p.A., management and coordination activities are ensured not only by the presence of three members of the Board of Directors and one member of the Board of Statutory Auditors appointed by Santander Consumer Bank S.p.A., but also by (i) the participation of representatives of Santander Consumer Bank S.p.A. within the internal committees of Banca PSA Italia S.p.A., (ii) the planning of regular meetings between the main business functions of the two companies, (iii) the exchange of information and reporting on relevant subjects (i.e. profit and loss performance and capital planning, collection, LCR and AML performance), (iv) the review and validation of the documentation to be submitted for examination and approval by the Board of Directors of Banca PSA Italia S.p.A. (RAF, ILAAP, ICAAP, policies and procedures) and (v) support in the examination and implementation of regulations and projects drawn up at Group level.

As regards the internal control system, beyond the routine activities of direction and supervision, increasing attention is being given to the various activities involved in implementing procedures to allow periodic checks on the system's adequacy and effectiveness.

Special care is taken in the correct identification of business risks and their mindful management, also by making changes to the organisational structures where the critical points of certain processes are located, as well as by establishing so-called first-level controls.

In carrying out its mandate, the Board of Directors deals with and takes decisions regarding the key aspects of the Group, always bearing in mind the strategic direction and goals of the Santander Group:

- determining short and medium term management options and approving projects of strategic importance, as well as company policies (strategic plan, operational plans, projects);
- establishing the Bank's orientation to the various types of risk, also in relation to the returns that are expected to be earned by the business (RAF – Risk Appetite Framework);
- approving the capital allocation procedures and the macro-criteria to be used in implementing the investment strategies;
- approving the budget and overseeing the results of operations;
- preparing the periodic reports on operations and annual financial statements, with related proposals for the distribution of profits for the subsequent Shareholders' Meeting;
- examining and approving transactions of particular importance from an economic, financial and risk point of view;
- reporting to the shareholders at General Meetings;
- approving the organisational structure and related regulations, analysing aspects of their adequacy with respect to the business;
- approving the system of delegated powers;
- defining and approving risk management policies;
- approving the audit, compliance and risk management plans and examining the results of the activities carried out by these functions.

The Board of Directors is also responsible for:

- the setting up of Board Committees;
- establishing and defining the operating rules of Internal Standing Committees;
- examining and approving territorial development plans.

During 2020, the Board met twelve times with a participation rate of 95%.

Board Committees

Nominations Committee

As required by the Rules, the Bank has set up a Nominations Committee, the composition of which, its mandate, its powers (consultative, investigative, advisory) and the resources made available thereto are governed by the Regulations for the functioning of the Nominations Committee.

The Nominations Committee supports the Board of Directors and the General Manager in the management of the processes relating to the nomination or co-option of directors, self-assessment of the corporate bodies, verification that the Board members meet the requirements of integrity, professionalism and independence and the definition of succession plans for those holding senior executive positions; the Committee supports also the Risk Committee in the identification and proposal of heads of corporate control functions to be appointed by the Board of Directors.

The Nominations Committee is composed as follows:

- Patrizia Rizzo (Chairwoman)
- Adelheid Maria Sailer-Schuster
- Ettore Gotti Tedeschi

Remuneration Committee

As required by the Rules, the Bank has set up a Remuneration Committee, the composition of which, its mandate, its powers (consultative, investigative, advisory) and the resources made available thereto are governed by the Regulations for the functioning of the Remuneration Committee.

The Remuneration Committee's duties are (i) advisory as regards compensation of staff, the remuneration and incentive schemes of which are decided by the Board of Directors, and (ii) consultative as regards the determination of the criteria for the compensation of all key personnel; it also ensures proper implementation of the rules on the remuneration of the heads of corporate control functions, in close collaboration with the Board of Statutory Auditors, it ensures the involvement of the pertinent corporate functions in the process of preparation and monitoring of remuneration and incentive policies and practices, and it provides appropriate feedback to the corporate bodies, including the shareholders' meeting, on the work that it has carried out.

The Remuneration Committee is composed as follows:

- Adelheid Maria Sailer-Schuster (Chairwoman)
- Pedro De Elejabeitia Rodriguez
- Patrizia Rizzo

Risk Committee

As required by the Rules, the Bank has set up a Risk Committee, the composition of which, its mandate, its powers (consultative, investigative, advisory) and the resources made available thereto are governed by the Regulations for the functioning of the Risk Committee.

The Risk Committee provides support to the Board of Directors concerning risks and the internal control system, with a particular focus on activities that are instrumental and necessary for a correct and effective determination of the RAF (risk appetite framework) and of risk management policies; without prejudice to the sphere of competence of the Remuneration Committee, the Risk Committee also ascertains whether the incentives under the remuneration and incentive scheme of the Bank are consistent with the RAF.

The Risk Committee is composed as follows:

- Adelheid Maria Sailer-Schuster (Chairwoman)
- Patrizia Rizzo
- Pedro Miguel Aguero Cagigas

The Chairman of the Board of Directors

The Chairman promotes the effective functioning of the system of corporate governance, ensuring a balance of power with respect to the Chief Executive Officer, if appointed, and to the executive directors and acts as the interlocutor for the internal control bodies.

The Chairman ensures also the effectiveness of Board discussions and makes sure that the decisions reached by the Board are the result of adequate debate and contribution by its members.

The Chief Executive Officer

The Chief Executive Officer/General Manager is responsible, among other things, for making lending decisions on the basis of the powers attributed to him, he is the head of personnel, he is the Bank's representative in all court matters, he is the direct interlocutor with the Statutory Auditors, the Independent Auditors and the Bank of Italy, he orders routine inspections, investigations and administrative inquiries in accordance with the audit plan or on the proposal of the competent function.

General Management

The duties and powers of General Management are governed by internal regulations, which give it a key role in the management of the Group, as well as acting as the link between the Board of Directors and the operational functions, and between the Parent Company and its subsidiaries.

At 31 December 2020, the following were members: the Chief Executive Officer and General Manager Alberto Merchiori, Andrea Mastellaro (Sales Network Manager), Andrea Prioreschi (Head of Information Technology and Processes), Simone Cipollina (Head of Marketing), Antonella Tornavacca (Head of Risk), Ida Lo Pomo (Head of Collection), Miguel Silva (Head of Administration and Control), Davide Spreafico (Head of Institutional Relations, Legal and Compliance), Luis Ignacio Oleaga Gascue (Head of Finance), Guido Piacenza (Head of Human Resources and Organisation), and Giovanni Anastasio (Internal Audit Manager).

The members of General Management directly oversee all functional areas of the Bank and ensure complete implementation of the strategic guidelines in the management and operating decisions made by them. The decision-making process is developed in relation to the roles and powers of each member of General Management, under the constant coordination of the Chief Executive Officer/General Manager.

General Management has the following functions, among other things:

- it interacts with the structures of the Santander Group in the preparation of the strategic plan for approval by the Board of Directors, as well as for important business matters or for studies and projects of considerable strategic value;
- it interacts with the structures of the Parent Company Santander Consumer Finance S.A. for the development of operational plans subsequently submitted for approval by the competent bodies, as well as to discuss the results and problems concerning the various executive activities;
- it oversees implementation of the global strategies approved by the Board of Directors, ensuring the company's consistency in terms of investment policies, use of organisational resources and enhancement of personnel;
- it identifies and defines, within the strategic guidelines set by the Board of Directors, the actions for repositioning the organisational and governance model, as well as important project initiatives, to be approved by the administrative bodies, supervising their implementation;
- it formulates preliminary analyses to define the objectives of risk management and the expected returns from the various business activities;
- it oversees all contacts with the markets and with institutional investors;
- it promotes all initiatives likely to enhance corporate ethics as a fundamental value of the internal and external conduct of the Group.

The Shareholders' Meeting

The Shareholders' Meeting is the body that expresses the will of the shareholders through its resolutions. The resolutions passed in accordance with the law and the articles of association are binding on all shareholders, including those who were absent or in dissent.

The Shareholders' Meeting has exclusive competence for resolutions concerning the approval of:

I. the remuneration of corporate bodies appointed thereby, inclusive of any proposal to award compensation to the Chairman of the Board of Directors exceeding that envisaged by current regulations;

II. the remuneration and incentive policies for members of the Board of Directors, employees or external collaborators (who are not linked to the Company via an employment contract), inclusive of any proposal to set a limit to the ratio of variable to fixed components of remuneration for any individual that exceeds a ratio of 1:1, but, in any case, not higher than 2:1;

III. share-based compensation plans (such as stock options) in favour of members of the Board of Directors, employees or external collaborators (who are not linked to the Company with a contract of employment) and members of the Board of Directors, employees or external collaborators of companies forming part of the Santander Consumer Bank Banking Group;

IV. the criteria for ex ante agreement on the compensation payable in the event of early termination of the employment relationship or early termination of office (golden parachute) of Company employees or Board members

The Board of Statutory Auditors

The current Board of Statutory Auditors, which was appointed for the period 2018-2020, is made up as follows:

- Walter Bruno – Chairman;
- Maurizio Giorgi – Acting Auditor;
- Franco Riccomagno – Acting Auditor;
- Luisa Girotto – Substitute Auditor;
- Marta Montalbano – Substitute Auditor.

The duties institutionally assigned to the Board of Statutory Auditors aim to monitor the formal and substantial correctness of the administration, as well as to offer itself as a qualified point of reference for the Supervisory Authorities and the Independent Auditors. At present, the Board of Statutory Auditors carried out its work by performing direct test checks and acquiring information from members of the Administrative Bodies and representatives of the Independent Auditors.

In particular, its main activities include:

- monitoring compliance with laws and the articles of association in accordance with sound management principles and that proper strategic, management control has been carried out by the Bank over the Banking Group companies;
- verifying the adequacy of the organisational structure, paying special attention to the internal control system, ensuring that it functions properly;
- examining important problems and critical aspects that emerge from internal audit activities, monitoring the action taken to resolve them.

The Board of Statutory Auditors can attend meetings of the Board of Directors; it meets as often as required for the performance of the functions attributed to it and, in any case, at least once a quarter, as laid down by law.

It is not responsible for auditing the accounts for legal purposes, which is up to the Independent Auditors. The Independent Auditors are required to verify, during the year, that the accounts are kept correctly and that all transactions and other operational events are reflected correctly in the accounting records. They also check that the figures shown in the separate and consolidated financial statements agree with the accounting records and the checks performed, and that the accounting documents comply with the rules governing them.

The Internal Standing Committees

As part of an adequate system of corporate governance aimed at ensuring (i) timely analysis of issues and opportunities related to the evolution of the business and (ii) the protection of all stakeholders' interests, the Board of Directors has set up the internal committees listed below.

These Committees may have an advisory and consulting role in specific areas of competence, or - in accordance with the powers delegated to them by the Board of Directors by virtue of a specific resolution or within the scope of the corporate policies approved by the Board - a deliberative role.

The Management Committee

This Committee is mainly entrusted with control functions to ensure proper execution of the decisions taken by the Strategic Oversight Body, as well as their adoption by the business's operations in general, as well as by individual departments and Group companies; the Committee is also responsible for continuous monitoring of the Santander Consumer Bank Group and for providing relevant information to the management bodies.

It is essentially an advisory and consulting body that provides supports to the Administrative Body. In particular, the Committee assists the Chief Executive Officer and the General Manager in implementing the Group's strategy and development plan and in decisions that may affect the Group's balance sheet and income statement; it also monitors projects for the development of new products and services and business plans managed by Human Resources Department.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Technology, the Head of Operation, the Head of Risk, the Head of Marketing, the Head of the Sales, the Head of Administration and Control, the Head of Collection, the Head of Finance, the Head of Institutional Relations, Legal and Compliance and the Head of Human Resources and Organisation.

The Head of Internal Audit is permanently invited to the meetings.

The Committee meets regularly, on a weekly basis.

The Money Laundering Analysis Committee

The Money Laundering Analysis Committee represents, within the Santander Consumer Bank Group, the main point of reference in the prevention of money laundering and financing of terrorism. The Committee is granted deliberative powers within the scope of the corporate policies approved by the Board of Directors.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Operation, the Head of Marketing, the Head of Sales, the Head of Administration and Control, the Head of Institutional Relations, Legal and Compliance, the Head of Finance, the Head of Internal Audit, the Head of Compliance and Conduct, DPO, the Head of Corporate and Regulatory Affairs and the Head of the Risk Control Department.

The Committee's main functions are as follows:

- to define policies and rules of conduct for the Group's various bodies and entities involved in anti-money laundering (AML) issues and their coordination;
- to supervise all aspects of AML, in order to take appropriate preventive measures;
- to collaborate in deciding on the content of training courses on the prevention of money laundering;
- to support the Head of SOS in assessing suspicious transactions that have to be reported to the competent authorities;
- to determine which sensitive transactions need to be analysed and reviewed.

The Committee meets on a quarterly basis.

The Executive Risk Control Committee

The activities of the Senior Risk Committee concern mainly the monitoring of the risks with an integral view of corporate risks (credit, structural and operational). It comprises the Chief Executive Officer and General Manager, the Head of Risk, the Head of Marketing, the Head of Sales, the Head of Operation, the Head of Institutional Relations, Legal and Compliance, the Head of Collection - CBU, the Head of Administration and Control, the Head of Finance, the Head of the Risk Control Department, and the Head of Compliance and Conduct, DPO.

Where necessary, the meetings are also attended by: the Head of Credit Policies and Credit Decision System, the Head of the Branch Network, the Head of the Agent Network, the Head of the Captive Network, the Head of Treasury, the Head of Financial Management, the Head of CBU-CQS.

The Committee meets on a quarterly basis.

The Executive Risk Committee

This is the body that has the powers for the daily management of risk within the limit of the powers granted by the Board of Directors.

It consists of the Chief Executive Officer and General Manager, the Head of Risk, the Head of Marketing, the Head of Sales, the Head of Finance, and the Head of Administration and Control.

Where necessary, the meetings are also attended by: the Head of Collection, the Head of Credit Policies and Credit Decision System, the Head of Wholesale Analysis and the Head of Retail Analysis.

Meetings are also attended by the Head of Compliance and Conduct, DPO, the Head of Internal Audit and the Head of the Risk Control Department who are permanent invitees, but without the right to approve transactions and risk limits. The Head of Risk has the right of veto over the decisions of the Committee.

The Committee meets regularly, on a weekly basis.

The Financial Risk Management Committee (ALCO)

This body's objective is to support the management bodies in monitoring financial risks. In particular, within the scope of the powers conferred upon it by the Board of Directors, it has decision-making power in the management of the exchange rate and liquidity risk within pre-set limits and in deciding which measures are necessary to ensure the correct balance between profitability and risk, and analyses the evolution and macro-economic trend of the target market with a particular focus on interest rates; it also plans and monitors the steps needed to maintain the capital adequacy of Group companies.

It consists of the Chief Executive Officer and General Manager, the Head of Finance, the Head of Administration and Control, the Head of Risk and the Head of Marketing.

Meetings are also attended by the Head of Risk Control, the Head of Planning and Control, the Head of Treasury and Capital Management and the Head of Financial Management, as permanent invitees but without the right to contribute to decision making.

It normally meets on a monthly basis.

The Internal Audit Committee

It monitors and evaluates on an ongoing basis the adequacy, efficiency and effectiveness of internal controls and identifies any steps that ought to be taken to improve the overall functioning of the control system. It analyses any critical aspects that have been identified for their economic impact and/or risk profile.

It reports directly to the Board of Directors, which is ultimately responsible for the internal control system.

It is made up of the Chief Executive Officer and General Manager, the Head of Institutional Relations, Legal and Compliance, the Head of Administration and Control, the Head of Risk, the Head of the Internal Audit Department, the Head of Compliance and Conduct, DPO and the Head of the Risk Control Department.

The Board of Statutory Auditors and Management may also be invited to attend meetings, depending on the topics being discussed, as well as outside specialists (outsourcers, consultants).

The Committee meets on a quarterly basis.

The Compliance, Conduct and Data Protection Committee

The Compliance, Conduct and Data Protection Committee is delegated the monitoring and analysis of the relationship between the Bank and its customers; within this ambit, it examines the performance of the areas dedicated to customer care, as well as any complaints received from customers, proposing suitable solutions.

The Committee is also assigned the task of:

- Overseeing and regularly assessing the adequacy of the Compliance and Conduct Function and the implementation of the annual compliance plan and proposing any necessary improvements. These activities include, inter alia, the supervision of: (i) compliance with the general code of conduct and other codes; (ii) the adoption of measures following checks by the Supervisory Authority; and (iii) the effectiveness of the model for the prevention of criminal liability as regards the Bank.
- Providing support and advice to the Board of Directors as regards the relationship with the Supervisory Authorities in the matter of regulatory compliance; monitoring the status of implementation of the recommendations made by the Internal Audit Department.

The Committee is composed of the Chief Executive Officer and General Manager, the Head of Marketing, the Head of Sales, the Head of Operation, the Head of Legal and Institutional Relations, the Head of Collection, the Head of Administration and Control, the Head of the Product Factory Department, the Head Legal and Corporate Affairs, the Head of Compliance and Conduct, DPO and the Head of the Risk Control Department.

The Committee meets on a quarterly basis.

Internal Control Coordination Committee

This Committee acts as a mediation and exchange body between the corporate control functions and carries out monitoring and control activities on aspects relating to the internal control system of Santander Consumer Bank S.p.A.

The Committee consists of the Head of Internal Audit, the Head of the Risk Control Unit, the Head of Risk, the Head of Administration and Control, the Head of Planning and Control, the Head of Institutional Relations, Legal and Compliance, and the Head of Compliance and Conduct, DPO.

The Committee meets on a quarterly basis.

PIF, Cost Monitoring and Suppliers Committee

This Committee has the task of monitoring overheads to keep them in line with the *pro tempore* approved budget, as well as reviewing and approving the criteria regarding the supplier management process. The Committee is granted deliberative powers within the scope of the corporate policies approved by the Board of Directors.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Operation, the Head of Administration and Control and the Head of Planning and Control.

Where necessary, the managers of accounts and/or the Managers of the remaining Departments take part in the meetings.

The Head of the Legal, Compliance and Institutional Relations, the Head of Risk and the Head of Business Process Governance also take part in any meetings that relate to issues concerning the introduction and monitoring of suppliers.

The Committee meets on a monthly basis with reference to the approval (PIF) and monitoring of costs. Any matters relating to the introduction and monitoring of suppliers are also examined by the Committee at least quarterly.

Collection Committee

It monitors and analyses the evolution of collection measures at the various stages, coordinates the action taken by the Collection Business Unit (CBU) with other areas dedicated to loan recovery, and analyses and defines improvement strategies. The Committee is granted deliberative powers within the scope of the corporate policies approved by the Board of Directors.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Collection, the Head of Risk, the Head of Operation, the Head of Compliance and Conduct and DPO.

Meetings are also attended by the Head of Risk Control as a permanent invitee, but without the right to approve transactions.

The committee normally meets on a monthly basis.

Operational Risk Committee

This is a body, which is responsible for monitoring all the aspects related to operational and technological risk.

It defines and approves policies and the model of operational and technological risk management, evaluates the measures that may be considered relevant to strengthen the measures to prevent such risks, monitors management tools, improvement initiatives, the development of projects and any other activity relating to operational and technological risk control. It also reviews the efficiency and effectiveness of action plans to prevent the recurrence of events that caused operating losses, as well as strengthening internal controls.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Technology, the Head of Operation, the Head of Risk, the Head of Collection, the Head of Administration and Control, the Head of Marketing, the Head of Sales, the Head of Institutional Relations, Legal and Compliance, the Head of Compliance and Conduct, DPO, the Head of Human Resources and Organisation, the Head of the Risk Control Department and a person designated by Operational and Technological Risk.

The Committee meets ten times a year.

Information Technology and Cyber Security Committee

The role of the Information Technology Committee is to assess and submit proposals to the Board of Directors on IT strategy and also to oversee the key elements that impact IT and the quality of the services provided. It also monitors technological risks, including cyber risks, and proposes mitigation actions.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Technology, the Head of Operation, the Chief Information Officer (Head of IT Department), the Head of IT Governance, Head of IT/Cyber Security, the Head of Risk, the Head of Marketing, the Head of Sales, the Head of Collection - CBU, the Head of Finance, the Head of Administration and Control, the Head of Institutional Relations, Legal and Compliance, the Head of Internal Audit and the Head of Human Resources and Organisation.

The Committee meets nine times a year.

Human Resources and Culture Committee

The Human Resources and Culture Committee is an advisory and consulting body responsible for monitoring all aspects relating to human resources and culture.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Technology, the Head of Operation, the Head of Risk, the Head of Marketing, the Head of Sales, the Head of Administration and Control, the Head of Collection, the Head of Finance, the Head of Institutional Relations, Legal and Compliance and the Head of Human Resources and Organisation.

The Head of Internal Audit is permanently invited to the meetings.

The Committee meets on a quarterly basis.

Supervisory Committee

The Supervisory Committee is an advisory and consulting body, which is responsible for examining the results of the supervisory activities carried out by the various Divisions of the Bank, each for the areas they are responsible for, as part of the management and coordination activities carried out by the Bank with respect to subsidiaries.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Technology, the Head of Operation, the Head of Risk, the Head of Marketing, the Head of Sales, the Head of Administration and Control, the Head of Collection, the Head of Finance, the Head of Institutional Relations, Legal and Compliance, the Head of Internal Audit and the Head of Human Resources and Organisation.

It normally meets on a monthly basis.

The Supervisory Board set up in accordance with Italian Legislative Decree no. 231/2001

The Supervisory Board is responsible for ensuring constant and independent surveillance of the Group's operations and processes in order to prevent or detect abnormal and risky behaviour or situations. The same board is entrusted with the task of updating the Model of Organisation, Management and Control in the event there is a need to adapt to new regulations or changed conditions in the business. With regard to the latter, and in order to ensure effective and efficient implementation of the Model, the Supervisory Board is assisted by the Heads of Division/Department of each area of activity in which there have been found possible risks of the crimes identified by law, who are required to make periodic checks of the adequacy of the Model, as well as to communicate any change in management processes in order to update the Model on a timely basis.

The Supervisory Board is appointed by the Board of Directors. The functions of the Supervisory Board are defined in special regulations.

The Board currently in office - up to the Shareholders' Meeting that will be convened to approve the financial statements at 31 December 2020 - is composed of the Chairman of the Board of Statutory Auditors of Santander Consumer Bank S.p.A., an external member and the Head of Compliance.

The Chairman of the Board of Statutory Auditors also acts as the Chairman of the Supervisory Board.

The Supervisory Board meets at least on a quarterly basis.

Santander Consumer Bank

Consolidated Financial Statements of the Santander Consumer Bank Group

1 Report on Group operations

2 Independent Auditors' Report

3 Consolidated Balance Sheet

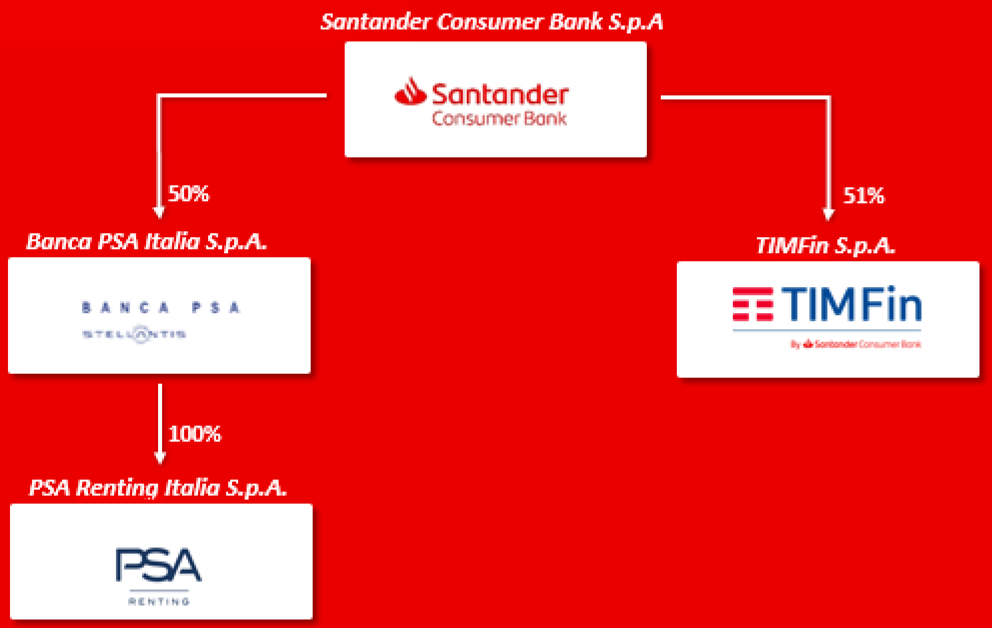
4 Consolidated Income Statement

5 Statement of Consolidated Comprehensive Income

6 Statement of changes in Consolidated Shareholders' Equity

7 Consolidated Cash Flow Statement

8 Notes to the Consolidated Financial Statements



Santander Consumer Bank

Report on Group operations

Report on Group operations

The macroeconomic scenario

In 2020, the international economy[1] was heavily affected by the advent of the COVID-19 health emergency.

Despite a higher than expected recovery in the summer months, economic development slowed down in the fourth quarter, affected by the new pandemic wave, especially in advanced countries. The launch of the vaccination campaigns has given favourable signs on the longer-term prospects, although the timing of the recovery remains uncertain.

In the third quarter, the recovery in economic activity was significant, albeit to a very limited extent in the services sector, which remained weak everywhere. In the United States, Japan and the United Kingdom, GDP was still below the levels prior to the pandemic, by 3.5%, 4.2% and 9.7% respectively; on the other hand, it exceeded the values prior to the health emergency in China, where growth strengthened.

Consumer price inflation in the main advanced economies remains below the levels prior to the pandemic. The trend in prices reflects mainly the weakness of aggregate demand. Long-term inflation expectations, recorded on the financial markets, increased after the positive news on the effectiveness of the vaccines, which led to more favourable assessments on growth over the mid-term.

According to the forecasts of the OECD released in December, the global GDP would return to grow by 4.2% in 2021, exceeding the levels prior to the pandemic by the end of the year. The projections reflect the maintenance of the support of the expansionary economic policies in the international context and a large-scale vaccination by the end of the current year; they also included the signing of an agreement on bilateral relations between the United Kingdom and the European Union. China is expected to contribute by more than one third to global expansion in 2021.

In the Eurozone, economic activity weakened in the last part of the year, with the resurgence of contagions and the tightening of containment measures.

The Governing Council of the European Central Bank has expansively recalibrated its monetary policy instruments to ensure favourable financing conditions for the entire period of the crisis induced by the pandemic, which is expected to be more extensive than previously assumed. In the third quarter, GDP rose more than expected, by 12.5%, after a cumulative loss of 15% in the first half of the year. The added value increased in all sectors, although it remains far from the levels of the end of 2019, especially in the services most exposed to social interaction. The GDP grew in all the main economies, but in none of them did it return to the values prior to the onset of the epidemic. The projections drawn up in December by Eurosystem experts indicate that the decline in GDP in 2020 would have been 7.3%; in the following three years, GDP would grow by 3.9%, 4.2% and 2.1%. The risk scenario remains on the downside.

The conditions on the international financial markets have progressively improved, as a result of the elimination of uncertainty over the outcome of the US elections and the widespread optimism on the effectiveness of some vaccines. However, prices remain vulnerable to developments in the pandemic.

In Italy[2], growth in the summer months of 2020 was higher than expected, indicating a significant capacity for recovery of the national economy. In the fourth quarter as a whole, however, activities began to decline again with the resurgence of the pandemic. On the basis of available information, the decline in GDP in the fourth quarter can be estimated at a central value of -3.5% compared to the previous period; however, the uncertainty relating to this estimate is very high. In the third quarter, GDP increased by 15.9%.

Activities were driven by the sharp rise in both exports and domestic demand, particularly pronounced for gross fixed investments, which exceeded the levels of the end of 2019. Value added increased in all segments; in construction, it exceeded the values prior to the outbreak of the epidemic. In services, there was a partial recovery in sectors such as trade, transport, hotel and catering, professional activities and recreational, cultural and personal care services. According to the most recent indicators, GDP fell again in the last quarter of 2020 as a whole as a result of the sharp increase in contagion. Qualitative and quantitative information indicates that the decline in activities would have been marked in services and marginal in manufacturing.

In a nutshell, the scenario outlined in Italy by the latest projections is the following:

- **Monetary policy**. Supply conditions remained relaxed overall, also thanks to monetary and government policy measures to support liquidity. The cost of bank bond funding fell further and the rates on loans to businesses and households remained at low levels.
- **GDP.** Estimates foreshadow that, as a result of the national budget rules approved at the end of December, there will be an increase in net debt, compared to the current scenario, of 1.4% of GDP in 2021 and 0.6% in 2022; a drop of 0.2% is expected in 2023.
- **Inflation.** Inflation is expected to remain below 1% in both 2020 and 2021. The core component would reflect the weakness of demand, remaining on average below 0.5% in the two-year period 2021-22 and approaching 1.0%

[1] Bank of Italy, Economic Bulletin, Issue 1/2021

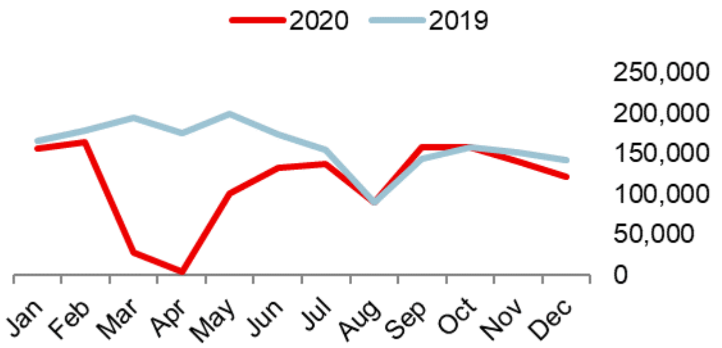
[2] Ibidem

only in the last year. In 2023, affected by the large margins of unused capacity that would slow down the wage increases and pricing policies of companies, it would rise to 1.1%.

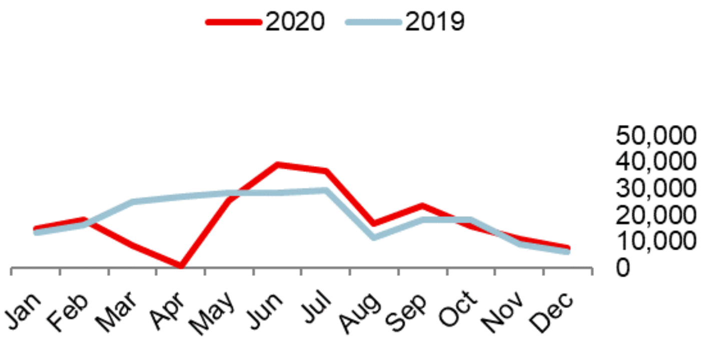
Industry trends

New motor vehicle registrations decreased in 2020 (-27.9%), with 1,389,533 motor vehicles; this decrease is above all else due to the negative performance of the rental market[3]. There was an decrease also in registrations of two-wheel vehicles, which reached 218,626 units (-5.8%),[4] and in changes of ownership of vehicles net of transfers to dealers (-13.8%)[5].

Motor vehicle registrations



Motorcycle registrations



With regard to the car leasing market, there was an decrease compared to the previous year (-16.6%), with a total of around Euro 11.8 billion of new loans[6]. The trend for motor vehicles indicates a contraction (-20.7%), while for commercial vehicles a drop of -14.2%[7].

3 UNRAE data at 12/31/2020

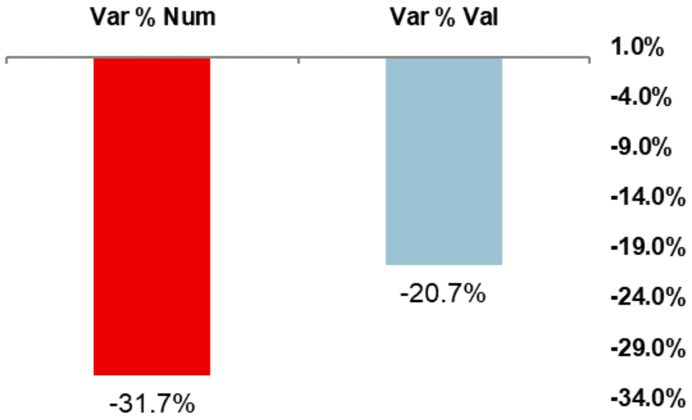
4 ANCMA data at 12/31/2020 for vehicles over 50 cc

5 ACI data at 12/31/2020

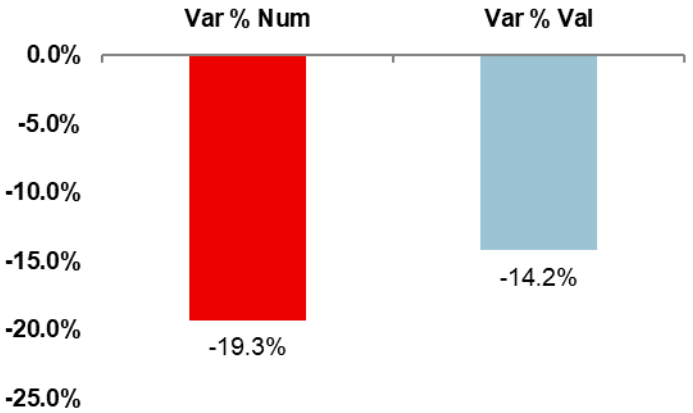
6 Assilea data at 12/31/2020

7 Ibidem

Motor vehicle lease (Jan-Dec 2020 vs 2019)



Commercial vehicle lease (Jan-Dec 2020 vs 2019)



During 2020, retail credit risk[8] reversed the trend shown in the most recent surveys and started to grow again, under the pressure of the economic and health shock. More specifically, for consumer credit, in September 2020, the default rate (defined as 90 past due) rose to 1.9%, reflecting the more pronounced trend in personal loans. On the other hand, special-purpose loans show a certain stability; overall, retail credit risk remains at low levels.

The fears linked to the contagion, the physical restrictions on travel, as well as the uncertainties on the times for returning to "normality" and on one's own financial situation had important repercussions on household consumption in the first half of the year and, after the recovery of the third quarter, will result in a new setback in the fourth quarter. This will affect the demand for credit and only from 2021, with the gradual improvement of economic activities, will there be greater recourse to credit, partly thanks to interest rates that will remain low throughout the forecast period. In the new context triggered by the pandemic, lending policies could be cautious given the prospects of impairment in credit quality that will require careful customer selection.

After the difficulties of 2020, the disbursements of consumer credit will be supported by the prospects of a recovery in consumption, in particular in the durables component. However, the 2021 rebound will be conditioned by the continuing uncertainty linked to the effectiveness of the action to combat the virus and the distribution of vaccines, which will still result in a cautious attitude on the part of consumers and only in a partial reabsorption of the decline in the propensity towards consumption recorded in 2020. In 2022, consumer credit will return to growth in line with the trend of the macroeconomic fundamentals.

[8] Observatory on retail credit (https://www.prometeia.it/news/osservatorio-credito-dettaglio-49-edizione)

Strategic guidelines and outlook for 2021

Against the background of the dynamic outlined above, Santander Consumer Bank Group operations are geared to a sustainable growth of profits aimed at creating value for shareholders, to an ability to independently generate capital and to a conscious assumption and management of risks. More specifically:

- **Customers.** Offer a wider range of products, enriched by dedicated services, seizing the opportunities offered by digital technology.
- **Partners.** Maintain and strengthen the relationship with the current partners, supporting their commercial activities and search new cooperation opportunities on different channels.
- **Shareholders.** Ensure a solid, adequate and sustainable growth with value creation.
- **Actively managed funds and capital.** Increase the diversification of funding sources with a limitation of financial risks. Maintain capitalisation levels in line with current regulations, with constraints imposed by the Supervisory Authorities, or with the objectives of the Santander Group.
- **Control and optimisation of operating costs**, ensuring their growth is lower than the growth in revenue.
- **Digitalisation.** Achieve full digitalisation of the sales process in order to create competitive advantages and to automate procedures and improve the Group's visibility and customer experience.
- **Effective risk management.** Constantly monitoring the quality of the portfolio managed and the level of litigation, through an effective strategy of acceptance and recovery, and evaluating new strategies to keep the quality of the impaired portfolio stable by evaluating new market developments.
- **Internal culture.** Update, develop and optimise corporate professionals, promote talent and encourage internal mobility.
- **Community and environment.** Support the communities in which the Group operates with experience/internship programmes, financial education and active participation in academic events; support voluntary associations and sustain eco-sustainability initiatives.

As part of this mission and strategic direction, the expectations for 2021 take into consideration:

- Total volumes disbursed by the Group are up, with a trend settling on the values prior to the pandemic. Consolidating the product mix observed in the last period.
- Gradual growth in the managed portfolio, with an increasing focus on the car sector and special-purpose loans.
- Evaluating new business opportunities by observing global mobility (renting)
- Maintain high levels of profitability thanks to the growth trend in margins, contain operating expenses and constantly monitor the cost of risk.

Business outlook

With regard to consumer credit, the Santander Consumer Bank Group recorded a decrease in volumes compared to the previous year (-16.5%), with a general drop in the various portfolios essentially due to the health emergency and which led to the following results: performance in the Automotive sector (-16.3%), in special-purpose loans (-8.8%) and in personal loans (-15.1%), and in salary assignment loans (-29.7%).

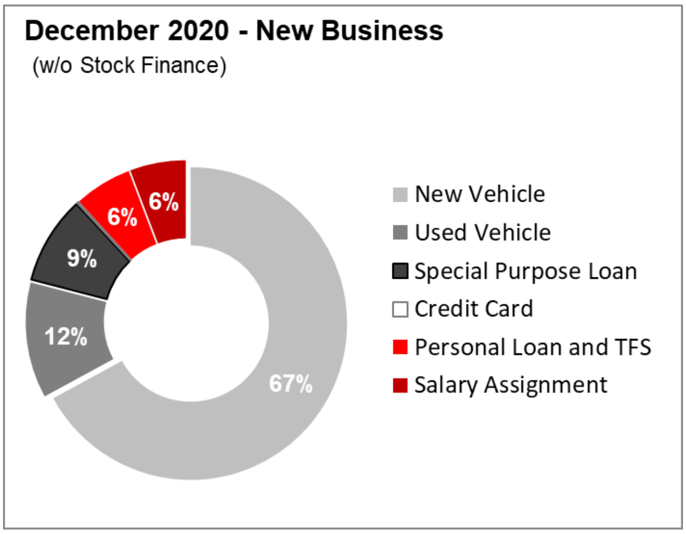
In the automotive sector, the Parent Company Santander Consumer Bank recorded a general decrease in new vehicles of -20.2% and in second-hand vehicles of -4.6%, while Banca PSA Italia contributed in the total amount disbursed of Euro 1,003.9 million (-15.3% compared to the previous year).

In the special-purpose loans sector the Group closed the year with a decrease of -8.8% compared to the previous year, while for personal loans volumes deteriorated considerably by -15.1%.

In 2020, the sale of the salary assignment loan product recorded a result in constant decline compared to the previous year (-29.7%), caused by market difficulties and exacerbated even more by the pandemic emergency.

Group Santander Consumer Bank	dec '20	dec '19	% 20/19
(Million euros)			
New Business Total*	*2,714.5*	*3,250.2*	-16.5%
Total Vehicle	*2,145.5*	*2,561.7*	-16.3%
New Vehicle	*1,820.6*	*2,201.1*	*-17.3%*
Used Vehicle	*324.8*	*360.5*	*-10.0%*
Special Purpose Loan	*246.5*	*270.2*	-8.8%
Credit Card	*4.1*	*5.0*	-17.5%
Personal Loan and TFS	*161.4*	*190.2*	-15.1%
Salary Assignment	*156.9*	*223.1*	-29.7%

December 2020 – New Business (w/o) Stock Finance)



Handling of COVID-19 health emergency

The COVID-19 emergency, which gradually involved all countries, forcing the WHO (World Health Organization) to declare a state of "Pandemic", produced significant effects on the global, European and therefore national scene. The Group has supported numerous activities aimed at ensuring the operational continuity of processes and services through the security and management of human resources, implementations on IT systems and processes and developments on additional sales channels. In addition, the Group, through the two banks Santander Consumer Bank and Banca PSA, supported the legislative and non-legislative initiatives undertaken in Italy, positively accepting the measures aimed at implementing, in a structured manner, measures to support individuals and businesses.

Operational continuity of its processes and services

Safety and management of human resources

The parent company has drawn up 3 anti-contagion protocols containing personnel protection strategies, respectively:

- following the issue of the first Italian Prime Ministerial Decree of March 2020;
- following the Guidelines of the State-Regions Conference of 24 April 2020, which were included in the subsequent Italian Prime Ministerial Decree of 26 April 2020;
- to make some updates on the methods of aeration of the workplace and on the procedures for the CBU employees.

In addition, employees were provided with PPE useful for working safely. In particular, 99,400 masks were purchased. In addition, to reduce the risk of possible contagion after the summer holidays, employees were asked to perform oral and pharyngeal swabs at the company's expense. For colleagues in Turin, 483 swabs were performed at an affiliated centre.

In this context, smart working was the key instrument and represented the preferred solution for all Santander employees. Guaranteeing people safety and operations under any condition, it was essential for the company's business continuity and, thanks to the agreement signed between the parties, it permitted an extremely prompt reaction to the emergency.

In 2020, the company's internal communication focused on the importance of protecting the health of employees and their family members, conveying safety protocols in detail and promoting the correct use of smart working. It also provided information on the Bank's vision and strategy and supported engagement and productivity in this somewhat particular phase.

Specific tools were also used to convey messages in the physical spaces of the Bank: 15 different types of roll-ups, infographics and stickers set up the SCB offices with safety instructions.

Employees were involved in a compulsory online course entitled "How to live with the coronavirus", through which they learn what conduct to adopt in-house, how to wear masks correctly, which hygiene practices to adopt at home to avoid contagion from COVID-19, what to do in the event of contact with people in home isolation for COVID-19.

In addition, during the lock-down, numerous workshops were held aimed at balancing family caring & work-life balance, in which more than 80 colleagues took part.

Lastly, in mid-March, a cycle of three-weekly meetings was launched for the children of employees aged 4 to 18 for a duration of 3 months to deepen their knowledge of the English language with mother-tongue teachers.

Also for the subsidiaries, Banca PSA and PSA Renting, prevention and safety activities focused primarily on the correct management of the pandemic. Specifically, a protocol was issued containing the rules for containing the virus; the use of smart working has been exponential; employees were constantly updated on developments in current regulations through HR communications; training sessions were also organised on COVID-19 and on the biological risk for head office personnel and ad hoc training for travelling personnel.

Measures on processes to ensure business continuity

In relation to the phase of uncertainty, the Group has put in place many activities in order to guarantee business continuity both by preserving the safety of employees and by adapting, in some circumstances, the processes to the new scenario. In particular, the restrictive measures imposed led to a significant increase in smart working made possible thanks to the secure use of the VPN connection method. The VPN connections were guaranteed even in situations of high stress, due to the high number of simultaneous connections, without compromising the stability of the systems and without significant critical issues. Measures were implemented to make the remote connection more secure through tools that allow an increase in the level of protection via a different form of authentication. With reference to the digitalisation of the processes, they were reassessed in relation to the pandemic context and, if necessary, changes were made to adapt them to the context.

For more details on business continuity measures, please refer to Part E Operational risk, "Impacts deriving from the COVID-19 pandemic" paragraph.

Initiatives and measures in support of households and businesses

Legislative and regulatory measures

In order to deal with the critical effects linked to the pandemic, the Italian government intervened with an initial measure, Italian Decree Law No. 18 of 17 March 2020 ("Cura Italia" Decree) containing measures with the aim of both protecting health and supporting the economic fabric. In particular, art. 56 establishes the possibility for companies and professionals to benefit from the prohibition of revocation, the extension and suspension on existing loans. Subsequently, with Italian Decree Law No. 104 of 14 August 2020 ("Agosto" Decree), in addition to a series of measures to support the economy, the grace period on loans and mortgages for SMEs was extended: the deadline of 30 September 2020 envisaged by art. 56 of the "Cura Italia" Decree is now extended to 30 June 2021.

The national measures were also supported by measures issued by supranational and monetary authorities. The ECB, in addition to implementing economic policy measures, requested through a recommendation dated 27 March 2020 (and the subsequent extension of 28 July) the temporary suspension of all cash dividends and the buy-backs of treasury shares. On 15 December 2020, the European Central Bank (ECB) recommended that banks exercise maximum prudence with regard to dividends and the repurchase of treasury shares. To this end, the ECB asked all banks to consider the possibility of not distributing cash dividends or repurchasing treasury shares or to limit such distributions until 30 September 2021. The recommendation reflects also an assessment of the stability of the financial system and was developed in close collaboration with the European Systemic Risk Board. The revised recommendation aims to safeguard the ability of banks to absorb losses and provide support to the economy.

In a prudential sphere the European Supervisory Authorities have published a series of guidelines and recommendations with the aim of ensuring consistency and comparability of the risk assessment and supporting the application of accounting standards in relation to the impacts of COVID-19. For a specific discussion of the documents issued by the European regulatory and supervisory bodies and by the standard setters, please refer to Part A Section 2 - “Basis of preparation”.

Bank measures in support of households and businesses

The Group, through the two banks Santander Consumer Bank and Banca PSA, supported the legislative and non-legislative initiatives undertaken in Italy, positively accepting the measures aimed at implementing, in a structured manner, support measures for individuals and businesses.

Specifically, in implementation of Italian Decree Law No. 18/2020 art. 56 (“Cura Italia” Decree), measures were activated to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension period originally envisaged by the “Cura Italia” Decree (until 30 September 2020), already extended by Italian Decree Law No. 104/2020 (“Agosto” Decree) (until 31 January 2021), was further extended by the 2021 Budget Law until 30 June 2021. For consumers in good standing with payments, therefore classified as low-risk, but in temporary difficulty, the Group, upon its own initiative, has granted the suspension of payments of the instalments of the loans taken out for a period of three months, which can be extended, if the conditions are met, to 6 months in implementation of the “COVID-19 grace period for consumer credit” furthered by Assofin and to which the parent company adhered. This grace period, which initially ended on 30 September 2020, was reactivated until 31 March 2021.

Customers already classified in a difficult situation before the COVID-19 event, classified as high/medium risk and with a delay of no more than 90 days, were granted, again at the initiative of the Group, the same suspension of payments upon presentation of the documentation certifying the situation of difficulty following COVID-19.

For all customers who have adhered with the general grace period on payments, the reclassification of the exposure as forborne (performing or non-performing) was not activated unless the exposure had already been classified as forborne at the time of application of the grace period. (EBA/GL/2020/02 and subsequent related measures, for which reference is made to the notes to the financial statements, Section A Accounting Policies).

During the observation period, given the evolution of the economic context and the forecasts of a reduction of the domestic GDP following the prolonged lock-down, a worsening of the measurement metrics of losses, profitability and IT fraud related to extended use of remote technologies was hypothesised. The bank has therefore activated, in collaboration with the Spanish parent company, the weekly monitoring of the RAS indicators approved by the Board of Directors, providing both the “actual” figure and the forecast figure in order to anticipate possible overrun events. The monitoring highlighted only the exceeding of the alert threshold of the metric that measures the bank’s profitability with respect to the assigned budget. The overrun was assessed as normal following the period of suspension of activities and with a forecast return to the threshold in the second half of the year.

The effects of the pandemic on economic results, activities and risk profile

The main management and accounting aspects relating to the emergency are reported below:

- During the year, requests were received for the suspension of loan instalments from 45,913 customers at group level (of which 33,729 customers of the parent company); for these requests, grace periods were granted to 38,752 customers (of which 26,568 customers of the parent company). At 31 December 2020, the positions subject to suspension amounted to 219.7 million for total gross receivables at group level (of which 65.5 million pertaining to the parent company). In respect of the granted extension requests, extension interest was recorded, recognised according to the amortised cost approach.
- During the year, the subsidiary Banca PSA disbursed 5 medium-term loans covered by a state guarantee for 90% of the amount disbursed, in line with the provisions of the Italian “Liquidity” Decree Law of August 2020. At the end of the year, a total amount of Euro 2.5 million was recorded.
- For the purposes of calculating impairment losses on loans and receivables, a non-IFRS 9 overlay adjustment was approved at consolidated level for a total of Euro 22.3 million, of which Euro 12 million pertaining to the parent company and Euro 10.3 million to the subsidiary Banca PSA. The advance is partly due to those contracts subject to a grace period (consumer loans) with more than “zero Days Past Due” (DPD) at the date of formalisation of the measure and partly to the worsening of the macroeconomic scenario.
- For the purposes of the valuation of the equity investment in the subsidiary Banca PSA and the newly-established TIMFin S.p.A., no particular aspects are identified that could pin point any need for impairment of the equity investment.
- For the purposes of the recognition of deferred tax assets, it should be noted that they are represented almost entirely by the DTAs of the parent company deriving from the write-down of receivables, which are convertible into tax credits. The remaining portion is recognised based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12. With reference to this assumption, there are no particular aspects that could change the probability of future recovery of deferred tax assets, considering the amount and the income prospects of the Group as per the latest plan drawn up that takes into account the aspects known to date of the COVID-19 health emergency.

- For the purposes of assessing the going concern assumption, despite the uncertainties linked to the COVID-19 health emergency, the Group reasonably expects to continue with its operational existence in the foreseeable future and has therefore prepared the financial statements on a going concern basis.

Financial Management - The macroeconomic scenario and the financial markets

The main political, economic and social events that characterised 2020 are summarised below.

The European geopolitical context was strongly characterised by the negotiations between the United Kingdom and the European Union for the definition of an agreement that enshrined, at the end of the year, the United Kingdom's exit from the European Union. The Prime Minister, Boris Johnson, led the approval process that, at the end of the transition period, thus brought to completion the outcome of the consultative referendum that, in 2016, saw the pro-Brexit positions prevail over pro-European positions.

On the US front, there was a heated election campaign for the Presidential elections between the Democratic and the Republican front. The outcome of the vote, held in November, resulted in the victory of the Democratic candidate, Joe Biden, in office from January 2021.

At the socio-economic level, 2020 was strongly characterised by the COVID-19 pandemic, which resulted in a sudden global recession.

If in January and February the negative effects were concentrated in China and affected the rest of the world, especially through trade, between February and March the epidemic spread to Europe and the United States, and subsequently to emerging countries.

Almost all Western countries affected by the virus have had to adopt containment measures based on social distancing, the closure of many non-essential commercial activities and restrictions on the mobility of citizens.

In Europe, the impact was significant starting from March, first in Italy and then in the rest of the continent, reaching its peak in April. Therefore, the GDP of European countries slowed down in the Spring, accelerated in the Summer in conjunction with a slowdown in contagion and a consequent relaxation of containment measures. Starting from the Autumn, the spread of a second pandemic wave has again led to counter measures that inevitably contributed to slowing down the GDP trend once again.

An element of optimism was brought about towards the end of the year by the start of the vaccination campaign in the United States, in the United Kingdom and finally in Europe. In the plans of the latter, coverage should hopefully reach 70% of the continent's population by the summer of 2021.

The considerable uncertainty over the prospects of the pandemic had repercussions, especially in the first few months, on the financial markets with marked decreases in share prices and, on the bond markets, an increase in risk premiums on both sovereign and corporate issuers.

The various European countries have announced massive support plans for some economic sectors particularly penalised by the spread of the contagion. The expansive policies of governments were supported by more far reaching plans by the European Union, which made available an unprecedented stimulus package to rebuild Europe after the pandemic. This package takes the form of the allocation of substantial resources (around Euro 1,800 billion) with the long-term budget of the European Union and with temporary initiatives such as NextGenerationEU. In addition, a credit line of the ESM (European Stability Mechanism) entitled PCS was set up, which can reach up to 2% of the GDP of each member state; a fund (SURE) was set aside for the refinancing of employment support programs.

The European Central Bank’s response was also decisive and impressive: significant measures were introduced to combat the so-called economic contagion by encouraging the use of credit by companies and households and supporting banks to ensure an adequate level of liquidity. The increase in purchases of government bonds through the existing Asset Purchase Program and the introduction of the Pandemic Emergency Purchase Program (PEPP) with a ceiling of around Euro 750 billion, made it possible to squeeze the spreads of government issues. Among others, Italy benefited from this, with the spread towards the German Bund falling from more than 300 basis points during the first wave of the pandemic to 120 basis points at the end of 2020, among the lowest values since the 2018 elections.

In terms of supporting banks and with the aim of avoiding a pro-cyclical reaction of bank credit, the following should be noted: more favourable conditions on long-term refinancing programs (TLTRO); the introduction of a new liquidity instrument (PELTRO); the extension of the range of assets eligible as collateral.

The GDP of the various European countries underwent a generalised decrease; with reference to Italy, the drop was approximately 10%. This reduction was mainly concentrated in the second quarter of the year, coinciding with the more restrictive rules imposed by the lock-down.

Finally, interest rates were affected the recessive expectations that the pandemic necessarily implied. The up-trend observed in the first weeks of 2020 followed by a prolonged decrease: the interbank rates of the Eurozone therefore reached their all-time low, abundantly in the negative area on maturities up to the medium term.

The financial management of the Group

The financial management of the Santander Consumer Bank Group is based on the sharing of guidelines and objectives set by the Parent Company Santander Consumer Bank that reflect the strategy of the Santander Consumer Finance S.A. Group.

Banca PSA Italia is also supervised and coordinated by Santander Consumer Bank in terms of funding and enjoys decision-making and operational autonomy in compliance with the assigned limits.

The financial management of Santander Consumer Bank

With reference to collection, at the end of 2020 Santander Consumer Bank had net debt of Euro 6,290 million (+11.8% compared to the previous year).

This debt is mainly composed of structured funding, Group funding and deposits from customers.

At 31 December 2020, the amount resulting from participation in ECB auctions rose to Euro 2,549 million (TLTRO-II and TLTRO-III), as a result of the participation in TLTRO-III. The Bank finalised two new securitisation transactions as both originator and subscriber. These transactions were included in the collateral eligible for TLTRO. In addition to its own securitisations, SCB is using a pool of loans (ABACO) and Italian government bonds as collateral.

Finally, in December 2020, the Bank finalised a repurchase transaction, with a duration of less than one months, for an amount of Euro 50 million with an institutional investor, for the purpose of optimising the availability of collateral towards year end.

Medium- to long-term liabilities include loans granted by the Spanish Parent Company, subordinated loans and non-preferred senior units subscribed by Santander Consumer Group companies and by the Santander Group. The Spanish parent company also provides short-term liabilities.

The increase in customer deposits was smaller compared with the previous year, from approximately Euro 1,211 million at the end of 2019 to approximately Euro 1,241 million at December 2020. Further details on funding results are provided in the Deposit accounts section of the separate financial statements.

The cost of funding decreased in 2020 as a result of the use of more economic forms of financing and the reduction of interest rates and spreads paid.

Lastly, the Parent Company holds a portfolio of highly liquid securities, also aimed at complying with the regulatory requirements of short-term liquidity: this portfolio, consisting of Italian government bonds, included in the “held to collect” business model, amounted to Euro 1,225 million at the end of 2020.

The financial management of Banca PSA

Intercompany loans are Banca PSA’s main source of financing. During the year, the Bank met part of its financing needs from external sources in accordance with the strategy agreed with the Spanish Parent Company.

In terms of the structure of financing sources, there was an increase of 1.7% in deposits from banks to sustain the growth in assets, while the deposits from customers, mainly represented by compensation accounts with dealers and time deposit accounts, decreased by 47% while the liabilities fell by 24.6%.

During 2020, a new securitisation (self-securitisation) of a loan portfolio for Euro 490 million with a rump-up clause of up to Euro 850 million and a two-year revolving period was achieved in July, as well as participation in the new TLTRO III program for a total of Euro 799 million, of which Euro 609 million obtained in 2020 using the 2019 and 2020 securitisation notes as collateral. Lastly, the allocation to reserves of the entire 2019 profit of Euro 55.2 million took place.

Other facts worth mentioning

With regard to the main risks and uncertainties to which the Group is exposed, in accordance with the provisions of art. 2428 of the Italian Civil Code, it should be noted that the Group’s operating results, balance sheet and cash flows could be influenced by the general macro-economic framework and by financial market trends and the performance of the reference sector, as described in detail previously.

With regard to the information required by the Italian Civil Code on the Group’s objectives and policies in financial risk management, as per paragraph 6-bis of art. 2428 of the Italian Civil Code, as well as in relation to the use of financial instruments, for a detailed analysis reference should be made to Part E of the Notes to the separate and consolidated financial statements.

Group companies operate in full managerial autonomy in accordance with the strategic and operational guidelines issued by the Parent Company Santander Consumer Finance S.A., which carries out management and coordination pursuant to art. 2497 bis of the Italian Civil Code and art. 23 of Italian Legislative Decree no. 385 of 1 September 1993, as updated to incorporate the amendments introduced by Italian Legislative Decree no. 223 of 14 November 2016.

Management and coordination generally produce positive effects on the business and its results, as they permit economies of scale by using professional skills and specialised services with continuous improvements in quality, allowing the Bank to focus its resources on managing the core business.

The Notes are supplemented by an appendix that summarises the key figures from the latest approved financial statements of the entity that carries out management and coordination (Santander Consumer Finance S.A.); the Parent Company Santander Consumer Bank does not own any treasury shares either directly or through trust companies or nominees.

In the course of financial year 2020, no activities were performed that qualified as research and development at the time of writing this report.

Given the nature of its activity, the Group has not caused any environmental damage nor is it likely to ever cause environmental damage. In order to further reduce this impact, note that these financial statements will only be available in an electronic format, with the exception of copies that have been filed in accordance with the law.

Related party disclosures are provided in the Notes accompanying the main balance sheet and income statement items that are affected, as well as in Part H, which is specifically on related-party transactions. This information is considered exhaustive with respect to the requirements of art. 2428 of the Italian Civil Code and IAS 24.

All transactions with related parties are carried out at arm's length, taking into account the quality and type of services rendered.

Lastly, note that no transactions have been carried out with persons other than related parties, that could be considered atypical or unusual, outside the normal course of business or that would significantly impact on the economic and financial position of Santander Consumer Bank or its Group.

With regard to the going-concern assumption, note that in accordance with the instructions provided in Document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, regarding "Information to be provided in financial reports on impairment tests, on debt covenants, on debt restructuring and on the fair value hierarchy", which makes reference to the corresponding document no. 2, again issued jointly by these three Authorities on 6 February 2009, the Group has a reasonable expectation that it will remain in operation for the foreseeable future and has therefore prepared its financial statements on a going-concern basis.

On 4 December 2019, Bank of Italy sent banking intermediaries a communication outlining the operational guidelines to be followed subsequent to the recent judgment by the Court of Justice of the European Union[9], which expressed itself on the merits of the interpretation of art. 16 paragraph 1 of Directive 2008/48/CE, on the issue of consumer credit and the early redemption of loans. Santander Consumer Bank has implemented the necessary action for the assimilation of these guidelines; in fact, the Bank, after estimating in the 2019 financial statements the impacts deriving from the new calculation methods to be applied when requesting the early settlement on the existing portfolio, in accordance with IAS 37, adjusted its own accounting model based on the above-mentioned repayment methods on the new disbursements.

With reference to the COVID-19 emergency, with regard to the assessments carried out by the Group for the management of this emergency, please refer to the matters illustrated in Part A - Section 5 "Other aspects", "Risks, uncertainties and impacts of the COVID-19 epidemic" paragraph.

Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. The draft financial statements therefore reflect all events that affected the Group's operations in 2020.

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Reconciliation of the Parent Company's shareholders' equity and net income (loss) with Group consolidated shareholders' equity and net income (loss)

	Shareholders' equity	of which: Result at 12/31/2020
Balances of the Parent Company at 12/31/2020	**968,232,809**	**70,646,347**
Effect of consolidation of subsidiaries	98,354,750	28,286,198
Minority interests	253,495,851	28,612,916
Consolidated balances at 12/31/2020	**1,320,083,410**	**127,545,461**

[9] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 ("Lexitor")

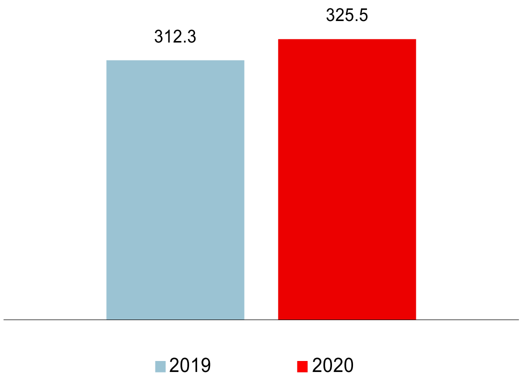
Comments on the results and key figures in the consolidated financial statements

The table shows the key economic and operating figures for the year, with comparative figures from the previous year (in millions of Euro).

Amounts in millions of Euro	2020	%	2019	%	Change	
					Amounts	%
Net investment margin	**325.5**	**3.0%**	**312.3**	**2.9%**	**13.2**	**4.2**
Net fee and commission	76.3	0.7%	74.3	0.7%	2.0	2.7
Profit or loss from insurance activities	0.0	0.0%	0.0	0.0%	0.0	--
Commercial margin	**401.8**	**3.7%**	**386.6**	**3.5%**	**15.2**	**3.9**
Dividends	0.0	0.0%	0.0	0.0%	0.0	--
Net income (loss) financial assets and liabilities held for trading and FV adjustment	(0.3)	0.0%	(1.4)	0.0%	1.1	(78.6)
Gains and losses on disposal of financial assets and liabilities	1.4	0.0%	17.0	0.2%	(15.6)	(91.8)
Net income (loss) on assets and liabilities measured at fair value	0.0	0.0%	0.0	0.0%	0.0	--
Operating income	**403.0**	**3.7%**	**402.3**	**3.7%**	**0.7**	**0.2**
other operating income (charges)	4.1	0.0%	24.1	0.2%	(20.0)	(83.0)
Administrative costs:	(142.0)	-1.3%	(158.3)	-1.4%	16.3	(10.3)
payroll costs	(56.9)	-0.5%	(63.1)	-0.6%	6.2	(9.8)
other administrative costs	(85.1)	-0.8%	(95.2)	-0.9%	10.1	(10.6)
Depreciation	(12.3)	-0.1%	(11.8)	-0.1%	(0.5)	4.2
Net operating margin	**252.8**	**2.3%**	**256.3**	**2.5%**	**(3.5)**	**(1.4)**
Impairment losses on financial assets	(63.1)	-0.6%	(28.9)	-0.3%	(34.2)	118.3
Profit/loss from contract changes without cancellation	(0.2)	0.0%	0.0	0.0%	(0.2)	--
Other provisions	(3.0)	-2.7%	(32.1)	-0.3%	29.1	(90.7)
Profit (Loss) on Equity investments	0.0	0.0%	0.0	0.0%	0.0	--
impairment on goodwill	0.0	0.0%	0.0	0.0%	0.0	--
Gain and losses on disposal on	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	--
Total profit or loss before tax	186.5	1.7%	195.3	1.8%	(8.8)	(4.5)
Tax	(59.0)	-0.5%	(60.3)	-0.6%	1.3	(2.2)
Net profit or loss	**127.5**	**1.2%**	**135.1**	**1.2%**	**(7.6)**	**(5.6)**
Consolidated income (loss) of the	**127.5**	**1.2%**	**135.1**	**1.2%**	**(7.6)**	**(5.6)**
Holdings income (loss) of the period	**98.9**	**0.9%**	**106.9**	**1.0%**	**(8.0)**	**(7.5)**

The year under review recorded an increase in the net interest margin for the Group (+4.2%), characterised by increasing interest income (+3.7%) with constant interest expense (-0.2%).

Net interest margin



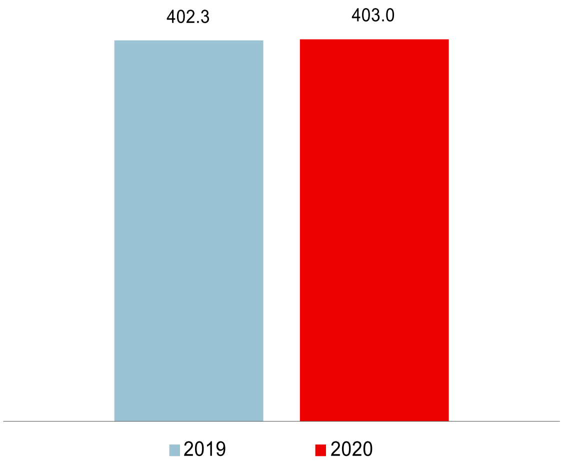
Net commission fees remained more or less stable, rising from Euro 74.3 million to Euro 76.3 million. Commission income linked to insurance products placed with customers financed by the Group decreased (-13.2%), as did commission expense (-33.3%).

Net trading income (loss) and the net hedging income respectively represent the effect of the decrease in fair value of hedging derivatives on the loans portfolio overall and of structured securitisation derivatives.

The item Gains on disposal or repurchase of loans represents the balance net of receivables sold to third parties without recourse following the sale of loans in November 2020 by the Parent Company.

The combination of the above mentioned effects led to an increase in the operating income (+0.2%), which goes from Euro 402.3 to Euro 403 million.

Operating income



Adjustments to loans and receivables disclosed a strong increase (+118.3%), from Euro 28.9 million to Euro 63.1 million. This change is due to the higher allocations made to portfolios due to the deterioration of the credit caused by the COVID-19 health emergency. The Parent Company took steps to recognise a non-IFRS 9 overlay adjustment at consolidated level for a total of Euro 22.3 million, of which Euro 12 million pertaining to the parent company and Euro 10.3 million to the subsidiary Banca PSA.

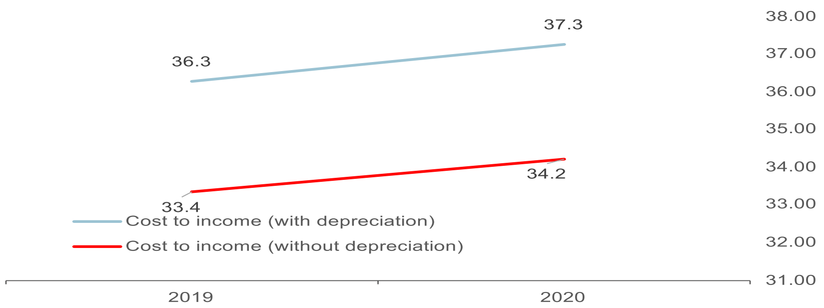
Administrative costs also decreased (-10.3%), from Euro 158.3 million to Euro 142.0 million, which include payroll costs (-9.8%) and overheads (-10.6%).

Net provisions for risks and charges recorded a decrease of more than 90% due to the 2019 allocations linked to the change in the repayment methods of charges paid in advance by customers in the event of early repayment.

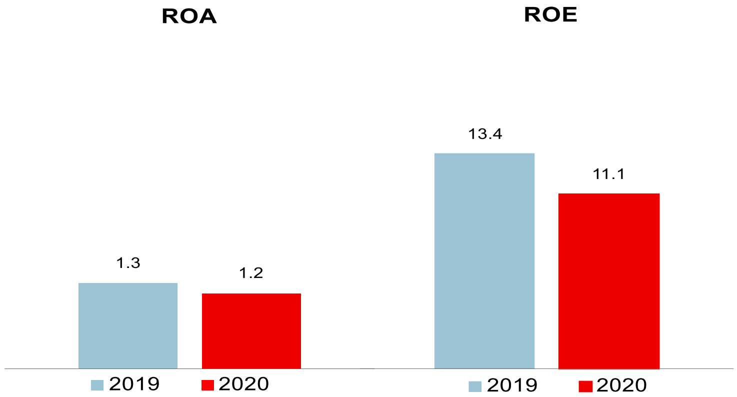
The item Other operating income (charges) shows a negative change due mainly to an increase in expenses related to lease transactions and to the inclusion of recoveries for preliminary costs in the calculation of the amortised cost made by the Parent Company starting from 2020, following the recent ruling by the Court of Justice of the European Union[10].

The above aspects led to a total profit or loss before tax of Euro 186.5 million and a net profit of Euro 127.5 million, of which Euro 98.9 million attributable to the Parent Company.

Cost to income

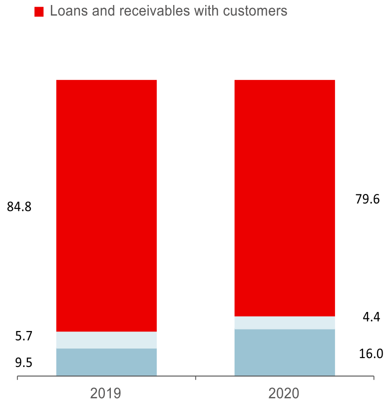


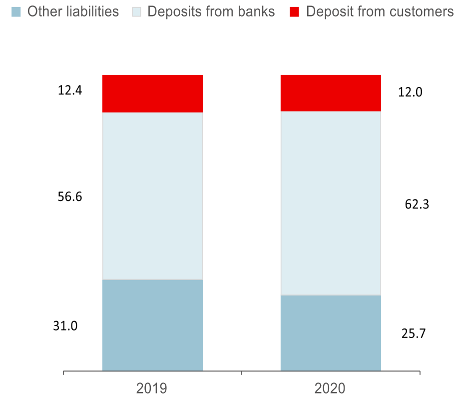
The cost-to-income ratio, calculated as the ratio between the sum of administrative costs and other net operating income records an increase from 33.4% to 34.2% excluding depreciation and amortisation, and from 36.3% to 37.3% including depreciation and amortisation.



As a result of the above mentioned trends, the profitability indicators decreased with respect to the previous year: the ROA (Return on Asset) stood at 1.2% in line with 2019, while the ROE (Return on Equity) fell to a value of 11.1%.

[10] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 ("Lexitor")





With regard to the breakdown of loans and advances to customers decreased by -2.0%. There was an increase in securities issued by the Italian Treasury Ministry (+189%) that have been classified, for the purpose of the computation of the regulatory LCR requirements, as high quality liquid assets or usable as collateral in the TLTRO transactions. Amounts due from credit institutions increased in absolute value and as a percentage of assets, many deriving from the subsidiary Banca PSA.

Regarding the structure of sources of funds, on the other hand, deposits from customers, consisting mainly of demand and time deposit accounts offered by the Parent Company, remained essentially in line with the previous year. Deposits from banks increased compared to the previous year, essentially the result of the use of the new TLTRO-III transactions combined with the review of the other sources of funds of the Group and third parties.

As regards the change in loans and advances to customers of the Group, the total decreased compared to the previous year (-2%). Analysing the details by product, there was a slight increase in Car loans (+1%), special-purpose loans (+6%), and leases (+20%), while there was a decrease in stock financing (-12%). Also down were salary-backed loans (-12%), personal loans (-5%) and credit cards (-17%).

It should be noted that the growth in the special-purpose loan segment is attributable to the agreement signed by the Parent Company with the leading Italian telephone company for the financing of the purchase of its products.

Amounts in millions of Euro	Amount		Change	
	2020	**2019**	**Absolute**	**(%)**
Car loan	4,718	4,657	61	1
Special-purpose loan	377	355	23	6
Personnel loan	597	625	(28)	(5)
Cards	4	5	(1)	(17)
Leasing	682	566	116	20
Salary assignment	1,193	1,361	(169)	(12)
Stock financing	1,437	1,626	(189)	(12)
Other loans to customers	2	5	(2)	(49)
Other components of amortised cost	98	102	(4)	(4)
Gross loans to customers	**9,107**	**9,301**	**(193)**	**(2)**
Provision for loan losses	(208)	(206)	(3)	1
Net loans to customers	**8,899**	**9,095**	**(196)**	**(2)**

Banca PSA Italia S.p.A.

The mission of Banca PSA Italia S.p.A., born from a partnership between Santander Consumer Bank S.p.A. and Banque PSA Finance SA, is to support the sale of cars and commercial vehicles produced by industrial partners, through the development of consumer credit activities, financial support to the dealer network, and credit facilities for the management of company fleets. The marketing policies used to meet the needs of consumers and the distribution network aim to provide a complete financial offering, starting from the development of the financial product and the services connected thereto, right up to its promotion and distribution on the market.

Banca PSA Italia develops and manages the products and the distribution processes relating to the main lines of business of the company: financing to the dealer networks and instalment loans/leasing to the end customer.

During 2020, the Bank disbursed loans for Euro 885.90 million, below the forecasts before the COVID-19 pandemic of 21.5%, with a decrease of 18% compared to the volumes produced during the previous year, with a particular drop in the Spring months when measures were adopted to combat the spread of the COVID-19 virus, such as the lock down of non-essential activities.

Loans granted by Banca PSA and intended for the purchase of new vehicles represented 34.6% (32.5% in 2019) of the PSA Group vehicles registered in 2020 (excluding Opel).

In terms of breakdown by product type, 82% of the year's lending relates to financing for the purchase of new vehicles, 11.1% to finance lease transactions, and the remaining 6.9% to financing for the purchase of second-hand vehicles.

As a result of the COVID-19 pandemic in 2020, the loan portfolio for Vehicle, Leases and Corporate Dealers loans, gross of adjusting provisions, fell by 2.4% and stood at Euro 3,297 million (Euro 3,378 million in 2019) and has a breakdown as follows: Vehicle Loans 61.4%, Leases 9.9%, loans to Corporate Dealers for Stock Financing transactions 28.7% (the decrease of 21% for the latter product compared to the previous year was linked to the resurgence of the pandemic in the last quarter of the year).

The Company, in this fifth year of activity, saw an improvement in all indicators, economic and financial, due to the profitability of new production, good credit quality and the containment of costs.

2020 closed with a net profit of Euro 57.4 million and an increase with respect to 2019 of 3.9% (2019 net profit Euro 55.2 million).

This result was generated by the average net loan portfolio of Euro 3,226 million, which, together with the sale of ancillary services, contributed with an average profitability of 3.67% (an increase of 4 percentage points compared to 2019).

PSA Renting Italia S.p.A.

The company operates in the field of long-term rental of vehicles hired through the Peugeot, Citroen and DS networks of Dealers, through the channel of direct sales to medium and large enterprises.

The Company is controlled by Banca PSA Italia S.p.A. and is subject to management and coordination by Santander Consumer Bank S.p.A.

The Company operates within the guidelines established annually by the Parent Company as reflected in the budget for the year approved by Banca PSA Italia S.p.A. During the year, no transactions were completed, as expressly desired by the Parent Company, that led to economic effects other than those normally feasible within the scope of business activities.

In 2020, the growth trend of PSA Renting was confirmed, with an increase of 18% compared to 2019. The growth concerned all distribution channels without distinction, with the exception of the Rent to Rent channel, which, heavily related to Short-Term Rental, particularly suffered from restrictions on mobility, and the direct channel. Of note is the significant growth in lease contracts marketed through the dealer network (+58%).

2020 also marked the beginning of the marketing of electric vehicles and new generation plug-in hybrids and F2ML, which represents a fundamental tool for the development of this type of engine. In 2020, lease contracts relating to these new types of engines represented 25.5% of total production.

The increase in the average sale price of the PSA range, also determined by the aforementioned marketing of the new Plug-in Hybrid and Electric engines, entails a significant increase in the average capital disbursed, which in 2020 stood at Euro 20.3 thousand (+15% compared to 2019). Lastly, the decrease in rent-to-rent contracts led to an increase in the average duration, which stood at 29.3 months in 2020 against 27.0 months in 2019.

Revenues from production, reported in the separate financial statements provided by the company, amounted to Euro 57.6 million in total and are essentially made up of lease payments received from customers as well as including recoveries of expenses on insurance contracts and revenues linked to maintenance and guarantee extension services. The costs for services amounted to a total of Euro 23.5 million and are mainly represented by costs incurred for the acquisition of services provided to the customers, maintenance costs and vehicle related taxes. There was an increase in depreciation costs of 75% in proportion to the increase in the fleet of vehicles on the road.

The 2021 Budget includes a substantial increase in volumes (+22.0% compared to 2020) essentially linked to the optimisation of the overall offer in coordination with the automotive brand PSA, to the strengthening the offer through the direct channel and the capillary diffusion of Free2Move Lease products on the Citroen, DS and Peugeot dealer networks.

TIMFin S.p.A.

In November 2019 Santander Consumer Bank SpA and TIM SpA signed an agreement to form a joint venture, which will offer consumer credit services to the TIM's customers in Italy. The initial objective is to offer loans for the purchase of terminals through instalments loans and, at a later stage, other consumer credit and insurance products. After signing the agreements between Santander Consumer Bank and TIM for the launch of the partnership, on 19 February 2020 the corporate joint venture, TIM-SCB JV S.p.A., was established with a 51% shareholding for SCB and 49% for TIM, registered in the Turin Companies' Register. On 3 November 2020, the company received the authorisation from the Bank of Italy to carry out the granting loans to the public pursuant to arts.106 et seq. of the Consolidated Banking Act.

In the last few months of 2020 and at the beginning of 2021, a number of corporate transfers were therefore completed, including the completion of the statutory process for the approval of the article of association amendments concerning, among other things, the change of company name from TIM-SCB JV S.p.A. to TIMFin S.p.A., the updating of the corporate purpose, the completion of the share capital increase and the subsequent subscription by the shareholders, which allowed the Company, on 14 January 2021, to be enrolled in the Register of Financial Intermediaries pursuant to art. 106 of the Consolidated Banking Act and start the operating activity of granting loans in February 2021.

Since this is a non-operating company, the first financial year, between 19 February and 31 December 2020, shows only the start-up costs in the income statement.

Other aspects

Pursuant to art. 6 of Italian Legislative Decree no. 254 of 30 December 2016, which transposes European Directive 2014/95/EU, concerning the reporting of non-financial information, the Santander Consumer Bank Group, while remaining within the scope of application of the Decree, as a public-interest entity in possession of the size and capital requirements, benefits from the exemption provided for by the abovementioned article. Non-financial information is therefore not reported since it is prepared by the parent company Banco Santander, subject to the same regulatory obligations.

Santander Consumer Bank

Auditors' Report on the consolidated financial statements at 31 December 2020

Independent Auditors’ Report on the consolidated financial statements at 31 December 2020

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Independent auditor’s report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Sole Shareholder of
Santander Consumer Bank SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Santander Consumer Bank Group (hereinafter, also, “the Group”), which comprise the consolidated balance sheet as of 31 December 2020, the consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders’ equity, consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Santander Consumer Bank SpA (hereinafter, also, “the Company”) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of loans and advances to customers for loans measured at amortised cost *Report on group operations:* *Handling of Covid-19 health emergency* *The effects of the pandemic on economic results, activities and risk profile* *Comments on the results and key figures in the consolidated financial statements* *Notes to the consolidated financial statements:* *Part A – Accounting policies* *Part B – Information on the consolidated balance sheet, Assets - Section 4* *Part C – Information on the consolidated income statement, Section 8* *Part E – Information on risks and related hedging policies* Loans and advances to customersfor loans, which at 31 December 2020 represented a considerable share of item 40 b) *"Financial assets measured at amortised cost – Loans and advances to customers"*, show a balance of Euro 8,900 million, accounting for about 80 per cent of total assets in the consolidated financial statements. The net losses on credit risk relating to loans and advances to customers for loans, charged during the year, amount to Euro 63 million and represent the best estimate made by the directors in order to reflect the expected credit losses (ECL) on the loan portfolio at the balance sheet date. We focused our attention on the evaluation of these loans as part of our audit work, considering the significance of their book value, as well as the complexity of the evaluation processes and methods. Estimation processes require the use of significant assumptions for the review of the significant increase in credit risk (SICR), for the allocation of the portfolio to the various risk stages (Staging), for the elaboration and determination of the risk parameters underlying the ECL calculation, as well as in relation to the loans subject to an individual evaluation, for the estimate of the	In performing our audit, we took into consideration the internal control system relevant to the preparation of the consolidated financial statements; in order to define appropriate audit procedures in the circumstances, we also took into account the current exceptional macroeconomic scenario due to the Covid-19 health emergency. Specifically, in order to address this key audit matter, we carried out the following main activities, also with the support of PwC network experts: • Analysing the adequacy of the IT environment and review of the operational efficacy of the relevant controls overseeing the IT systems and applications used; • Understanding and evaluating the design of the relevant controls within the monitoring, classification and valuation of loans and verifying the operational effectiveness of such controls; • Understanding and verifying the reasonableness of the policies, procedures and models used to measure the SICR and Staging allocation and to determine the ECL, both on a collective and individual basis. Special attention was paid to the counterparties who applied for and benefitted from economy support measures from the Government and linked to initiatives promoted by industry associations or by the Company (typically moratoria) in the aftermath of the Covid-19 health emergency; • Understanding and verifying the methods to determine and estimate the main parameters used as part of these models; in particular, as the method for the base calculation of the expected credit losses was unchanged, attention was paid on checking the reasonableness of the information and assumptions used in defining adjustments to the base calculation of the ECL model (*overlay*), with reference to the estimate of the PD *(Probability of Default)* and LGD *(Loss Given Default)* risk parameters, in order to reflect the increased risk due to the current Covid-19 health emergency; • Examining the sensitivity analyses

expected future cash flows, related timing of recovery and value of realisation of the guarantees, if any. In the reporting period, these estimation processes were far more complex considering the current exceptional macroeconomic scenario linked to the Covid-19 health emergency, which required, as stressed in the Supervisory Authorities' communications, an update of the processes and methods of evaluation of loans, in addition to adjustments to the ECL calculation model (*overlay*) in order to reflect the increased credit risk in the present scenario due to the Covid-19 health emergency, considering the choice not to modify the base calculation method to measure expected credit losses agreed upon with the Spanish parent company.	performed by the Company on the expected credit losses measured through overlay; • Verifying the completeness and accuracy of the data bases used for ECL calculation purposes; • Verifying, on a sample basis, with reference to the significant part of the loan portfolio valued on a collective basis, the reasonableness of the classification among performing loans *(Stages 1 and 2)* and among non-performing loans *(Stage 3)*, on the basis of available information about the debtor's status and other available evidence, in addition to the correct application and allocation of the PD, LGD and EAD (Exposure At Default) risk parameters and the accuracy of the ECL calculation formula. On loans valued on an individual basis, specific analyses were carried out regarding the reasonableness of the assumptions about the identification and quantification of the expected future cash flows from the internal recovery activities, about the evaluation of the guarantees backing these exposures and the estimate of their recovery times; • Examining the completeness and adequacy of the disclosures provided in the notes to the consolidated financial statements in accordance with the applicable international financial reporting standards and regulatory framework, as well as with the communications issued by the Supervisory Authorities in the aftermath of the Covid-19 health emergency.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Santander Consumer Bank SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 30 March 2016, the shareholders of Santander Consumer Bank SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of Santander Consumer Bank SpA are responsible for preparing a report on operations of the Santander Consumer Group as of 31 December 2020, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Santander Consumer Bank Group as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Santander Consumer Bank Group as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from preparing the non-financial statement

As set out in the report on operations, the directors of Santander Consumer Bank SpA opted for the exemption from preparing the non-financial statement pursuant to article 6, para. 2, of Legislative Decree No. 254 of 30 December 2016.

Rome, 16 March 2021

PricewaterhouseCoopers SpA

Signed by

Lorenzo Bellilli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Consolidated financial statements

Consolidated Balance Sheet

In Euro

	Balance sheets - Assets	12/31/2020	12/31/2019
10.	Cash and cash balances	5,184	9,118
20.	Financial assets designated at fair value through profit or loss	2,976,014	4,619,326
	a) Financial assets held for trading	2,976,014	4,619,326
40.	Financial assets measured at amortised cost	10,665,533,288	10,150,250,932
	a) Loans and advances to banks	488,962,151	613,362,897
	b) Loans and advances to customers	10,176,571,137	9,536,888,035
60.	Changes in fair value of portfolio hedged items (+/-)	9,279,554	8,543,837
90.	Property, plant and equipment	21,538,308	21,745,673
100.	Intangible assets	26,099,970	16,412,311
110.	Tax assets	259,405,571	272,838,478
	a) current	73,058,418	57,593,467
	b) deferred	186,347,153	215,245,011
130.	Other assets	189,432,584	249,915,291
	Total Assets	**11,174,270,473**	**10,724,334,966**

	Liabilities and Shareholders' equity	12/31/2020	12/31/2019
10.	Financial liabilities valued at amortised cost	9,498,991,692	9,000,228,617
	a) Deposits from banks	6,961,659,275	6,074,661,448
	b) Deposits from customers	1,337,849,477	1,324,520,225
	c) Debt securities in issue	1,199,482,940	1,601,046,944
20.	Financial liabilities held for trading	3,204,990	5,098,854
40.	Hedging derivatives	11,908,410	10,909,464
60.	Tax liabilities	35,506,737	78,457,792
	a) current	34,909,666	77,771,286
	b) deferred	597,071	686,506
80.	Other liabilities	275,606,997	393,694,906
90.	Provision for employee severance pay	4,426,093	4,246,411
100.	Provisions for risks and charges	24,542,144	41,983,498
	a) commitments and guarantees given	54,348	46,223
	c) other	24,487,796	41,937,275
120.	Valuation reserves	(571,367)	(485,663)
150.	Reserves	394,593,795	287,730,198
160.	Share premium	632,586	632,586
170.	Share capital	573,000,000	573,000,000
190.	Minorities shareholders’ equity (+/-)	253,495,851	221,974,705
200.	Net Profit (Loss) for the year (+/-)	98,932,545	106,863,598
	Total liabilities and Shareholders' Equity	**11,174,270,473**	**10,724,334,966**

Consolidated Income Statement

In Euro

	Items	12/31/2020	12/31/2019
10.	Interest and similar income	370,258,182	356,995,354
	of which: interest income calculated using the effective interest method	353,819,203	353,499,719
20.	Interest expenses and similar charges	(44,737,095)	(44,669,389)
30.	**Net interest margin**	**325,521,087**	**312,325,965**
40.	Fee and commission income	115,510,147	133,089,112
50.	Fee and commission expenses	(39,193,934)	(58,805,019)
60.	**Net fee and commission**	**76,316,213**	**74,284,093**
80.	Net income financial assets and liabilities held for trading	9,980	(218,742)
90.	Net hedging gains (losses) on hedge accounting	(272,650)	(1,173,563)
100.	Gains and losses on disposal of:	1,416,658	17,036,921
	a) financial assets at amortised cost	1,416,658	17,036,921
120.	**Operating income**	**402,991,288**	**402,254,674**
130.	Net losses / recoveries on credit risk relating to	(63,059,761)	(28,854,489)
	a) financial assets at amortised cost	(63,059,761)	(28,854,489)
140.	Profit/loss from contract changes without cancellation	(188,038)	-
150.	**Net profit from financial activities**	**339,743,489**	**373,400,185**
180.	**Net profit from financial and insurance activities**	**339,743,489**	**373,400,185**
190.	Administrative costs:	(142,040,695)	(158,313,098)
	a) payroll costs	(56,914,246)	(63,142,883)
	b) other administrative costs	(85,126,449)	(95,170,215)
200.	Net provisions for risks and charges	(3,016,988)	(32,099,739)
	a) commitments and financial guarantees given	(8,125)	42,542
	b) other net provisions	(3,008,863)	(32,142,281)
210.	Net adjustments / writebacks on property, plant and equipment	(5,271,927)	(5,205,797)
220.	Net adjustments / writebacks on intangible assets	(6,993,859)	(6,576,260)
230.	Other operating income/expenses	4,128,716	24,133,475
240.	**Operating costs**	**(153,194,753)**	**(178,061,419)**
290.	**Total profit or loss before tax from continuing operations**	**186,548,736**	**195,338,766**
300.	Tax income of the year from continuing operations	(59,003,275)	(60,270,824)
310.	**Total profit or loss after tax from continuing operation**	**127,545,461**	**135,067,942**
330.	**Profit or loss for the year**	**127,545,461**	**135,067,942**
340.	Minority profit (loss) of the year	28,612,916	28,204,344
350.	**Parent Company's profit (loss) of the year**	**98,932,545**	**106,863,598**

Statement of Consolidated Comprehensive Income

In Euro

	Items	12/31/2020	12/31/2019
10.	**Net Profit (Loss) for the year**	**127,545,461**	**135,067,942**
70.	Defined benefit plans	(117,474)	(119,191)
170.	**Total other income components after tax**	**(117,474)**	**(119,191)**
180.	**Overall profitability (Item 10 + 170)**	**127,427,987**	**134,948,751**
190.	**Minority consolidated other comprehensive income**	28,581,146	28,161,392
200.	**Parent Company's consolidated other comprehensive income**	**98,846,841**	**106,787,359**

Statement of changes in Consolidated Shareholders' Equity

In Euro

Financial year 2020

			Allocation of prior year results		Changes during the year										
						Transactions on shareholders' equity									
	Balance at 12.31.2019	Balance at 1.1.2020	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes of ownership interesrs	Comprehensive income for 2020	Group shareholders' equity at 12.31.2020	Minority interests at 12.31.2020
Share capital:	**643,154,500**	**643,154,500**										**2,940,000**		**573,000,000**	**73,094,500**
a) ordinary shares	643,154,500	643,154,500										2,940,000		573,000,000	73,094,500
b) other shares															
Share premium reserve	**12,404,771**	**12,404,771**												**632,586**	**11,772,185**
Reserves:	**399,427,143**	**399,427,143**	**135,067,942**											**394,593,795**	**139,901,290**
a) retained earnings	286,886,831	286,886,831	135,067,942											354,681,108	67,273,665
b) other	112,540,312	112,540,312												39,912,687	72,627,625
Valuation reserves	**(338,933)**	**(338,933)**											**(117,474)**	**(571,367)**	**114,960**
Equity instruments															
Treasury shares															
Net profit (loss) for the period	**135,067,942**	**135,067,942**	**(135,067,942)**										**127,545,461**	**98,932,545**	**28,612,916**
Shareholders' equity	**967,740,719**	**967,740,719**											**98,846,841**	**1,066,587,559**	
Minorities interests	**221,974,705**	**221,974,705**										**2,940,000**	**28,581,146**		**253,495,851**

Financial year 2019

				Allocation of prior year results		Changes during the year										
							Transactions on shareholders' equity									
	Balance at 12.31.2018	Changes in opening balances	Balance at 1.1.2019	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes of ownership interesrs	Comprehensive income for 2019	Group shareholders' equity at 12.31.2019	Minority interests at 12.31.2019
Share capital:	**643,154,500**		**643,154,500**												**573,000,000**	**70,154,500**
a) ordinary shares	643,154,500		643,154,500												573,000,000	70,154,500
b) other shares																
Share premium reserve	**12,404,771**		**12,404,771**												**632,586**	**11,772,185**
Reserves:	**255,930,045**		**255,930,045**	**113,497,098**									**30,000,000**		**287,730,198**	**111,696,945**
a) retained earnings	172,915,227	474,506	173,389,733	113,497,098											247,817,511	39,069,320
b) other	83,014,818	(474,506)	82,540,312										30,000,000		39,912,687	72,627,625
Valuation reserves	**(219,742)**		**(219,742)**											(119,191)	**(485,663)**	**146,730**
Equity instruments																
Treasury shares																
Net profit (loss) for the period	**117,173,301**		**117,173,301**	**(113,497,098)**	**(3,676,203)**									**135,067,942**	**106,863,598**	**28,204,344**
Shareholders' equity	**860,953,359**		**860,953,359**											**106,787,359**	**967,740,719**	
Minorities interests	**167,489,515**		**167,489,515**		**(3,676,203)**								**30,000,000**	**28,161,392**		**221,974,705**

Consolidated Cash Flow Statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount 12/31/2020	Amount 12/31/2019
1. Liquidity generated from operations	**165,301,756**	**220,530,191**
- net profit for the year (+/-)	127,545,460	135,067,942
- net gains/losses on financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss (+/-)	(247,036)	(37,654)
- gains (losses) from hedging activities (+/-)	272,650	1,173,563
- net adjustments for credit risk (+/-)	63,916,069	29,755,174
- impairment/recoveries to property and equipment and intangible assets (+/-)	12,262,764	11,776,175
- net provisions for risks and charges and other costs/income (+/-)	(18,865,259)	29,686,817
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	16,188,790	48,289,356
- impairment/recoveries to disposal groups net of tax effect (-/+)	13,482	5,881
- other adjustments (+/-)	(35,785,165)	(35,187,063)
2. Liquidity generated/absorbed by financial assets	**(597,070,597)**	**(1,010,241,499)**
- financial assets held for trading	734,521	(677,630)
- financial assets designated at fair value through profit and loss		
- financial assets mandatorily designated at fair value		
- financial assets measured at amortized cost	(642,290,714)	(1,001,436,038)
- other assets	44,485,596	(8,127,830)
3. Liquidity generated/absorbed by financial liabilities	**448,559,094**	**771,160,090**
- financial liabilities measured at amortized cost	539,825,236	813,641,726
- financial liabilities held for trading	(2,088,754)	144,266
- financial liabilities designated at fair value through profit and loss		
- other liabilities	(89,177,388)	(42,625,902)
Net liquidity generated/absorbed by operating activities	**16,790,253**	**(18,551,218)**
B. INVESTING ACTIVITIES		
1. Liquidity generated by		326,661
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment		326,661
- sale of intangible assets		
- sale of lines of business		
2.Liquidity absorbed by	**(19,734,186)**	**(8,091,892)**
- purchase of equity investments		
- purchase of property and equipment	(3,052,670)	(766,327)
- purchase of intangible assets	(16,681,517)	(7,325,565)
- purchase of lines of business		
Net liquidity generated/absorbed by investing activities	**(19,734,186)**	**(7,765,231)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments	2,940,000	30,000,000
- dividends distributed and other allocations		(3,676,203)
- sale/purchase of minority control		
Net cash generated/absorbed by financing activities	**2,940,000**	**26,323,797**
NET CASH GENERATED/ABSORBED IN THE YEAR	**(3,933)**	**7,348**

Key:

(+) generated

(-) absorbed

Reconciliation

Items	Amount	Amount
	12/31/2020	12/31/2019
Cash and cash equivalents at beginning of year	9,118	1,769
Net increase (decrease) in cash and cash equivalents	(3,933)	7,348
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	5,184	9,118

Notes to the Consolidated Financial Statements

Part A – Accounting policies

A.1 – General information

Section 1 – Declaration of compliance with International Financial Reporting Standards

Pursuant to Italian Legislative Decree no. 38 of 28 February 2005, the Consolidated Financial Statements of the Santander Consumer Bank Group have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.

The Consolidated Financial Statements at 31 December 2019 have been prepared in accordance with Circular no. 262/05 (hereinafter also the Circular) as subsequently amended by the 6th update of 30 November 2018 “Banks financial statements: layouts and preparation” issued by the Bank of Italy, in the exercise of the powers established by art. 9 of Italian Legislative Decree no. 38/2005 and with the Regulation of 22 December 2005. These Instructions establish binding rules governing the financial statements and how they are to be prepared, including the contents of the notes.

On 15 December 2020, the Bank of Italy published the Communication “Additions to the provisions of Circular No. 262, Bank financial statements: layout and preparation” concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS.

In preparing the financial statements the IAS/IFRS in force at 31 December 2020 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Section 2 – Basis of preparation

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders’ equity, cash flow statement and the notes to the financial statements and are also accompanied by the directors’ report on the operations, results and financial position of the Santander Consumer Bank Group.

In accordance with the provisions of art. 5 of Italian Legislative Decree no. 38/2005, the Financial Statements have been prepared using the Euro as the functional currency.

The amounts in the financial statements are expressed in Euro, whereas unless otherwise specified, those in the notes and the report on operations are expressed in thousands of Euro.

The Financial Statements are prepared in accordance with the general principles laid down in IAS 1 and the specific accounting standards endorsed by the European Commission, as described in Part A.2 of these Notes. In particular, these financial statements have been prepared on a going concern basis (IAS 1 para. 25 and para. 26), in accordance with the principle of accrual accounting (IAS 1 para. 27 and para. 28) and in compliance with the consistency of presentation and classification of items in the financial statements (IAS 1 para. 45). The assets and liabilities, income and expenses have not been offset unless required or permitted by a standard or interpretation (IAS 1 para. 32).

No exceptions have been made to the application of IAS/IFRS.

The following criteria were taken into account for the drafting of the financial statements:

a) *Going concern*

Assets, liabilities and off-balance sheet transactions are measured according to their function, since they are expected to continue in operation for the foreseeable future.

b) *Accrual principle*

Costs and revenues are recognised, irrespective of the moment in which the amount is paid/received, for the period over which they are accrued and in accordance with the matching criterion;

c) *Consistency of presentation*

Presentation and classification of the items are kept constant over time in order to guarantee the comparability of the information, unless their change is required by an International Accounting Standard or an Interpretation, or makes the representation of the values, in terms of significance and reliability, more appropriate. If a presentation or classification criterion is changed, the new one applies - where possible - retroactively; in this case, the nature and reason for the change are also indicated, as well as the items concerned. In the presentation and classification of the items, the formats prepared by the Bank of Italy by means of circular No. 262 of 22 December 2005 “Bank financial statements: layout and preparation” and subsequent amendments and additions, are adopted.

d) Aggregation and relevance

All groupings of items of a similar nature or function, unless they are insignificant, are shown separately;

e) Prohibition of offsetting

Assets and liabilities, costs and revenues are not offset against each other, unless this is required or permitted by an International Financial Reporting Standard or an interpretation or by the schedules and instructions drawn up by the Bank of Italy for the financial statements of banks;

f) Comparative information

Comparative information is shown by reporting, in addition to the figures for the reporting period, also the corresponding data for comparison reported at 31 December 2019.

The Report on Operations and the Notes provide the information required by International Accounting Standards, by Italian law and by the Bank of Italy, as well as other non-mandatory information considered necessary to give a true and fair view of the Group’s situation.

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts recognised in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities. The development of such estimates involves the use of available information and the adoption of subjective judgements based on past experience, which are used to formulate reasonable assumptions for recording corporate events. By their nature, the estimates and assumptions used can vary, which means that it cannot be excluded that in future periods the figures may differ significantly due to changes in the subjective judgements used.

The main situations in which management has to make subjective judgements include the following:

- the quantification of value adjustments on receivables and financial assets generally;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- assessing whether the value of intangible assets is fair;
- quantifying personnel provisions and provisions for risks and charges;
- making estimates and assumptions regarding the recoverability of deferred tax assets

The main interpretative and support documents for the application of the accounting standards in relation to the COVID-19 impacts, issued by the European regulatory and supervisory bodies and by the standard setters, are reported below.

The IFRS Foundation of 27 March 2020 published the document “IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic” in order to further the consistent and solid application of IFRS 9, highlighting the requirements within the standard that are relevant for companies and considering how the pandemic affects their accounting for Expected Credit Losses (ECL).

Both the assessment of SICRs and the measurement of ECL must be based on reasonable and demonstrable information that is available to an entity without excessive cost or effort. Entities are required to develop estimates based on the best information available on past events, current conditions and economic forecasts. In assessing the forecast conditions, both the effects of COVID-19 and the measures supporting the economy should be taken into account.

The European Central Bank (ECB) intervened with the following communications:

- on 20 March, the press release ECB Banking “Supervision provides further flexibility to banks in reaction to coronavirus” was published, providing indications on the classification and measurement of loans, clarifying that compliance with the grace period should not be envisaged as an automatic trigger of unlikely to pay. The ECB expressed also its opinion on the forward-looking IFRS 9 measurements, recommending that banks avoid excessively pro-cyclical assumptions in their models for estimating provisions.
- On 1 April 2020, the communication “IFRS 9 in the context of the coronavirus pandemic (COVID-19)” was sent to significant institutions, providing indications on and references to the use of forecasts in order to avoid excessively pro-cyclical assumptions in the processing of estimates of expected credit losses (ECL) during the COVID-19 pandemic focusing on the following points: collective measurement of the significant increase in credit risk (SICR), use of long-term macroeconomic forecasts and use of macroeconomic forecasts for specific years.
- On 4 December 2020, the communication “Identification and measurement of credit risk in the context of the coronavirus pandemic (COVID-19)” was sent to significant institutions, with particular regard to the policies and procedures for the management of credit risk: measurement and classification of contractual changes; periodic assessment of the unlikely-to-pay status of the debtors; identification and recording of credit risk increases from the initial stages; estimate of the provisioning levels using assumptions and parameters appropriate to the current context; adequate supervision of the management bodies on critical elements of credit risk.

The European Banking Authority (EBA):

- on 25 March published the “Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures” regarding the classification of exposures in default, the identification of forborne exposures and their accounting treatment. The document aims to ensure consistency and comparability of the risk assessment throughout the EU banking sector and monitor the effects of the current crisis.
- On 2 April 2020, the EBA published “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19” on the legislative and non-legislative grace periods relating to loan payments applied in the light of the COVID-19 crisis. The Guidelines specify the criteria for the classification of a grace period as a “general payment grace period” and specify the correct prudential treatment of exposures subject to said grace periods, of a legislative and non-legislative nature. In particular, they clarify that the application of a grace period should not lead to the reclassification of an exposure as forborne unless this was already the classification of the exposure before the application of the grace period. For the entire duration of the grace period, institutions should in any case continue to assess whether there are indications of “unlikely-to-pay” status of the debtors subject to the grace period, in accordance with the policies and practices usually applied to these assessments, taking into account the updated payment plan as a result of complying with the grace period.
- On 2 June, it published its guidelines on the reporting and disclosure of exposures subject to measures applied in response to the crisis pursuant to art. 16 of Regulation (EU) No. 1093/2010. The main purpose is to fill the gaps in data regarding supervisory communication and disclosure associated with the COVID-19 crisis. This is necessary to ensure the availability of information necessary to monitor and assess the associated risks to increase transparency both towards the supervisory authorities and towards the public.
- On 2 December 2020, the EBA reactivated the guidelines on loans with grace periods until 31 March 2021. In fact, the EBA, after closely monitoring the developments of the COVID-19 pandemic and, in particular, the impact of the second wave of COVID-19 and the related government restrictions adopted in many EU countries, decided to reactivate its guidelines on legislative and non-legislative grace periods. This reactivation will ensure that the loans, which had not previously benefited from payment grace periods, can now benefit from them.

ESMA intervened with the communication dated 25 March 2020 “Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9” with the aim of furthering an application consistent with international accounting standards and in particular of avoiding divergences on the application of IFRS 9 in the specific context of the pandemic. According to ESMA, the principles of IFRS 9 include sufficient flexibility to reflect the specific circumstances of COVID-19 and the measures adopted. Although these measures may take on different forms, it is appropriate to carefully consider their impact on financial information, in particular the requirements of IFRS 9.

ESMA believes that the impacts of the measures put in place on financial instruments should be assessed and it should be indicated whether such measures lead to a change in financial assets.

The Group monitored the regulatory changes that took place during the year; for the resulting assessments, please refer to the assessment section in Part E Section 1 - Credit risk, “Changes due to COVID-19” paragraph.

Contents of the financial statements

Consolidated Balance sheet and Income statement

The formats used for the balance sheet and income statement are made up of items, sub-items and other informational details. In the income statement, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of Consolidated comprehensive income

The statement of changes in comprehensive income is presented in the manner prescribed by the Bank of Italy, based on the information required by IAS 1.

“Net profit (loss) for the year” is the same amount shown in item 350 of the income statement.

The “other comprehensive income after tax” includes changes in the value of assets recorded during the year with contra-entry to the valuation reserves (net of tax).

Statement of changes in Consolidated Shareholders' Equity

The statement of changes in shareholders' equity is presented in the manner prescribed by the Bank of Italy. It shows the composition and changes in shareholders' equity accounts during the year, divided into share capital, capital reserves, retained earnings and the result for the year.

Consolidated Cash Flow Statement

The cash flow statement for the current and previous years has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for non-monetary transactions.

Cash flows are broken down into those generated by operating activities, investing activities and funding activities.

In this statement, the cash flows generated during the year are shown without a sign, whereas those absorbed are shown in brackets.

Contents of the notes to the financial statements

The Notes to the Financial Statements include the information set out in Bank of Italy Circular no. 262/2005 and subsequent amendments, as well as the additional disclosures required by International Accounting Standards. To reflect in full the formats laid down by the Bank of Italy, we also show the headings of sections on items with zero balances in both years.

Section 3 – Scope of consolidation and consolidation method

1. Equity investments in subsidiaries

Company's name	Head office	Registered Office	Type of relationship (1)	Nature of holding	
				Parent company	% held
A. Company					
A.1 Fully Consolidated					
1. Banca PSA Italia S.p.A.	Milano	Milano	3	Santander Consumer Bank S.p.A.	50%
2. PSA Renting Italia S.p.A.	Milano	Trento	3	Banca PSA Italia S.p.A.	100%
3. TIMFin S.p.A.	Torino	Torino	1	Santander Consumer Bank S.p.A.	51%

Key

(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meeting

2 = significant influence at ordinary shareholders' meetings

3 = agreements with other shareholders

4 = other forms of control

5 = joint management pursuant ex art. 39, paragraph 1, of Legislative Decree 136/2015

6 = joint management pursuant ex art. 39, paragraph 2, of Legislative Decree 136/2015

2. Main considerations and assumptions for the determination of the scope of consolidation

The Consolidated Financial Statements include Santander Consumer Bank and the companies controlled thereby, in accordance with the concept of control envisaged by IFRS 10.

The scope of consolidation includes Banca PSA Italia S.p.A. (hereinafter also Banca PSA), PSA Renting Italia S.p.A. (hereinafter also PSA Renting), TIMFin S.p.A. and the segregated funds pertaining to the SPV Golden Bar S.r.l. (Securitisation), Auto Abs Italian Loans 2018-1 S.r.l., Auto ABS Italian Baloon 2019-1 S.r.l. and Auto Abs Italian Rainbow Loans 2020-1 S.r.l.

According to IFRS 10, an entity controls an investee if and only if all of the following requirements are met:

1) the entity has the power to manage the relevant activities, i.e. the activities that significantly affect the investee's returns;
2) the entity is exposed, or has rights, to variable returns depending on the economic performance of the investee;
3) the entity has the ability to use its power over the investee to affect the amount of the investor's returns.

The analysis performed on the existence of control over the companies included in the scope of consolidation took account of the factors set out below.

The parent company Santander Consumer Bank and Banque PSA Finance each holds 50% of the share capital of Banca PSA Italia S.p.a. and the existence of control by Santander Consumer Bank was determined based on the following assumptions.

The company was set up under a framework agreement entered into between Santander Consumer Finance Group and Peugeot Group, through its subsidiary Banque PSA Finance.

The subsidiary offers a wide range of consumer financial services focused on the automotive sector.

As previously stated, based on IFRS 10, a company controls an investee if it has the ability, by means of a legal or substantial right, to significantly impact management decisions that affect the amount of the investor's returns and is exposed to variable returns.

In assessing the existence of control, the relevant activities were indentified, that is, the activities that significantly affect the investee's returns, and the manner in which decisions are made in relation to these activities.

Activities identified as relevant, in a company that operates in the investee's sector, are financing activities, inclusive of ALM, risk management and commercial management.

Under the framework agreement executed by both Groups, by means of a casting vote, Santander Consumer Bank has the power to manage two of the three strategic areas: financing activities and risk management.

The above factors have led the two shareholders to conclude that Santander Consumer Bank exercises control over Banca PSA Italia S.p.A. and that Banque PSA Finance exercises a significant influence thereover.

In January 2018, Banca PSA Italia S.p.A. acquired the entire equity investment of PSA Renting Italia S.p.A.. Therefore, the parent company Santander Consumer Bank controls it through the indirect 50% holding in Banca PSA.

As regards the analysis performed of the impact of IFRS 10 on securitisation transactions, on account of the contractual structure thereof and of the role played by both Santander Consumer Bank and Banca PSA as originator and servicer of the transactions, who have the power, under the related contracts, to direct the relevant activities that impact the results of the securitised portfolios, and, as subscribers of the respective Junior securities, are exposed to the returns on the portfolios, it has been concluded that the portfolios need to be consolidated.

It has been deemed that there are no such requirements for the respective special purpose vehicles Golden Bar S.r.l, Auto Abs Italian Loans 2018-1 S.r.l., Auto ABS Italian Baloon 2019-1 S.r.l. and Auto Abs Italian Rainbow Loans 2020-1 S.r.l., given that they are not subject, either from an equity interest or a contractual point of view, to control by the Group. The following is a list of the owners of the segregated funds included in the consolidation:

Company name	Head office
A. Companies	
1. Golden Bar (Securitisation) S.r.l.	Torino
2. Auto Abs Italian Loans 2018-1 S.r.l.	Conegliano (TV)
3. Auto Abs Italian Baloon 2019-1 S.r.l.	Milano
4. Auto Abs Italian Rainbow Loans 2020-1 S.r.l.	Milano

3. Equity investments in subsidiaries with significant minority interests

3.1 Minority interests, minority voting rights and dividends distributed to holders of minority interests

Company name	Minorities interests %	Minorities votes availability % (1)	Dividends paid to minorities
Banca PSA Italia S.p.A.	50%	50%	50%
PSA Renting Italia S.p.A.	50%	50%	50%
TIMFin S.p.A.	49%	49%	49%

(1) Available votes during the ordinary meeting

3.2 Equity investments with significant minority interests: accounting information

Company Name	Total Assets	Cash and cash equivalents	Financial assets	Tangible and intangible assets	Financial liabilities	Equity	Interest margin	Net interest and other banking income	Operating expenses	Profit (loss) from continuing operations before tax	Profit (loss) from continuing operations after tax	Profit (loss) from dismissing assets activity after tax	Prof (loss) for the period (1)	Other income elements after tax (2)	Consolidated comprehensive income (3) = (1) + (2)
Banca PSA Italia S.p.A.	3,616,618	1	3,485,846	792	2,992,719	499,246	109,741	133,475	-33,005	83,527	57,357		57,357	-64	57,294
PSA Renting S.r.l	261,953		222,857	81	235,333	9,902	9,015	22,080	-15,247	5,141	4,489		4,489		4,489
TIMFin S.p.a	6,319		5,123	412		4,019		-6	-2,736	-2,742	-1,981		-1,981		-1,981

4. Significant restrictions

With reference to the requirements of IFRS 12, paragraph 13, there are no legal, contractual or regulatory restrictions on the ownership structure that significantly limit the ability of the Parent Company to access or use assets and settle liabilities of the Group.

5. Other information

Consolidation method

Full consolidation method

The Consolidated Financial Statements are prepared under the full consolidation method, which involves line-by-line inclusion of the subsidiary's balance sheet and income statement aggregates.
After showing separately the minority interests' share of equity and the result for the year, the value of the investment is eliminated against the residual value of the subsidiary's shareholders' equity.
Any differences arising from this operation are recognised in shareholders' equity as a consolidation reserve.
All intercompany assets, liabilities, income and expenses are fully eliminated.

Section 4 - Subsequent events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 17 February 2021.

With reference to the equity investment in the newly-established TIMFin S.p.A., at the beginning of January 2021, the Shareholders subscribed and paid in the second tranche of the share capital increase for a total of Euro 34 million, resolved by the Shareholders' Meeting of the subsidiary on 29 October 2020, which brought the share capital of TIMFin to a total of Euro 40 million, divided among the Shareholders to an extent of 51% for SCB and 49% for TIM. The portion of the share capital increase pertaining to the Parent Company amounts to Euro 17.3 million.

Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. The draft financial statements therefore reflect all events that affected the Group's operations in 2020.

Section 5 - Other aspects

Complete copies of the last financial statements with the Reports on operations of the companies that at 31 December 2020 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2021, will be deposited at head office.

The related reports of the Board of Statutory Auditors and Independent Auditors will also be deposited. The prior year Financial Statements of these companies will also be deposited.

Information on the activities and results achieved by the subsidiaries in 2020 is included in the report accompanying the Financial Statements.

The Financial Statements are audited by PricewaterhouseCoopers S.p.A., pursuant to the Resolution of the Shareholders' Meeting of 30 March 2016, which appointed this firm to perform the audit for the nine years from 2016 to 2024.

Listed below are changes to international accounting standards or related interpretations, approved by the European Commission, that have become effective as from 1 January 2020:

- Amendments to references to the IFRS Conceptual Framework (EU Reg. 2019/2075) - The amendments aim to update existing references to the previous Conceptual Framework in various accounting standards and interpretations, replacing them with references to the revised Conceptual Framework.
- Amendments to accounting standards IFRS 9, IAS 39 and IFRS 7 (EU Reg. 2020/34) - in the context of the project "Reform of the reference indices for determining interest rates", the amendments are aimed at transposing the effects of the interest rate reform in financial reporting, with particular reference to the potential impacts before the replacement of reference indices .
- Amendments to IFRS 3 - Definition of a Business (EU Reg. 2020/551) - In order to address the concerns highlighted by the post-implementation review of IFRS 3 Business combinations regarding the difficulties encountered in the practical application of the definition of "business".
- Amendments to IFRS 16 - Concessions on fees related to COVID-19 (EU Reg. 2020/1434) - The amendment to IFRS 16 envisages an optional and temporary operational support related to COVID-19 for lessees who benefit from suspensions of payments due for leases, without compromising the relevance and usefulness of the financial information communicated by the companies.

Listed below are the relevant international accounting standards approved by the European Commission, that will become effective after the balance sheet date:

- **IFRS 17** - Insurance Contracts, in force from 1 January 2021 (EU Reg. 2017/1988)

Finally, the main standards currently being approved are listed below:

- Amendments to IFRS 1.
- Amendments to IAS 1.
- Amendments to IAS 16.
- Amendments to IAS 37.
- Amendments to IFRS 3.
- Amendments to IFRS 4.
- Amendments to IFRS 7.
- Amendments to IFRS 9.
- Amendments to IFRS 16.
- Amendments to IFRS 17.

Risks, uncertainties and impacts of the COVID-19 epidemic

The Group is constantly monitoring developments of the COVID-19 health emergency. At present, a general uncertainty remains on the future developments of the pandemic linked, on the one hand, to the possibility of a progressive reduction in the levels of contagion, as a result of the ongoing vaccination campaign, and, on the other hand, to the possibility that current levels may continue also in 2021.

These uncertainties have a direct impact on the general economy and financial markets, manifesting themselves in the expected levels of consumption, investments and general financial conditions of the country, and are currently difficult to quantify and measure.

In the presence of this situation of uncertainty, the Group immediately put in place all the controls necessary to adequately monitor the risks; for more details, please refer to the disclosures in the notes to the financial statements in Part E “Information on risks and hedging policies”.

With regard to the going-concern assumption, in line with the matters envisaged by IAS 1, note that in accordance with the instructions provided in Document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, regarding “Information to be provided in financial reports on impairment tests, on debt covenants, on debt restructuring and on the fair value hierarchy”, which makes reference to the corresponding document no. 2, again issued jointly by these three Authorities on 6 February 2009, the Group has a reasonable expectation that it will remain in operation for the foreseeable future and has therefore prepared its financial statements on a going-concern basis.

With reference to the accounting estimates for the valuation of loans to customers and the determination of the related value adjustments, please refer to Part E “Information on risks and hedging policies” of these Notes, Section 2 “Credit risk management policies”, “Changes due to COVID-19 ” paragraph.

With reference to lease contracts (IFRS 16), actuarial gains/losses linked to the employee termination indemnities (IAS 19) and non-financial assets (IAS 36), there are no particular impacts related to the health emergency.

Contractual amendments deriving from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

With reference to the contractual changes made during the year following the COVID-19 health emergency, please refer to Part E “Information on risks and hedging policies” of these Notes, Section 2 "Credit risk management policies”, "Changes due to COVID-19” paragraph.

2) Amendment to IFRS 16

During 2020, the International Accounting Standards Board (“IASB”) issued an amendment to the IFRS 16 Leases to facilitate lessors in accounting for incentives relating to leases (for example, suspension of rents or temporary reduction of the same) deriving from the COVID-19 pandemic. The Group did not identify any cases.

A.2 – Main items in the financial statements

This section explains the accounting policies used to prepare the 2020 Financial Statements. The Group’s accounting policies are explained with reference to the classification, recognition, measurement and derecognition of assets and liabilities. A description of the economic effects is given for each of these stages, where relevant.

1 – Financial assets at fair value through profit and loss

Recognition

Derivatives are initially recognised on the subscription date. They are recognised at fair value without considering transaction costs or income directly attributable to the instrument concerned.

Classification

All financial assets not classified in the portfolio of financial assets at fair value through comprehensive income and in the portfolio of financial assets measured at amortised cost are classified in this category. Derivatives traded, in connection with securitisation transactions represented as an asset if the fair value is positive, are shown in the sub-item Financial assets held for trading. If the fair value is negative, they are posted in financial liabilities held for trading. These contracts are not subject to net settlement by either counterparty.

According to the general rules provided for by IFRS 9 in relation to reclassification of financial assets (with the exception of equity securities for which no reclassification is allowed), no reclassifications to other categories of financial assets are permitted except in the event that the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the ‘at fair value through profit and loss’ category to one of the other two categories provided for by IFRS 9 (Financial assets measured at amortised cost or financial assets at fair value through comprehensive income). The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value at the date of reclassification and that date will be considered the date of initial recognition for the assignment to the various stages of credit risk (stage assignment) for the purposes of the impairment test.

Measurement and recognition of components affecting the income statement

Subsequent to initial recognition, financial assets held for trading are measured at fair value. The effects of the application of this criterion are recognised in the income statement. For the determination of fair value, estimates and valuation models are used based on prices quoted on an active market.

Derecognition

Financial assets are only derecognised if the sale involves the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if ownership of the assets has been transferred.

Financial liabilities are derecognised when they expire or are settled.

2 – Financial assets at fair value through comprehensive income

The Group does not have any financial assets at fair value through comprehensive income.

3 – Financial assets measured at amortised cost

Recognition

Financial assets measured at amortised cost are initially recognised on the payout date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out including costs/revenues that are both directly attributable to the individual loans and identifiable from the start of the transaction, even if they are settled at a later time.

Classification

Financial assets measured at amortised cost include loans to customers and banks, both directly disbursed and acquired from third parties, which are placed in a Hold to Collect business model and which have passed the SPPI test as envisaged by IFRS 9. Loans and receivables also include receivables previously transferred relating to securitisation transactions for which the requirement of the transfer of risks and benefits pursuant to IFRS 9 with regard to derecognition does not apply, as well as in accordance with the provisions of IFRS 10 with regard to the consolidated financial statements.

According to the general rules provided for by IFRS 9 in relation to reclassification of financial assets, no reclassifications to other categories of financial assets are permitted except in the event that the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the amortised cost category to one of the other two categories provided for by IFRS 9 (Financial assets measured at fair value through comprehensive income or Financial assets measured at fair value through profit or loss). The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification operate prospectively from the date of reclassification. Gains or losses arising from the difference between the amortised cost of a financial asset and its fair value are recognised in profit or loss in the event of reclassification to Financial assets measured at fair value through profit and loss and to Shareholders' equity, in the appropriate valuation reserve, in the event of reclassification to Financial assets measured at fair value through comprehensive income.

This item also includes the loans originated by lease operations, governed by IFRS 16 in continuity with the previous IAS 17, as the model of accounting for lease contracts by the lessor remained essentially unchanged.

Measurement and recognition of components affecting the income statement

After initial recognition, these assets are measured at amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/recoveries and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans. The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.

Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired, following the procedures set out in Part E – Information on risks and related hedging policies.

Derecognition

Apart from those situations where the impairment of the loans reduces their fair value to zero, the assets sold are only derecognised from the balance sheet assets if their disposal leads to the transfer of substantially all of the risks and benefits associated with them. This situation takes place in the case of a transfer without recourse with respect to non-performing loans, the economic effects of which are recorded in item 100 (gains/losses on disposal or repurchase of loans) in the income statement. Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred. Derecognition also takes place following the expiry of the contractual rights or when the loan is considered permanently unrecoverable.

4 – Hedging transactions

Types of hedges

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. Of the types of hedges that are allowed, the Group uses the method of fair value hedging on a portion of its assets at a fixed rate (hereinafter, also FVH).

Measurement

Hedging derivatives are measured at their fair value. Therefore, any change in the fair value of the hedging instrument is recognised in the income statement, as are changes in the fair value of the hedged item, with a net effect to reflect the partial ineffectiveness of the hedge.

Hedges are formally documented and subject to regular testing by:

- prospective tests that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge;
- retrospective tests that show the effectiveness of the hedge during the period under review.

The tests described here are designed to determine the extent to which the actual results differ from the perfect hedge. If the tests do not confirm the hedge's effectiveness, hedge accounting is interrupted for the ineffective portion and it is reclassified to financial instruments held for trading.

Recognition of components affecting the income statement

In the case of FVH derivatives, changes in the fair value of the hedging derivative and of the hedged item are recognised in the income statement.

Differentials on FVH hedging derivatives are recognised in the income statement on a pro-rata basis.

5 – Equity investments

No equity investments remain in the balance sheet at the end of the consolidation process. The value of the equity investments in subsidiaries was eliminated and replaced by their assets, liabilities and shareholders' equity on a line-by-line basis, in accordance with the full consolidation method.

6 – Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including any directly attributable purchasing costs or costs involved in bringing the asset to working condition.

Classification

Property, plant and equipment include motor vehicles owned by the company, furniture and furnishings and equipment of any kind. They are property, plant and equipment that are held for use in the production or supply of goods or services or for administrative purposes and expected to be used for a number of years. This category also includes leasehold improvements to property, plant and equipment, which have not been included in other assets as permitted by the Bank of Italy.

This item also includes the rights of use acquired with leases, in accordance with the provisions of IFRS 16. Lease contracts as a lessee are accounted for on the basis of the right-of-use model, by means of recognition under the balance sheet assets of a right to use the asset subject to leases, classified on the basis of the nature of the underlying asset, and a financial liability, as a direct contra-entry. Any depreciation and impairment of the right of use is recorded in the income statement, as is any interest expense on the financial liability. On the date of initial recognition, the value of the right of use is determined as equal to the initial recognition value of the lease liability (see paragraph Financial liabilities measured at amortised cost), as permitted by the standard itself.

When the asset is made available to the bank for its use (initial recognition date), the relative right of use is recognised. In identifying rights of use, the Bank applies the "simplifications" permitted by IFRS 16 and therefore contracts with the following characteristics are not considered:

- "Short-term", i.e. with a residual life of less than 12 months;

- “Low-value”, i.e. with an estimated value of the asset, carried forward, of less than Euro 5,000.

Measurement

Property, plant and equipment are measured at cost less depreciation and any impairment losses. Property, plant and equipment are depreciated systematically over their estimated useful life, taking into account the date of entry into operation of the asset. Any adjustments are recorded in the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal.

7 – Intangible assets

Classification

This category includes non-monetary, identifiable intangible assets with a useful life of several years, represented in the company’s operational activities by charges for the purchase of software. Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Recognition and measurement

Intangible assets are stated at cost, adjusted for any ancillary charges only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognised in the income statement in the period that the cost is incurred. The cost of intangible assets (classified as assets with a finite life) is amortised on a straight-line basis over their useful lives. An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income, is the difference between the carrying amount of an asset and its recoverable amount.

Derecognition

Intangible assets are derecognised on disposal and when no further economic benefits are expected.

8 – Non-current assets and disposal groups classified as held for sale

Recognition

The company has not recognised non-current assets and disposal groups classified as held for sale.

9 – Current and deferred taxation

The effects of current and deferred taxation are recognised by applying the tax rates in force in the relevant country. Income taxes are recognised in the income statement.

The provision for income taxes is determined on the basis of a prudent estimate of current taxes, deferred tax assets and deferred tax liabilities. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences - without time limits - between the value of an asset or a liability according to statutory criteria and the corresponding values for tax purposes.

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences or tax losses carried forward, are recognised to the extent that their recovery is likely.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in regulations or tax rates.

10 – Provisions for risks and charges

Classification and recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event;
- the origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);

- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

In addition to the provisions for risks and charges dealt with in IAS 37, the item Provisions for risks and charges also includes the provisions for commitments and guarantees given, determined in accordance with IFRS 9.

Measurement

Provisions are measured on the basis of reliable forecasts in terms of the expected disbursement, discounted at current market rates when the time element is significant. Provisions are charged to the income statement.

Derecognition and recognition of components affecting the income statement

The liabilities relating to provisions for risks and charges are derecognised on settlement of the expected amount or in circumstances where the conditions that led to the initial provision no longer exist. Accruals to the provisions in question and their increase due to the passage of time are recognised under "Net provisions for risks and charges" in the income statement.

11 – Financial liabilities valued at amortised cost

Recognition

The initial recognition of these financial liabilities takes place on receipt of the amounts collected or on issue of the debt securities. These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue that are not reimbursed by the creditor.

This item also includes deposits from banks in relation to Targeted Longer Term Refinancing Operations (TLTRO-III), introduced starting from 2019 and which will end with the last auction in 2021.

In the first two transactions, the counterparties were able to request loans for a maximum amount of 30% of the stock of eligible loans at 28 February 2019, net of the amount of loans still in place under the TLTRO-II programme. There was also a limit for participation in the individual auction of 10% of the stock of eligible loans at 28 February 2019. Starting from the third transaction, the maximum amount that can be requested was increased, up to 50% of the stock of eligible loans, again net of the amount of loans still in place under the TLTRO-II programme, and the participation limit for each auction was also removed. From the seventh transaction, the maximum amount that can be requested was increased up to 55% of the reference aggregate.

The interest rate for each transaction is set at a level equal to the average level of the main refinancing transactions of the Eurosystem for the duration of the respective TLTRO-III, except for the periods between 24 June 2020 and 23 June 2021 and between 24 June 2021 and 23 June 2022, when an interest rate lower than 50 basis points will be applied and in any case not higher than -1 in the case of eligible net loans higher than the reference value.

Classification

Deposits from banks, deposits from customers, and debt securities in issue cover the various forms of interbank and customer funding and the deposits paid into current accounts with customers and debt securities in issue. These items also include liabilities related to the recognition in the financial statements of loans subject to securitisation where the relative securities have been placed on the market.

Starting from 1 January 2019, this item includes also payables recognised by the company as lessee in the context of leases operations. On the effective date the Bank evaluates the lease payables at the current value of the payments due for leases not yet paid at that date, discounted using the marginal financing rate, determined by the Bank taking into account the average financing rates with similar durations and economic context.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. As an exception, short-term liabilities are measured at the amount collected, as the effect of the time factor is insignificant. Lease payables are amended when there is a lease modification, which is not considered as a separate contract; these amendments, as indicated by IFRS 16, involve the use of the updated rate (for example: the change of the lease duration, the change of the amount of payments).

Derecognition

Financial liabilities are derecognised when they expire or are settled. The repurchase of debt securities issued in prior periods results in their derecognition.

12 – Financial liabilities held for trading

Recognition

Financial liabilities held for trading include derivatives traded in connection with securitisations originated by the Group. They are recognised on the subscription date at fair value, without considering transaction costs or income directly attributable to the instrument concerned.

Measurement

All liabilities held for trading are measured at fair value with fair value changes recognised in the income statement.

Derecognition

These liabilities are derecognised when the contractual rights to the cash flows cease or when a financial liability is sold and substantially all of the risks and benefits associated with it are transferred.

13 – Financial liabilities designated at fair value

The Group does not have any financial liabilities designated at fair value.

14 – Foreign currency transactions

The Group has not carried out any transactions in foreign currency.

15 – Insurance assets and liabilities

The Group does not have any insurance assets and liabilities.

16 – Other information

Treasury shares

There are no treasury shares to be deducted from shareholders' equity.

Provision for employee severance pay

The provision for employee severance pay is recognised on the basis of its actuarial value. For the purposes of discounting, the projected unit credit method is used, which involves the projection of future payments based on historical statistical analyses and the demographic curve, and the discounting of these flows on the basis of a market interest rate. The contributions paid in each year are considered as separate units, recorded and evaluated individually in order to determine the final obligation.

According to IAS 19 – Employee Benefits, interest costs (which correspond to the change in the current value with respect to the actuarial estimate at the previous year-end, merely due to the fact that the estimated date of disbursement is getting closer) and service costs (which correspond to the higher cost due mainly to the increase in salaries and in the workforce) are included in personnel costs, while actuarial gains/losses (reflecting any change in the current value caused by changes in macroeconomic scenarios or in interest rate estimates), are recognised in shareholders' equity.

Share-based payments

Not applicable.

Revenue recognition

The recognition of revenue related to contracts with customers, excluding revenue related to contracts with customers subject to the provisions of IFRS 9 and IFRS 16, takes place in accordance with IFRS 15.

This envisages a revenue recognition model that is substantially different with respect to the past, since the basic principle refers to the identification of the contractual obligations contained in the contract and the time at which each obligation is fulfilled. It does not distinguish, therefore, between the various types of goods or services rendered but takes into consideration only the fact that the obligation in relation to the customer is made at a given time rather than over the course of time. In principle, the revenue is recognised when a good or service is transferred to a customer, with emphasis on the concept of control.

More generally, the remaining types of revenues are recognised when received or when it is likely that the future benefits will be received and these benefits can be measured reliably. The effects of transactions and other events are recognised when they occur and not when the amount involved is received or paid, and they are shown in the accounting records and reported in the financial statements of the periods to which they relate on an accrual basis.

Fair value measurements

Fair value may be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required by IFRS 13, fair value measurement has been adopted for each specific asset or liability. Accordingly, the characteristics of the asset or liability being measured have been taken into account.

Fair value measurement assumes that the sale or transfer of the asset or liability takes place:

- in the principal market for the asset or liability;
- or in the absence of a principal market, the most advantageous market for the asset or liability.

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured. In choosing the inputs used in valuation techniques, the highest priority is given to observable market data and the lowest priority to internal estimates.

The valuation techniques used by the Group are:

- Market approach. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- Revenue approach. This method converts future amounts (cash flows or income and expenses) to a single current (discounted) amount. When this approach is used, fair value measurement reflects current market expectations about future amounts. This technique involves the use of a net present value calculation.

As regards the impact of the Credit Value Adjustment and the Debit Value Adjustment on the determination of fair value, as far as the consumer credit portfolio is concerned, the counterparty risk is included in the impairment of the portfolio, while, for the measurement of derivatives, the risk is neutralised by means of the daily settlement of positions.

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.

The hierarchy gives the highest priority to listed prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. The fair value is directly observable on active markets in which the entity has access at the date of determination of the fair value of identical or comparable assets or liabilities.
- Level 2. The fair value is determined internally based on input directly observable on the market.
- Level 3. The fair value is determined internally on the basis of inputs that are not directly observable. The company makes use of assumptions determined internally.

Method of determining amortised cost

The amortised cost of a financial asset is the amount at which it was measured on initial recognition, net of repayments of principal, plus or minus accumulated amortisation (calculated using the effective interest method) of the differences between the initial value and its value on maturity, less any impairment loss.

The effective interest rate is the rate that equates the present value of a financial asset to the contractual flow of future cash payments, either received up to the expected maturity or to the next date that the price is recalculated. To calculate the present value, the effective interest rate is applied to the future cash flows received or paid through the entire life of the financial asset or liability, or for a shorter period under certain conditions (for example, if there is a change in market rates).

After initial recognition, the amortised cost permits the allocation of revenues and costs to decrease or increase the instrument over its entire expected life through the amortisation process.

With particular reference to loans or finance that arise from the consumer finance business, leases and salary assignment and the delegation of payment, contributions received from affiliates under special conventions as part of promotional campaigns (consumer contracts and leases at subsidised rates of interest), the recovery of the network brokerage costs and the preliminary fees are classified as transaction income; reimbursements of stamp duty and legal fees, on the other hand, are excluded, as they are mere recoveries of expenses. Reimbursements of collection expenses are also excluded from the calculation of the effective interest rate because of the low mark-up compared with the actual charges incurred for the collection of loan repayments.

With reference to costs, commissions and rappels paid to credit intermediaries and insurance premiums relating to salary assignment and delegation of payment as well as costs incurred by the bank for approval activities, are attributed to the financial instrument.

With regard to credit cards, the immateriality of the amounts of associated transaction costs, and the absence of a sinking fund plan known beforehand because of their floating-rate structure, means that the income and expenses associated with such an instrument tend to be excluded from the scope of amortised cost.

As already mentioned in the section relating to the criteria for the measurement of financial assets and liabilities measured at amortised cost, the amortised cost measurement is not applied to financial assets and liabilities whose short duration means the effect of discounting is insignificant, nor to non-performing loans.

Method of determining the impairment of financial assets

The new impairment model provided for by IFRS 9 requires the classification of loans into three different stages depending on the deterioration in the credit quality observed with respect to the initial recognition and which correspond to the different methods of calculation of the expected loss and interest income:

- Stage 1: classified in this stage are loans defined as performing, i.e. loans that have not deteriorated since initial recognition. In this case, the expected loss for the calculation of corrections is measured over a 12-month time period (12-month PD), while interest is calculated on the gross exposure;
- Stage 2: comprises loans that have undergone a significant qualitative worsening compared to initial recognition. For these loans, expected loss is calculated over the lifetime of the loan (lifetime PD), and interest is calculated on the basis of the gross exposure;
- Stage 3: includes impaired assets, i.e. that have objective evidence of deterioration (over 90 days past due). Included in this category are past due non-performing, unlikely to pay and bad loans. In this case a lifetime PD is calculated, while interest is calculated on the basis of the receivable net of impairment.

For further details please refer to Part E, section 2, paragraph “2.3 Methods for the measurement of expected losses”.

Method of determining the impairment of other non-financial assets

Property, plant and equipment and intangible assets with a defined useful life are subject to impairment testing if there is an indication that the carrying amount of the asset may no longer be recovered in full. The recoverable amount is determined with reference to the fair value of the property, plant and equipment or intangible asset net of disposal costs or the value in use if determinable and if it is higher than the fair value.

For other property, plant and equipment and intangible assets (other than goodwill) it is assumed that the carrying amount usually corresponds to the value in use, as it is determined by an amortisation process estimated on the basis of the actual contribution of the asset to the production process resulting in the determination of a fair value being extremely uncertain. The two values differ, giving rise to impairment, in the event of damages, exit from the production process or other similar non-recurring circumstances.

Receivables classified to Other assets are subject to impairment on the basis of the recoverability of the loan itself.

Intercompany transactions

Banking and commercial transactions with the Shareholder, with the subsidiaries Banca PSA Italia S.p.A., PSA Renting S.p.A., TIMFin S.p.A. and with other companies of the Santander Group are regulated on an arm’s-length basis.

Securitisations

IFRS 10 introduced a single control model to be applied to all entities, including those previously considered to be special purpose entities under SIC 12. Based on this definition of control, an investor controls an investee when the investor has power over relevant activities, it is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Accordingly, segregated funds pertaining to special purpose entities, consisting of assets sold but not derecognised, are consolidated on a line-by-line basis.

For further details please refer to that previously mentioned in Section 3 – Scope of consolidation and consolidation method.

A.3 – Information on transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: change in business model, carrying amount, fair value and interest income

The Group has not reclassified any financial assets during the year.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

The Group has not reclassified any financial assets during the year.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

The Group has not made transfers of portfolios between the different categories of financial assets during the year.

A.4 – Information on fair value

Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured. In choosing the inputs used in valuation techniques, the highest priority is given to observable market data and the lowest priority to internal estimates.

The valuation techniques used by the Group are:

- Market approach. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- Income approach. This method converts future amounts (cash flows or income and expenses) to a single current (discounted) amount. When this approach is used, fair value measurement reflects current market expectations about future amounts. This technique involves the use of a net present value calculation.

As regards the impact of the Credit Value Adjustment and the Debit Value Adjustment on the determination of fair value, as far as the consumer credit portfolio is concerned, the counterparty risk is included in the impairment of the portfolio, while, for the measurement of derivatives, the risk is neutralised by means of the weekly settlement of positions.

A.4.2 Valuation processes and sensitivity

The process used for the determination of the fair value of individual financial statement components is illustrated below.

With respect to balance sheet assets:

- Cash, bank accounts, demand loans and current amounts due from banks. For these items, it is assumed that their fair value corresponds to their carrying amount.
- Short-term loans to banks. The fair value is calculated by discounting expected cash flows.
- Derivatives: fair value is determined by means of daily measurement based on expected cash flows.
- Securities portfolio: fair value is based on quoted market prices of financial instruments in active markets, or, if not available, on those for comparable assets.
- Loans to customers:

  Demand loans. It is assumed that their fair value corresponds to their carrying amount.

Other assets. The fair value of the portfolio is calculated by discounting expected cash flows, net of impairment adjustments, using the average interest rate on loans granted in the month on which the valuation is based for each type of product.

With respect to balance sheet liabilities:

- Deposits from banks: on demand. It is assumed that their fair value corresponds to their carrying amount.
- Short- and medium- to long-term deposits from banks and debt securities in issue: the fair value is calculated by discounting expected cash flows based on an interest rate curve observed directly in the market plus the intercompany spread applicable at the measurement date. For floating rate transactions, expected cash flows do not take account of the variable component that is not capable of being determined at the measurement date.
- Deposits from customers:

Time deposit accounts. Fair value is determined by discounting expected cash flows using the interest rate actually applied to the customer at the measurement date for the same maturities.

Current accounts and deposits. For this item, it is assumed that its fair value corresponds to its carrying amount.

- Derivatives: please see the assumptions given for hedging derivatives under balance sheet assets.

A.4.3 Fair value hierarchy

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.

The hierarchy gives the highest priority to listed prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. The fair value is directly observable on active markets in which the entity has access at the date of determination of the fair value of identical or comparable assets or liabilities.
- Level 2. The fair value is determined internally based on input directly observable on the market.
- Level 3. The fair value is determined internally on the basis of inputs that are not directly observable. The company makes use of assumptions determined internally.

A.4.4 Other information

There is no further qualitative information to be disclosed in addition to that provided in the foregoing paragraphs.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: distribution by levels of fair value

	12/31/2020			12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	2,976	-	-	4,619	-
a) financial assets held for trading	-	2,976	-	-	4,619	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets compulsorily assessed at fair value	-	-	-	-	-	-
2. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**-**	**2,976**	**-**	**-**	**4,619**	**-**
1. Financial liabilities held for trading	-	3,205	-	-	5,099	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	11,908	-	-	10,909	-
Total	**-**	**15,113**	**-**	**-**	**16,008**	**-**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

At the reporting date, there were no transfers of assets and liabilities between level 1 and level 2 to be disclosed.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level 3)

The Group does not hold any financial assets measured at fair value on a recurring basis (level 3).

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

The Group does not hold any financial liabilities measured at fair value on a recurring basis (level 3).

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on non-recurring basis: distribution by levels of fair value

Assets / Liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2020				12/31/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets valued at amortised cost	10,665,533	1,280,130	-	9,188,078	10,150,251	440,939	-	9,546,000
2. Available for sale financial assets	-	-	-	-	-	-	-	-
3. Non current assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**10,665,533**	**1,280,130**	**-**	**9,188,078**	**10,150,251**	**440,939**	**-**	**9,546,000**
1. Financial liabilities measured at amortised cost	9,498,992	-	3,351,110	6,118,210	9,000,229	-	1,279,428	7,721,490
2. Liabilites included in disposal group classified as hfs	-	-	-	-	-	-	-	-
Total	**9,498,992**	**-**	**3,351,110**	**6,118,210**	**9,000,229**	**-**	**1,279,428**	**7,721,490**

Key:
BV= Book Value
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – Information on "Day One Profit/Loss"

The Group does not hold any financial instruments that meet the conditions referred to in paragraph 28 of IFRS 7.

Part B – Information on the consolidated balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total	Total
	12/31/2020	12/31/2019
a) Cash	5	9
b) On demand deposits with Central banks	-	-
Total	**5**	**9**

Section 2 – Financial assets designated at fair value through profit and loss - Item 20

2.1 Financial assets held for trading: breakdown by type

This item has a balance of Euro 2,976 thousand (Euro 4,619 thousand at 31 December 2019) and include the positive fair value of derivatives entered into in connection with securitisation transactions by Group companies.

Voci/Valori	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
A. Balance-sheet assets						
1. Debt securities		-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other securietes	-	-	-	-	-	-
2. Equity securites	-	-	-	-	-	-
3. Investment funds unit	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 REPOs	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivates	-	2,976	-	-	4,619	-
1.1 trading	-	2,976	-	-	4,619	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	-	**2,976**	-	-	**4,619**	-
Total (A+B)	-	**2,976**	-	-	**4,619**	-

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

Items/Values	Total 12/31/2020	Total 12/31/2019
A. Financial assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Equity instruments	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: Insurance companies	-	-
c) Non financial companies	-	-
d) Other issuers	-	-
3. Units investment funds	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. Derivative instruments		
a) Central counterparties	-	-
b) Others	2,976	4,619
Total (B)	**2,976**	**4,619**
Total (A+B)	**2,976**	**4,619**

2.3 Financial assets designated at fair value: breakdown by type

The Group does not hold any financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by borrower/issuer

The Group does not hold any financial assets designated at fair value.

2.5 Financial assets mandatorily measured at fair value: breakdown by type

The Group does not hold any financial assets mandatorily measured at fair value.

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrower/issuer

The Group does not hold other financial assets designated at fair value.

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Section 3 – Financial assets at fair value through comprehensive income – Item 30

The Group has not designated any financial assets to this category.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans and advances to banks

Type of transaction/Values	Total 12/31/2020						Total 12/31/2019					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
A. Loans to Central Banks	**3,192**	-	-	-	-	**3,192**	**175,706**	-	-	-	-	**175,706**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	3,192	-	-	X	X	X	175,706	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**485,770**	-	-	-	-	**485,770**	**437,657**	-	-	-	-	**437,657**
1. Loans	485,770	-	-	-	-	485,770	437,657	-	-	-	-	437,657
1.1 Current accounts and demand deposits	474,670	-	-	X	X	X	425,133	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	11,100	-	-	X	X	X	12,524	-	-	X	X	X
- Repos	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	11,100	-	-	X	X	X	12,524	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**488,962**	-	-	-	-	**488,962**	**613,363**	-	-	-	-	**613,363**

Loans to Central Banks include the compulsory reserve acquitted directly care of the Bank of Italy.

Loans to banks refer to:

- credit balances on bank current accounts for Euro 474,670 thousand (Euro 425,133 thousand at 31 December 2019), consisting of cash deposits belonging to the segregated funds of the outstanding securitisations (Euro 359,897 thousand);
- other loans, mainly relating to the sums paid by way of guarantee deposit against the negative fair value of derivatives contracts entered into.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

4.2 Financial assets measured at amortised cost: breakdown by type of loans and advances to customers

Type of transaction/Values	Total 12/31/2020						Total 12/31/2019					
	Balance value			Fair value			Valore di bilancio			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. Loans	8,858,695	40,707	-	-	-	8,699,116	9,049,560	45,735	784	-	-	8,932,637
1.1. Current accounts	27,565	1,832	-	X	X	X	30,061	2,181	-	X	X	X
1.2. REPOs	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgages	-	-	-	X	X	X	-	-	-	X	X	X
1.4. Credit cards, personal loans and wage assignemnt losses	3,527,498	15,064	-	X	X	X	3,587,277	17,488	784	X	X	X
1.5 Lease loans	660,078	2,087	-	X	X	X	546,638	2,604	-	X	X	X
1.6. Factoring	294,933	-	-	X	X	X	372,047	-	-	X	X	X
1.7. Other loans	4,348,621	21,724	-	X	X	X	4,513,538	23,463	-	X	X	X
2. Debt securities	1,277,170	-	-	1,280,130	-	-	441,593	-	-	440,939	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	1,277,170	-	-	1,280,130	-	-	441,593	-	-	440,939	-	-
Total	10,135,864	40,707	-	1,280,130	-	8,699,116	9,491,153	45,735	784	440,939	-	8,932,637

Specifically, the loans include:

- Euro 29,397 thousand (of which, Euro 1,832 thousand non-performing loans) for current accounts balances to customers, mainly relating to advances on current accounts granted to the dealer network, and postal current accounts;
- Euro 3,542,562 thousand (of which Euro 15,064 thousand non-performing loans) for loans to customers arising from financing personal loan transactions, credit cards and loans guaranteed by salary and pension assignment, and other instalment consumer credit;
- Euro 662,165 thousand (of which, Euro 2,087 thousand non-performing loans) for loans to customers for finance leases, recorded at amortised cost;
- Euro 294,933 thousand of loans relating to factoring transactions with car manufacturers;
- Euro 4,370,345 thousand (of which, Euro 21,724 thousand non-performing loans) for loans to customers resulting from financing for car loans and other special-purpose loans.

The total of assets assigned and not derecognised, which, net of adjustments, amounts to Euro 4,358,887 thousand, of which Euro 10,127 thousand is non-performing, was allocated to the various forms of financing, as required by the instructions for preparation of the financial statements. This amount does not include the amount due from the SPV for the proceeds arising from the portfolio involved in the self-securitisation transactions.

Debt securities include the balance of the securities issued by the Italian Treasury Ministry, classifiable within the so-called "held to collect" business model and recognisable, for the purpose of the computation of the regulatory LCR requirements, as high quality liquid assets.

For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

4.3 Financial assets measured at amortised cost: loans and advances to customers, breakdown by borrower/issuer

Type of transaction / Values	Total 12/31/2020			Total 12/31/2019		
	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets
1. Debt securities	**1,277,170**	-	-	**441,593**	-	-
a) Public Administration	1,277,170	-	-	441,593	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**8,858,695**	**40,707**	-	**9,049,560**	**45,735**	**784**
a) Public Administration	8,257	739	-	6,825	3,838	-
b) Other financial company	14,943	19	-	10,277	16	-
of which: insurance companies	2	5	-	4	6	-
c) Non financial companies	1,997,824	9,183	-	2,286,009	10,981	-
d) Households	6,837,670	30,765	-	6,746,449	30,900	784
Total	**10,135,864**	**40,707**	-	**9,491,153**	**45,735**	**784**

4.4 Financial assets measured at amortised cost: gross value and total write-downs

		Gross value				Writedown			Write off partial total
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities		1,277,170	-	-	-	-	-	-	-
Loans		9,210,473	-	227,563	158,411	56,232	34,146	117,704	-
Total	**12/31/2020**	**10,487,643**	**-**	**227,563**	**158,411**	**56,232**	**34,146**	**117,704**	**-**
Total	**12/31/2019**	**9,905,736**	**-**	**265,806**	**184,291**	**38,276**	**28,751**	**138,556**	**-**
of which: impaired financial assets purchased or created		X	X	-	-	X	-	-	-

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

	Gross value				Writedown			Write off partial total*
	First stage	of which: low credit	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	199,641	-	15,333	1,369	9,557	1,451	703	-
2. Other loans and advances subject to COVID-19-related forbearance measures	-	-	841	25	-	180	16	-
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	2,518	-	-	-	-	-	-	-
Total 12/31/2020	**202,159**	**-**	**16,174**	**1,394**	**9,558**	**1,631**	**718**	**-**

Section 5 – Hedging derivatives – Item 50

The Group has not designated hedging derivatives with positive fair value.

Section 6 – Changes in fair value of portfolio hedged items – Item 60

6.1 Remeasurement of hedged assets: breakdown by hedged portfolio

Remeasurement to hedged assets / Values	Total 12/31/2020	Total 12/31/2019
1. Positive adjustment	**9,468**	**8,544**
1.1 of specific portfolios:	9,468	8,544
a) financial assets at amortised cost	9,468	8,544
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(189)**	-
2.1 of specific portfolios:	(189)	-
a) financial assets at amortised cost	(189)	-
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**9,280**	**8,544**

The above table shows the change in value of the loan portfolios of the Group companies being hedged on the basis of the Fair Value Hedging Model.

Section 7 – Equity investments – Item 70

Following the line-by-line consolidation of the subsidiaries Banca PSA Italia S.p.A., PSA Renting Italia S.p.A. and TIMFin S.p.A., no equity investments have been recognised in the financial statements.

Section 8 – Technical reserves carried by reinsurers – Item 80

No Group company carries on insurance business.

Section 9 – Property, plant and equipment – Item 90

9.1 Property, plant and equipment used for business purposes: breakdown of assets measured at cost

Property, plant and equipment amount to Euro 21,538 thousand (Euro 21,746 thousand at 31 December 2019) and are made up as follows:

Assets	Total 12/31/2020	Total 12/31/2019
1. Owened assets	**5,015**	**2,992**
a) lands	-	-
b) buildings	-	-
c) furniture	842	710
d) electronic system	3,814	1,802
e) other	359	480
2. Leased assets	**16,523**	**18,754**
a) lands	-	-
b) buildings	16,346	18,133
c) furniture	-	-
d) electronic system	-	-
e) other	177	620
Total	**21,538**	**21,746**
of which: obtained by the enforcement of collateral	-	-

These are mostly property, plant and equipment of the Parent Company (Euro 20,361 thousand). For further details please refer to the same section of the Separate Financial Statements.

The rights of use acquired through leases and relative to the use of property, plant and equipment in application of the IFRS 16 accounting standard are included under property, plant and equipment item.

9.2 Property, plant and equipment held for investment: breakdown of assets measured at cost

No property, plant and equipment held for investment are recognised.

9.3 Property, plant and equipment used for business purposes: breakdown of revalued assets

There are no items of property, plant and equipment used for business purposes that have been revalued.

9.4 Property, plant and equipment held for investment: breakdown of assets measured at fair value

No property, plant and equipment held for investment are recognised.

9.5 Inventories of property, plant and equipment covered by IAS 2: breakdown

There are no property, plant and equipment obtained through the realisation of the guarantees received or other inventories of property, plant and equipment.

9.6 Property, plant and equipment used for business purposes: change in the year

	Lands	Buildings	Furniture	Electronic systems	Others	Total
A. Gross opening balance	-	**20,725**	**4,085**	**11,733**	**10,952**	**47,494**
A.1 Total net reduction value	-	(2,591)	(3,375)	(9,931)	(9,852)	(25,749)
A.2 Opening net balance	-	**18,133**	**710**	**1,802**	**1,100**	**21,746**
B. Increase:	-	**1,330**	**238**	**2,773**	**1,544**	**5,885**
B.1 Purchasing	-	-	238	2,773	366	3,377
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	X	X	X	
B.7 Other adjustment	-	1,330	-	-	1,178	2,508
C. Decreases:	-	**3,118**	**106**	**760**	**2,108**	**6,093**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,609	106	760	1,783	5,258
C.3 Impairment losses	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.4 Negative chages in fair value	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.5 Negative exchange difference	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	X	X	X	
b) non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-
C.7 Other adjustment	-	508	-	-	326	834
D. Net final balance	-	**16,346**	**842**	**3,814**	**536**	**21,538**
D.1 Total net reduction in value	-	4,877	3,577	10,686	11,395	30,535
D.2 Gross closing balance	-	**21,223**	**4,418**	**14,501**	**11,931**	**52,073**
E. Carried at cost	-	-	-	-	-	-

Each class of assets is measured at cost. Sub-item E (Carried at cost) shows a zero balance because, in accordance with Bank of Italy’s Circular 262/2005, it is only for property, plant and equipment that are carried in the balance sheet at fair value.

The item C.7 “Other adjustment” includes the amount relative to improvements and incremental expenses incurred on third-party assets not separable from the fixed asset itself (Euro 310 thousand), initially recognised under item 80 “Property, plant and equipment” and classified in these financial statements under the item 120 “Other Assets”.

The details of the annual changes in property, plant and equipment for business purposes relating to assets acquired through financial leases are reported below.

	Lands	Buildings	Furniture	Electronic System	Others	Total
A. Gross opening balance	-	**20,725**	-	-	**2,277**	**23,002**
A.1 Total net reduction value	-	(2,591)	-	-	(1,657)	(4,248)
A.2 Opening net balance	-	**18,133**	-	-	**620**	**18,754**
B. Increase:	-	**1,330**	-	-	**1,178**	**2,508**
B.1 Purchasing	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other adjustment	-	1,330	-	-	1,178	2,508
C. Decreases:	-	**2,486**	-	-	**1,517**	**4,003**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,609	-	-	1,605	4,215
C.3 Impairment losses	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.4 Negative chages in fair value	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.5 Negative exchange difference	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	-	-	-	-
b) non-current assets and disposal groups classified	-	-	-	-	-	-
C.7 Other adjustment	-	508	-	-	(16)	492
D. Net final balance	-	**16,346**	-	-	**177**	**16,523**
D.1 Total net reduction in value	-	(4,877)	-	-	(3,262)	(8,139)
D.2 Gross closing balance	-	**21,223**	-	-	**3,439**	**24,662**
E. Carried at cost	-	-	-	-	-	-

9.7 Property, plant and equipment held for investment: change in the year

No property, plant and equipment held for investment have been recognised in the financial statements.

9.8 Inventories of property, plant and equipment covered by IAS 2: change in the year

There are no inventories of property, plant and equipment covered by IAS 2 in the financial statements.

9.9 Commitments to purchase property, plant and equipment

There are no commitments to purchase property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type

Intangible assets amount to Euro 26,100 thousand (Euro 16,412 thousand at 31 December 2019).

Activities/Values	Total 12/31/2020		Total 12/31/2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.1.1 attributable to the group		-		-
A.1.2 attributable minorities		-		-
A.2 Other intangible asset	**26,100**	**-**	**16,412**	**-**
A.2.1 Assets valued at cost	26,100	-	16,412	-
a) intangible assets generated internally	-	-	-	-
b) other assets	26,100	-	16,412	-
A.2.2 Assets valued at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**26,100**	**-**	**16,412**	**-**

These are mostly intangible assets of the Parent Company (Euro 25,993 thousand). For further details please refer to the same section of the Separate Financial Statements.

10.2 Intangible assets: change in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	-	-	-	**97,464**	-	**97,464**
A.1 Reductions of total net value	-	-	-	(81,052)	-	(81,052)
A.2 Net opening balance	-	-	-	16,412	-	16,412
B. Increases	-	-	-	**16,682**	-	**16,682**
B.1 Purchases	-	-	-	16,682	-	16,682
- of which business combinations	-	-	-	-	-	-
B.2 Increments of internal intagible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive variations of fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- to P&L statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other variations	-	-	-	-	-	-
C. Decreases	-	-	-	**6,994**	-	**6,994**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	6,994	-	6,994
- Amortisations	X	-	-	6,994	-	6,994
- Depreciations	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ P&L statement	-	-	-	-	-	-
C.3 Negative variations of fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- to P&L statement	X	-	-	-	-	-
C.4 Transfer to non-current assets	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other variations	-	-	-	-	-	-
D. Net closing balance	-	-	-	**26,100**	-	**26,100**
D.1 Adjustment of net total values	-	-	-	88,039	-	88,039
E. Gross closing balance	-	-	-	**114,139**	-	**114,139**
F. Evaluation to cost	-	-	-	-	-	-

Each class of assets is measured at cost. Sub-item F (Carried at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for intangible assets that are carried in the balance sheet at fair value.

10.3 Other information

Based on the Bank of Italy's instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 11 – Tax assets and liabilities – Assets item 110 and Liabilities and shareholders' equity item 60

Current tax assets recognised in asset line item 110 amount to Euro 73,058 thousand (Euro 57,593 thousand in 2019), while current liabilities recognised in liabilities and shareholders' equity line item 60 amount to Euro 34,910 thousand (Euro 77,771 thousand in 2019).

11.1 Deferred tax assets: breakdown

	12/31/2020	12/31/2019
- Balancing the income statement	185,971	214,896
- Balancing net equity	376	349
Total	**186,347**	**215,245**

Deferred tax assets were accounted for with reference to the deductible temporary differences and are represented almost entirely by the DTAs of the parent company deriving from the write-down of receivables and convertible into tax credits. The remaining portion is recognised based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12.

The balance of Euro 186,347 thousand (Euro 215,245 thousand at 31 December 2019) mainly consists of deferred tax assets recognised through the income statement in the amount of Euro 185,971 thousand, mainly originated by the temporary differences arising from the deferred deductibility for IRES and IRAP purposes of adjustments on Parent Company loans. For further details on the breakdown and change in the year, please refer to the same section of the Separate Financial Statements.

11.2 Deferred tax liabilities: breakdown

	12/31/2020	12/31/2019
- Recognised to the income statement	591	680
- Recognised to the net equity	6	6
Total	**597**	**687**

Deferred tax liabilities offset in the Income Statement refer mainly to the tax effect (equal to Euro 385 thousand) deriving from the valuation at amortised cost of ABS securities of the GB 2019-1 transaction (Euro 1,163 thousand at 31 December 2020).

11.3 Changes in deferred tax assets (through income statement)

	12/31/2020	12/31/2019
1. Opening balance	**214,896**	**203,807**
2. Increase	**8,686**	**18,711**
2.1 Deferred tax assets of the year	8,686	18,711
a) related to previous fiscal year	569	994
b) due to changes in accountable parameters	-	5
c) write-backs	-	-
d) others	8,117	17,712
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**37,610**	**7,622**
3.1 Anticipated levies cancelled in fiscal year	37,610	7,622
a) reversals of temporary differences	37,342	7,622
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	268	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
a) conversion into tax credit under L. 214/2011	-	-
b) others	-	-
4. Closing balance	**185,971**	**214,896**

The increase in the item “Deferred tax assets during the year - others” reflects the temporary IRES and IRAP differences of the Parent Company to which reference is made to the same section of the Separate financial statements, as well as the temporary IRES differences deriving from the net provisions for risks and charges and to directors’ fees made in the year by the subsidiary PSA Italia. The increase in the item “Deferred tax assets of the year - related to previous fiscal year” reflects the increase relative to PSA Renting mainly deriving from the higher tax loss recognised following the 2020 income tax return submission compared to the calculations made in the preparation of the 2019 financial statements.

11.4 Changes in deferred tax assets as per Italian Law No. 214/2011

	Total 12/31/2020	Total 12/31/2019
Opening balance	**182,361**	**182,361**
2. Increases	**2,652**	**-**
3. Decreases	**25,153**	**-**
3.1 Reversals of temporary differences	25,153	-
3.2 Transformation into tax credits	-	-
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**159,860**	**182,361**

No changes related to the conversion in tax credit were recognised in the 2020 financial year.

11.5 Changes in deferred tax liabilities (through the income statement)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**680**	**45**
2. Increases	**52**	**711**
2.1 Defered levies observed in the fiscal year	52	711
a) related to precedent fiscal year	-	-
b) due to change in accountability parameters	-	-
c) others	52	711
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**142**	**75**
3.1 Defered levies cancelled in the fiscal year	142	75
a) reversals of temporary differences	142	75
b) due to changes in accountable parameters	-	-
c) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
4. Closing balance	**591**	**680**

The decreases in deferred tax liabilities offset in the Income Statement refer to the tax effect of the valuation at amortised cost of ABS securities issued for the GB 2019-1 securitisation transaction (Euro 1,163 thousand at 31 December 2020).

11.6 Changes in deferred tax assets (through shareholders' equity)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**349**	**337**
2. Increases	**27**	**16**
2.1 Deferred tax assets during the year	27	16
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	27	16
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**4**
3.1 Deferred tax assets derecognised during the year	-	-
a) reversals of temporary differences	-	-
b) devaluation for appeared irrecoverability	-	-
c) due to changes in accountable parameters	-	-
d) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	4
4. Closing balance	**376**	**349**

The increase in the item “Deferred tax assets during the year - others” derives from the change in deferred tax assets of the Parent Company to which reference is made to the same section of the Separate Financial Statements.

11.7 Changes in deferred tax liabilities (through shareholders' equity)

	Total 12/31/2020	Total 12/31/2019
1. Initial amount	**6**	**10**
2. Increases	-	-
2.1 Defered levies observed in fiscal year	-	-
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) others	-	-
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	-	4
3.1 Anticipated levies cancelled in fiscal year	-	-
a) reversals of temporary differences	-	-
b) due to changes in accountable parameters	-	-
c) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	4
4. Final amount	**6**	**6**

11.8 Other information

Based on the Bank of Italy's instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 12 – Non-current assets and disposal groups classified as held for sale and associated liabilities – Assets item 120 and Liabilities and Shareholders' equity item 70

The Group does not have any non-current assets held for sale and discontinued operations and associated liabilities.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

The balance of "Other assets", amounting to Euro 189,433 thousand (Euro 249,915 thousand at 31 December 2019), is made up as follows:

	12/31/2020	12/31/2019
Advances to suppliers	8,162	15,439
VAT receivables	27,786	20,606
Stamp duties	9,116	8,569
Withholding taxes	217	615
Other tax receivables	10,831	10,408
Due from dealers	3,730	4,682
Due from insurances	29,401	39,494
Accruals and prepaid expenses	39,518	48,670
Assets in transit	18,685	26,553
Leasehold improvements	2,649	2,672
Other items	39,339	72,206
Total	**189,433**	**249,915**

The item "Due from insurances" mainly relates to receivables due for insurance brokerage commission linked to insurance brokerage activities.

The item "Other items" consists mainly of receivables for ancillary services offered by the subsidiary Banca PSA to customers in conjunction with financing.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: deposits from banks, breakdown by type

Deposits from banks amount to Euro 6,961,659 thousand (Euro 6,074,661 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Values	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**3,330,566**	X	X	X	**1,201,190**	X	X	X
2. Deposits from banks	**3,631,093**	X	X	X	**4,873,471**	X	X	X
2.1 Current accounts and demand deposits	32,900	X	X	X	2,820	X	X	X
2.2 Time deposits	-	X	X	X	220,000	X	X	X
2.3 Loans	3,597,697	X	X	X	4,450,211	X	X	X
2.3.1 Repos	50,088	X	X	X	79,114	X	X	X
2.3.2 Other	3,547,609	X	X	X	4,371,097	X	X	X
2.4 Liabilities relating to commitments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other liabilities	497	X	X	X	200,440	X	X	X
Total	**6,961,659**	**-**	**3,351,110**	**3,588,327**	**6,074,661**	**-**	**1,279,428**	**4,803,746**

Key:
VB=Book Value
L1=Level 1
L2=Level 2
L3=Level 3

The item "Deposits from central banks" includes loans received from the Bank of Italy in connection with TLTRO-II and TLTRO-III operations.
"Deposits from banks" consist mainly of:

- Parent Company overnight financing transactions (Euro 32,020 thousand);
- repo transactions with a third party (Euro 50,088 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon, loans granted by Santander Group companies and other banks as part of ordinary funding operations, and deposits offered as collateral against changes in fair value of derivatives, reported in the item "Loans - other".

For further details, please see the information provided on funding in the report on operations.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

1.2 Financial liabilities measured at amortised cost: deposits from customers, breakdown by type

Deposits from customers amount to Euro 1,337,849 thousand (Euro 1,324,520 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Value	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	778,325	X	X	X	764,654	X	X	X
2. Time deposits	517,793	X	X	X	514,882	X	X	X
3. Loans	22,519	X	X	X	22,521	X	X	X
3.1 Reverse repos	-	X	X	X	-	X	X	X
3.2 Other	22,519	X	X	X	22,521	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	16,831	X	X	X	18,828	X	X	X
6. Other liabilities	2,381	X	X	X	3,635	X	X	X
Total	**1,337,849**	**-**	**-**	**1,327,021**	**1,324,520**	**-**	**-**	**1,313,396**

Key:
BV= Book Value
L1=Level 1
L2=Level 2
L3=Level 3

The item "Current accounts and demand deposits" mainly include on demand deposits from customers and ordinary current accounts to affiliates.

The item "Time deposits" mainly includes time deposits offered to customers by the Parent Company.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

1.3 Financial liabilities at amortised cost: debt securities in issue, breakdown by type

Type of securities/Values	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities								
1. bonds	1,199,483	-	-	1,202,861	1,601,047	-	-	1,604,347
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,199,483	-	-	1,202,861	1,601,047	-	-	1,604,347
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**1,199,483**	**-**	**-**	**1,202,861**	**1,601,047**	**-**	**-**	**1,604,347**

Key:
BV= Book Value
L1=Level 1
L2=Level 2
L3=Level 3

The balance of the item "Debt securities in issue" mainly refers to securitisation transactions issues sold on the market and non-preferred senior bonds entirely subscribed by the Parent Company, for an amount of Euro 176,241 thousand.

For further details relating to the issues, please see the information provided on funding in the report on operations.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

1.4 Details of subordinated securities/debts

Type	12/31/2020	12/31/2019
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2028	35,000	35,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2025	50,000	50,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2027	30,000	30,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2029	10,000	10,000
Tier II subordinated debt to PSA Finance Nederlands B.V. - maturing to 2027	22,500	22,500
Tier II subordinated debt to Banque PSA Finance S.A. - maturing to 2029	11,000	11,000
Total	**158,500**	**158,500**

For further details on subordinated debt to banks mentioned in the table, see Part F “Information on Consolidated Shareholders’ Equity”.

1.5 Details of structured debts

The Group has no structured debts.

1.6 Finance lease payables

The composition of financial outflows for leases relative to the 2020 financial year (IFRS 16 paragraph 53) and the analysis of maturity of the relative liabilities (IFRS 16 paragraph 58) is given below.

	Capital	Interest	Variable payments	Total cash flow leasing
	a	b	c	d=a+b+c
cash outflows	4,004	381	719	4,784

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
lease payables	-	597	-	-	-	468	880	4,989	9,896	-

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2020					Total 12/31/2019				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	-	3,205	-	X	X	-	5,099	-	X
1.1 Trading	X	-	3,205	-	X	X	-	5,099	-	X
1.2 Related with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**3,205**	**-**	**X**	**X**	**-**	**5,099**	**-**	**X**
Total (A+B)	**X**	**-**	**3,205**	**-**	**X**	**X**	**-**	**5,099**	**-**	**X**

Key:
NV= Notional value
L1=Level 1
L2=Level 2
L3=Level 3
Fair Value*=Fair value calculated by excluding changes due to issuer's creditworthiness variation from the issuance date

The derivatives in question relate to interest rate swaps contracts entered into to hedge securitisations arranged by the Parent Company and by Banca PSA.

2.2 Details of "Financial liabilities held for trading": subordinated liabilities

The Group does not have any subordinated financial liabilities held for trading.

2.3 Details of "Financial liabilities held for trading": structured debts

The Group does not have any structured financial liabilities held for trading.

Section 3 – Financial liabilities designated at fair value – Item 30

The Group does not hold any financial liabilities designated at fair value.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	NV	Fair value	12/31/2020		NV	Fair value	12/31/2019	
	12/31/2020	L1	L2	L3	12/31/2019	L1	L2	L3
A) Financial derivatives	**1,499,937**	-	**11,908**	-	**1,618,624**	-	**10,909**	-
1) Fair value	1,499,937	-	11,908	-	1,618,624	-	10,909	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**1,499,937**	**-**	**11,908**	**-**	**1,618,624**	**-**	**10,909**	**-**

Key:
NV=National value
L1=Level 1
L2=Level 2
L3=Level 3

The amount shown in the above table refers to the negative fair value of interest rate swaps entered into by the Group with the Spanish Parent Company Banco Santander and with third parties. The derivatives portfolio consists of contracts taken out to hedge changes in the fair value of fixed-rate underlying assets.

As regards checking the effectiveness of the hedge with respect to the underlying, reference should be made to Part E, Section 1.2 - Market risk, Subsection 1.2.2 - Interest rate risk and price risk, paragraph A (General aspects, management processes and methods of measuring interest rate risk and price risk).

The following table gives details of hedging derivatives with negative fair values at 31 December 2020 (in Euro):

Notional (euro)	Start date	Settlement date	Counterparty	Fair value (euro)
60,750,000	01/30/2017	10/31/2025	Banco Santander	535,548
51,039,500	04/26/2017	07/28/2025	Banco Santander	442,202
57,976,000	04/26/2017	08/26/2025	Banco Santander	525,030
57,501,000	04/26/2017	09/26/2025	Banco Santander	527,731
28,022,000	05/31/2017	06/30/2023	Banco Santander	164,491
36,887,000	05/31/2017	07/31/2023	Banco Santander	238,651
39,392,000	07/31/2017	11/29/2024	Banco Santander	390,249
42,874,500	07/31/2017	12/31/2024	Banco Santander	398,297
38,822,000	07/31/2017	01/31/2025	Banco Santander	399,309
14,186,500	09/29/2017	12/31/2025	Banco Santander	162,044
39,059,000	06/30/2020	12/31/2027	Banco Santander	937,179
59,467,500	06/29/2018	09/30/2024	Banco Santander	473,748
71,022,500	07/31/2018	07/31/2028	Banco Santander	915,003
57,694,000	08/31/2018	08/31/2028	Banco Santander	669,623
88,869,500	12/21/2018	12/21/2028	Banco Santander	1,052,348
61,669,500	05/31/2019	11/30/2027	Banco Santander	440,299
94,670,000	05/29/2020	02/28/2031	Banco Santander	512,988
94,670,000	05/29/2020	02/28/2031	Banco Santander	494,197
97,555,500	05/29/2020	07/29/2031	Banco Santander	548,186
47,474,000	05/29/2020	05/29/2031	Banco Santander	262,542
47,335,000	05/29/2020	06/30/2031	Banco Santander	247,088
15,000,000	04/20/2017	02/28/2022	BNP Paribas	28,005
21,000,000	04/20/2017	04/30/2022	BNP Paribas	52,130
15,000,000	04/20/2017	03/31/2022	Natixis	32,826
32,000,000	06/29/2018	06/30/2023	RBS	206,035
34,000,000	06/29/2018	04/30/2023	BNP Paribas	151,213
27,000,000	06/29/2018	05/31/2023	HSBC	149,528
37,000,000	07/31/2018	07/31/2023	Banco Santander	309,912
35,000,000	07/31/2018	05/31/2023	Banco Santander	231,680
30,000,000	07/31/2018	06/30/2023	BNP Paribas	210,349
9,000,000	10/19/2018	05/31/2021	Banco Santander	17,602
17,000,000	10/19/2018	06/30/2021	Natixis	41,275
16,000,000	10/19/2018	07/31/2021	Natixis	46,582
10,000,000	10/19/2018	08/31/2021	Banco Santander	34,507
15,000,000	10/19/2018	09/30/2021	Banco Santander	60,010
1,499,937,000				**11,908,409**

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flow		Foreign invest.
	Specific						Generic	Specific	Generic	
	debt securities and interest	equities and equity index	currencies and gold	credit	commodities	others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets valued to amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	11,908	X	-	X
4. Other operations	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**11,908**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

For the related comments please read the description in point 4.1.

Section 5 – Remeasurement of financial liabilities with general hedges – Item 50

There are no fair value adjustments of financial liabilities in hedged portfolios.

Section 6 – Tax liabilities – Item 60

Please refer to Section 11 of the Assets.

Section 7 – Liabilities associated with non-current assets held for sale – Item 70

The Group does not have any liabilities associated with assets held for sale.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Other liabilities amount to Euro 275,607 thousand (Euro 393,695 thousand at the end of 2019) and consist of:

	12/31/2020	12/31/2019
Due to suppliers	75,734	100,113
Due to dealers	28,641	34,327
Payables to employees	5,521	7,004
Due to Social Security institutions	3,267	3,251
Tax payables	8,929	8,509
Other amounts due to customers	19,107	18,227
Due to insurances	28,875	43,713
Factoring payables	17,241	72,754
Accruals and deferred income	31,548	43,641
Items in transit	43,769	47,728
Other liabilities for commissions	2,984	3,779
Other payables	9,990	10,651
Total	**275,607**	**393,695**

“Other amounts due to customers” include temporary debt balances with customers for early repayments and the temporary debt balances for instalment payments received in advance of the contractual expiry date.

“Items in transit” mainly include items in transit relating to instalment collection and the settlement of loans.

“Other payables” mainly consists of the provision for agents’ leaving indemnities.

Section 9 – Provision for employee severance pay – Item 90

9.1 Provision for employee severance pay: change in the year

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**4,246**	**4,252**
B. Increases	**254**	**221**
B.1 Provision of the year	34	65
B.2 Other increases	220	156
- of which business aggregation operations	-	-
C. Reductions	**74**	**227**
C.1 Severance payments	74	212
C.2 Other reductions	-	15
- of which business aggregation operations	-	-
D. Closing balance	**4,426**	**4,246**
Total	**4,426**	**4,246**

The provision for employee severance pay amounts to Euro 4,426 thousand (Euro 4,246 thousand at 31 December 2019) and, as required by IAS 19, this coincides with its actuarial valuation (Defined Benefit Obligation – DBO).

9.2 Other information

Based on the Bank of Italy’s instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 12/31/2020	Total 12/31/2019
1. Provisions for credit risk on commitments and financial guarantees given	54	46
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	-	-
4. Other funds for risks and obligations	24,488	41,937
4.1 legal disputes	5,873	6,743
4.2 staff expenses	-	-
4.3 others	18,615	35,195
Total	**24,542**	**41,983**

10.2 Provisions for risks and charges: change in the year

	Provisions for other off-balance sheet commitments and other guarantees	Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Opening balance	-	-	**41,937**	**41,937**
B. Increases	-	-	**3,796**	**3,796**
B.1 Reserve of the fiscal year	-	-	3,791	3,791
B.2 Variation due to pass of time	-	-	-	-
B.3 Variation due to modifies of discount rate	-	-	-	-
B.4 Other variations	-	-	5	5
- of which business aggregation operations	-	-	-	-
C. Decreases	-	-	**21,245**	**21,245**
C.1 Use in the exercise	-	-	21,207	21,207
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	38	38
- of which business aggregation operations	-	-	-	-
D. Closing balance	-	-	**24,488**	**24,488**

The main increases in item B.1 “Provision for the year” relate to provisions for legal disputes with customers and dealers, and other allocations to provisions for customer disputes or future reimbursements to customers.

Item C.1 “Use during the year” relates both to reversals of provisions through line item 200b) of the income statement, set up in prior years for lawsuits, for Euro 767 thousand, and to utilisations of provisions set up in prior years as a result of disbursements made for Euro 20,440 thousand.

10.3 Provisions for credit risk on commitments and financial guarantees given

	Provisions for credit risk on commitments and financial guarantees given			
	First stage	Second stage	Third stage	Total
Loan commitments given	54	-	-	54
Financial guarantees given	-	-	-	-
Total	**54**	**-**	**-**	**54**

10.4 Provisions on other commitments and other guarantees given

The Group does not have provisions on other commitments and other guarantees given.

10.5 Defined-benefit pension plans

The Group has not established any company defined-benefit pension plans.

10.6 Provisions for risks and charges – other provisions

Provisions for legal disputes relate to provisions for disputes with customers and dealers.

Other provisions include provisions for legal disputes with customers relating to the salary assignment loan portfolio, as well as the provisions for future reimbursements of charges paid in advance by customers, in the event of early repayment.

For further details please refer to Part E, Section 2, paragraph 1.5 Operational risk.

Section 11 – Technical reserves – Item 110

The Group does not have any technical reserves.

Section 12 – Redeemable shares – Item 130

The Group has not approved any share redemption plans.

Section 13 – Group shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

For the breakdown of share capital, see point 13.2 below.

13.2 Share capital – Number of shares of the Parent Company: change in the year

Items/Types	Ordinaries	Others
A. Shares existing at the start of the fiscal year	**573,000**	-
-fully paid-up	573,000	-
- not fully paid-up	-	-
A.1 treasury shares (-)	-	-
A.2 Shares outstanding: Opening balance	573,000	-
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- bonds conversions	-	-
- warrants executions	-	-
- others	-	-
- free:	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	-	-
B.3 Other adjustments	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business sale operations	-	-
C.4 Other adjustments	-	-
D. Shares in circulation: final surplus	**573,000**	-
D.1 Treasury shares (+)	-	-
D.2 Shares existing at the end of the fiscal year	573,000	-
-fully paid-up	573,000	-
- not fully paid-up	-	-

13.3 Share capital: other information

At 31 December 2020, the share capital of Santander Consumer Bank S.p.A. amounts to Euro 573 million, made up as follows:

	Total	
	12/31/2020	12/31/2019
Par value per share (zero if the shares have no par value)	1,000	1,000
Fully paid		
Number	573,000	573,000
Amount	573,000,000	573,000,000
Agreed sale :		
Number of shares under contract		
Total amount		

13.4 Profit reserves: other information

The Group's profit reserves at 31 December 2020 consist mainly of the legal reserve (Euro 17,552 thousand), the extraordinary reserve (Euro 273,677 thousand), the merger reserve (Euro -66 thousand), the business unit incorporation reserve (Euro -355 thousand), the first-time adoption reserve (Euro -6,081) and the retained earnings of the subsidiaries (Euro 69,954 thousand).

13.5 Equity instruments: breakdown and change in the year

The Group has not issued any equity instruments.

13.6 Other information

The Group has not issued any puttable financial instruments ("financial instruments repayable on demand").

The subsidiary PSA Renting Italia S.p.A. approved the distribution of dividends.

Section 14 – Minority interests – Item 190

14.1 Details of item 190 "Minority interests"

Minority interests are made up as follows:

Company name	12/31/2020	12/31/2019
Investments in consolidated companies with significant minority interests		
1. Banca PSA Italia S.p.A.	249,623	220,976
2. PSA Renting Italia S.p.A.	1,904	999
3. TIMFin S.p.A.	1,969	-
Other investments		
Total	**253,496**	**221,975**

These amounts relate to the portion of shareholders' equity attributable to Banque PSA in relation to its 50% equity interest in Banca PSA Italia and its 50% equity interest in PSA Renting Italia S.p.A. through the indirect shareholding, and TIM S.p.A. in relation to the 49% equity interest in TIMFin S.p.A.

14.2 Equity instruments: breakdown and change in the year

There are no equity instruments attributable to minority interests.

OTHER INFORMATION

1. Commitments and financial guarantees given

	Nominal value of commitments and financial guarantees given			Total 12/31/2020	Total 12/31/2019
	First stage	Second stage	Third stage		
Loan commitments given	**590,488**	**249**	**3**	**590,740**	**475,540**
a) Central banks	-	-	-	-	-
b) Public Administration	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	586,666	249	-	586,916	472,016
f) Households	3,821	-	3	3,824	3,524
Financial guarantees issued	-	-	-	-	-
a) Central banks	-	-	-	-	-
b) Public Administration	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	-	-	-	-	-

The item “Loan commitments given” includes the amount of the irrevocable commitments relating to factoring transactions and the margins available on credit lines granted to customers.

2. Other commitments and other guarantees given

	Nominal value	
	Total	Total
	12/31/2020	12/31/2019
Other guarantees issued		
of which: impaired	-	-
a) Central banks	-	-
b) Public Administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Other commitment		
of which: impaired	9	144
a) Central banks	-	-
b) Public Administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	18,608	18,863
f) Households	-	-

3. Assets used to guarantee own liabilities and commitments

Portfolios	Amounts 12/31/2020	Amounts 12/31/2019
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets valued to amortised cost	4,940,709	3,213,398
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The item “Financial assets measured at amortised cost” includes:

- Italian government bonds, the pool of loans (ABACO) and the assets underlying the securities provided as collateral for the loans received from the Bank of Italy in connection with TLTRO-II and TLTRO-III operations with the European Central Bank;
- the portfolio of loans subject to securitisation, referred to below in Part C, Section 2 of Part E of the Notes to the Financial Statements;
- the Italian government securities involved in the repurchase agreement entered into with UniCredit Bank AG;
- the amounts paid as guarantee deposit to Santander Group companies as part of derivatives operations.

4. Breakdown of investments relating to unit-linked and index-linked insurance policies

This item is not applicable to the Group’s operations.

5. Administration and trading on behalf of third parties

No Group company operates in the field of administration and trading on behalf of third parties.

6. Financial assets subject to offsetting in the financial statements, or subject to master netting or similar agreements

Instrument type		Gross amount of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet values of financial asset (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e)	Net amounts
					Financial instruments (d)	Cash Collateral received (e)	12/31/2020	12/31/2019
1. Derivatives		2,174	-	2,174	-	2,224	(50)	(161)
2. Repo's		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,174**	**-**	**2,174**	**-**	**2,224**	**(50)**	**X**
Total	**12/31/2019**	**2,041**	**-**	**2,041**	**-**	**2,203**	**X**	**(161)**

As required by IFRS 7, it is hereby disclosed that the derivatives in place at 31 December 2020 were entered into by Group companies and have positive fair value equal to Euro 2,174 thousand (column c) and are subject to an ISDA-based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives recognised as liabilities, corresponding to the negative fair value.

Column e) “Cash collateral received” shows the effect of the potential offsetting of exposures for which cash collateral has been provided.

7. Financial liabilities subject to offsetting in the financial statements, or subject to master netting or similar agreements

Instrument type		Gross amount of the financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet values of financial liabilities (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount (f=c-d-e)	Net amount (f=c-d-e)
					Financial instruments (d)	Cash Collateral received (e)	12/31/2020	12/31/2019
1. Derivatives		10,337	-	10,337	-	10,574	(237)	(739)
2. Repos		50,090	-	50,090	4	-	50,087	-
3. Securities lending		-	-	-	-	-	-	-
4. Other operations		-	-	-	-	-	-	-
Total	**12/31/2020**	**60,427**	**-**	**60,427**	**4**	**10,574**	**49,849**	**X**
Total	**12/31/2019**	**88,477**	**-**	**88,477**	**79,114**	**10,103**	**X**	**(739)**

The financial liabilities subject to offsetting have the following characteristics:

- Derivatives with negative fair value entered into by Group companies, equal to Euro 10,337 thousand (column c), are subject to an ISDA-based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives recognised as assets, where present. Column e) “Cash collateral received” shows the effect of the potential offsetting of exposures for which cash collateral has been provided;
- Repos include the transaction carried out with a counterparty third. Column d) “Financial instruments” includes the fair value of the security provided as collateral against the loan received, for the maximum amount of the loan.

8. Securities lending

The Group does not have any transaction in securities lending.

9. Information on joint arrangements

The Group does not have any joint arrangements.

Part C – Information on the consolidated income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Interest and similar income amount to Euro 370,258 thousand (Euro 356,995 thousand at 31 December 2019) and are made up of:

Items/Technical forms	Debt securities	Loans	Other operations	Total 12/31/2020	Total 12/31/2019
1. Financial assets valued to fv with impact to P&L:	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated to fv	-	-	-	-	-
1.3 Other financial assets mandatorly valued to fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets at amortised cost	**811**	**351,716**	**X**	**352,527**	**353,266**
3.1 Loans to banks	-	10	X	10	118
3.2 Loans to customers	811	351,706	X	352,517	353,148
4. Hedging derivatives	**X**	**X**	**16**	**16**	-
5. Other assets	**X**	**X**	**292**	**292**	**144**
6. Financial liabilities	**X**	**X**	**X**	**17,423**	**3,586**
Total	**811**	**351,716**	**308**	**370,258**	**356,995**
of which: interest income on credit impaired financial	-	-	-	-	-
of which: interest income on financial lease	-	15,250	-	15,250	19,186

The value of interest on loans to customers is mainly represented by the economic consequences on an accrual basis of the components identified as relevant for amortised cost purposes, in relation to the different technical forms. It is also represented by the amount of interest on securitised loans in the financial statements according to IFRS 9, in continuity with the previous IAS 39, on reversal derecognition.

Against a background of negative rates, the item “Financial liabilities” mainly consists of interest income accrued on financing transactions through TLTRO-II and TLTRO-III with the European Central Bank. This item includes interest on TLTRO III loans to which the average rate on deposits with the Central Bank was applied, calculated for the entire duration of the respective transaction, with the exception of the period between 24 June 2020 and 31 December 2020, (for which a further rate of -0.5% is applied compared to the base rate of -0.5%) since the loans eligible to obtain the bonus rate are well above the required net lending benchmarks.

For more details, refer to the Financial Management section of the Report on Operations.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

The Group does not hold any financial assets in foreign currency.

1.3 Interest and similar expense: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total 12/31/2020	Total 12/31/2019
1. Financial liabilities valued at amortised cost	30,217	7,065	X	37,282	37,950
1.1 Deposits from central banks	27	X	X	27	-
1.2 Debts from banks	14,654	X	X	14,654	19,530
1.3 Debts to customers	15,535	X	X	15,535	15,204
1.4 Debt securities in issue	X	7,065	X	7,065	3,216
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	12
5. Hedging derivatives	X	X	6,240	6,240	6,444
6. Financial assets	X	X	X	1,214	263
Total	**30,217**	**7,065**	**6,241**	**44,737**	**44,669**
of which: interest expense on lease payables	381			381	308

Interest expense on debts from banks mainly derives from loans granted by Santander Group companies as part of ordinary financing operations and by other banks. The portion relating to Banca PSA amounts to Euro 6,229 thousand and to PSA Renting to Euro 350 thousand.

Interest expense on debt securities in issue relates to securities issued under EMTN programmes and the issue of non-preferred Senior bonds.

For more details on the above-mentioned transactions, refer to the Financial Management section of the Report on Operations attached to the Consolidated Financial Statements.

Interest expense on debts to customers consists mainly of the cost of funding provided by the Parent Company through current and deposit accounts (Euro 14,834 thousand).

“Hedging derivatives” include the net balance of differentials on hedging derivatives as reported in table 1.5 below.

1.4 Interest expenses and similar charges: other information
1.4.1 Interest expenses on foreign currency liabilities

The Group has no liabilities in foreign currency.

1.5 Differentials on hedging operations

Items	Total 12/31/2020	Total 12/31/2019
A. Positive differentials related to hedging operations:	16	-
B. Negative differentials related to hedging operations:	(6,240)	(6,444)
C. Balance (A-B)	**(6,224)**	**(6,444)**

The balance of differentials on hedging interest rate swaps is negative (as in 2019).

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

Fee and commission income generated during the year amount to Euro 115,510 thousand (Euro 133,089 thousand at 31 December 2019) and is broken down as follows:

Type of service/Values	Total 12/31/2020	Total 12/31/2019
a) released guarantees	-	-
b) credit derivatives	-	-
c) management services, brokerage and consultancy:	87,201	103,829
1. negotiation of financial instruments	-	-
2. currency negotiation	-	-
3. portfolio management	-	-
3.1. individuals	-	-
3.2. collectives	-	-
4. stock custody and administration	-	-
5. depositary bank	-	-
6. allocation of stock	-	-
7. reception and transmission order	-	-
8. consultancy activities	-	-
8.1. in matter of investments	-	-
8.2. in matter of financial structure	-	-
9. distribution of third parties services	87,201	103,829
9.1. porfolios management	-	-
9.1.1. individuals	-	-
9.1.2. collectives	-	-
9.2. insurance products	59,540	61,465
9.3. other products	27,661	42,364
d) payment and recess services	24,010	23,577
e) services of servicing for operations of cartolization	-	-
f) services for factoring operations	-	-
g) business of tax collection and betting office	-	-
h) activities of management of multilateral sistem of exchange	-	-
i) holding and management of current account	-	-
j) other services	4,299	5,683
Total	**115,510**	**133,089**

The item “Management services, brokerage and consultancy” includes mainly commission income for insurance products placed with customers financed by the Parent Company for Euro 44,468 thousand and by subsidiaries for Euro 15,072 thousand, installation services for security devices for theft and fire for Banca PSA for Euro 14,500 thousand. During the year, the Parent Company integrated the recovery of network brokerage costs in the calculation of the amortised cost, following the recent ruling issued by the Court of Justice of the European Union[11].

The item "collection and payment services" includes mainly commission generated during the year from collection and payment services provided to customers.

Item j) “other services”, on the other hand, comprises mainly:

- income recognised in respect of damages and penalties for late payment;
- fees and commission income for the management of credit cards;
- commission income on stock financing.

[11] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 (“Lexitor”)

2.2 Fee and commission expenses: breakdown

Fee and commission expenses amount to Euro 39,194 thousand (Euro 58,805 thousand at 31 December 2019) and is broken down as follows:

Services/Amounts	Total 12/31/2020	Total 12/31/2019
a) guarantees received	30	16
b) credit derivatives	-	-
c) management and brokerage services	29,634	50,364
1.trading in financial instruments	-	-
2. currency trading	-	-
3. portfolios management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolio	-	-
4. custody and administration securities	88	65
5. financial instruments placement	-	-
6. off-site distribution of financial instruments, products and services	29,546	50,299
d) collection and payment services	3,049	4,019
e) other services	6,481	4,407
Total	**39,194**	**58,805**

The most significant amounts relevant to the item are mainly related to commission paid for insurance products for all the companies of the Group, contributions and termination indemnities accrued by the network of agents based on targets for the placement of loans with customers and the costs incurred for the collection of loan instalments and for payments made. During the year, the Parent Company integrated the network brokerage costs in the calculation of the amortised cost made following the above-mentioned ruling.

Section 3 – Dividends and similar revenues – Item 70

3.1 Dividends and similar revenues: breakdown

The Group has not received any dividends in the financial year.

Section 4 – Net income financial assets and liabilities held for trading – Item 80

4.1 Net income financial assets and liabilities held for trading: breakdown

Net trading income (loss) amounts to Euro (10) thousand and is broken down as follows:

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Loss from negotiation (D)	Net result [(A+B) - (C+D)]
1. Financial trading assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Equity stocks	-	-	-	-	-
1.3 O.I.C.R. shares	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	-
4. Derivatives	**4,017**	**1,373**	**(3,921)**	**(1,458)**	**10**
4.1 Financial derivatives:	4,017	1,373	(3,921)	(1,458)	10
- On debt securities and interest rates	4,017	1,373	(3,921)	(1,458)	10
- On capital stocks and stock indexes	-	-	-	-	-
- On currency and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to fv option	X	X	X	X	-
Total	**4,017**	**1,373**	**(3,921)**	**(1,458)**	**10**

The item includes the gains and losses arising from financial derivatives held to hedge interest rate risk associated with securitisations carried out by Group companies that do not meet the requirements under IAS 39 for classification as hedging derivatives, as well as the gains and losses arising from differentials on the derivatives.

Section 5 – Net gains (losses) on hedge accounting – Item 90

5.1 Net gains (losses) on hedge accounting: breakdown

This table shows the income generated by the valuation of the derivatives hedging the fair value of financial assets and the corresponding charge resulting from the valuation of the hedged assets.

P&L item/Values	Total 12/31/2020	Total 12/31/2019
A. Income from:		
A.1 Fair value hedging instruments	1,414	129
A.2 Financial assets hedged (fair value)	2,562	7,866
A.3 Financial liabilities hedged (fair value)	-	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income in hedge accounting (A)	**3,977**	**7,994**
B. Charges on		
B.1 Fair value hedging instruments	(2,423)	(5,143)
B.2 Financial assets hedged (fair value)	(1,827)	(4,024)
B.3 Financial liabilities hedged (fair value)	-	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**(4,249)**	**(9,168)**
C. Net hedging activity (A-B)	**(273)**	**(1,174)**
of which: net gains (losses) of hedge accounting on net positions	-	-

Section 6 – Gains (losses) on disposal or repurchase – Item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items / Income	Total 12/31/2020			Total 12/31/2019		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	3,755	(2,338)	1,417	20,606	(3,569)	17,037
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	3,755	(2,338)	1,417	20,606	(3,569)	17,037
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,755**	**(2,338)**	**1,417**	**20,606**	**(3,569)**	**17,037**
B. Financial liabilities valued at amortised cost	-	-	-	-	-	-
1. Deposits with banks	-	-	-	-	-	-
2. Deposits with customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

La voce crediti verso la clientela è rappresentata dal saldo delle cessioni a terzi di crediti pro soluto effettuate nel corso dell’esercizio. In particolare il risultato netto è correlato alla cessione straordinaria di crediti non performing operata nel corso del secondo semestre 2020 da parte della Capogruppo.

Section 7 – Net result on other financial assets and liabilities measured at fair value through profit and loss - Item 110

The Group does not hold any financial assets or liabilities designated at fair value.

Section 8 – Net losses / recoveries on credit risk – Item 130

8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

Operation / P&L item	Write-downs (1)			Write - backs (2)		Total 12/31/2020	Total 12/31/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
A. Loans to banks	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	(61,019)	(1,111)	(42,198)	29,945	11,323	(63,060)	(28,854)
- Loans	(61,019)	(1,111)	(42,198)	29,945	11,323	(63,060)	(28,854)
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	92	1,031	1,123	(618)
Total	**(61,019)**	**(1,111)**	**(42,198)**	**29,945**	**11,323**	**(63,060)**	**(28,854)**

8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown

Operation / P&L item	Net Adjustments			Total 12/31/2020
	First and second stage	Third stage		
		Write-off	Others	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(10,237)	-	(489)	(10,726)
2. Other loans and advances subject to COVID-19-related forbearance measures	(156)	-	(15)	(171)
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
Total	**(10,393)**	**-**	**(503)**	**(10,897)**

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through comprehensive income: breakdown

The Group does not have any financial assets at fair value through comprehensive income.

Section 9 – Gains/losses on contractual changes without cancellations – Item 140

9.1 Gains/losses on contractual changes: breakdown

	Total 2020			Total 2019
	Gains	Losses	Total	
A. Financial assets valued at amortised cost				
A.1. Customer loans	193	(381)	(188)	-
Total	**193**	**(381)**	**(188)**	**-**

The item includes the impacts relating to contractual amendments on medium/long-term loans with customers, which, as they are not substantial changes, according to the provisions of IFRS 9, do not entail the derecognition of assets. Amendments made to contractual cash flows, following the suspension of payments in compliance with legislative and non-legislative grace periods, granted to deal with the health and economic emergency linked to the COVID-19 virus, are recognised in the income statement.

Section 10 – Net premiums – Item 160

The Group does not include insurance companies.

Section 11 – Net other insurance income/expense – Item 170

The Group does not include insurance companies.

Section 12 – Administrative costs – Item 190

12.1 Payroll costs: breakdown

Payroll costs amount to Euro 56,914 thousand (Euro 63,143 thousand at 31 December 2019) and are split as follows:

Type of expense/Amounts	Total 12/31/2020	Total 12/31/2019
1) Employees	**54,112**	**60,312**
a) wages and salaries	37,495	43,698
b) social obligation	11,374	11,532
c) Severance pay	326	286
d) Social security costs	-	-
e) reserve to staff severance indemnity	34	65
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	2,801	2,621
- defined contribution	2,801	2,621
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	2,082	2,110
2) Other staffs in activity	**2,141**	**2,140**
3) Managers and statutory auditors	**662**	**690**
4) Early retirement costs	-	-
Total	**56,914**	**63,143**

“Social security costs” include pension costs incurred by the Group in 2020.

The “provision for employee severance pay” shows the amount calculated in accordance with actuarial estimates.

12.2 Average number of employees, by category

	12/31/2020	12/31/2019
Employees:		
a) Senior managers	21	21
b) Managers	218	228
of which 3rd and 4th level	*68*	*74*
c) Remaining employees staff	572	575
Total	**811**	**824**
Other personnel	**30**	**35**

12.3 Defined-benefit pension plans: costs and revenues

The Group has not allocated defined-benefit pension plans.

12.4 Other employee benefits

	12/31/2020	12/31/2019
Ancillary staff expenses (contributions to rent and health insurance, luncheon vouchers and other minor benefits)	3,526	3,959
Incentive plan reserved for managers and middle managers		
Cost of allocation of share by the parent company to employees		
Total	**3,526**	**3,959**

12.5 Other administrative costs: breakdown

Other administrative costs amount to Euro 85,126 thousand (Euro 95,170 thousand at 31 December 2019) and are made up as follows:

Type of service/Amounts	Total 12/31/2020	Total 12/31/2019
Indirect taxes and duties	8,749	12,139
Telephone, broadcasting and postal	3,328	3,890
Maintenance, cleaning and waste disposal	713	741
Property lease, removals and condominium expenses	858	997
Professional fees and corporate expenses	20,926	20,642
Travel and accomodation	1,283	2,506
Stamp duty and flat-rate substitute tax	4,406	5,275
Insurance charges	113	104
Forms, stationery and consumables	279	243
Supplies, licences EDP consulting and maintenance	11,144	10,039
Debt recovery charges	10,314	11,241
Legal fees	4,296	5,545
Advertising, promotion and representation	2,485	3,335
Commercial information and searches	4,243	4,651
Other expenses	11,990	13,823
Total	**85,126**	**95,170**

Section 13 – Net provisions for risks and charges – Item 200

13.1 Net provisions for credit risk on loan collateral and financial guarantees given: breakdown

	Additions	Uses	Net provision 12/31/2020	Net provision 12/31/2019
Net provision on commitment and financial guarantees	(8)		(8)	43

13.2 Net provisions relating to other commitments and guarantees given: breakdown

The Group has not recognised other commitments and guarantees given.

13.3 Net provisions for other risks and charges: breakdown

	Additions	Uses	Net provision 12/31/2020	Net provision 12/31/2019
Net personnel expense provision				
Net provision for legal disputes	(3,316)	782	(2,534)	(3,050)
Other provisions	(475)		(475)	(29,092)
Total	**(3,791)**	**782**	**(3,009)**	**(32,142)**

For more information, please refer to Part B, Section 10 “Provisions for risks and charges”.

Section 14 – Net adjustments to/recoveries on property, plant and equipment – Item 210

14.1 Net adjustments to/recoveries on property, plant and equipment: breakdown

Net adjustments to property, plant and equipment amount to Euro 5,272 thousand and refer to the depreciation of the Group’s assets.

Asset/Income	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net risult (a + b - c)
A. Property, equipment and investment property				
1 For operational use	(5.258)	(13)	-	(5.272)
- Owned	(1.044)	(13)	-	(1.057)
- Licenses acquired through lease	(4.215)	-	-	(4.215)
2 Held under finance leases	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3 Inventories	X	-	-	-
Total	**(5.258)**	**(13)**	**-**	**(5.272)**

Section 15 – Net adjustments to/recoveries on intangible assets – Item 220

15.1 Net adjustments to intangible assets: breakdown

Net adjustments to intangible assets amount to Euro 6,994 thousand and relate to the amortisation for the year, as shown in the following table:

Asset/Income	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net risult (a + b - c)
A. Intangible assets				
A.1 Owned	(6,994)	-	-	(6,994)
- Generated internally by the company	-	-	-	-
- Other	(6,994)	-	-	(6,994)
A.2 Licenses acquired through lease	-	-	-	-
Total	**(6,994)**	**-**	**-**	**(6,994)**

Section 16 – Other operating expenses/income – Item 230

16.1 Other operating expenses: breakdown

Other operating expenses amount to Euro 40,624 thousand (Euro 33,809 thousand at 31 December 2019) and are divided as follows:

	Total 12/31/2020	Total 12/31/2019
Amortization on improvements (not separable) on real estates owned by the	373	341
Rebates and discounts	100	99
Losses on disposal	618	598
Miscellaneous expenses	1,163	1,667
Expenses related to leasing activities	31,475	26,507
Other expenses	6,894	4,597
Total	**40,624**	**33,809**

16.2 Other operating income: breakdown

Other operating income amounts to Euro 44,753 thousand (Euro 57,942 thousand at 31 December 2019) and can be broken down as follows:

	Total 12/31/2020	Total 12/31/2019
Recovery of taxes	7,397	9,651
Recovery of lease instalments	3,146	249
Recovery of other expenses	1,046	1,319
Recovery of preliminary expenses	-	9,221
Rebates and discounts received	4	4
Gains on disposal	18	27
Income related to leasing transactions	23,710	27,267
Other income	9,433	10,204
Total	**44,753**	**57,942**

During the year, the Parent Company integrated the recoveries of preliminary expenses in the calculation of the amortised cost, following the recent ruling issued by the Court of Justice of the European Union[12].

[12] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 (“Lexitor”)

Section 17 – Gain (Losses) of equity investments – Item 250

The Group does not hold any equity investments other than those that fall within the consolidation scope.

Section 18 – Net gains (losses) arising on fair value measurement of property, plant and equipment and intangible assets – Item 260

The Group's property, plant and equipment and intangible assets have not been measured at fair value.

Section 19 – Adjustments to goodwill – Item 270

The Group has not recognised any goodwill.

Section 20 – Gains (losses) on disposal of investments – Item 280

The Group has not recorded gains or losses on disposal of investments.

Section 21 – Income taxes for the year on continuing operations – Item 300

21.1 Income taxes for the year on continuing operations: breakdown

The item "Income taxes for the year" shows a balance of Euro (59,003) thousand (Euro (60,271) thousand at 31 December 2019) and represents the provision made during the year in accordance with current tax law. It is made up as follows:

Income components/Sectors	Total 12/31/2020	Total 12/31/2019
1. Current tax expense (-)	(30,871)	(70,912)
2. Change of current taxes of previous years (+/-)	703	188
3. Reduction in current tax for the period (+)	-	-
3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+)	-	-
4. Change of deferred tax assets (+/-)	(28,925)	11,088
5. Change of deferred tax liabilities (+/-)	89	(635)
6. Tax espense for the year (-)	**(59,003)**	**(60,271)**

The change of deferred tax assets is mainly due to the reversal during the year of the portions of deferred tax assets recognised in previous years and pertaining to the year, relating to provisions for bad debt and other provisions.

For further details of changes of tax balances, please see section 11 – Tax assets and tax liabilities.

21.2 Reconciliation between theoretical and effective tax charge

The following table shows the effects on current taxes recognised in the financial statements arising from the presence of permanent differences that increase taxable income with respect to the profit from continuing operations, thereby aggravating the tax burden.

	12/31/2020	12/31/2019
Profit (loss) from continuing operations before tax	189,656	198,889
Profit before tax on discontinuing operations		
Theoretical taxable income	**189,656**	**198,889**
IRES - Theoretical tax charge	(52,730)	(54,610)
- effect of income and expenses that do not contribute to the tax base	4,172	3,709
- effect of expenses that are wholly or partially non-deductible	(257)	1,442
- Reduction in tax for the period	1,207	1,079
IRES - Effective tax burden	**(47,607)**	**(48,380)**
IRAP - Theoretical tax charge	(10,631)	(11,038)
- portion of non-deductible administrative expenses, depreciation and amortisation	(523)	(588)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	2,115	2,694
- effect of expenses that are wholly or partially non-deductible	(2,508)	(3,061)
- Reduction in tax for the period	151	103
IRAP - Effective tax burden	**(11,396)**	**(11,890)**
Effective tax burden as shown in the financial statements	**(59,003)**	**(60,271)**

The effects of temporary changes that increase/decrease taxable income, recognised in the accounts as part of deferred tax assets/liabilities, are reflected in the reconciliation shown in the table.

Section 22 – Total profit or loss after tax from continuing operations – Item 320

The Group has not recognised any gains or losses on disposal groups classified as held for sale.

Section 23 – Net profit (loss) pertaining to minority interests – Item 340

23.1 Analysis of item 340 “Net profit (loss) pertaining to minority interests”

	12/31/2020	12/31/2019
Investments in consolidated companies with significant minority interests		
1. PSA Italia spa	27,339	26,865
2. PSA Renting Italia S.p.A.	2,244	1,339
3. TIMFin S.p.A.	(971)	-
Other investments	-	-
Total	**28,613**	**28,204**

The result pertaining to minority interests amounts to Euro 28,613 thousand and relates to the profit attributable to Banque PSA arising from its 50% interest in Banca PSA Italia, equal to Euro 27,339 thousand, and 50% in PSA Renting, equal to Euro 2,244 thousand, and the loss pertaining to Tim S.p.A. arising from its 49% interest in TimFin S.p.A. equal to Euro 971 thousand.

Section 24 – Other information

Information on public funds pursuant to art. 1, paragraph 125 of Italian Law No. 124 of 4 August 2017 ("Annual law for the market and the competition")

Italian Law no. 124 of 4 August 2017 introduced some measures in art. 1 paragraphs from 125 to 129 with the objective of ensuring transparency in the issue of public funds. In particular the law provides the obligation for enterprises that receive subsidies, contributions, paid positions and in any case economy advantages of any nature from public administrations, to publish such amounts in the notes to the financial statements and in the notes of any consolidated financial statements.

In order to avoid the accumulation of non-relevant information, the obligation to publish is waived when the amount of these public funds received is less than Euro 10,000.

Details are provided below of the amounts received during 2020 by way of "grants, contributions, paid assignments and in any case economic benefits of any kind".

Group Company	Lender	Reason	Amount
Santander Consumer Bank S.p.a.	Fondo Banche Assicurazioni	training aid	180
Santander Consumer Bank S.p.a.	Agenzia delle Entrate	Credit of sanifisation and DPI	28
Banca PSA Italia S.p.a.	Istituto Nazionale della Previdenza Sociale	wage subsidies	46

In addition, the Italian National Register of State aids is active, in which State aids by subjects that grant and manage these aids must be published.

For further information, please refer to the Italian National Register of State Aids (RNA), under the "Transparency" section.

Section 25 – Earnings per share

25.1 Average number of ordinary shares (fully diluted)

	Number	Days	Weighted number
Opening balance	573,000	365	573,000
Issue of new shares	-	-	-
Total			**573,000**

With reference to IAS 33, note that the weighted average number of ordinary shares used in the calculation of basic earnings per share is the same as the average number of shares based on fully diluted capital.

25.2 Other information

Profit (loss) for the year	127,545
Basic earnings per share	0.20

Profit (loss) for the period pertaining to the Parent Company	98,933
Basic earnings per share	0.17

Basic EPS is the same as diluted EPS as there are no instruments outstanding that could potentially dilute basic EPS in the future.

Part D – Consolidated comprehensive income

Statement of consolidated comprehensive income

	Items	12/31/2020	12/31/2019
10.	**Net Profit (Loss) for the year**	**127,545**	**135,068**
	Other comprehensive income after tax not to be recycled to income statement		
20.	Equity securities designated at fair value with an impact on total income:	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value with impact on the income statement (changes in creditworthiness):	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedges of equity securities designated at fair value with an impact on total profitability:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(144)	(136)
80	Non current assets classified as held for sale	-	-
90.	Valuation reserves from investments accounted for using the equity method	-	-
100.	Income taxes relating to other income components without reversal to the income statement	27	16
	Other comprehensive income after tax to be recycled to income statement		
110.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) value change	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments:	-	-
	a) value change	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (no equity securities) measured at fair value with an impact on total profitability:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	- adjustments to credit risk	-	-
	- gains / losses from realization	-	-
	c) other changes	-	-
160.	Non current assets classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Valutation reserves from investments accounted for using the equity method;	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	- impairment adjustments	-	-
	- gains / losses from realization	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to the income statement	-	-
190.	**Total of other comprehensive income after tax**	**(117)**	**(119)**
200.	**Comprehensive income (Items 10+190)**	**127,428**	**134,949**
210.	Minority consolidated other comprehensive income	28,581	28,161
220.	**Parent Company's consolidated other comprehensive income**	**98,847**	**106,787**

Part E – Information on risks and related hedging policies

Introduction

Again in 2020 the Santander Consumer Bank Group (hereinafter the Group) placed great importance on the governance of risks in accordance with the requirements of the prudential supervision regulations through their management and control, as a means of ensuring reliable and sustainable value creation in a context of controlled risk.

The risk management strategy for all companies falling within the scope of control focuses on a complete and consistent overview of risks. It takes account of both the macro-economic scenario and the risk profile, stimulating the growth of the risk culture and encouraging a transparent and accurate presentation of the risks associated with the portfolios held, ensuring adequate organisational and methodological procedures consistent with the regulatory and operational context.

The policies that guide the assumption and management of risks are approved by the respective Boards of Directors (BoD), while the Board of Directors of the parent SCB, in addition to the Risk Appetite Framework (RAF) thresholds specified by the Parent Company, approves the thresholds relative to capital metrics. The BoD of the Parent SCB is supported in the carrying out of its functions by the specialist committees established, which include the board Risk Committee, which is entrusted with the task of supporting the Board of Directors in relation to risk, so allowing it to take correct decisions with regard to risk governance. In addition to these, managerial committees have been established. These include the Executive Risk Committee, whose Chairman is the Chief Executive Officer (CEO) with the Chief Risk Officer (CRO), the Head of Administration and Control and the Head of Finance as permanent members.

The organisational structure adopted by both the Parent Company and by the subsidiaries allows adequate coordination of activities at Group level and effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Spanish parent company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long-term strategic objectives and short-term earnings objectives. In addition, the presence within the subsidiaries of a hierarchical line of reporting to the Board of Directors (BoD) guarantees the independence of the function.

The risk appetite of the parent SCB and, more generally, of the Group, is shown in the RAF, a strategically important tool, organised and structured to present to the governance bodies the main risks to which a company is exposed and the level of such risks that it is willing to assume under normal and stressed conditions. The document outlines and thus applies the Target Risk framework defined for the Bank and for the Group (for the latter only as regards capital metrics).

The overall risk profile stems from the general principles defined by the risk policies and consists of a structure of limits suitable to ensure that, even under stressed conditions, minimum levels of solvency, liquidity and earnings are met.

The general principles that guide the risk assumption strategy are based on the optimisation and protection of financial results, by pursuing revenue generation without affecting the achievement of adequate levels of capitalisation and a conscious assumption of risks and measurement thereof.

The risk appetite of the parent SCB and the subsidiaries is based on the following requisites and features:

- it reflects an aggregated view and applies to all business units (functional areas);
- it considers the main types of risk that impact the group's business development;
- it takes a prospective view of the group's risk profile in certain circumstances, with the use of stress tests and scenario analysis;
- it is not static and adapts to the changing business environment;
- it combines quantitative and qualitative standards;
- it is concise and easy to communicate to Senior Management and external stakeholders;
- it enables a structured comparison of risk profile against risk appetite;
- it is connected to the overall corporate strategy and to other instruments or business processes that help with planning, evaluating and monitoring risks, including those aimed at defining the budget, liquidity/financing and capital;
- it is integrated with risk management of the Bank's ordinary activities, given that it was designed to take account of existing policies and limits.

In summary, the expectations are:

- keeping expected profitability within the parameters laid down;
- prudent management of risk through the continuous monitoring of the portfolios managed;
- management of funding aimed at increasing the diversification of funding sources;
- control/optimisation of operating costs, to be implemented by means of more stringent monitoring of the planning/assessment/authorisation process and by streamlining business processes;
- achievement of levels of capitalisation in line with current regulations and with constraints imposed by the Supervisory Authority, as well as with the objectives agreed with the Spanish parent company;
- development and updating of professional skills in the light of continuous changes in regulations, in the increasingly competitive market context and in the strategies of the Santander Group.

Risk culture

In line with that already accomplished in previous years, the Group gives utmost attention to the transmission and sharing of a risk culture, by means of regular updates to relevant documents and by initiatives implemented to address specific issues as they arise. In this regard, the parent company SCB is continuing the programme for the development of Advanced Risk Management (ARM), with the support of the Spanish parent company, aimed at spreading awareness of the risks to which the Bank is exposed, the conduct required to mitigate them and finally the instruments necessary to monitor them and improve them. The measures, which are spread over various areas and have impacts across the entire bank, have seen the involvement of both Top Management and other areas of the Bank.

As a result of the programme being carried out, significant improvements have been made both in terms of processes and the checks performed. Following the programme confirming its importance is an integral part of the objectives assigned to Top Management. The subsidiaries continued the same development process at the same time, using an approach always based on the principle of proportionality. The risk management approach adopted is orientated towards an increasingly integrated and consistent management of risks, by taking account of the macro-economic scenario and the Group's risk profile, by stimulating a growing risk culture by means of an extensive and transparent presentation of the risks associated with portfolios.

Organisation and risk governance

Credit risk is the main type of risk to which the Group is exposed and is associated with the probability that a borrower may be unable to meet its contractual obligations thereby resulting in possible future losses.

In this business environment and in compliance with the applicable provisions relating to the Internal Control System (Circular of Bank of Italy no. 285 of 17 December 2013 and subsequent up-dates) the Group is provided with an organisational and operational structure adequate to the assigned objectives. This structure has also been consolidated and modified in the individual units also in consideration of the entry into force of the IFRS 9 accounting standard and was further enhanced by the entry into force of the New Default Definition pursuant to art. 178 of EU Regulation No. 575/2013 and with the up-dating of the definitions of impaired loan exposures in order to guarantee an adequate risk management, with particular reference to the definition of the policies for the valuation and classification of loans, the development of second level controls and the monitoring of positions in the assigned stages.

Starting from January 2021 in compliance with the requirements of the regulations (EBA/GL/2016/07 "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013" and EBA/RTS/2016/06 "New regulatory technical standards on materiality threshold of credit obligations past due" that supplement the Delegated Regulation (EU) No. 171/2018 of the European Commission dated 19 October 2017), the new European rules on classification of debtors in default came into force, i.e. debtors who are no longer able to fulfil their commitments with the Bank and are therefore "in default".

The new regulation establishes more restrictive criteria and methods for default classification than those adopted so far, with the aim of harmonising the regulations among the various countries of the European Union. The legislation is aimed at both companies and individuals who have access to credit and requires each institution to automatically classify the exposure as "in default" when a materiality threshold is exceeded, expressed in absolute and relative terms, taking into account the total amount of the exposures that the debtor has with the Bank.

The materiality threshold is considered exceeded when the customer has an amount past due by more than 90 consecutive days:

- in the case of Individuals and Small and Medium Enterprises, more than Euro 100 (as an absolute component) and more than 1% of total exposures to the Bank (as a relative component);
- in the case of Large Enterprises, more than Euro 500 (as an absolute component) and more than 1% of total exposures to the Bank (as a relative component).

In addition to the above, the new regulation envisages also:

- the possibility that the classification as "in default" of a position spreads to all the joint obligations with other debtors (e.g. joint names, guarantors of partnerships, etc.);
- for customers in financial difficulty, that any suspension of payment of the instalments, the renegotiation of the loan or the consolidation of the position entail its classification as a Non-Performing Loan (NPL);
- the prohibition on offsetting between credit facilities for the customer with overdue credit facilities.

The customer who has settled the arrears, after at least 90 days from these settlements without any further situations of arrears or further prejudicial events occurring, will exit the default status.

Through its units, in 2020, the Group launched a project to adapt the models for estimating the PD/LGD/EAD parameters to the new regulatory standards for all the products managed with the support of the parent company's methodological study team. The updated and validated models will be in use from 2021. During the year, monitoring and backtesting activities will be carried out in order to ensure an adequate calculation of the economic impacts.

The organisational standards applied to ensure that the Group has an effective risk governance system are aimed at:

- ensuring the separation of operational functions from control functions;
- ensuring the identification, measurement and monitoring of risks inherent, or that may be assumed, in the various operational areas;
- guaranteeing that any anomalies, which result from checks performed by the monitoring functions, are rapidly brought to the attention of the appropriate level of management, dealt with promptly and recorded for subsequent checks.

To this end, the risk management and governance process adopted within the Group is based on an organisational structure that ensures there is an internal control system that operates on three levels, in line with banking supervisory regulations, consisting of:

- line controls (first-level controls): these are performed by the operating units to verify that the processes and tasks within their competence have been carried out in accordance with internal procedures. Where possible, these types of controls are incorporated in automated IT procedures;
- risk management controls (second-level controls): these are performed by the Risk Control Department to ensure the correct functioning of the risk management process by means of the measurement and assessment of the level of risks assumed as well as compliance with any limits assigned to operational areas;
- compliance controls (second-level controls): these are performed by Compliance and AML and Customer Protection, which verify compliance with internal and external regulations applicable to the Bank;
- internal audit controls (third-level controls): these are carried out by the Internal Audit Department, which has the task of verifying the ordered performance of processes (management/production, business/commercial, support/functional) and their compliance with corporate standards, the substantial correctness of the conduct of operations and the suitability, from the standpoint of its framework and rules governing how it should function, of the internal control system and the adequacy and effectiveness of the monitoring systems, in relation to the various types of risk.

Every unit of the Group has adopted an organisational structure in accordance with the principles listed. To support the structures adopted, the internal inter-departmental committees put in place, in each component of the group, have carried out the support and advice activities provided for by the respective local regulations.

Main Risks

The Group's risk profile is defined through the risk assessment carried out in accordance with the methodologies issued by the Spanish parent company and shared also by the Cooperation[13], Risk Identification Assessment (RIA). The assessment sees the direct involvement of the first line of defence and the supervision and support of the second line of defence, and is carried out at the beginning of the year and updated in the second half. Specifically, the updating carried out in the second part of the year is aimed at verifying the improvements achieved as a result of the implementation of the remedial actions identified during the first assessment. Through the RIA methodology, the risk profile of each individual group unit is identified and assessed and a specific score is given, taking into account:

- the current level of risk;
- the current environmental risk;
- exposure to potential specific risks.

[13] Coordination group established between the Santander Group and the PSA Group for the governance of the JVs.

The method also makes it possible to:

- identify possible "emerging risks" to enable the effective management and mitigation of risks;
- obtain a quantitative representation of the risks assumed at the date of the analysis, on the basis of current activities in the companies that make up the Group and the development strategies put in place.

The result of the exercise performed confirmed the overall risk profile of the Group and the individual companies to be "low-medium".

The result of the exercise carried out showed a worsening of the general risk profile of both the Group and the individual companies as a result of the global and local uncertainty linked to the evolution of the COVID-19 pandemic. The risk profile therefore changed from "medium-low" to "medium-high". As a consequence of this result, each unit of the Group strengthened all the development plans formalised and already in place to ensure the return of the risk profile within the expected thresholds.

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Performing and non-performing exposures: amounts, adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolios/quality		Non-performing loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Performing exposures	Total
1. Financial assets valued to amortised cost		6,450	21,529	12,727	58,360	10,566,466	10,665,533
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets designated to fair value		-	-	-	-	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	-	-
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2020**	**6,450**	**21,529**	**12,727**	**58,360**	**10,566,466**	**10,665,533**
Total	**12/31/2019**	**5,890**	**21,666**	**18,179**	**68,194**	**10,036,322**	**10,150,251**

The only portfolio that has impaired assets consists of loans to customers. The amount of bad, unlikely-to-pay and past due loans corresponds to what was communicated to the Bank of Italy in the ordinary supervisory reports.

For details on the credit quality relating to the exposures subject to forbearance included in the portfolio of financial assets measured at amortised cost, see table A.1.5. below.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality		Non-Performing Assets				Performing Assets			
		Gross exposure	Specific writedowns	Net exposure	Overall partial write-off*	Gross exposure	Specific writedowns	Net exposure	Total (net exposition)
1. Financial assets valued to amortised cost		158,411	(117,704)	40,707	-	10,715,205	(90,379)	10,624,827	10,665,533
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-
3. Financial assets designated to fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	X	X	-	-
5. Financial assets classified as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**158,411**	**(117,704)**	**40,707**	**-**	**10,715,205**	**(90,379)**	**10,624,827**	**10,665,533**
Total	**12/31/2019**	**184,291**	**(138,556)**	**45,735**	**-**	**10,171,542**	**(67,027)**	**10,104,516**	**10,150,251**

Portfolio/quality		Low credit quality assets		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	2,976
2. Hedging Derivatives		-	-	-
Total	**12/31/2020**	**-**	**-**	**2,976**
Total	**12/31/2019**	**-**	**-**	**4,619**

B. Information on structured entities (other than special purpose entities created for securitisations)

The Group does not have any positions with structured entities.

Section 2 – Prudential consolidation risks

1.1 Credit risk

Qualitative information

1. General aspects

In view of its operational activities, credit risk is the main type of risk to which the Group is exposed. This is the risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the company to possible future losses, or that it may experience a deterioration in creditworthiness that could compromise its future ability to fulfil its obligations.

The Group's operations in Italy are mainly focused on retail customers, where the risk in question is highly differentiated and fragmented. Specifically, the following distinction can be made:

- Retail customers, who are offered instalment loans in the form of a personal loan or special-purpose loan for the purchase of goods and services, vehicles, new and used, including in the form of finance leases belonging to manufacturers with which specific collaboration agreements are held or belonging to other manufacturers, with the sale of any connected services (maintenance, insurance, etc.). Through the PSA network, these customers may also be offered rental products distributed by PSA Renting.
- Wholesale customers: comprising a) car dealers (new or used); b) spare parts distributors; and c) authorised workshops. In this case, wholesale financing includes the granting of short and medium-term credit lines to dealers of cars of the brands that fall within agreements, to spare parts distributors, or to authorised workshops. Financing may be granted for stocks of new cars, demonstration cars, used cars and spare parts.

The distribution structures used reflect the business model adopted and are consistent with the business objectives of each unit forming part of the Group. These structures are described in detail in the individually prepared reports on operations.

In view of this, the Group strategies, which are based on sound and prudent management, are aimed at:

- coordinating the actions necessary to achieve the objectives of sustainable growth in the Bank's lending activities in line with the risk appetite objectives approved by the Board of Directors;
- portfolio diversification, with particular reference to wholesale products, limiting the concentration of exposures to individual counterparties and/or groups, sectors of economic activity, geographical area and risk classification;
- compliance with internally established rules for the assumption of risks;
- effective counterparty selection based on a thorough analysis of creditworthiness aimed at minimising the risk of insolvency;
- continuous monitoring of the managed portfolios in order to identify any sign of imbalance in a timely manner and initiate the necessary corrective actions aimed at preventing the possible deterioration of positions.

2. Credit risk management policies

2.1 Organisational aspects

The structures dedicated to the management of risk within the group are the Risk Departments set up within the individual units. Through the structures provided locally, these departments ensure effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Spanish Parent Company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long-term strategic objectives and short-term earnings objectives.

Credit risk in particular, as previously reported, represents the risk to which the Group is intrinsically exposed; therefore, lending activities are organised according to a model aimed at ensuring the clear separation between the disbursement responsibilities and those of risk management and control, in order to avoid possible conflicts of interest. This separation is also guaranteed between the functions responsible for the approval phase and the commercial ones. The various functions are also given powers to grant loans according to graduated criteria, scaled according to the different responsibility levels along the hierarchical line.

Furthermore, the structures adopted are based on a clear separation between the functions that perform first-level line controls, and those responsible for second and third-level controls. The Risk Management function is responsible for the second-level checks.

To ensure the independence of the Risk Management function within the Parent Company SCB, the Head of Risk performs the role of CRO, is responsible for second-level risk controls and is a member of the Board of Directors, while within the subsidiaries the Head of Risk Management reports directly to the Board of Directors.

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The organisational structures adopted within each unit of the Group are consistent with regulatory requirements and described in detail in the respective informational documents. In accordance with regulatory requirements, the Parent Company SCB carries out oversight activities.

2.2 Systems for managing, measuring and monitoring risk

The Risk functions identified both within the Parent Company SCB and the individual units look after the credit risk management process, from the approval of policies, to the identification, measurement, control and management, where applicable, of risks. The Risk Control Department operating in each company collaborates with the definition and implementation of the Risk Appetite Statement (RAS) and measures and monitors the various business risks. The areas that assume risks and senior management are involved in the risk management process. In addition, in close collaboration with the units that assume the risks, it relates these activities to business development by identifying new opportunities and business plans, budgets and the optimisation of risk-adjusted profitability, by performing analyses and management of the loan portfolios in a way that makes it possible to align business development to the desired risk profile and, where applicable, to mitigate the risk and handle debt collection case by case. As regards the RAS, and in line with the business model of each unit, specific concentration indicators are also monitored both with respect to counterparties classified as "high risk" or with a below threshold rating, and major commercial agreements managed.

Within the Santander Consumer Bank Group, the credit risk assumed by the Company's activity can essentially be split into two categories: standardised/retail customers and non-standardised/wholesale customers. Both involve the risk that the debtor may fail to meet its obligations in accordance with the terms of the agreement, but taking into account how customers differ, the units of the group use specific procedures within the main phases of development of the process, structured as follows:

1. acceptance of a loan application;
2. monitoring and reporting;
3. credit collection.

The procedures adopted by each unit and described in detail in the specific reports reflect the organisational characteristics of the units themselves, as well as the specifications of the products distributed, yet always comply with the operational guidelines laid down within the group. Specifically, the Group's lending activities are organised according to a model aimed at ensuring the clear separation between disbursement responsibilities and those of risk management and control, in order to avoid possible conflicts of interest; including between the functions responsible for the analysis stage and the commercial functions. The various functions are also given powers to grant loans according to graduated criteria, scaled according to the different responsibility levels along the hierarchical line.

The bank also provides to carry out half-yearly stress testing finalised at checking and assessing for the group:

- the adequacy of the capital
- the adequacy of provisions
- the sustainability of the business in scenarios of plausible difficulties

The applied policies, in accordance with the requirements of the regulations, apply different levels of plausibility (base scenario and stressed scenario) and the results are brought to the attention of the Parent Company's Board of Directors and Senior Management.

2.3 Methods for the measurement of expected losses

- In accordance with IFRS 9 classification, financial assets can be classified into three categories, two main ones and a residual one:
- assets measured at amortised cost (HTC);
- assets measured at fair value through other comprehensive income (FVTOCI);
- assets measured at fair value through profit and loss (FVTPL).

Classification to the first and second category is performed by assessing the business model of the Group's units and the characteristics of the cash flows connected to it.

The first category will therefore include assets that possess the characteristics of a loan, with cash flows relating to the repayment of the nominal amount and of interest at fixed dates connected to a business model whose purpose is to hold the instrument for the entire duration of the loan in order to collect all the cash flows.

The second category by contrast includes instruments whose contractual flows are characterised exclusively by the payment of principal and interest, but whose business model is the holding of these instruments with the aim of both collecting the contractual flows and selling the asset, known as "Hold to Collect and Sell".

The final category includes assets that cannot be classified in the first two. Therefore, all activities with a business model different from the previous ones, in which the fair value of the instrument is a key management factor.

The Group, taking account of the products marketed and of its business model, places its portfolio in the first category, therefore classifying it as HTC.

For portfolios classified as HTC for which the SPPI test is passed, loans are initially recognised on the payout date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out plus or minus the costs/revenues that are both directly attributable to the individual loans and identifiable at the start of the transaction, even if they are settled at a later time.

The new impairment model introduced with IFRS 9 requires also the classification of loans into three different stages depending on the deterioration in the credit quality observed with respect to the initial recognition and which correspond to the different methods of calculation of the expected loss and interest income. Specifically, the new model requires that at the time of analysis an assessment is carried out on whether the credit risk of the instrument or of the position has suffered a significant increase in risk with respect to the initial recognition (origination). To carry out this assessment, the data reported in the origination stage is compared with the current data. The elements that mainly determine the assessment of the significant increase in credit risk (SICR) are determined by the comparison between the PD calculated at the origination stage and the PD calculated in the month of observation, in addition to the matters specified further on. At the end of the monthly analysis, the positions are classified in stages as required by the regulations:

- Stage 1: classified in this stage are loans defined as performing, i.e. loans that have not deteriorated since initial recognition. In this case, the expected loss for the calculation of corrections is measured over a 12-month time period (12-month PD), while interest income is calculated on the gross exposure.
- Stage 2: comprises loans that have undergone a significant qualitative worsening compared to initial recognition (more than 30 days past due). For these loans, expected loss is calculated over the lifetime of the loan (lifetime PD), and interest is calculated on the basis of the gross exposure.
- Stage 3: includes impaired assets, i.e. that have objective evidence of deterioration (over 90 days past due). Included in this category are past due non-performing, unlikely to pay and bad loans. In this case a lifetime PD is calculated, while interest is calculated on the basis of the receivable net of impairment.

The tool used for the application of the principles described was developed directly by the Spanish Parent Company for the group units. The local application of the parameters was subsequently adapted to local situations so as to correctly take into consideration the specifications of the products distributed. These adaptations were validated by the independent Validation function within the Spanish Parent Company. The forward looking components adopted are instead provided directly by the Parent Company and adopted locally.

The Group uses two different approaches for assessing Expected Credit Losses:

- collective assessment: application of a statistical approach for the estimates of the reference parameters (PD, LGD, EAD);
- individual assessment: losses recognised on individually valued assets. For Santander Consumer Bank, this sphere includes wholesale products where the assessment depends on the SCAN (Santander Customer Assessment Note) classifications assigned to each position; for Banca PSA and PSA Renting, exposures classified in Stage 2 and Stage 3 of the Wholesale and Fleet portfolios and non-performing positions relating to the Retail portfolio fall within this sphere.

The model applied for the calculation of the Probability of Default (PD) can be outlined with the following steps:

- Segmentation of the portfolio:
  - Retail portfolios: grouped on the basis of qualitative criteria (e.g. forbearance measures applied, cure period, etc.).
  - Wholesale portfolio: in which positions are grouped by rating.
- Definition of the Remaining Times On Book (RTOB) variable: this information/variable is used for the calculation of the Lifetime PD and for the segmentation of the portfolio. The materiality threshold is defined as 95% of the total.
- Methods applied:
  - 12-Month Probability of Default: calculation of the probability of a loan defaulting in the following 12 months. 12-month PD is applied at Stage 1.
  - Lifetime Probability of Default: calculation of the probability of a loan defaulting in the remaining lifetime. Lifetime PD is applied at Stage 2.
  - Non-performing: the PD applied to Stage 3 is 100%.

The PD calculation applied is based on the probability of transition between LLR classes using the Markov transition matrices method.

As regards the calculation of the Loss Given Default (LGD), the following elements are taken into consideration:

- Maximum time in default (TID): the bank assesses the maximum time horizon within which a loan is managed by collection processes and defines the maximum time in default (TID) to be considered in the calculation of the LGD on the basis of collection progress for the entire duration of the default and its asset sale policy.
- Default Type: types of default (+90DPD, write-off) and their nature (reversible/irreversible).
- The tool used by the bank estimates also three components in order to reach the final calculation:
  - Cure Rate (CR): the percentage of loans that, after a default event, return to normal;
  - Recovery Rate (RR): based on recovery from "irreversible default" but starting from the date of the first relevant default (this may be a reversible default);
  - Expected Loss Best Estimate (ELBE): estimate of a Loss for a loan classified as in default.

Based on the elements calculated, the value of the specific LGD for each portfolio category is determined:

a) LGD Non-Defaulted portfolio;
b) LGD Reversible Defaulted portfolio;
c) LGD Irreversible Defaulted portfolio.

The model used by the subsidiary PSA provides as follows:

The calculation of the Probability of Default (PD) can be summarised as follows:

- Segmentation of the portfolio: following the analysis performed on the bank's portfolio, the following classes have been identified:
  - Retail (New Car, Used Car, Lease);
  - Fleets;
  - Corporate;
  - Rental.
- 12-Month Probability of Default: calculation of the probability of a loan defaulting in the following 12 months. 12-month PD is applied at Stage 1.
- Lifetime Probability of Default: Calculation of the probability of a loan defaulting in the remaining lifetime. Lifetime PD is applied at Stage 2.
- Non-performing: The PD applied to Stage 3 is 100%.

The calculation of the Loss Given Default (LGD) takes into account:

- the time horizon over which a loan is managed by collection;
- default type: types of default (+90DPD, write-off) and their nature (reversible/irreversible);
- Cure Rate (CR): the percentage of loans that, after a default event, return to normal;
- Recovery Rate (RR): based on recovery from "irreversible default" but starting from the date of the first relevant default (this may be a reversible default);
- Expected Loss Best Estimate (ELBE): estimate of the loss for a loan in default.

Changes due to COVID-19

The Group supported the legislative and non-legislative initiatives undertaken in Italy following the COVID-19 pandemic, welcoming the measures aimed at implementing structured support for individuals and businesses. For details of the main legislative and regulatory actions adopted by Italian and European institutions and the initiatives implemented by the Group to deal with the situation, please refer to the "Initiatives and measures in support of households and businesses" section in the Report on Operations.

Specifically, in implementation of Italian Decree Law No. 18/2020 art. 56 ("Cura Italia" Decree), measures were activated to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension period originally envisaged by the "Cura Italia" Decree (until 30 September 2020), already extended by Italian Decree Law No. 104/2020 ("Agosto" Decree) (until 31 January 2021), was further extended by the 2021 Budget Law until 30 June 2021. For consumers in good standing with payments, therefore classified as low-risk, but in temporary difficulty, the Group, upon its own initiative, has granted the suspension of payments of the instalments of the loans taken out for a period of three months, which can be extended, if the conditions are met, to 6 months in implementation of the "COVID-19 grace period for consumer credit" furthered by Assofin and to which the parent company adhered. This grace period, which initially ended on 30 September 2020, was reactivated until 31 March 2021.

For the breakdown of the loans that at 31 December 2020 fall within the above-mentioned cases, please refer to the previous part B, table 4.4a “Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments”.

Customers that adhered with the general grace period on payments were not reclassified as forborne (performing or non-performing) unless the exposure had already been classified as forborne at the time of application of the grace period (EBA/GL/2020/02 and subsequent communications).

During the observation period, given the evolution of the economic context and the forecasts of a reduction of the domestic GDP following the prolonged lock-down, a worsening of the measurement metrics of losses, profitability and IT fraud related to extended use of remote technologies was hypothesised. The bank has therefore activated, in collaboration with the Spanish parent company, the weekly monitoring of the RAS indicators approved by the Board of Directors, providing both the “actual” figure and the forecast figure in order to anticipate possible overrun events. The monitoring highlighted only the exceeding of the alert threshold of the metric that measures the bank’s profitability with respect to the assigned budget. The overrun was assessed as normal following the period of suspension of activities and with a forecast return to the threshold in the second half of the year.

For the purposes of calculating impairment losses on loans and receivables, a non-IFRS 9 provision was approved at consolidated level ("overlay adjustment") for a total of Euro 22.3 million, of which Euro 12 million pertaining to the parent company and Euro 10.3 million to the subsidiary Banca PSA. The advance is partly due to those contracts subject to a grace period (consumer loans) with more than “zero Days Past Due” (DPD) at the date of formalisation of the measure and partly to the worsening of the macroeconomic scenario. In the second half of the year, measures in support of customers continued, managing the extension of the grace period for all cases in which customers did not request the restart of the plan.

Assessment of the significant increase in credit risk (SICR)

The assessment of the significant increase in risk is carried out by the Group on the basis of the observation of qualitative aspects, such as the forborne status for consumer customers or positions under monitoring for wholesale products and the past due status. The observations made do not show specific changes as the containment measures requested by the regulator are still in place. The main effects are observed in the first stage 0-30 days at the end of the Payment Holiday period, in which each Group entity makes every effort to inform customers of the deadline reached and avoid the deterioration of the positions.

Measurement of expected losses

The Group has not changed the calculation methodology for the measurement of the expected loss, previously indicated, having applied the previously mentioned non-model adjustments. The decision not to recalibrate the parameters in the applied models, agreed with the Spanish Parent Company, made it possible on the one hand to maintain the functioning of the models unchanged, without distorting their functioning generated by the succession of support measures.

2.4 Credit risk mitigation techniques

All tools that help to reduce the loss that the Group would record as a result of the default of the counterparty in question fall within the scope of risk mitigation techniques. These include all guarantees, operational techniques and control processes developed by the Group. With reference to these processes, each Group unit has internally formalised the guidelines and the procedures of the governance system to support the adequate use of guarantees.

The risk mitigation techniques used in portfolio management are also closely linked to the characteristics of the products themselves and can be classified as follows on the basis of the main products:

- consumer credit: co-obligation, guarantee, bill of exchange, mortgage, mandate to register a mortgage, insurance assignment. Note, however, that the provision covering the portfolio is extremely limited;
- stock financing: Diversion & Repossession Agreement, signed between the parent companies (captive agreements) and the Parent Company SCB at the time of signing the framework agreement; by contributions from dealers or personal guarantees (in the form of personal or bank securities and bonds) or securities, made up of money deposited with the lender as regards the subsidiary PSA and PSA Renting.
- salary assignment: as collateral for the loan falling into a category of product managed only by the Parent Company, specific life and unemployment insurance cover is provided, as well as, for private and para-public companies, a restriction on the borrower’s termination indemnity.

In general, therefore, within the credit granting process the presence of mitigating factors is favoured in the presence of counterparties with a rating not in line with the policies of the Group, the choice of which varies depending on the product, the counterparty and the commitment assumed.

The internal processes of each unit, which govern the acquisition of individual guarantees, are documented by the individual units and show the rules, processes and structures for their internal management.

3. Non-performing exposures

Non-performing exposures are those that, as a result of the occurrence of events after their disbursement, exhibit a clear loss of value.

Based on the existing regulatory framework, impaired financial assets are classified, according to their criticality, into three main categories:

- "bad loans" (i.e. exposures to borrowers in a state of insolvency or in substantially comparable situations);
- "unlikely to pay loans" (i.e. positions in respect of which the Bank considers it unlikely that, without recourse to measures such as the enforcement of guarantees, the debtor will comply in full - in terms of capital and/or interest - with their contractual obligations);
- "overdrawn and/or past-due exposures" (i.e. exposures that are overdrawn and/or past-due by more than 90 days).

Forborne exposures, on the other hand, again regulated in Bank of Italy Circular No. 272 of 30 July 2008, can be defined as loans for which the original contractual terms and conditions have been modified and/or partial or total refinancing of a debt in the event that the debtor faces financial difficulties that result in it being unable to meet its original contractual commitments. Such financial difficulties must be measured and evaluated by the individual bank on the basis of internal rules.

Forborne exposures may be:

- Forborne non performing: this category covers forborne exposures that are classified as bad loans, unlikely to pay or overdrawn past-due exposures;
- Forborne performing: this category cover forborne exposures that are performing.

Each unit of the Group has specific procedures and systems in place that enable it to ensure compliance with regulatory requirements.

The common approach applied when assessing positions is to take into consideration all available elements, internal and external to the group unit, in order to obtain and document a summary opinion, leaving to the competent second-level function the controls aimed at regularly ascertaining compliance with, and the effectiveness of, the procedures provided internally.

3.1 Management strategies and policies

Impaired loans are monitored within the framework of the Risk Target defined for the Group and approved by the Board of Directors for each unit. The parent company SCB uses:

- **Entity cost of credit**: measures the creditworthiness of the portfolio and allows traceability with the strategic plan and budget, the risk policies and the contingency plan indicators. It expresses the net provisions incurred in the course of the year (last 12 months) as a percentage of the average loan portfolio. The figure recorded at the end of the year was positive with respect to the target set by the Board of Directors for 2020;
- **Corporate Single Name:** measures the level of individual exposure towards counterparties, expressed in terms of insolvency with respect to the shareholders' equity of the Bank;
- The subsidiary PSA uses:
- **Cost of credit:** measures the creditworthiness of the portfolio and allows traceability with the budget, the risk policies and the contingency plan indicators. It expresses the net provisions incurred by the bank in the course of the year (last 12 months) as a percentage of the average loan portfolio. The figure recorded at the end of the year was positive with respect to the target set by the Board of Directors;
- **Corporate Single Name:** measures the level of individual exposure towards counterparties, expressed in terms of insolvency with respect to the shareholders' equity of the Bank;

The second-level functions of each unit are responsible for demonstrating and monitoring the above metrics. Upon completion of the monthly monitoring, each unit of the Group monitors, via the second-level control functions, the progress of the strategic plan approved by the Board of Directors and of the budget.

SCB is responsible for the strategic planning process at individual and consolidated level in the Group's wider planning plan. This planning process is a key element in the management of the Group; specifically, these activities make it possible to:

- establish and assign responsibility and objectives;
- ensure that the entire organisation operates with common goals, favouring a shared decision-making process;
- implement the decision-making process;
- anticipate corrective measures in the event of misalignment with respect to the planned objectives.

Strategic planning is a dynamic process, consisting of a series of procedures and activities aimed at continuously guiding the Group's management activities towards the achievement of its objectives, through ongoing analysis of the results achieved, in view of the changing reference conditions.

The main elements related to strategic planning are:

- estimation processes: budgeting, forecasting and three-year plan;
- interaction with other processes.

With particular reference to estimation processes, the strategic planning process is divided into two parts:

- preparation of the annual budget and infra-annual plans, during which the short/medium-term objectives and expectations are developed and defined;
- preparation of the three-year plan, during which the long-term objectives are set and analysed.

The main objective of budgeting is to produce the year-end estimate for the financial year following the current one.

Budgeting is an in-depth estimation process that allows a full overview of amounts, such as the profitability of the new volumes for the year and the total assets.

It requires the involvement and coordination of managers and product business lines, the supervision of the function heads and final validation by the Chief Executive Officer and General Manager and the Management Committee. A special function is assumed by Risk Control, which, by virtue of its role, produces the Bank's projection of impaired loans. This estimate is therefore the starting point for determining the provisions required and the level of coverage.

The forecasting process involves updating the budget assumptions, and aims to align the assumptions with the latest developments and consider the corrective measures against possible misalignments recognised with respect to the objectives set. These activities are usually carried out twice a year, in May/June and September/October, but can be carried out more frequently if requested by the Spanish parent company.

The three-year plan is a process of analysis and estimation of the expected results for the three years following the year in progress. These activities make it possible to:

- have a strategic vision for assessing corporate guidelines;
- analyse the prevailing trends and take corrective and/or improvement actions.

The process is broken down into steps similar to those carried out for the budget and the forecasts, although it may provide less certainty for years further from the observation period.

Regardless of the deadlines previously defined, a review is carried out each time that the external and/or internal conditions, which are at the basis of the strategies, change considerably, or when the differences between forecasts and actual figures are significant and may lead to alternative strategies to those in the plan.

The specific processes and control activities relate to the business model adopted by each unit and are illustrated in the Notes to the separate financial statements, to which reference is made.

3.2 Write-off

In accordance with current regulations, after initial recognition, Group loans are measured at amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/recoveries and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.

The Group units assess loans at the end of each accounting period in order to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. Recognition and classification is performed in accordance with the new IFRS 9 impairment model.

The correction rate applied to loans depends on the classification within the various stages listed above and is estimated for homogeneous loan categories in terms of credit risk taking into account past experience, based on observable elements at the measurement date.

The financial instruments belonging to the HTC business model are entered in the financial statements net of the correction identified through the write-downs line item of the income statement. The original value is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such adjustments. The write-back is recorded in the income statement.

In the case of financial instruments belonging to the HTC&S business model on the other hand, the reserve to cover losses is shown under other comprehensive income rather than as a reduction of the carrying amount of the financial asset in the statement of the financial position. For further details, reference is made to the reports produced by the individual Group units.

Apart from those situations where the impairment of the loans reduces their fair value to zero, loans are only eliminated from the balance sheet if their disposal leads to the transfer of substantially all of the risks and benefits associated with them.

This situation takes place in the case of a transfer without recourse with respect to non-performing loans, the economic effects of which are recorded in item 100 (gains/losses on disposal or repurchase of loans) in the income statement.

Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred.

Derecognition also takes place following the expiry of the contractual rights or when the loan is considered permanently unrecoverable.

During 2020, the Parent Company sold some portfolios, whose content were fully illustrated in the notes to the separate financial statements.

3.3 Purchased or originated impaired financial assets

The group does not have any purchased or originated impaired financial assets.

4. Financial assets subject to commercial renegotiation and forborne exposures

On the basis of the regulatory framework as supplemented by the implementing provisions, in order to comply with regulatory requirements in relation to the classification of Bad and Unlikely to Pay loans, the Group, through the individual units that compose it, has set itself the objective of establishing a support system for the assessment of positions that, after an initial segmentation, allows a subjective assessment to be performed on homogeneous portfolios in order to ensure that the assessments provided over time are reliable and consistent.

As regards forborne positions, relating to exposures subject to renegotiation and/or refinancing due to manifest difficulties (actual or potential), these are not handled separately but constitute a subset that is duly identified, classified and managed in the internal processes through the information systems with which the Group units are equipped.

For these positions, the management guidelines are based on the following principles:

- comprehensive customer management;
- assessment of the actual difficulties facing the customer (temporary or structural) to ensure proper management;
- continuation of existing guarantees;
- containment of customer debt exposure.

The classification of positions according to the IFRS 9 model is described in the policies adopted by the Group units.

For reporting purposes, in addition to that indicated previously, the Parent Company integrates the information at its disposal with the performance data from Credit Bureaux CRIF and the Bank of Italy Central Credit Bureau, which includes, in addition to the information provided by the Parent Company, also the anomalies identified on the subject by other banks, as well as negative information (complaint files, detrimental action records). Such integration makes it possible to obtain a reliable overall assessment of customers' ability to meet contractual obligations.

To meet these needs the Parent Company, for the reports for which it is responsible, has developed a segmentation model based on a decision tree, which divides the portfolio into homogeneous groups depending on whether or not they meet certain conditions defined within the tree itself.

The internal processes that govern the operation of the decision tree are documented through internal policies that describe the rules, processes and structures for their internal management, described in detail in the notes to the financial statements of the Parent Bank.

For the management of support measures activated following the COVID-19 pandemic and the results obtained, please refer to the specific "Changes due to COVID-19" section.

Quantitative information

A. Credit quality

A.1 Performing and non-performing exposures: amounts, adjustments, trends and economic distribution

A.1.1 Prudential consolidation - Distribution of financial assets by past due time bands (book values)

Portfolios / stages of risk		First stage			Second stage			Third stage		
		From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets valued at amortised cost		29,877	1,812	1,658	9,019	12,402	3,593	1,289	1,061	25,901
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-
Total	**12/31/2020**	**29,877**	**1,812**	**1,658**	**9,019**	**12,402**	**3,593**	**1,289**	**1,061**	**25,901**
Total	**12/31/2019**	**39,479**	**1,077**	**821**	**7,016**	**16,156**	**3,645**	**796**	**1,344**	**28,041**

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: dynamics of total write-downs and total provisions

Causal / risk stages	Total value adjustments									
	First stage activities					Second stage activities				
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total openingl adjustments	**38,276**	-	-	-	**38,276**	**28,751**	-	-	-	**28,751**
Changes in increase from financial assets acquired or originated	25,962	-	-	-	25,962	-	-	-	-	-
Cancellations other than write-offs	(2,742)	-	-	-	(2,742)	(1,197)	-	-	-	(1,197)
Net value adjustments / write-backs for credit risk	(5,233)	-	-	-	(5,233)	6,964	-	-	-	6,964
- Gross opening variation	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	(31)	-	-	-	(31)	(372)	-	-	-	(372)
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**56,232**	-	-	-	**56,232**	**34,146**	-	-	-	**34,146**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	(374)	-	-	-	(374)	(288)	-	-	-	(288)

Causal / risk stages	Total value adjustments						Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Activities included in the third stage					Of which: impaired financial assets acquired or originated				
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns		First stage	Second stage	Third stage	
Total openingl adjustments	**138,556**	-	-	**18,582**	**119,974**	**1,123**	**46**	**1**	-	**205,629**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	54	-	-	**26,016**
Cancellations other than write-offs	(41,913)	-	-	(1,197)	(40,716)	-	-	-	-	**(45,852)**
Net value adjustments / write-backs for credit risk	41,274	-	-	1,416	39,859	(1,123)	(46)	(1)	-	**42,960**
- Gross opening variation	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	(20,213)	-	-	(3,652)	(16,561)	-	-	-	-	**(20,615)**
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**117,704**	-	-	**15,148**	**102,556**	-	**54**	-	-	**208,137**
Recoveries from financial assets subject to write-off	24	-	-	24	-	-	-	-	-	-
Write-offs recorded directly in the income statement	(449)	-	-	(339)	(110)	-	-	-	-	**(1,111)**

A.1.3 Prudential consolidation – Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

Portofolios/risk stages		Gross exposure / Par value					
		Transfers between first stage and second stage		Transfers between second stage to thirth stage		Transfer between first stage and thirth stage	
		From first to second stage	From second stage to first stage	From second to third step	From thirth to second step	From first to thirth step	From thirth to first step
1. Financial assets valued at amortised cost		95,700	35,333	19,764	5,198	40,905	4,049
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments and financial guarantees given		-	-	-	-	-	-
Total	**12/31/2020**	**95,700**	**35,333**	**19,764**	**5,198**	**40,905**	**4,049**
Total	**12/31/2019**	**124,049**	**40,974**	**17,346**	**10,637**	**41,688**	**6,116**

A.1.3a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolio/quality		Gross values / Par value					
		Transfers between first stage and second stage		Transfers between second stage to thirth stage		Transfer between first stage and thirth stage	
		From first to second stage	From second to first stage	From second to third step	From thirth to second step	From first to thirth step	From thirth to first step
A. Loans and advances measured at amortized cost		**7,897**	**1,816**	**295**	**103**	**435**	**4**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)		7,074	1,816	295	103	410	4
A.2 subject to COVID-19-related forbearance measures		823	-	-	-	25	-
A.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability		-	-	-	-	-	-
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-
B.2 subject to COVID-19-related forbearance measures		-	-	-	-	-	-
B.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
Total	**12/31/2020**	**7,897**	**1,816**	**295**	**103**	**435**	**4**

A.1.4 Prudential consolidation – On- and off-balance sheet exposures to banks: gross and net values

Type of exposure/amounts	Gross exposures		Overall Write-Downs and provisions	Net Exposure	Total Write-off*
	Non-performing	performing			
A. Credit exposures for cash					
a) Bad Exposures	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
b) Probable defaults	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
c) Impaired expired exposures	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
d) Expired exposures not impaired	X	4	-	4	-
- of wich: forborne exposures	X	-	-	-	-
e) Other non-impaired exposures	X	488,958	-	488,958	-
- of wich: forborne exposures	X	-	-	-	-
Total (A)	**-**	**488,962**	**-**	**488,962**	**-**
B. Non-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) performing	X	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**-**	**488,962**	**-**	**488,962**	**-**

A.1.5 Prudential consolidation – On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures		Overall Write-Downs and provisions	Net exposure	Total Write-off
	Non-performing	performing			
A. Credit exposures for cash					
a) Non performing loans	48,275	X	41,825	6,450	-
- of which: forborne exposures	6,674	X	6,356	319	-
b) Probable defaults	70,801	X	49,272	21,529	-
- of which: forborne exposures	17,168	X	13,105	4,062	-
c) Impaired expired exposures	39,334	X	26,607	12,727	-
- of which: forborne exposures	179	X	135	44	-
d) Expired exposures not impaired	X	78,670	20,314	58,356	-
- of which: forborne exposures	X	2,475	432	2,043	-
e) Other non-impaired exposures	X	10,147,573	70,065	10,077,508	-
- of which: forborne exposures	X	13,227	3,026	10,201	-
Total (A)	**158,411**	**10,226,243**	**208,083**	**10,176,571**	**-**
B. Non-balance sheet credits exposures					
a) Non-performing	12	X	-	12	-
b) performing	X	609,336	54	609,281	-
Total (B)	**12**	**609,336**	**54**	**609,293**	**-**
Total (A+B)	**158,423**	**10,835,579**	**208,137**	**10,785,864**	**-**

This table gives details of non-performing and performing loans to customers, gross and net of specific and portfolio adjustments.

The item “Off-balance sheet credit exposures” includes the amount of the irrevocable commitments relating to factoring transactions and the margins available on credit lines granted to customers.

A.1.5a Cash credit exposures to customers subject to COVID-19 support measures: gross and net values

Exposure types / amounts	Gross exposure	Total value adjustments and total provisions	Net exposure	Write-off partial total*
A. BAD CREDIT EXPOSURES	4	1	2	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	4	1	2	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
B. UNLIKELY TO PAY CREDIT EXPOSURES	994	383	611	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	969	367	602	-
b) Subject to COVID-19-related forbearance measures	25	16	9	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT EXPOSURES	13	12	1	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	13	12	1	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
D. PERFORMING PAST DUE EXPOSURES	288	170	118	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	288	170	118	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
E. OTHER PERFORMING EXPOSURES	218,429	11,341	207,088	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	215,070	11,161	203,909	-
b) Subject to COVID-19-related forbearance measures	841	180	661	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	2,518	-	2,518	-
TOTAL (A+B+C+D+E)	**219,727**	**11,907**	**207,820**	**-**

A.1.6 Prudential consolidation – Cash credit exposures to banks: dynamics of gross non-performing loans

The Group does not have any exposures to banks that are subject to impairment.

A.1.6bis Prudential consolidation – Cash credit exposures to banks: dynamics of gross forborne exposures by credit quality

The Group does not have any forborne exposures to banks.

A.1.7 Prudential consolidation – Cash credit exposures to customers: dynamics of gross non-performing loans

Causals/ category	Bad Exposures	Unlikely to pay	Impaired past due exposures
A. Opening balance (gross amount)	**70,734**	**68,119**	**45,438**
- Sold but not derecognised	8,053	10,862	15,294
B. Increases	**32,320**	**46,660**	**36,092**
B.1 transfers from performing loans	7,887	34,326	34,447
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	22,416	9,438	59
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	2,017	2,896	1,587
C. Decreases	**54,780**	**43,978**	**42,196**
C.1 transfers to perfomorming loans	82	5,000	4,578
C.2 write-offs	17,893	1,990	825
C.3 recoveries	3,584	12,248	6,298
C.4 sales proceeds	4,647	1,900	977
C.5 losses on disposals	27,292	8,605	2,963
C.6 transfers to other impaired exposures	35	9,530	22,348
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	1,246	4,706	4,207
D. Closing balance (gross amounts)	**48,275**	**70,801**	**39,334**
- Sold but not derecognised	3,216	10,929	11,724

A.1.7bis Prudential consolidation – Cash credit exposures to customers: dynamics of gross forborne exposures by credit quality

Description/Quality	Forborne exposures Non-performing	Forborne exposures: performing
A. Opening balance (gross amount)	**31,180**	**20,143**
- of which sold non-cancelled exposures	1,549	974
B. Increases	**15,877**	**14,875**
B.1 Transfers from performing not forborne exposures	3,429	11,303
B.2. Transfers from performing forborne exposures	1,852	X
B.3. Transfers from impaired forborne exposures	X	1,521
B.4 Transfers from impaired not forborne exposure	231	4
B.4 other increases	10,365	2,046
C. Decreases	**23,036**	**19,316**
C.1 Transfers to performing not forborne exposures	X	9,183
C.2 Transfers to performing forborne exposures	1,521	X
C.3 transfers to impaired exposures not forborne	X	1,852
C.4 write-offs	317	251
C.5 recoveries	5,114	5,759
C.6 sales proceeds	1,137	-
C.7 losses on disposals	4,746	-
C.8 other decreases	10,201	2,271
D. Closing balance (gross amounts)	**24,021**	**15,702**
- of which sold non-cancelled exposures	1,366	3,513

A.1.8 Prudential consolidation – Cash non-performing credit exposures to banks: dynamics of total write-downs

Exposures to banks are not subject to write-downs.

A.1.9 Prudential consolidation – Cash non-performing credit exposures to customers: dynamics of total write-downs

Description/Category	Bad Exposures		Unlikely to pay		Impaired Past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance	**64,844**	**6,834**	**46,453**	**17,396**	**27,259**	**19**
- Sold but not derecognised	7,176	439	5,427	915	7,195	-
B. Increases	**25,922**	**4,240**	**27,012**	**7,944**	**21,222**	**117**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	9,855	3,334	19,325	7,458	20,401	113
B.3 losses on disposal	1,015	72	920	142	335	-
B.4 transfer from other impaired exposure	14,866	832	6,022	2	15	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	186	2	746	343	471	4
C. Reductions	**48,941**	**4,719**	**24,193**	**12,235**	**21,874**	**1**
C.1 write-backs from assessments	90	26	4,092	2,245	1,444	1
C.2 write-backs from recoveries	1,641	404	1,923	1,185	1,064	-
C.3 gains on disposal	2,586	337	681	236	465	-
C.4 write-offs	17,501	123	1,962	273	802	-
C.5 transfers to other impaired exposures	16	2	6,093	832	14,793	-
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	27,107	3,828	9,442	7,463	3,306	-
D. Closing overall amount of writedowns	**41,825**	**6,356**	**49,272**	**13,105**	**26,607**	**135**
- Sold but not derecognised	2,815	177	5,696	853	7,231	5

A.2 Classification of exposures based on external and internal ratings

A.2.1 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given by external rating class (gross values)

Exposures	External rating classes						Without rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets valued at amortised cost	-	-	-	-	-	-	**10,873,616**	**10,873,616**
- First stage	-	-	-	-	-	-	10,487,643	10,487,643
- Second stage	-	-	-	-	-	-	227,563	227,563
- Third stage	-	-	-	-	-	-	158,411	158,411
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	-	-	-	-	**10,873,616**	**10,873,616**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
D. Loan commitments and financial guarantees given								
- First stage	-	-	-	-	-	-	590,488	590,488
- Second stage	-	-	-	-	-	-	249	249
- Third stage	-	-	-	-	-	-	3	3
Total (D)	-	-	-	-	-	-	**590,740**	**590,740**
Total (A+B+C+D)	-	-	-	-	-	-	**11,454,356**	**11,454,356**

A.2.2 Prudential consolidation – Distribution of financial assets, commitments to disburse funds and financial guarantees given by internal rating class (gross values)

This table has not been prepared because the internal ratings are not currently used in the calculation of capital requirements for the management of credit risk.

A.3 Distribution of guaranteed credit exposures by type of guarantee

A.3.1 Prudential consolidation – On- and off-balance sheet guaranteed exposures to banks

The Group has no guaranteed credit exposures to banks.

A.3.2 Prudential consolidation – On- and off-balance sheet guaranteed exposures to customers

			Collaterals (1)				Guarantees (2)		Guarantees (2)							Total (1)+(2)
							Credit derivatives		Credit derivatives			Signature loans				
								Other derivatives	Other derivatives							
	Gross exposure	Net exposures	Property, Mortgages	Financial leasing property	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other entities	public administrations	Banks	Other financial companies	Other entities	
1. Guaranteed cash loans:	**809,810**	**787,631**	**1,223**	**-**	**-**	**536,040**	**-**	**-**	**-**	**-**	**-**	**2,266**	**81,993**	**171**	**157,497**	**779,191**
1.1 totally secured	777,390	755,834	1,223	-	-	534,135	-	-	-	-	-	-	73,648	171	146,657	755,834
- of which: non-performing	15,442	6,169	1,223	-	-	1,639	-	-	-	-	-	-	575	-	2,732	6,169
1.2 partially secured	32,420	31,797	-	-	-	1,905	-	-	-	-	-	2,266	8,345	-	10,840	23,356
- of which: non-performing	559	112	-	-	-	-	-	-	-	-	-	-	-	-	82	82
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Prudential consolidation – Financial and non-financial assets obtained through the realisation of the guarantees received

The Bank does not have any financial assets obtained through the realisation of guarantees.

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation – Distribution by sector of on- and off-balance sheet exposures to customers

Exposures/Counterparts	Public administration		Financial companies		Financial companies(of which: insurance		Non-financial companies		Households	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet credit exposures										
A.1 Bad exposures	-	-	-	4	-	-	1,756	7,373	4,694	34,448
- of wich: forborne exposures	-	-	-	-	-	-	18	242	301	6,113
A.2 Unlikely to payprobabili	717	284	17	23	5	1	5,747	4,670	15,049	44,294
- of wich: forborne exposures	-	-	-	-	-	-	447	477	3,615	12,628
A.3 Non-performing past-due	22	13	3	2	-	-	1,681	3,502	11,022	23,091
- of wich: forborne exposures	-	-	-	-	-	-	-	4	44	130
A.4 Performing exposures	1,285,427	3,616	14,943	176	2	-	1,997,824	15,823	6,837,670	70,764
- of wich: forborne exposures	-	-	-	-	-	-	142	57	12,102	3,401
Total (A)	**1,286,166**	**3,913**	**14,963**	**205**	**7**	**1**	**2,007,007**	**31,368**	**6,868,435**	**172,597**
B. Off-balance sheet credit exposures										
B. 1 Non-performing exposures	-	-	-	-	-	-	9	-	3	-
B. 2 Performing exposures	-	-	-	-	-	-	605,460	54	3,821	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**605,469**	**54**	**3,824**	**-**
Total (A+B) 12/31/2020	**1,286,166**	**3,913**	**14,963**	**205**	**7**	**1**	**2,612,476**	**31,423**	**6,872,260**	**172,597**
Total (A+B) 12/31/2019	**452,256**	**3,448**	**10,293**	**119**	**9**	**-**	**2,787,823**	**38,617**	**6,780,873**	**163,445**

The above table shows the cash positions with customers by sector. It shows the distinct prevalence of exposures to retail customers.

B.2 Prudential consolidation – Territorial distribution of on- and off-balance sheet exposures to customers

Exposures / Geographic area		North West Italy		North East Italy		Italian Centre		South Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet credit exposures									
A.1 Bad Exposures		2,207	8,616	534	4,157	905	8,085	2,804	20,966
A.2 Unlikely to pay		4,075	9,409	1,586	4,169	3,994	10,006	11,873	25,687
A.3 Impaired past due exposures		2,754	5,398	1,145	2,747	2,357	4,876	6,472	13,587
A.4 Not impaired exposures		2,715,863	22,618	1,613,990	15,069	3,027,143	17,048	2,778,849	35,644
Total (A)		**2,724,899**	**46,040**	**1,617,254**	**26,141**	**3,034,399**	**40,015**	**2,799,997**	**95,884**
B. Off-balance sheet credit exposures									
B. 1 Non-performing exposures		1	-	-	-	1	-	10	-
B. 2 Performing exposures		223,514	14	149,437	14	119,682	11	116,647	15
Total (B)		**223,515**	**14**	**149,437**	**14**	**119,683**	**11**	**116,657**	**15**
Total (A+B)	**12/31/2020**	**2,948,415**	**46,055**	**1,766,692**	**26,155**	**3,154,082**	**40,026**	**2,916,655**	**95,899**
Total (A+B)	**12/31/2019**	**2,881,378**	**39,585**	**1,838,093**	**21,329**	**2,291,180**	**37,421**	**3,020,564**	**107,293**

The Group has exposures almost exclusively to Italian customers; the geographical breakdown used in the table is taken from the instructions issued by the Bank of Italy and is consistent with the allocation used for regulatory reporting.

B.3 Prudential consolidation – Territorial distribution of on- and off-balance sheet exposures to banks

Exposures / Geographical Area		Italy		Other european countries		United States		Asia		Rest of the world	
		Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs
A. Balance sheet											
A.1 Non-performing loans		-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
A.3 Non-Performing past due		-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures		130,727	-	358,235	-	-	-	-	-	-	-
Total (A)		**130,727**	**-**	**358,235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit											
B.1 Non-performing exposures		-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-	-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**130,727**	**-**	**358,235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2019**	**228,944**	**-**	**384,987**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This table contains, for cash exposures to residents, the positive balance of current accounts with banks, while for exposures to foreigners, the balance is made up primarily of current accounts of securitisation SPV opened at Banco Santander S.A.

B.4 Large exposures

	12/31/2020
Number	4
Weighted value	445,159
Book value	2,351,126

At the balance sheet date there were the following four counterparties that could be classified as large exposures: Italian Ministry of Economy and Finance (MEF), Banco Santander S.A., Hyundai Motor Company Italy S.r.l. and Mazda Motor Italia S.r.l.

C. Securitisations

Qualitative information

Strategy and characteristics of securitisation transactions

The Group uses securitisation transactions in order to broaden the diversification of funds collected by optimising its cost.

Securitisation is a financial structure with which a special purpose vehicle (SPV) purchases portfolios of loans financed through the issue of different classes of Asset Backed Securities (ABSs), the repayment of which is guaranteed by the collection flows of the securitised loans. Class A securities are the first to be repaid. They are the least risky, have a higher rating and pay a lower rate of interest (coupon).

Santander Consumer Bank (SCB) and Banca PSA use securitisations as a regular financing instrument, respectively via the vehicle Golden Bar (Securitisation) S.r.l. and the vehicle Auto ABS Italian Loans 2018-1 S.r.l. and in the context of these transactions they take on the role of Originator, Seller and Servicer.

These transactions may have a revolving structure, if the possibility of transferring additional portfolios is provided for, or an amortising structure, if this option has not been contractually provided for.

The collections deriving from the securitised loans are used to finance the purchase of additional loans during the revolving period or to repay the securities in the amortising period.

The Senior classes have usually a dual rating in order to be eligible for refinancing transactions at the Central Bank, such as for example targeted long-term refinancing operations (TLTROs).

Securitisation transactions

During 2020, no new securitisation transactions were finalised for third-party investors either by the Parent Company SCB or by the subsidiary Banca PSA.

A summary of the transactions outstanding at 31 December 2020 is provided below.

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Assets held by the Group	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar 2018-1	320,676	253,223	82,750	3,000		n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	479,190	531,833	12,000	5,434	8,899,401	n.a.	n.a.	n.a.	n.a.
Auto ABS Italian Loans 2018-1 S.r.L	603,648	563,044	66,780	32,543		Liquidity deposit	n.a.	monthly	A-

To enhance the transparency of disclosures, below is a breakdown of the excess spread accrued within the scope of the transaction, into the various components that generated it.

Breakdown of the excess spread accrued during the year	12/31/2020		
	Golden Bar 2018-1	Golden Bar 2019-1	Auto ABS Italian Loans 2018-1 S.r.L
Interest expense on securities issued	(17,005)	(28,273)	(1,180)
Commisions and fees for the operation	(548)	(765)	(432)
- for servicing	(529)	(742)	(410)
- for other services	(19)	(23)	(22)
Other charges	(4,026)	(4,674)	(923)
Interest generated by the securitised assets	22,751	34,217	24,309
Other revenues	2,005	2,564	3,878
Total	**3,177**	**3,069**	**25,653**

At 31 December 2020, the Golden Bar 2018-1 transaction had an outstanding balance of Euro 335,973 thousand.

The Golden Bar 2019-1 transaction had an outstanding balance of Euro 543,833 thousand.

It should also be noted that during 2020, the amortisation of the Banca PSA Auto Abs Italian Loans 2018-1 transaction continued.

Quantitative information

C.1 Prudential consolidation – Exposures arising from the main “own” securitisation transactions broken down by type of securitised asset and by type of exposure

Type of securitized assets / Exposures	Cash exposure						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries
A. Derecognised in full																		
B. Derecognised in part	-																	
C. Not derecognised	36,890	(356)			121,085	(766)												
Golden Bar 2018-1	36.890	(356)			72.607	(700)												
Auto ABS Italian Loans 2018-1 S.r.l.					48.478	(66)												

C.2 Prudential consolidation – Exposures arising from the main “third-party” securitisation transactions broken down by type of securitised asset and by type of exposure

The Group does not have any “third-party” securitisation transactions.

C.3 Prudential consolidation – Interests in special purpose vehicles (SPVs) created for securitisation

Securitization name - Company name	Head office	Consolidation	Assets			Liabilities		
			Credits	Debt securities	Others	Senior	Mezzanine	Junior
Golden Bar 2018-1	Torino (TO)	NO	320,676		19,023	253,223		82,750
Golden Bar 2019-1	Torino (TO)	NO	479,190		69,782	474,809	57,024	12,000
Auto ABS Italian Loans 2018-1 S.r.l.	Conegliano (TV)	NO	328,995		39,998	280,517		66,780

C.4 Prudential consolidation – Non-consolidated special purpose vehicles (SPVs) created for securitisation

Please refer to the matters described in these notes, Part A, Section 3 “Scope of consolidation and consolidation method”.

C.5 Prudential consolidation – Servicer activities – own securitisations: collections of securitised loans and repayments of securities issued by the special purpose vehicle for securitisation

The Group does not carry out Servicer activities on securitisation transactions relating to the divested business removed from the financial statements.

C.6 Prudential consolidation – Consolidated special purpose vehicles (SPVs) created for securitisation

Name society vehicle and head office	Golden Bar 2018-1 - Torino (TO)	Golden Bar 2019-1 - Torino (TO)	Auto ABS Italian Loans 2018-1 S.r.l., Conegliano (TV)
A. Securitized assets	**320,676**	**479,190**	**328,995**
A.1 Credits	320,676	479,190	328,995
A.2 Securities	-	-	
A.3 Others	-	-	
B. Investments of deriving from the credit management	**18,871**	**69,566**	**37,870**
B.1 Debt securities	-	-	-
B.2 Equity securities	-	-	-
B.3 Availability current account	18,871	69,566	37,870
C. Other assets	**153**	**216**	**2,128**
C.1 Transitory receipts	-	-	1,058
C.2 Other assets	153	216	1,070
D. Securities issued	**335,973**	**543,833**	**347,297**
D.1 Senior	253,223	474,809	280,517
D.2 Mezzanine	-	57,024	
D.3 Junior	82,750	12,000	66,780
E. Loans received	-	-	**16,972**
F. Derivatives	-	-	
G. Other liabilities	**3,726**	**5,139**	**4,724**
G.1 Accrued interest on securities	-	-	19
G.2 Other liabilities	3,726	5,139	4,705
H. Interest expenses on securities issued	**20,182**	**31,342**	**26,833**
I. Fees and commissions related to the transaction	**548**	**765**	**432**
I.1 Servicing Service	529	742	410
I.2 Other Servicing	19	23	22
L. Other charges	**4,026**	**4,674**	**923**
L.1 Other interest expenses	181	210	154
L.2 Other charges	2,838	344	325
L.3 Value adjustments on loans	1,007	4,119	444
M. Interest income on securitized assets	**22,751**	**34,217**	**24,309**
N. Other revenues	**2,005**	**2,564**	**3,878**
L.1 Additional returns	2,005	2,564	3,878

As regards information relating to the type of asset securitised, its quality, tranching of the securities issued, reference is made to the qualitative information part of this section.

D. Disposal transactions

A. Financial assets sold but not fully derecognised

Qualitative information

With reference to the assets sold and not fully derecognised, please refer to the disclosure illustrated in Point C "Securitisation transactions".

Quantitative information

D.1 Prudential consolidation – Financial assets sold and fully booked, and associated financial liabilities: book values

		Financial assets sold as a whole				Associated financial liabilities		
		Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement	of which Non-performing	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement
A. Financial assets held for trading		**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities		-	-	-	X	-	-	-
2. Equities		-	-	-	X	-	-	-
3. Loans		-	-	-	X	-	-	-
4. Derivatives		-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equities		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
C. Financial assets designated at fair value		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Loans		-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities		-	-	-	-	-	-	-
2. Equities		-	-	-	X	-	-	-
3. Loans		-	-	-	-	-	-	-
E. Financial assets measured at amortised cost		**1,178,526**	**1,128,412**	**50,114**	**3,531**	**1,073,330**	**1,023,242**	**50,088**
1. Debt securities		50,114	-	50,114	-	50,088	-	50,088
2. Loans		1,128,412	1,128,412	-	3,531	1,023,242	1,023,242	-
Total	**12/31/2020**	**1,178,526**	**1,128,412**	**50,114**	**3,531**	**1,073,330**	**1,023,242**	**50,088**
Total	**12/31/2019**	**1,834,127**	**1,601,316**	**88,243**	**2,318**	**1,760,657**	**1,481,544**	**79,114**

The Bank has securitised exposures derecognised for prudential purposes but not derecognised for financial statements purposes totalling Euro 479,190 thousand.

D.2 Prudential consolidation – Financial assets sold partially booked and associated financial liabilities: book values

The Group does not have any financial assets sold partially booked.

D.3 Prudential consolidation – Transfers with liabilities that have recourse only against the assets sold and not fully derecognised: fair value

			12/31/2020	12/31/2019
A. Financial assets held for trading	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**1,160,342**	-	**1,160,342**	**1,841,116**
1. Debt securities	50,098	-	50,098	-
2. Loans	1,110,244	-	1,110,244	1,841,116
Total financial assets	**1,160,342**	-	**1,160,342**	**1,841,116**
Total associated financial liabilities	**1,073,848**	-	**X**	**X**
Net exposures 12/31/2020	**86,494**	-	**86,494**	**X**
Net exposures 12/31/2019	**95,288**	-	**X**	**95,288**

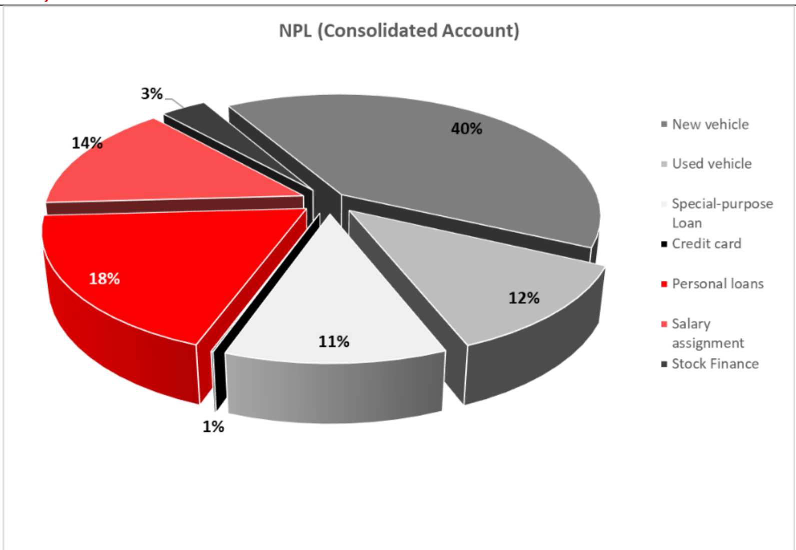
B. Financial assets sold and fully derecognised with recognition of the continued involvement

The Group has not been party to any sale transactions with recognition of continued involvement.

E. Prudential consolidation – models for the measurement of credit risk

The balance at risk by product of the "dossiers in delinquency" (i.e. that have amounts past due by more than ninety days) is monitored on a monthly basis. The following chart summarises the breakdown of the variable just described at December 2020.

NPL (Consolidated Account)



The stress tests carried out for ICAAP purposes, calculated on the basis of the PD and LGD parameters, both in the baseline and stress scenario, confirmed the soundness of the strategies adopted within the Group.

Credit risk is assessed, among other things, by:

- *Vintage analysis*. This indicator is the ratio of a generation of loans that in any month have been classified as bad to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to their segmentation. The comparison is between products with a similar production date, so you can identify any deviations from past performances. Usually, graphic representations are used to keep track of the trend, such as the one that shows the relationship between age and the loss rate;
- *Roll rate (trend analysis).* It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used for roll rate (trend analysis). It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio.
- Polynomial models are used (confidence/R2 ~ 95%) for stress test purposes, also to take account of the trend in default rates with a non-linear trend at the same date of the first instalment. In particular, this tool is used to define the migration of dossiers from one late payment category to another, reflecting a deterioration or improvement in the quality of the asset portfolio;
- The portfolio analysis includes a set of metrics used to carry out a monthly assessment of performance of the portfolio, the stock of dossiers in default and the degree of coverage;
- Assessment of the PD and LGD supports the analysis of the performance of the portfolio and the degree of recovery in the event of default.

1.2 Market risk

1.2.1 Interest rate risk and price risk – trading portfolio reported for supervisory purposes

This is not applicable to the Group.

1.2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The Group is exposed to fair value interest rate risk (risk that the value of assets and liabilities issued at fixed rates changes as a consequence of a fluctuation in the interest rate curve) and cash flow risk (risk that interest-related cash flow changes as a consequence of a fluctuation in the interest rate curve).

The sources of interest rate risk are mainly related to loans to customers, which are generated by the placement of consumer credit products and services (asset items) and their means of funding (liabilities and shareholders' equity items). In fact, the sector in which the Group operates is characterised by the asset mix, which is typically composed of loans granted mainly at fixed rates, whereas the funding sources are both fixed rate and floating rate. Accordingly, the main interest rate categories to which the Bank is exposed lead to repricing risk.

Interest rate risk is managed by macro-strategies shared at Group level within well defined, formalised exposure limits. Within the Parent Company and the units, according to the local structures adopted, the Finance Division manages interest rate risk in accordance with the current documentation approved by the Board of Directors. Through the Market Risk function, the Risk Control Department has the task of monitoring market risks through the application of appropriate analysis and assessment methods.

Internal processes for the management and monitoring of interest rate risk prescribe the processing of information each month at operating level by the responsible organisational units and a critical assessment by the ALCO Committee.

Monitoring involves comparing the results of stress tests performed on sensitive assets and liabilities with the limits established by the Bank of Italy and by the related documentation.

Specific ratios are managed by the Finance Division and measured and monitored by the Risk Division within the Group units. Specific quantitative limits are set for the following risk metrics:

- Market Value of Equity Sensitivity (MVE Sens.);
- Net interest margin Sensitivity (NIM Sens.).

To mitigate the risk of fluctuations in interest rates, the Group units implement two main forms of mitigation:

- use of financial instruments;
    - derivatives: used to hedge interest rate risk (usually Interest Rate Swaps);
    - medium-term fixed rate financing: used as an alternative to derivatives, to mitigate the exposure to interest rate risk;
- operating limits consistent with the risk objectives established by the Group.

Of the various types of risk hedges that are acceptable, the units have chosen to adopt derivatives instruments according to the following methods.

Impacts deriving from the COVID-19 pandemic

Interest rates rose in the early months of the year, and then fell sharply with the spread of the COVID-19 pandemic. This reduction did not have a significant impact on the Group’s financial statements thanks to the hedging strategy already in place and the balance between fixed and variable rate assets and liabilities.

Quantitative information

1. Banking book: distribution by residual term (by repricing date) of financial assets and liabilities

This table is not prepared as the next section gives an analysis of the sensitivity to interest rate risk based on internal models and this analysis covers the whole of the banking book.

2. Banking book: internal models and other methodologies for analysing sensitivity

The measurement/quantification of financial risks, especially the interest rate risk, is carried out by analysing the specific synthetic indicators described below. These indicators are calculated on a monthly basis, which involves calculating a final figure at the end of each month, as well as a forecast figure for the next reporting period. The Finance Division of the Parent Company is responsible for the management of interest rate risk in order to keep exposure to the risk in line with the desired positioning from month to month, and in any case within the appetite thresholds defined. It carries out a second level control on the Finance operations and on the exposure to risk measured from month to month.

Sensitivity indicator "Market Value of Equity" (MVE)

This indicator is aimed at quantifying the sensitivity of the interest rate risk so that it can be monitored; in particular, it quantifies the effect of a change in the interest rate curve under various scenarios on shareholders' equity. With the implementation of the evolved corporate tool introduced in 2017, in addition to the standard scenarios of parallel and immediate shock to the curve, more progressive scenarios were implemented. The following paragraph shows the results obtained by applying the scenario +100 basis points (parallel and intermediate shock) on which the monthly analysis and the decisions on interest rate risk are based. The measurement of interest rate risk is then carried out by assessing the impact of changes in interest rates on the value of interest-bearing assets/liabilities inclusive of derivatives (Interest Rate Swap); the sensitivity of the market value of equity is computed as the difference between the present value of all future cash flows discounted using market interest rate curves and the present value of future cash flows discounted using stressed interest rate curves.

Sensitivity indicator "Net Interest Margin" (NIM)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on net interest income (analysis period: 12 months). As regards interest rate shift scenarios, please see the information provided in the paragraph above.

At 31 December 2020, the consolidated MVE calculated with a shift of +100 basis points was Euro -14.20.

At 31 December 2020, the consolidated NIM with a shift of -100 basis points was Euro +7.34.

+100 bps MM	MVE	NIM
December 2020	-14.20	7.34
Limit	70.21	20.48

-100 bps MM	MVE	NIM
December 2020	7.38	0.14
Limit	70.21	20.48

1.2.3 Exchange risk

The Group is not exposed to exchange risk.

1.3 Derivative instruments and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional amounts

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements			with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	-	-	2,610,667	-	-	-	3,004,287	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	2,610,667	-	-	-	3,004,287	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,610,667**	**-**	**-**	**-**	**3,004,287**	**-**

A.2 Financial derivatives held for trading: positive and negative gross fair value – breakdown by product

Types of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Mercati organizzati	Over the counter			Mercati organizzati
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With clearing arrangements	Without clearing arrangements			With clearing arrangements	Without clearing arrangements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	2,976	-	-	-	4,619	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,976**	**-**	**-**	**-**	**4,619**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	3,205	-	-	-	5,099	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**3,205**	**-**	**-**	**-**	**5,099**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, positive and negative gross fair value by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	2,610,667	-	-
- positive fair value	X	2,976	-	-
- negative fair value	X	3,205	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional amounts

Underlying / residual		Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates		594,865	893,732	1,122,069	2,610,667
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2020**	**594,865**	**893,732**	**1,122,069**	**2,610,667**
Total	**12/31/2019**	**351,502**	**1,484,516**	**1,168,269**	**3,004,287**

B. Credit derivatives

The Group does not have any credit derivatives at the date of the financial statements.

1.3.2 Accounting hedges

It should be noted that on 15 January 2020, Regulation (EU) No. 34 was published, which endorsed the amendments to IFRS 9, IAS 39 and IFRS 7, issued by the IASB on 26 September 2019, as part of the project for the "Reform of the reference indices for determining interest rates".

In application of the provisions of IFRS 7 paragraph 24H, it should be noted that the hedging relationships of the Group are structured with "Interest Rate Swaps", for a notional value of Euro 1,499,937 thousand, designated as a fair value hedging macro hedge on "Financial assets at amortised cost".

In relation to EU Regulation 2016/1011 on reference rates (BMR), which came into force on 1 January 2018, Santander Consumer Bank took part in the working group organised by the Parent Company aimed at ensuring compliance with the same on reference indices and managing and orderly transition of the IBOR indices. In this regard, note that the hedges are indexed to EURIBOR rates and therefore disclosed to the extent that the method for calculating the rate will be redefined. During the transition process and in collaboration with the Spanish parent company, the Group provides quantitative information on a quarterly basis to monitor the exposures affected by the regulations. In order to minimise the risk that one or more IBOR rates or other rates may be discontinued, the bank has started the process of inclusion and negotiation of fallback clauses that ensure an alternative index as a replacement in the event of unavailability of one of the pre-existing reference rates.

Qualitative information

A. Fair value hedges

As regards fair value hedging, the Group enters into derivatives to neutralise the exposure to changes in fair value of a portfolio of financial assets, attributable to unexpected fluctuations in interest rates.

The effectiveness of the hedges is periodically measured and formalised, based on monthly predefined tests (both retrospective and prospective):

- Retrospective test. This test is designed to assess the difference between changes in the fair value of the hedged item and those of the hedging instrument, quantifying it by means of a specific percentage (efficiency percentage).
- Prospective test. This assessment is based on expectations of the future trend of the hedging relationship by identifying different scenarios for the trend in interest rate curves. In order to assess the effectiveness of the hedge, the difference between changes in the fair value of the hedged item and those of the hedging instrument have to be considered jointly for each scenario (quantifying them by means of a percentage).

The observation/effectiveness range is the one provided by IAS-IFRS for this purpose. Metrics are defined/maintained in accordance with the Spanish Parent Company's instructions.

B. Cash flow hedges

At 31 December 2020, there were no cash flow hedging derivatives.

C. Foreign investment hedging

Not applicable, the Group did not carry out any foreign investment hedging during the year.

D. Hedging instruments

The Group is exposed to interest rate risk, defined as fair value risk, i.e. the possibility that financial assets/liabilities may increase/decrease in value due to changes in the interest rates expressed by the market. The interest rate risk determinants for the SCB Group are mainly related to loans to customers, which are generated by the disbursement of consumer credit products/services (asset items) and their means of funding (liabilities and shareholders' equity items). To mitigate this risk the Bank uses Interest Rate Swaps.

The relationship for measuring hedge effectiveness is determined by the ratio between the change in fair value of the hedged item between the time "t" and the time "t-1" and the change in the fair value of the hedging instruments between the time "t" and the time "t-1"; the result of this operation must be within a specific range provided for by IAS (IAS 39 specifically[14]).

The reasons for possible ineffectiveness are therefore due to significant changes in the mark to market valuations of the swaps, as a result of, for example, sudden and significant changes in the interest rates that determine the valuations.

E. Hedged items

In relation to the hedged item used by the SCB Group in the hedging strategy, the following is taken into consideration:

- the hedging relationship is defined as macro fair value hedging, i.e. valuation of the hedge taking into consideration the entire hedged item in the face of all the risks to which it is exposed and not part of it;
- the hedging instruments used are the performing loans present in the portfolio, divided into time buckets depending on the agreement maturities;
- for the purposes of evaluating the effectiveness, the economic relationship is that described in Section D "hedging instruments";
- the interest rate risk determinants, and consequent possible sources of ineffectiveness, with reference to the hedged items, are linked to changes in the fair value of loans to customers, generated by the disbursement of consumer credit products/services.

[14] IFRS 9 gives the option to adopt IAS 39.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging derivatives: period-end notional amounts

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter				Over the counter			
	Central Counterparts	without central counterparties		Organized markets	Central Counterparts	without central counterparties		Organized markets
		with clearing arrangements	without clearing arrangements			with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	-	313,000	1,186,937	-	-	422,000	1,196,624	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	313,000	1,186,937	-	-	422,000	1,196,624	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**313,000**	**1,186,937**	**-**	**-**	**422,000**	**1,196,624**	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by product

Types of derivatives	Fair value positivo e negativo								Change in the value used to calculate the effectiveness of the hedge	
	Total 12/31/2020				Total 12/31/2019				Total	Total
	Over the counter			Mercati organizzati	Over the counter			Mercati organizzati	12/31/2020	12/31/2019
	Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements		Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	1,572	10,337	-	-	2,164	8,745	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,572**	**10,337**	**-**	**-**	**2,164**	**8,745**	**-**	**-**	**-**

A.3 OTC financial hedging derivatives: notional amounts, positive and negative gross fair value by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	1,186,937	-	-
- positive fair value	X	-	-	-
- negative fair value	X	10,337	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	313,000	-	-
- positive fair value	-	-	-	-
- negative fair value	-	1,572	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging derivatives: notional amounts

Underlying / residual		Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates		447,285	1,003,609	49,043	1,499,937
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivative contracts on currency and gold		-	-	-	-
A.3 Financial derivative on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2020**	**447,285**	**1,003,609**	**49,043**	**1,499,937**
Total	**12/31/2019**	**500,391**	**1,070,030**	**48,203**	**1,618,624**

B. Hedging credit derivatives

The Group does not have any hedging credit derivatives at the date of the financial statements.

C. Non-derivative hedging instruments

The Group does not have any non-derivative hedging instruments at the date of the financial statements.

D. Hedged instruments

D.1 Fair value hedges

The Group has not applied the new accounting rules provided for hedge accounting in accordance with IFRS 9.

D.2 Cash flow and foreign investment hedges

The Group does not have any cash flow and foreign investment hedges.

E. Effects of hedging transactions recognised in shareholders' equity

The Group does not use hedging transactions recognised in shareholders' equity.

1.3.3 Other information on (trading and hedging) derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparty	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	-	4,110,604	-	-
- positive fair value	-	2,976	-	-
- negative fair value	-	15,113	-	-
2) Equity instrument and stock index				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Hedge purchase				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Hedge sale				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 Liquidity risk

Qualitative information

A. General aspects, management and measurement of liquidity risk

The Group is exposed to liquidity risk, defined as the probability that it may, at any time, not have sufficient cash reserves to meet payments arising from its obligations, or it may not be able to source sufficient liquidity in the markets to renew maturing deposits.

The Finance Division manages liquidity risk in accordance with the current documentation approved by the Board of Directors.

Based on the governance model adopted by the Group, liquidity risk is monitored by the Risk Division (as part of second-level controls), whereas Internal Audit performs third-level controls.

The Bank uses various reports, short and long-term, to manage liquidity risk. The maturity ladder method is used identify and quantify the imbalances between cash inflows and outflows that occur in different time-frames.

The Group also uses liquidity stress testing to analyse the potential impacts arising from liquidity crises (with stress originated from outflows from customer deposits, downgrading of securities, non-renewal of loans), in line with corporate models and regulatory requirements. The results of the stress tests remained above the management limits over the course of the year and were shared periodically within relevant committees.

As well as the above-mentioned indicators, the Parent Company also monitors its Liquidity Coverage Ratio defined as:

$$LCR = \frac{\text{Stock* of high quality liquid assets}}{\text{Total expected net cash flow** in the subsequent 30 calendar days}}$$

(*) The stock of liquid assets is weighted on the basis of the quality of the same
(**) expected in a hypothetical scenario of stress defined by the regulator through the assignment of standard weighting coefficients for the various categories of inflows and outflows

The LCR officially came into force on 1 October 2015 as required by European Commission Regulation 575/2013 and by Directive 2013/36/EU and subsequent amendments to the Delegated Regulation. The regulatory limit as from 2018 was set at 100%. Santander Consumer Bank satisfies this liquidity ratio and during the year it also implemented daily management of the ratio. Each unit of the Group calculates the individual figure and sends it to the Spanish parent company SCF.

Finally, the Bank also manages liquidity through medium- to long-term indicators, such as the Net Stable Funding Ratio and other Group indicators.

Impacts deriving from the COVID-19 pandemic

The COVID-19 pandemic that characterised the whole of 2020 had no significant effects on the SCB Group's liquidity risk. In fact, it distributes the maturities of deposits in a balanced manner to avoid their concentration. Customer deposits (deposit accounts) remained stable even in the most intense months of the pandemic during the first wave. On the other hand, the ECB supported the Banks through TLTRO auctions, encouraging their use and providing the opportunity to participate in further auctions (PELTRO). During the year, the SCB Group increased its participation in TLTRO-III.

Quantitative information

1. Distribution of financial assets and liabilities by residual maturity

Items/Time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**502,917**	**15,807**	**146,789**	**131,539**	**680,996**	**2,287,193**	**1,897,728**	**4,668,560**	**555,848**	**3,192**
A.1 Government securities	-	-	50,000	-	85,216	1,130,838	10,029	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	502,917	15,807	96,789	131,539	595,781	1,156,355	1,887,698	4,668,560	555,848	3,192
- Banks	405,112	-	-	2,282	6,378	9,134	16,367	44,755	1,741	3,192
- Customers	97,805	15,807	96,789	129,257	589,402	1,147,221	1,871,331	4,623,804	554,107	-
B. On-balance sheet liabilities	**814,137**	**13,812**	**98,081**	**168,544**	**617,122**	**757,651**	**1,315,691**	**5,626,778**	**118,682**	-
B.1 Deposits and current accounts	812,288	13,125	47,991	51,686	206,659	289,063	573,386	2,172,696	11,486	-
- Banks	32,880	5,001	38,003	30,010	131,082	205,774	416,719	2,012,206	11,486	-
- Customers	779,408	8,124	9,987	21,676	75,577	83,289	156,667	160,490	-	-
B.2 Debt securities	-	-	-	66,577	65,108	121,106	218,609	732,063	-	-
B.3 Other liabilities	1,848	687	50,090	50,281	345,355	347,483	523,696	2,722,018	107,196	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	260	338	1,207	1,931	-	-	-
- Short positions	-	-	-	708	1,343	2,392	3,991	-	-	-
C.3 Deposit to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	99,682
- Short positions	99,682	-	-	-	-	-	-	-	-	-
C.5 Written guarantees	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

With respect to financial assets subject to self-securitisations, at the end of 2020, the Parent Company was involved in three securitisations of performing loans for which it had subscribed all of the securities issued: Golden Bar 2016-1 VFN, Golden Bar 2020-1 and Golden Bar 2020-2 VFN.

Furthermore, at the end of 2020 Banca PSA has two securitisation transactions of performing loans for which it subscribed all of the securities issued: Auto Abs Italian Baloon 2019-1 S.r.l. and Auto Abs Italian Rainbow Loans 2020-1 S.r.l.

On 20 July 2020, the unwinding of the Golden Bar 2015-1 transaction was completed, with the subsequent repayment of the securities.

Again at 31 December 2020, the Group was involved in three transactions subscribed by third-party investors, Golden Bar 2018-1 and Golden Bar 2019-1, via the special purpose vehicle Banca SCB Golden Bar, and 2018-1 via the special purpose vehicle Banca PSA Auto ABS Italian Loans 2018-1 S.r.l.

Below is a summary of the main features of the transactions originated by the Group in 2020, in which it subscribed all the securities issued:

Transaction	12/31/2020				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding al 31/12
Golden Bar 2015-1	A	IT0005137580	WR/ NR	Car loan and Personnel loan	-
	B	IT0005137598	WR/ NR		-
	C	IT0005137606	NR / NR		-
Golden Bar 2016-1	A	IT0005210031	A1 / AL	Salary assignment, retirement assignment and delegation of payment.	651,095,399
	B	IT0005210080	Baa3 / BBBH		27,500,000
	C	IT0005210098	Ba3 / BBB		38,500,000
	D	IT0005210106	B2 / BB		55,000,000
	E	IT0005210114	NR / NR		76,890,000
	F	IT0005210122	NR / NR		110,000
Golden Bar 2020-1	A	IT0005402570	AH/A	Car loan and Personnel loan	629,000,000
	B	IT0005402588	BBB/BBB		50,000,000
	Z	IT0005402604	NR / NR		67,498,000
Golden Bar 2020-2	A	IT0005417891	AH/A+	Car loan	483,540,000
	B	IT0005417909	BBB/BBB		37,737,000
	Z	IT0005417917	NR / NR		37,737,000
Auto ABS Italian Balloon 2019-1	A	IT0005379463	AA- / AAH	Car loan	554,400,000
	B	IT0005379471	NR / NR		105,600,000
Auto ABS Italian Rainbow Loans 2020-1	A	IT0005416174	AA- / AAA	Car loan	433,650,000
	Z	IT0005416182	NR/NR		56,350,000

The table below shows the details of the changes in securities during financial year 2020:

Transaction	Notional value			
	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	428,276,727	- -	428,276,727	-
Golden Bar 2016-1	1,100,000,000	- -	250,904,601	849,095,399
Golden Bar 2020-1	-	746,498,000	-	746,498,000
Golden Bar 2020-2	-	559,014,000	-	559,014,000
Auto ABS Italian Balloon 2019-1	660,000,000	-	-	660,000,000
Auto ABS Italian Rainbow Loans 2020-1	-	490,000,000	-	490,000,000

The tables below show the changes in the reserves and subordinated loans:

Transaction	Subordinate loans				
	Distribute	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	25,030,000	-	-	-	-
Golden Bar 2016-1	49,530,000	-	-	-	-
Golden Bar 2020-1	8,530,000	-	8,530,000 -	8,530,000	-
Golden Bar 2020-2	5,242,800	-	5,242,800 -	5,242,800	-
Auto ABS Italian Balloon 2019-1	6,600,000	6,600,000	-	-	6,600,000
Auto ABS Italian Rainbow Loans 2020-1	4,900,000	-	4,900,000	-	4,900,000

Transaction	Cash Reserve				
	Composed	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	25,000,000	21,413,836	- -	21,413,836	-
Golden Bar 2016-1	27,500,000	27,500,000	- -	6,272,615	21,227,385
Golden Bar 2020-1	8,500,000	-	8,500,000 -	12,500	8,487,500
Golden Bar 2020-2	5,212,800	-	5,212,800	-	5,212,800
Auto ABS Italian Balloon 2019-1	-	-	-	-	-
Auto ABS Italian Rainbow Loans 2020-1	-	-	-	-	-

Transaction	Liquidity Reserve				
	Composed	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	-	-	-	-	-
Golden Bar 2016-1	22,000,000	22,000,000	-	-	22,000,000
Golden Bar 2020-1	-	-	-	-	-
Golden Bar 2020-2	-	-	-	-	-
Auto ABS Italian Balloon 2019-1	-	-	-	-	-
Auto ABS Italian Rainbow Loans 2020-1	-	-	-	-	-

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Assets held by the Group	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar 2016-1 VFN	888,681	848,985.00	110	21,227.00	8,899,401	n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-1	720,123	679,000	67,498	8,488		n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-2 VFN	495,485	521,277	37,737	5,213		n.a.	n.a.	n.a.	n.a.
Auto ABS Italian Balloon 2019-1 S.r.L	666,620	554,400	105,600	6,620		n.a.	n.a.	n.a.	n.a.
Auto ABS Italian Rainbow Loans 2020-1 S.r.L	494,920	433,650	56,350	4,920		n.a.	n.a.	n.a.	n.a.

In accordance with international accounting standards, no securitised portfolios have been derecognised as there were not the requisites for derecognition of the loans by the Parent Company and Banca PSA Italia, given that they were the subscribers of the Junior securities issued by the SPV.

Financial year 2020

Breakdown of the excess spread accrued during the year	12/31/2020					
	Golden Bar 2015-1	Golden Bar 2016-1 VFN	Golden Bar 2020-1	Golden Bar 2020-2 VFN	Auto ABS Italian Balloon 2019-1 S.r.L	Auto ABS Italian Rainbow Loans 2020-1 S.r.L
Interest expense on securities issued	(2,197)	(20,919)	(21,381)	(1,482)	(3,088)	(1,919)
Commisions and fees for the operation	(128)	(2,156)	(798)	(372)	(589)	(184)
- for servicing	(112)	(2,142)	(755)	(337)	(568)	(180)
- for other services	(16)	(14)	(43)	(35)	(21)	(4)
Other charges	(214)	(835)	(11,663)	(3,589)	(1,138)	(1,112)
Interest generated by the securitised assets	11,514	63,531	41,591	16,144	26,866	10,388
Other revenues	18,319	5	1,888	1,349	2,521	982
Total	**27,294**	**39,626**	**9,637**	**12,050**	**24,573**	**8,154**

Financial year 2019

Breakdown of the excess spread accrued during the year	12/31/2019			
	Golden Bar 2014-1	Golden Bar 2015-1	Golden Bar 2016-1 VFN	Auto ABS Italian Balloon 2019-1 S.r.L
Interest expense on securities issued	(181)	(7,724)	(21,162)	(3,903)
Commisions and fees for the operation	(260)	(862)	(2,011)	(249)
- for servicing	(256)	(840)	(1,993)	(243)
- for other services	(4)	(22)	(18)	(6)
Other charges	(100)	(27,612)	(2,632)	(1,237)
Interest generated by the securitised assets	2,692	40,478	70,729	14,006
Other revenues	313	3,422	8	1,161
Total	**2,464**	**7,702**	**44,932**	**9,779**

1.5 Operational risk

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This last type includes losses deriving from fraud, human error, business interruption, non-availability of systems, contractual non-performance and natural catastrophes. Operational risk includes legal risk, but not strategic or reputation risks.

Some time ago, the Group defined the overall framework for the management of operational risks, establishing rules and organisational processes for their measurement, management and control.

For Santander Consumer Bank S.p.A., ample information on the general aspects, management processes and measurement methods has been provided in the same section of the Separate Financial Statements, to which reference is made for further details.

For Banca PSA, on the other hand, the Parent Company plays a supervisory role, since the Subsidiary has its own specific operational risk management structure. To measure operational risk, Banca PSA uses the Basic Indicator Approach (BIA) provided for the determination of capital ratios for supervisory purposes. In addition, the guidelines for management of the operational risk of PSA are set forth within the PSA Local Policies and Procedures, which define the basic principles for the management and monitoring of operational risk. Errors and incidents caused by operational risk (Operational Incidents) are recorded in a database of events for the unit and are subject to monthly reporting.

For the subsidiary PSA Renting, the control and management of operational risk is performed by seconded PSA personnel on the specific activities required.

Operational risk in the Group is therefore closely linked to operations during the following phases of activity:

- Customer acceptance;
- Completion of the contract;
- Funding;
- After-sale processes;
- Back office processes;
- Back-end activities;
- Marketing activities;
- Debt collection activities;
- Administrative processes;
- Information Systems.

Operational incidents logged by the Parent Company are reported within the event database (the BlueSuite portal): this instrument is the main quantitative tool for logging errors and accidents caused by operational risk. The objective is to collate all the losses recorded due to the type of risk in question.

As regards legal risk, it includes various types of regulatory violations, illegal behaviour and non-compliant business methods that could result in financial losses for the intermediary.

These include, for example, losses resulting from:

- violations of laws or regulations;
- fines and penalties resulting from measures taken by the Supervisory Authority;
- transactions carried out as part of non-traditional activities with non-residents, which the counterparty is banned from entering into by law or regulations;
- use of unacceptable business methods.

Also falling within the definition of legal risk are losses from retroactive changes in the regulatory framework, as well as those resulting from settlements.

The risk of litigation has been the subject of specific and careful analysis. In the presence of legal obligations, for which it is probable that there will be an outflow of economic resources for their fulfilment, and for which it is possible to make a reliable estimate of the amount involved, the Bank decided to set up provisions for risks and charges, distinguishing between situations according to the most appropriate Basel II category (i.e. Provision for Legal Risks, categories IV/VII).

These two Basel categories of legal-type risk include the following:

Category IV: practices connected with customers, products and activities such as breach of the fiduciary relationship, abuse of confidential information.

Category VII: executive and procedural compliance such as incorrect data entry, incomplete legal documentation, breach of contract by non-customer counterparties, legal disputes with suppliers.

With regard to provisions for legal risks, please refer to the notes produced by Santander Consumer Bank S.p.A and the individual Group units.

Impacts deriving from the COVID-19 pandemic

As soon as the first provisions of the Government were issued, the Group, through the individual subsidiaries, in line with the processes of each one, assessed immediately the business continuity and monitored possible trigger events.

No blocks of transactions and/or business were detected in any of the subsidiaries, therefore it was not necessary to activate the prepared BCPs.

In addition, within the Group, each subsidiary has implemented all actions to prevent any critical issues and the spread of the virus among employees.

Considering the evolution of the emergency related to the COVID-19 epidemiological crisis and the consequent domestic legislation adopted, the SCB Italia Group adopted promptly all the necessary measures to ensure operational continuity and a sound and prudent management.

Quantitative information

The Group's risk exposure is identified by the corporate risk matrix. The model used for the self-assessment questionnaires consists of three phases:

- identification of risks by business areas, with the creation of a specific library containing objectives, activities and root cause that trigger risk events;
- measurement of inherent risk: risk associated with an activity/process regardless of the level of control present. The level of risk is given by the combination of probability/frequency of realisation of the asset/process and the potential impact generated by the event. The size of the impact is assessed using different criteria depending on the type of risk being considered.
- Verification of the presence of appropriate control tools: control systems must be evaluated according to effectiveness (0%-100%), adequacy and possible future developments for the year;
- measurement of residual risk determined by the combination of inherent risk and evaluation of control systems and measured in terms of probability/frequency of realisation of the asset/process and the potential impact generated by the event;
- definition of controls for risks deemed acceptable or mitigation plans for risks deemed not acceptable.

Shown below are the net losses sustained in 2020, by risk category, recorded by the companies of the Group:

Risk Type	Net Losses	Net provisions	Addition and Uses	Net Op Risk Impact
Internal Fraud				
External Fraud	722.2	159.8		882.0
Employment. Practices & Workplace Safety	16.9			16.9
Clients, Products & Business Practices	8,225.4	2,969.9	(7,880)	3,315.8
Damage to Physical Assets				
Business Disruption & System Failures				
Execution, Delivery & Process Management	2.7		(49)	(46)
TOTAL	**8,967**	**3,130**	**- 7,928**	**4,169**

There are some pending administrative and judicial proceedings in respect of the Group that are considered relevant for the purposes of the management of operational risks and of this report, as reported below:

- On 9 January 2019 the Antitrust Authority, following the outcome of an inspectional activity aimed at identifying the violation of art. 110 of the Treaty on the Functioning of the European Union by some of the captive banks, including the subsidiary Banca PSA Italia S.p.A., announced the decision adopted on 8 January 2020, within which the Authority ascertained:
  - the responsibility of the captive banks involved in the proceeding, including the subsidiary Banca PSA Italia S.p.A., as well as Assilea and Assofin for having implemented an anti-competitive agreement contrary to art. 101 of the Treaty on the Functioning of the European Union, consisting in a single and complex agreement over time aimed at distorting competition in the context of the sale of motor vehicles of the participating groups through financing provided by the same, overall in the period from 2003 to April 2017;

- the responsibility for this behaviour also of the parent companies of these captive banks including, in relation to Banca PSA Italia S.p.A., Santander Consumer Bank S.p.A. and Banque PSA Finance S.A. in relation to the period from 1 January 2016 and 3 April 2017.

It is specified that Santander Consumer Bank S.p.A. was not subject to any sanction nor was it jointly and severally responsible for the payment of the sanction imposed on the subsidiary Banca PSA Italia S.p.A. The Authority's decision was subject to an appeal before the Lazio Regional Administrative Court, which with ruling No. 12537, published on 24 November 2020, upheld, among others, the appeal filed by the Bank, thereby cancelling the sanction measure issued by the Italian Competition Authority (AGCM).

- Since 2009 the Bank has been a party to a series of disputes initiated by a former dealer with which commercial collaboration agreements had been concluded then gradually terminated during the course of 2008. A number of decisions and measures were made over time in favour of the Bank before the competent courts. At the end of 2019 the above mentioned dealer was declared bankrupt and the Bank was included in the relative receivable deriving from the favourable decisions adopted by the competent courts. Based on the soundness and the validity of its own arguments, the Bank is confident that the pending proceedings may have the same outcome, by virtue of the resumed proceedings by the administration.
- The total number of complaints received by the Bank in the course of the 2020 financial year is 11,651, an increase of 12% compared with the previous year. The main causes of complaint relate to the categories (i) Request for reimbursement of commission as a result of early redemption of salary assignment and delegation of payment (equal to 63.9% of the total) and (ii) Interest rates applied to Customers (equal to 5.2% of the total). The rate of acceptance of disputes handled is 25.3%.

The aforesaid risk events are, at present, taken into consideration in assessments of losses and of prudential provisions.

Section 3 – Risks of insurance companies

There are no insurance companies in the consolidation scope.

Section 4 – Risks of other companies

There are no other active companies in the consolidation scope.

Part F – Information on consolidated shareholders' equity

Section 1 – Consolidated shareholders' equity

A. Qualitative information

The Shareholders' Equity of the Santander Consumer Bank Group is made up of the aggregation of Capital, Share premium reserve, Reserves, Valuation reserves and Profit for the year. In order to ensure compliance with the regulatory requirements provided for by the legislation in force, equity management is performed. This aims to identify and maintain shareholders' equity at the proper size, as well as to reach an optimal combination of the various different methods of capitalisation, in order to ensure, in addition to compliance with the regulatory requirements, consistency with the risk profiles assumed.

Activities to verify compliance with the minimum ratios required involve primarily quantifying the weight of both the growth trends in risk assets envisaged in the company budgets, and the weight calculated on each proposed activity that the Santander Consumer Bank Group expects to undertake in the short and medium term. As a result, any strategic finance operations (e.g. increases in capital, issuance of subordinated loans, capitalisation of profits) are proposed, defined and undertaken in order to adjust the equity in respect of the requirements put in place by the competent Control Bodies.

The Tier 1 capital of the Santander Consumer Bank Group is made up of the paid-up capital, the share premium reserve, profit reserves, valuation reserves and other reserves. In the Tier 1 capital the Bank can also include the profit for the year net of any expected dividends and the capital instruments of Banca PSA Italia, qualifying for inclusion in consolidated capital. Intangible assets, the prudential filter relative to the prudent valuation of assets and liabilities designated at fair value, and the position with regard to the STS securitisation finalised during 2019 are deducted from the aforementioned CET 1 instruments and items.

The amount included in Additional Tier 1 capital relates to the equity share of Banca PSA Italia, qualifying for inclusion in Tier 1 consolidated capital.

Tier 2 capital currently consists of subordinated loans and the equity share of Banca PSA Italia, qualifying for inclusion in Tier 2 consolidated capital.

Furthermore, in 2020 the second issue was finalised of Tier 2 unsecured debt instruments (commonly referred to as Non-Preferred Senior) with the intention of preparing the Bank to achieve the objectives that will be defined within the regulations relating to the Minimum Requirements for own funds and Eligible Liabilities (MREL).

The Group's strategic objectives in terms of capital are:

- Adequate expected profitability: special attention is paid to the Return on Risk Weighted Assets (RORWA)[15], which provides the indication of the return of the risk weighted assets. This indicator allows us to interpret the Group's performance effectively, integrating the component parts of the financial statements (assets, liabilities and RWAs) with the components of the income statement (revenues and expenses); it provides support to management in risk-return decisions.
- Profitability in terms of RORWA is measured and assessed at Group level, by product/channel/agreement, on generations of new productions as well as on the total portfolio generated.
- Maintaining levels of capitalisation in line with current regulations and with the constraints imposed by the Supervisory Authority, as well as with the objectives agreed with the Parent Company.

The Group makes sure that adequate capital levels are maintained through an evaluation and monitoring process based on the following instruments:

- Capital Planning and monitoring;
- RAF (Risk Appetite Framework)[16];
- ICAAP.

Capital Planning and Monitoring is a process aimed at measuring regulatory capital availability for the period of reference and for subsequent periods according to the expected developments, with the aim of verifying the level of the mandatory minimum requirements and anticipating any corrective measures.

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[15] Calculated as the ratio between Profit After Taxes and RWAs.

[16] Policy risk appetite framework.

In capital planning, all components of regulatory capital and the corresponding RWA are monitored constantly[17]. The key indicators for monitoring purposes are:

- CET I ratio
- Tier I ratio
- Total Capital Ratio
- Leverage Ratio.

The indicators are calculated using total internal capital; they are monitored both on an actual basis, with reference to the Supervisory reports[18], and prospectively[19], based on foreseeable developments in the aggregates under observation.

The Risk Appetite Framework (RAF) is a framework of reference that defines - in line with the maximum assumable risk, the business model and strategic plan - the risk appetite, tolerance thresholds, risk limits, risk management policies, key processes needed to define and implement them. The following indicators are monitored within the RAF with regard to capital adequacy:

- CET I ratio;
- CET1 under stress;
- Leverage Ratio;
- Total Capital Ratio.

These indicators are measured in terms of risk capacity, risk appetite, risk tolerance, risk profile, risk limits.

The Internal Capital Adequacy Assessment Process (ICAAP) is the process by which we evaluate capital adequacy relative to the significant risks connected with the company's operations and reference markets. The Second Pillar, which is the process for controlling supervised banks' overall risk exposure, is intended to support the quantitative rules envisaged in the First Pillar for the determination of prudential regulatory capital requirements with a process (the ICAAP), which makes it possible, through self-assessment and discussions between the Supervisory Authority and the intermediaries, to take into account the peculiarities and specific risk profiles of individual banks and to assess the possible impact on them of the evolution of markets, products and technology. In line with the ECB guidelines, the ICAAP is the instrument aimed at maintaining capital adequacy on an ongoing basis over the medium term according to two complementary internal perspectives: internal regulatory perspective and internal economic perspective.

For 2020 the Group did not receive a request for additional requirements as a result of the SREP process and therefore had to comply with minimum capital requirements (inclusive of the minimum capital conservation buffer) equal to 7.00% of Common Equity, 8.50% of Tier 1 and 10.50% of Total Capital.

[17] They are viewed monthly by the Management Committee and sent to the Parent Company; then periodically, at least once a quarter, they are presented to the Board of Directors.

[18] Figures sent on a quarterly basis.

[19] Monthly with a time horizon included in the 12 months of the current year.

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by type of business

The following table analyses the various items in shareholders' equity.

Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Capital	715,309	-	6,000	(75,215)	646,095
2. Emission Fees	24,177	-	-	(11,772)	12,405
3. Reserves	605,858	-	-	(71,363)	534,495
4. Capital Instruments	-	-	-	-	-
5. (Own shares)	-	-	-	-	-
6. Valuation reserves:	(456)	-	-	-	(456)
- Equity instruments designated at fair value through other comprehensive income	-	-	-	-	-
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (different from equity instruments) at fair value through other comprehensive income	-	-	-	-	-
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investment coverage	-	-	-	-	-
- Cash flow hedges	-	-	-	-	-
- Hedging instruments [Unspecified Elements]	-	-	-	-	-
- Exchange differences	-	-	-	-	-
- Non-current assets and groups of assets held for sale	-	-	-	-	-
- Financial liabilities designated at fair value with impact on the income statement (changes in their creditworthiness)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(456)	-	-	-	(456)
- Provisions for valuation reserves related to equity investments valued at shareholders' equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Net (Loss) (+/-) of Group and minorities	132,492	-	(1,981)	(2,966)	127,545
Shareholders' equity	**1,477,380**	**-**	**4,019**	**(161,315)**	**1,320,083**

B.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

The Bank does not have any financial instruments classified under financial assets designated at fair value through comprehensive income.

B.3 Valuation reserves for financial assets measured at fair value through comprehensive income: change in the year

The Bank does not have any financial instruments classified under financial assets designated at fair value through comprehensive income.

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

During the year there was a decrease in valuation reserves related to defined-benefit pension plans of Euro 86 thousand, net of the corresponding tax effect.

Section 2 – Own funds and capital adequacy ratios

2.1 Scope of application of the regulation

Own Funds and the capital adequacy ratios are calculated on the basis of the current instructions included in Circular no. 285 issued by the Bank of Italy in Directive 2013/36/EU (CRD IV) and (EU) Regulation 575/2013 (CRR), which introduce into the European Union the standards laid down by the Basel Committee on Banking Supervision.

Note that the scope of application of the regulations on own funds and capital ratios is the same as the one for financial statements regulation.

Section 2 – Own funds and capital adequacy ratios

The information on own funds and capital adequacy contained in the public disclosure (Pillar 3) is not applicable since such information is required from the Spanish Parent Company.

Quantitative information concerning the composition of own funds and capital adequacy is provided below. The table shows the amount of capital for supervisory purposes and its fundamental components, which correspond to those indicated in supervisory reports.

Consolidated Own Funds	Total	
	12/31/2020	12/31/2019
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**990,826**	**1,001,460**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	**(8)**	**(10)**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**990,818**	**1,001,449**
D. Deductions from CET1	**12,448**	**24,774**
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**978,370**	**976,676**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements	**21,489**	**23,752**
of which AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional regime - Impact on AT1 (+/-),		
L. Total Capital Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	**21,489**	**23,752**
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	**131,864**	**139,919**
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Share of Class 2 (Tier 2 -T2) (M - N +/- O)	**131,864**	**139,919**
Q. Total own funds (F + L + P)	**1,131,722**	**1,140,347**

The table shows the amount of risk assets and prudent ratios, according to information reported in supervisory reports

Categorie/Valori	Non weighted assets		Weighted assets	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	10,769,688	10,296,273	6,451,017	7,260,943
1. Standardized approach	10,769,688	10,296,273	6,451,017	7,260,943
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			501,386	548,503
B.2 Risk valuation adjustment credit			15,973	35,188
B.3 Regulation Risk			-	
B.4 Market Risk			-	
1. Standardized approach			-	
2. Internal models			-	
3. Concentration risk			-	
B.5 Operational risk			48,628	47,237
1. Basic indicator approach (BIA)			22,237	20,161
2. Traditional standardized approach (TSA)			26,391	27,077
3. Advanced measurement approach (AMA)			-	
B.6 Other calculation elements			-	
B.7 Total capital requirements			565,987	630,928
C. RISK ASSETS AND CAPITAL RATIOS			-	
C.1 Weighted risk assets			7,074,843	7,886,597
C.2 Capital primary class1 / Risk			13.83%	12.38%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			14.13%	12.69%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			16.00%	14.46%

Part G – Business combinations

The Bank has not realised any business combinations involving companies or lines of business.

Part H – Related party transactions

1. Information on the remuneration of directors, with strategic responsibilities

The following table shows the amounts of compensation paid in 2020 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of "related party".

	12/31/2020
Short-term benefits	5,649
Post-employment benefits	-
Other long-term benefits	-
Termination indemnities	-
Share-based payments	141
Total	**5,790**

2. Related party disclosures

Shown below are the principal relationships with related parties according to the size of the year-end balance (in thousands of Euro):

	Receivables	Payables	Derivatives	Expenses	Income
Banco Santander	360,494	479,936	2,870,535	13,198	5,315
Santander Consumer Finance	-	3,745,458	-	14,907	-
Peugeot SA Group Companie	15,666	69,774	-	11,372	19,131
Other Santander Group Companies	128	9,561	-	3,331	126

In respect of the Spanish Parent Company Banco Santander:

- the receivables mainly relate to transactions in derivative contracts entered into with the Spanish counterparty and to cash deposits and reserves belonging to the segregated funds of the securitisations;
- the payables mainly relate to the securitisation transaction issues established by the companies of the Group and subscribed by the Parent Company, the liquidity provided by the SPV, as well as to derivative contracts transactions subscribed with the Spanish counterparty;
- the derivatives refer to interest risk hedging transactions as mentioned in Part E, Section 2. The figure shown in the table represents the sum of the notional amounts;
- the expenses mainly relate to the result of hedging and trading activities from derivatives entered into as part of securitisation transactions;
- the income mainly relates the result of hedging and trading activities from derivatives entered into as part of securitisation transactions;

While in respect of the direct Parent Company Santander Consumer Finance:

- the payables relate to loans and related interest accruals received from all the Group companies as part of normal funding activities and subordinated loans;
- the expenses mainly relate to interest expense on loans received and to negative differentials on the hedging of the Group companies;

Relationships are also maintained with other companies of the Santander Group. The most relevant payables consist of current accounts (Euro 9,280 thousand). The charges mainly relate to costs for consultancy and services received from Group companies (Euro 3,146 thousand).

With regard to the positions with the companies of the Peugeot SA Group, the amounts receivable refer to fees not yet paid, while the payables relate mainly to subordinated loans.

As regards relations with related parties, it should be noted that there are amounts due of Euro 147 thousand and amounts payable of Euro 879 thousand.

Other information

As required by art. 2427, paragraph 16 bis), of the Italian Civil Code, the total amount of the fees due to the independent auditors for the year 2020 is shown below. The amounts are shown net of an expense allowance, supervisory contribution and VAT.

Type of services	Supplier	Recipient	Description	Fees (euro)
Audit	PricewaterhouseCoopers SpA	Parent Company	Audit services (annual report, consolidated financial statements, interim report, accounting checks, reporting pakage)	169,400
	PricewaterhouseCoopers SpA	Subsidiaries (Banca PSA Italia SpA, PSA Renting SpA, TIMFin SpA)	Audit services (annual report, reporting package, accounting checks).	141,000
	PricewaterhouseCoopers SpA	SPV Golden Bar	Audit services (annual report, accounting checks)	23,000
	PricewaterhouseCoopers SpA	SPV Auto Abs Italian Loans 2018-1	Audit services (annual report, accounting checks)	25,000
	PricewaterhouseCoopers SpA	SPV Auto Abs Italian Baloon 2019-1	Audit services (annual report, accounting checks)	21,500
	PricewaterhouseCoopers SpA	SPV Auto Abs Italian Rainbow 2020-1	Audit services (annual report, accounting checks)	19,000
Other services	PricewaterhouseCoopers SpA	Parent Company	Translation activity	1,500
	PricewaterhouseCoopers SpA	Subsidiaries (Banca PSA Italia SpA)	Validation of specific long term funding operations (TLTRO), verification procedures, VAT endorsement of conformity	26,000
Total				**426,400**

Part I – Share-based payments

The Group has not entered into any payment agreements based on its own equity instruments.

Part L – Segment reporting

Based on the analyses carried out to verify whether the quantitative thresholds laid down in IFRS 8 had been exceeded, the predominant operating segment of the Group is "consumer credit". It is therefore not necessary to provide separate information for the various operating segments of the Group.

Part M – Report on leases
Section 1 – Lessee

Qualitative information

The Group has applied IFRS 16 to lease agreements relative to the rental of offices for their activities (mainly head office, branches, data centres) and the hire of vehicles for its employees.

The Group has determined the duration of lease agreements by taking into account the original contract duration as well as the options for extension and resolution, also contractually provided. The probability of exercise of such options is defined on the basis of the Group's internal procedures.

The sensitivity of variable payments due for leases is mainly correlated to the variability of the ISTAT consumer prices index for families of blue- and white-collar workers on which the lease payments of some lease contracts are indexed. The Bank has not been exposed to other risks deriving from leases.

Cash outflows, to which the Group is exposed as lessee and which are not included in the lease liability measurement, consists of variable payments due for Value Added Tax.

There are no other forms of contractual variable quotas provided, which are not included in the liability measurement. Expenses for ordinary maintenance of offices, for water supply, lighting and cleaning are chargeable to the Group and are not included in the financial flows subject to lease liabilities pursuant to IFRS 16.

The Bank has evaluated the assets consisting in the right of use by using the initial value adjusted by amortisation, depreciation and impairment as well as any recalculations. In 2020, the Parent Company entered into a lease agreement aimed at changing the location of the branch while keeping the city unchanged, renegotiated the contractual conditions relating to 4 branches and changed the estimates made with regard to the company fleet.

At 31 December 2020, the contractual conditions were renegotiated for some branches, the effects of which will come into force from the next year, and a new contract was entered into for the data centre.
At 31 December 2020, the Bank was not involved in any sale and leaseback operations, and it was involved in leases of modest value linked to rental of hardware.

Quantitative information

The following table reports the main quantitative information related to lease activity:

	ROU	ROU provisions for depreciation	Depreciation	Leasing low-value	Short term leasing	Proceeds sub-leasing
Total	24,662	8,139	4,215	626	-	4
- of which real estate	21,397	5,005	2,645			
- of which vehicles	3,265	3,134	1,569			

Details of the information relative to rights of use acquired through lease is in Part B, Assets - paragraph 9.1. "Property, plant and equipment used for business purposes: breakdown".

With regard to the Parent Company, during 2020 the assets consisting in the right of use underwent a net change of Euro 1,732 thousand (Euro 23,169 thousand value of the ROU at 31 December 2020), deriving mainly from the entering into of a lease agreement aimed at changing the location of the branch while keeping the city unchanged, the renegotiation of the contractual conditions relating to 4 branches and the modification of the estimates made with regard to the company fleet.

Details of the information relative to lease liabilities is included in Part B, Liabilities and Shareholders' Equity - section 1.2 "Financial liabilities measured at amortised cost: deposits from customers, breakdown by type". In relation to the details of maturities of lease liabilities, please refer to Part B - Liabilities and Shareholders' Equity, section 1.6 "Lease payables".

The information relative to interest expense on lease liabilities is included in Part C - Information on the income statement.

Section 2 – Lessor

Qualitative information

Financing transactions in the form of leases offered by the Group (lessor) consist of granting the use for an agreed period of time, upon payment of periodic lease charges (lease payment), of motor vehicles, motorcycles, camper vans, commercial vehicles purchased or constructed by the lessor by a third party supplier, as chosen and indicated by the customer, who assumes all the risks and retains the right, at the end of the contractual term, to purchase the goods for a predetermined price and to extend the use thereof under predetermined or predeterminable financial conditions. The sale provides for specific guarantee forms (Buy back by the Dealer) in the case of motor vehicles in ordinary leases to private entities, juridical or physical persons, and a limit instead on a financed product (Commercial vehicles of more than 35 tons) in the case of a commercial vehicle. Further specific product guarantees or restrictions may be defined at the sale stage by the sales division.

However, with regard to the customer profile, the rules applied are common and valid without distinction for all products and sales channels, therefore no diversified valuations are required for lease customers.

Quantitative information

1. Balance sheet and Income statement information

Details of the information relative to lease financing is included in Part B, Information on the Consolidated Balance Sheet, section 4 “Financial assets measured at amortised cost”.

Details of the information relative to interest income on lease financing and on other revenues from financial leases are included in Part C, section 1 “Interest” and in section 16 “Other operating costs and income”.

2. Finance leases

2.1 Classification by time bands of payments to be received and reconciliation with lease financing recognised under assets

Maturity ranges	Total 12/31/2020 Lease payments receivables	Total 12/31/2019 Lease payments receivables
Up to one year	226,642	211,474
Over one year up to 2 years	295,321	146,446
Over 2 years up to 3 years	131,526	161,510
Over 3 years up to 4 years	28,243	46,245
Over 4 years up to 5 years	10,466	15,774
For over 5 years	884	-
Amount of the lease payments receivables	**693,081**	**581,450**
Reconciliation of the undiscounted lease payments	(17,582)	(18,967)
Not accrued gains (-)	(17,582)	(18,967)
Not guarantee residual value (-)	-	-
Lease payments	**675,500**	**562,484**

2.2 Other information

For information on the management of the risk associated to the lease product, please refer to Part E “Information on risks and related hedging policies”.

3. Operating leases

The company has no operating leases.

Report on operations of Santander Consumer Bank S.p.A.

Report on operations of Santander Consumer Bank S.p.A.

Below is the Report on operations of Santander Consumer Bank S.p.A.

With reference to the macroeconomic scenario and sector trends, please refer to the relevant sections of the Report on Operations of the Consolidated Financial Statements.

Strategic guidelines and outlook for 2020

Within the framework of the dynamics outlined above, Santander Consumer Bank operations are geared to a sustainable growth of profits with creation of value for shareholders, to an ability to independently generate capital and to a conscious assumption and management of risks. More specifically:

- **Customers.** Offer a wider range of products, enriched by dedicated services, seizing the opportunities offered by digital technology.
- **Partners.** Maintain and strengthen the relationship with the current partners, supporting their commercial activities and search for and define new cooperation opportunities on different channels.
- **Shareholders.** Ensure a solid, adequate and sustainable growth with value creation.
- **Actively managed funds and capital.** Increase the diversification of funding sources with a limitation of financial risks. Maintain capitalisation levels in line with current regulations, with constraints imposed by the Supervisory Authorities, or with the objectives of the Santander Group.
- **Control and optimisation of operating costs**, ensuring their growth is lower than the growth in revenue.
- **Digitalisation.** Achieve full digitalisation of the sales process in order to create competitive advantages and to automate procedures and improve the Bank's visibility and customer experience.
- **Effective risk management.** Constantly monitoring the quality of the portfolio managed and the level of litigation, through an effective strategy of acceptance and recovery, and evaluating new strategies to keep the quality of the impaired portfolio stable by evaluating new market developments.
- **Internal culture.** Update, develop and optimise corporate professionals, promote talent and encourage internal mobility.
- **Community and environment.** Support the communities in which the Bank operates with experience/internship programmes, financial education and active participation in academic events; support voluntary associations and sustain eco-sustainability initiatives.

As part of this mission and strategic direction, the expectations for 2021 take into consideration:

- Total volumes disbursed by the Bank are up, with a trend settling on the values prior to the pandemic, consolidating the product mix observed in the last period.
- A gradual stabilisation of the managed portfolio, with an increasing focus on the car sector and special-purpose loans.
- Evaluating new business opportunities by observing global mobility (renting)
- Maintain high levels of profitability thanks to the growth trend in margins, contain operating expenses and constantly monitor the cost of risk.

Business outlook

In the context of consumer credit, Santander Consumer Bank recorded a decrease in volumes compared to the previous year (-17.2%), essentially caused by the COVID-19 health emergency that hit the country starting from the first quarter of 2020. The main portfolios affected by the situation are the automotive sector and salary assignment loans. The decrease in personal loans is also significant.

In particular, the Automotive segment recorded a decrease of -17.1%, with a significant impact on new cars, while the second-hand car segment recorded a less significant decrease (-4.6%). The impact is generalised on all Captive agreements.

In terms of special-purpose loans, the Bank closed the year with a decrease of -8.8%. less significant with respect to personal loans, which closed with -15.1% compared with the previous year.

Also in 2020, the sale of the salary assignment loan product recorded a decreased result compared to the previous year (-29.7%), caused by market difficulties and exacerbated even more by the pandemic emergency.

Santander Consumer Bank	dic '20	dic '19	∆	∆ %
(Million euros)				
TOTAL New Business *	**1,710.5**	**2,065.2**	**-354.6**	**-17,2%**
Total Vehicle	1,141.6	1,376.7	-235.1	-17.1%
New Vehicle	*879.5*	*1,102.1*	*-222.6*	-20.2%
Used Vehicle	*262.0*	*274.5*	*-12.5*	*-4.6%*
Special Purpose Loan	246.5	270.2	-23.7	*-8.8%*
Credit Card	4.1	5.0	-0.9	-17.5%
Personal Loan and TFS	161.4	190.2	-28.7	-15.1%
Salary Assignment	156.9	223.1	-66.2	-29.7%

*without Top Up and Refinancing

Marketing

During the year, all activities related to the proposal of products on the digital channel were strongly influenced by the COVID-19 pandemic. Numerous analyses and actions were undertaken to facilitate users as much as possible and, at the same time, safeguard the business. The Bank's institutional website was strengthened to provide accurate and detailed information on customer requests due to the specific period, regarding queuing, suspension of payments, etc. working in particular on artificial intelligence, at the base of the chatbot integrated into the website.

The car and motorcycle loans business saw the management of standard customer contact processes with Trade Cycle Management (TCM) products and support for key partners on the occasion of new model launches and campaign events aimed at strengthening customer loyalty through the replacement of old vehicles with new, better performing ones, also in terms of CO2 emissions, and establishing greater engagement with dealerships. In-dealer renewal events were run during the week, with excellent results in terms of renewals.

In relation to direct products, personal and salary assignment loans, the optimisation continued of marketing campaigns dedicated to Santander Consumer Bank customers with the use of different contact channels and the proposal of specific promotions, increasing the use of contact modes with low environmental impact (DEM-SMS).

As regards insurance products, 2020 saw a drop relating to the placement of insurance services combined with loans. In 2020, insurance proceeds came to approximately Euro 29.5 million, down compared to the 2019 figure (Euro 32.4 million).

In general, on the traditional "point of sale" channel, insurance products intermediated by the Bank proved to be particularly appreciated by the customers, in particular the CPI (Creditor Protection Insurance) products and CVT products (in particular Theft & Fire). The Bank's sales network is constantly trained on insurance products and the correct methods for proposing them to end customers, as is the network of financial intermediaries (e.g. car dealers).

The trend in "alternative" channels has been very positive, with a proportion of overall insurance sales of over 20%. The introduction of an entirely digital channel will allow to offer insurance products with an End to End process, so improving Customer Experience.

Automotive Development Service

Captive agreements were handled in coordination with the Parent Company, Santander Consumer Finance, as part of agreements at European level, both in terms of governance and strategic approach.

Captive agreements pertaining to the automotive sector, together with specialisation by the dedicated sales structure (Captive network) and loyalty programmes (TCM and lease products, CRM activities) make it possible, on one hand, to improve performance in terms of market share and volumes and, on the other hand, to strengthen the loyalty of dealers and customers.

During 2020, the performance of the Automotive market was strongly penalised by the situation generated by the pandemic (respectively -30% in the car market and -7.7% in the motorcycle market Oct'20YTD vs Oct'19YTD) and obviously had negative effects on volumes of New Business of the main Captive Agreements.

In detail, the volumes financed for Hyundai decreased compared to the previous year by more than 20%, as well as for KIA, which recorded a drop of more than 22%, while the decrease for Mazda was more contained down by 6.23%. Mitsubishi/SsangYong decreased by -31.38%.

Despite the contingent situation, the Bank continued to invest heavily in "loyalty/TCM" products and processes to give maximum support to renewal activities. The growing capacity and specialisation in managing the Bank's Captive programmes has made it possible to improve these processes and give even greater support to the reference brands.

As regards the motorcycle sector, despite the difficulties encountered by some Partners on sales volumes, 2020 saw general growth in volumes financed of 7.58% Oct'20 YTD vs Oct'19YTD, with different performances on the individual brands (Yamaha +15.41%, KTM +8.92%, Husqvarna +46.74%, Harley-Davidson -19.12%).

The share of the amount financed on sales decreased slightly, remaining however at market levels between 45% and 50% with most of the Partners.

The quality of the portfolio remains in line with the budget.

Salary assignment

In 2020 the salary assignment market showed a trend generally in line with the entire consumer credit sector.

The volumes generated by the bank are lower than the previous year, this reduction is due to the lock-down period following the COVID-19 pandemic. The mix between the occupation sectors of customers mainly concentrates on pensioners, government and public sector employees.

The Bank continued to strengthen its commercial strategy, pursuing profitability objectives appropriate to the nature of the business, in addition to focusing more actively on diversifying the distribution channels. The three main lines of commercial activity carried out in 2020 were: the consolidation of activities for the promotion and placement of loans through its highly specialised network, composed of financial agents, which represent the greater portion of production; the gradual increase of distribution through its 21 branches across the country; the continuation of cooperation with Financial Intermediaries (pursuant to arts. 106 and 107 of the Consolidated Banking Act) for the purchase of receivables and contracts without recourse.

Personal Loans

2020, which started with good results in terms of distribution performance, saw a reduction in volumes due to the lock-down starting from March following the COVID-19 emergency.

The marketing strategy was mainly focused on repeat business activities on the customer portfolio with customised offers, mainly aimed at directing customers to the Branches and the Agent network.

To allow customers to choose to take out a loan also during the lock-down period, the Bank has implemented remote sales processes, both with the support of an operator, and by developing the online business.

Deposit accounts

What the market offers essentially comes down to deposit accounts with or without a time constraint and an interest rate linked to this constraint.

The Bank has always offered its clients a demand deposit account and a time deposit account in order to provide a balance between funding stability and cost.

The current product line is composed of:

- IoPosso (demand deposit account);
- IoScelgo (basic demand deposit account to which the opening of a series of tied lines can be linked).

From a commercial point of view, there was an expansion of the portfolio of customers, which has increased the funding volume in line with the Group’s funding policies.

Set out below is a summary of the more quantitative aspects pertaining to 2020:

- time deposit funding amounted to Euro 507 million (essentially unchanged compared to the previous year);
- demand deposit funding amounted to Euro 700 million (+4% compared to the previous year).

Debt Collection

Within Santander Consumer Bank Italia, the Collection Division (hereinafter CBU, Collection Business Unit) is responsible for the entire collection process and handles the management of the portfolio from one day of delay, in compliance with legal provisions, Group policies and operating procedures.

The mission of the CBU is to optimise collection at all stages in order to minimise the volume of insolvencies and the level of provisions to the income statement. To ensure the effectiveness of debt collection activities, we distinguish between the various types based on the age of the defaults, the type of product, the payment method and the dossier risk, deciding on collective action or personalised management addressed to the individual customer; depending on the stage the dossier has reached, this may be outsourced to specialist debt collection agencies, or handled internally at a local level.

2020 was characterised by the COVID-19 emergency, which influenced the strategies and volumes managed by the Collection, which was also at the forefront in the application of public and private grace periods, in order to facilitate customers who have expressed economic difficulties. For details on the initiatives implemented by the Bank, please refer to the "Bank measures in support of households and businesses" section on the activities.

Up until October, recurring sales of the Cards product continued and a transaction for the extraordinary sale of impaired loans was concluded in November, in which the value of loans sold to third parties represented 44% of the stock in write off.

As for salary assignment as a product, recovery activities - again following the Group model - are headed up by the Collection Business Unit, which focuses on collecting any amounts not paid by the third-party administrations involved in the assignment, applying priorities according to the level of risk and age of the positions. In this context, relations with the distribution network are strengthened with a view to reducing and preventing the state of insolvency.
In 2020, the opening of claims for loss of employment was approximately 30% lower than the situation in 2019 due to the block on dismissals established by the Government in compliance with the management measures of the COVID-19 emergency.

Financial Management

For more details on the macroeconomic scenario and on the financial markets please refer to the corresponding section of the report on operations of the consolidated financial statements.

With reference to collection, at the end of 2020 Santander Consumer Bank had net debt of Euro 6,290 million (+11.8% compared to the previous year).

This debt is mainly composed of structured funding, Group funding and deposits from customers.

At 31 December 2020, the amount resulting from participation in ECB auctions rose to Euro 2,549 million (TLTRO-II and TLTRO-III), as a result of the participation in TLTRO-III. The Bank finalised two new securitisation transactions as both originator and subscriber. These transactions were included in the collateral eligible for TLTRO. In addition to its own securitisations, SCB is using a pool of loans (ABACO) and Italian government bonds as collateral.

Finally, in December 2020, the Bank finalised a repurchase transaction, with a duration of less than one months, for an amount of Euro 50 million with an institutional investor, for the purpose of optimising the availability of collateral towards year end.

Medium- to long-term liabilities include loans granted by the Parent Company, subordinated loans and non- preferred senior notes, subscribed by Santander Consumer Group companies and by the Santander Group. The Spanish parent company also provides short-term liabilities.

The increase in customer deposits was smaller compared with the previous year, from approximately Euro 1,211 million at the end of 2019 to approximately Euro 1,241 million at December 2020. Further details on funding results are provided in the Deposit accounts section of the separate financial statements.

On the whole, the cost of funding decreased in 2020 as a result of the use of more economic forms of financing and the reduction of interest rates and spreads paid.

Lastly, the Bank holds a portfolio of highly liquid securities, aimed at also complying with the regulatory requirements of short-term liquidity: this portfolio, consisting of Italian government bonds, amounts to Euro 1,225 million at the end of 2020.

IT systems

Management of the Bank's information assets, data and technological infrastructures is coordinated by the Information Technology (IT) Department.

In accordance with Group policies, the IT Department's objective is to ensure the regular renewal of the computer and information systems, as well as keeping their design, implementation and maintenance up-to-date. It also ensures the availability of information, technological and data systems, as well as processes and related services (hereinafter referred to as "the technological infrastructure" or "IT"). Furthermore, it ensures their adequacy in relation to the strategic guidelines of the Bank and the support required to meet the needs of customers. It is also responsible for providing reliable, timely and comprehensive information to company bodies, guaranteeing compliance with the applicable regulations at all times.

The IT Department is responsible for managing the following activities or services:

- defining, developing and implementing projects relating to the information systems and technology infrastructure;
- maintaining and managing the existing application systems and technological infrastructures;
- managing communication technological structures and ensuring their integrity;
- managing and checking operational services and customer and shareholder support, and managing internal operational services.

The IT Department is structured in such a way as to cover the following macro areas:

- **IT Governance**: as a Corporate Governance instrument it deals with the management of the IT budget and contractual, cost and monitoring aspects of service levels in respect of third parties; strategic management of the projects portfolio so as to co-ordinate the solutions proposed in the IT sphere with the corporate business objectives; management of relations with the Spanish Parent Company through regular meetings and alignments; management and oversight of IT incidents; preparation and monitoring of the System Plan; preparation and management of the IT Committee.
- **IT Architecture**: it defines the structure and the relationships between the components of the IT architecture. It controls and reports any risk linked to this to the Parent Company and the IT Committee checking the correct alignment with the company standards. It has the task to monitor hardware and software components with a view to obsolescence. It closely cooperates with the implementation of new projects and the Cyber Security service. It works in collaboration with the IT Run and IT Support offices according to a One Team approach.
- **IT Run:** it manages the start-up of the IT infrastructure that guarantees the regular operation of the Bank on the hardware and software side. It also handles the management of requests and necessary changes at asset level.
- **IT Support:** it manages the collection, management and reporting of incidents. This office refers to the help desk service through ticketing, providing support to the end user of the IT architecture.
- **IT change**: in order to improve the interaction between IT and the user and respond effectively and efficiently to the Bank's changing environment, the IT Change office schedules periodical meetings with the bank's management, investigating needs and assessing any requests with a view to common growth. Requests relating to application and infrastructure are redirected, their technical/economic/temporal feasibility is verified. It is structured according to an Agile logic that makes it possible on the one hand to overcome the bureaucracy and on the other to increase the focus of the team on the result. 12 agile business teams have been set up within it, operating on different topics.
- **Organisation of the architecture**: it defines the structure and the relationships between the components of the IT architecture. It controls and reports any risk linked to this to the Parent Company and the IT Committee. It has the task to monitor hardware and software with a view to obsolescence. It closely cooperates with the implementation of new projects and the Cyber Security service.
- **IT Design:** the office, closely connected with IT Change, manages and develops the design of IT solutions through appropriate planning and programming techniques. It contains the fundamental skills and expertise in the technological and design field that permit the achievement of the business strategy.

Institutional Relations, Legal and Compliance Division

The Bank's Institutional Relations, Legal and Compliance Division oversees the following areas:

- **Governance and extraordinary operations**: handles the organisational aspects relating to the Group companies' operations, the preparation of the supporting documentation for ordinary and extraordinary operations and the coordination of relationships with the Spanish Parent Company to ensure compliance with Group procedures and the maintenance of an adequate flow of information;
- **Transparency of banking and financial transactions and services** - Consumer credit agreements: with regard to consumer credit agreements, performs a periodic review of contractual documentation in order to comply with current regulations and to ensure the clarity and transparency thereof;
- **Captive agreements**: support in the management of the agreements in coordination with the Sales and Marketing Division and the Parent Company's legal department;
- **Complaints and disputes established with the BFA**: it handles, within the regulatory deadlines, complaints received from customers and seeks the best solution to meet customers' demands, where founded; it also reports any critical issues that have arisen.
- **Banking and Financial Arbitrator** (BFA): handling of disputes made by customers to the Banking and Financial Arbitrator and preparation of the defence. As part of this work, it updates the corporate functions involved on any

new guidelines issued by the BFA in areas of interest and recommends improvements in critical areas that emerged from the complaints and from the appeals presented by customers to the BFA.

With reference to complaints and the main causes managed by the Division, reference is made to that described in Part E in the Operational risks section.
With respect to Compliance and AML, the main activities relate to:

- The definition of the content of and planning for training courses on the main regulatory principals applicable to the Group's operations; training is carried out with different levels of interaction and analysis, also for the external product distribution network;
- Ex-ante and continuous checks, verification of compliance with internal rules prior to their adoption and dissemination, ex-post checks on business processes via systematic and sample testing to identify any critical issues pertaining to the regulatory/procedural framework, assessment of compliance risk, as well as guidance to the structures in question on the measures and/or the organisational formalities to be implemented for the resolution or mitigation of the critical issues that have arisen;
- Support and assistance to business functions, inclusive of control functions, in the implementation of policy, processes and procedures for the application in practice of operational rules and procedures, on the launch of new products or services to customers and in the assessment of risks and consequent opportunities;
- Implementation of procedures for periodic checks on transactions and relationships;
- Customer profiling both in the activation phase of the relationship and subsequently;
- The monthly monitoring of abnormal transactions and their evaluation for the purposes of suspicious transactions reports;
- Regular monitoring of the correct and timely recording of information in the Centralised Computer Archive (Archivio Unico Informatico - AUI) and activation of specific analyses of potential anomalies found, in order to take corrective action.
- Preparation of policies, procedures and information on GDPR, advice in relation to the obligations arising from the Regulation. Monitoring of observance by employees of data protection rules, the drafting of opinions in relation to the data protection impact assessment and overseeing that this is correctly performed. Activities to supervise the process for managing enquiries from data subjects and to support the data controller in the preparation and updating of the data processing register; awareness raising and training of employees and collaborators of the Bank that handle personal data; assessment and reporting of any data breaches; cooperation with the Supervisory Authority; participation in the service provider approval process to ensure observance of the obligations provided for by regulations; monitoring activities carried out through a framework of internal controls.

Human Resources

Santander Consumer Bank's workforce at 31 December 2020 consists of 684 persons (including 14 managers, 192 middle managers and 458 office workers). Employees account for 668 permanent contracts. At the end of the year, there are 24 employees on post-graduate internships.

The average age is 42 years, with female workers representing 45.61% of total employees.

The commercial area accounts for 239 resources, with the rest employed in various roles in General Management.

Personnel costs for the year amount to Euro 40.2 million.

In 2020, Santander Consumer Bank was certified for the 3rd consecutive year as a Top Employer Europe and Top Employer Italy, for the excellent working conditions offered to employees and for its ability to continually improve the management of staff and the development of talents.

In October 2020, the Global Pulse Survey was carried out, involving around 40,000 employees globally. In SCB, 121 colleagues were randomly selected so as to be representative of the Business Unit's Divisions, gender and seniority. The participation was 67%, demonstrating the participation and interest in contributing to the improvement of our Bank.

In addition to deepening collaboration, simplification and engagement, another object of study of the survey was that of the handling of the COVID-19 emergency by the Bank.

Intense internal communication activities were also carried out this year to convey initiatives dedicated to employees, projects and ad hoc campaigns on important company issues, including internal culture, risk management, cybersecurity and corporate sustainability.

Given the context characterised by the COVID-19 emergency, many communication activities aimed at providing information on how to protect the health of employees and their family members; update on the Bank's vision and strategy; supporting engagement and productivity and promoting the correct use of smart working. In addition, the potential of digital tools was exploited in particular: Intranet, video, app, e-mail and online events.

In order to provide information on the Bank’s vision and strategies, top management has published editorials periodically on the Intranet. In addition, Santander Birthday Breakfasts were organised on a monthly basis, digital meetings between the Chief Executive Officer and the General Manager with colleagues celebrating birthdays during the month.

Furthermore, periodic internal events, Ideas4Us and Ciok&Finance, were organised aimed at promoting cooperation and the development of in-house skills:

Santander Week, a week traditionally dedicated to employees, was organised entirely digitally and involved employees at headquarters and of the network in equal measure. The underlying theme was continuous training, to raise awareness of the importance of updating the professional skills of colleagues and providing concrete training opportunities.

The financial education campaign aimed at students, by means of various training programmes carried out in cooperation with the Fondazione per l’Educazione Finanziaria ed il Risparmio (Feduf): “#economiascuola - L’economia è (anche) un gioco. Tra competenze di cittadinanza e modelli di sviluppo sostenibile”, was focused on the importance of business sustainability - and "Che impresa, ragazzi!”, focused on the definition of a business plan for a business idea.

Overall, over 22,000 hours of training were provided, with a radical change in teaching methodology compared to 2019. If in 2019, 60% of the training was provided in classroom and 40% digitally, in 2020 5% of the training was carried out in classroom and 95% digitally.

Compulsory training was duly provided to all working staff, via interactive digital modules and meetings dedicated to management, with over 13,000 hours of training.

A digital induction session was carried out by the Parent Company, which in 5 half days involved 100 members within Santander Consumer Finance, including 20 from SCB.

The first training app in SCB “The Digital Journey” was conceived, designed and launched during the Santander (Digital) Week in September, to increase digital skills through content that can be used in 3/5 minutes. The new training app was downloaded by more than 250 colleagues, with over 600 hours of training provided and several dozen contents used in the 1st part of the editorial plan, which will continue throughout 2021.

We collaborated with the Parent Company on the “Dojo” strategic project, a training ecosystem that in 2020/2021 will be structured to organise training on key skills for Santander with a view to up-skilling and re-skilling. Dojo will ensure a dynamic and uniform learning experience for all Santander employees worldwide. In November 2020, the pilot phase of MVP tests began with 50 users who are exploring the platform, which will be enhanced with numerous functions in 2021.

Also note the renewal of the collaboration with Lifeed, which provides a digital service dedicated to new parents to develop soft skills, through interactive modules and continuous dialogue in a dedicated community. The course currently involves over 30 new mothers and fathers.

The training programme and the exchange of best practices between the sales network and the Retail Analysis Department continued, with the participation of over 20 managers acting as Branch Managers or Deputy Managers.

An IT Service-oriented training course was provided to better manage the “Software estimation techniques”, through 4 dedicated meetings and a personalised coaching course for a duration of 10 days with the involvement of over 20 specialists and Managers.

The training plan open to all employees for the development of English, "English Fitness 2.0", which was relaunched at the beginning of the lock-down and made completely digital, achieved important results. More than 1,200 individual training calls were provided, with mother-tongue teachers from all over the world, to over 150 staff colleagues, sales representatives and managers.

An original training initiative was launched in mid-March for the children of employees aged 4 to 18. For 3 months, three-weekly encounters were held on the English language, held by mother-tongue teachers who involved children with games and exercises.

Three development paths were activated with important Business Schools at national and international level, dedicated to the most talented employees and to managers in new positions.

The multi-year managerial development path for Service Managers and Area Managers included a digital masterclass on “The management of feedback through active listening”. The course for new managers started with meetings on self-efficacy, effective communication, leadership and engagement.

During the lock-down, numerous workshops were held on family caring & work-life balance in an extended community logic. More than 80 colleagues participated in these initiatives, half of which in several scheduled events.

As part of the Global Scout corporate project to enhance the Bank’s internal skills, 4 specialists were selected on “retail banking”, “SPF Culture”, “Insurance” and “Operational Risk”, who benefited from a “Train the Trainer” course, useful for holding webinars and disseminating training content within the Group.

In the last quarter, the Santander Academy was formalised, a structure dedicated to internal training of products, sales and commercial procedures with a team of highly experienced and competent professionals within the Bank. The first training modules were provided on leases, insurance products and TCM, through specific sessions and digital training on the job for colleagues in the sales networks.

As part of the digitalisation of HR processes, the SCB Space portal was launched in January, a new tool for managing personal data, stamping, requests for holiday entitlement and leave, payslips, travel and expense reimbursements. The tool provides the various functions with a particularly simple user experience and was introduced with a dedicated communication and training plan.

Since October, the tool has also been available as an app, through which the management of expense reimbursements is particularly fast. The National Collective Labour Agreement for managers and personnel in the professional areas of the credit sector was renewed on 19 December 2019. The most important points are:

- Three salary increases as from 1 January 2020, 1 January 2021, and 1 December 2022 for a total gross value of Euro 147 for the third area first level;
- increase in guarantees for workers subject to disciplinary proceedings;
- right to part-time work for parents of disabled children.

In March 2020, right from the start of the COVID-19 epidemic, despite Santander Consumer Bank being defined as an "essential service for customers" as per the Italian Prime Ministerial Decree of 25 March 2020, the Bank, in agreement with the Trade Unions and the WHSRs, promptly reacted to ensure that all work activities took place only in conditions such as to guarantee employees adequate levels of protection and safety.

The Bank's primary objective was to limit access to the main and secondary offices almost completely, arranging for the temporary closure of the branches to the public to ensure the continuation of activities in total safety. The activities of employees, with the exception of those of the sales network - who carry out their duties in a continuous "mobile" manner in their reference area assigned throughout the country - have been reorganised as much as possible by encouraging remote work.

In this context, smart working was the key instrument and represented the preferred solution for all Santander employees. Guaranteeing people safety and operations under any condition, it was essential for the company's business continuity and, thanks to the agreement signed between the parties, it permitted an extremely prompt reaction to the emergency.

In order to deal with the economic consequences of the prolonged emergency and maintain employment levels, the Bank has made a significant investment in external communications, as it needs to monitor the market and defend its shares. On 30 April 2020, to this end an agreement was signed between the parties, which involved 142 employees as a result of an Advertising Campaign broadcast on all the television channels of the RAI and Mediaset broadcasters, which offered consultancy/sale of Personal Loans and Salary Assignment products.

Following the resurgence of the Coronavirus and the various Italian Prime Ministerial Decrees issued from time to time, 2020 saw important teamwork between the Bank and the WHSRs, with regard to aspects of employee health and safety pursuant to Italian Legislative Decree No. 81/08.

Taxation

The Bank's fiscal policies are governed by the general principles of the Group in the field of taxation, set out in Corporate Tax Policy, which defines the guidelines adopted by the Parent Company Banco Santander in relation to the governance and management of tax risk.

Transposition of the corporate policy at local level is ensured through the definition of the "Tax Strategy", approved annually by the Board of Directors of the Bank.

The Parent Company Banco Santander issued a specific Corporate Tax Policy in 2016, updated in 2020. In application of the aforesaid policy, the Bank implemented a specific Tax Control Framework, containing the policy, principles, governance, risk analyses, processes and related controls aimed at managing, monitoring and mitigating tax risk; this was carried out in accordance with regulatory requirements and with a view to collaborative performance. This model was approved by the Bank's Board of Directors on 13 December 2016 and is being updated to take into account regulatory developments on tax risk governance.

As required by Group policies, the annual report was also presented to the Board of Directors of the Bank. The report described the tax policies implemented in the course of the year, which are fully compliant with the principles provided for by the said tax strategy.

With reference to the tax periods subject to tax litigation or subject to verification, the following should be noted.

On 25 June 2020, Santander Consumer Bank SpA received a questionnaire, issued by the Piedmont Regional Directorate - Large Taxpayers Office, Turin unit, concerning the request for information and support documentation in relation to the tax calculation for 2015 and in particular to the determination of the amount of non-deductible interest expense, as well as the deduction for own invested capital (ACE, Aid to Economic Growth).

Santander Consumer Bank SpA provided, within the terms set out in the questionnaire, the documentation and information requested by the Italian Tax Authorities office in question.

Following this verification, the company is awaiting the outcome of the request formulated by the aforementioned office.

With reference to the dispute with the Italian Tax Authorities relating to the reimbursement of the "IRAP ninths on write-downs of prior period receivables" for which Santander Consumer Bank had already duly submitted a refund request in the course of 2018, on 30 April 2019 the Court of Cassation issued an order dismissing the legal proceeding for the 2006 and 2007 years following the Italian Tax Authority waiving the right to appeal. Following the above event, Santander

Consumer Bank SpA received a partial reimbursement on 30 May 2019, for the same years, of Euro 340 thousand as well as interest for Euro 77 thousand. With regard to this an amount of Euro 20 thousand referring to 2006 was withheld by the Italian Tax Authorities to offset taxes, sanctions and interests due on assessment files and notices outstanding at the time of the reimbursement. The Bank straightaway took steps with the relevant offices in order to obtain payment of the further residual sum after payment of overdue taxes actually outstanding, an amount accredited by way of final settlement on 9 September 2020.

During 2019 the Bank had received a partial reimbursement of “IRAP ninths” relating to the company Santander Consumer Finanzia, for the years 2006, 2007 and 2008, for Euro 109 thousand. With regard to this an amount of Euro 14 thousand was withheld by the Italian Tax Authorities to offset taxes, sanctions and interests due on assessment files and notices outstanding at the time of the reimbursement. The Bank has already taken steps with the relevant offices in order to obtain payment of the further residual sum after payment of overdue taxes actually outstanding, an amount accredited by way of final settlement on 9 September 2020.

In July 2020, the Bank also received the partial reimbursement of IRES relating to the refund application submitted electronically to the Italian Tax Authorities during 2013, pursuant to art. 6 of the Italian Decree Law No. 185 dated 29 November 2008, in relation to the IRES deduction of the (non-deductible) IRAP portion on the payroll, for the years 2007, 2008, 2009 and 2010, for Euro 1,613 thousand, as well as interest for Euro 226 thousand. In this regard, an amount of Euro 15 thousand was withheld by the Italian Tax Authorities. The Bank has already taken steps with the pertinent offices in order to obtain clarifications on the reasons for the residual amount and is currently awaiting feedback from the office.

With reference to new tax changes envisaged by the 2020 Budget Law, the following measures of greatest impact are mentioned in particular.

From 2020, a new tax credit for expenses incurred by way of investment in new operating assets was introduced, in place of the so-called super-amortisation and hyper-amortisation. The new tax credit is part of the overall review of the tax measures supporting the “Industry 4.0 Plan”.

Among the innovations of the tax decree, linked to the 2020 financial law, of significance is the introduction of the Administrative liability of Entities pursuant to Italian Legislative Decree No. 231/2001 for certain tax offences (whose regulatory framework is that of Italian Legislative Decree No. 74/2000). In essence, the category of offences relevant for 231 purposes extends to some tax offences envisaged by Italian Legislative Decree No. 74/2000. In particular, the second paragraph of art. 39 of the tax decree, (L.C. 157/2019) introduced art. 25 quinquiesdecies into Italian Legislative Decree No. 231/2001, on tax offences, on the basis of which the mentioned article in paragraph 1 includes the following offences: fraudulent declaration through the use of invoices or other documents for non-existent transactions, issue of invoices or other documents for non-existent transactions, concealment or destruction of accounting documents, fraudulent evasion of the payment of taxes.

Following the current period of international pandemic emergency caused by the COVID-19 virus, art. 120 of Italian Decree Law No. 34 as amended dated 19 May 2020, envisaged a tax credit equal to 60% of the expenses incurred in 2020 in relation to the measures necessary to adapt the production processes and the work environments in order to enforce the health requirements and the containment measures against the spread of the COVID-19 virus, up to a maximum of Euro 60 thousand for each beneficiary. For detailed information on public disbursements, please refer to Part C Section 24 - Other information.

It should also be noted that during the year the preparatory activities for the establishment of and participation in the Group VAT scheme were prepared between the Bank and the newly established TIMFin S.p.A., effective as from 1 January 2021.

Handling of COVID-19 health emergency

The COVID-19 emergency, which gradually involved all countries, forcing the WHO (World Health Organization) to declare a state of “Pandemic”, produced significant effects on the global, European and therefore national scene. The Bank has supported numerous activities aimed at ensuring the operational continuity of processes and services through the security and management of human resources, implementations on IT systems and processes and developments on additional sales channels. In addition, the Bank supported the legislative and non-legislative initiatives undertaken in Italy, positively accepting the measures aimed at implementing, in a structured manner, measures to support individuals and businesses.

Operational continuity of its processes and services

Safety and management of human resources

3 anti-contagion protocols were drawn up containing the personnel protection strategies, respectively:

- following the issue of the first Italian Prime Ministerial Decree of March 2020;
- following the Guidelines of the State-Regions Conference of 24 April 2020, which were included in the subsequent Italian Prime Ministerial Decree of 26 April 2020;
- to make some updates on the methods of aeration of the workplace and on the procedures for the CBU employees.

In addition, employees were provided with PPE useful for working safely. In particular, 99,400 masks were purchased. In addition, to reduce the risk of possible contagion after the summer holidays, employees were asked to perform oral and pharyngeal swabs at the company's expense. For colleagues in Turin, 483 swabs were performed at an affiliated centre.

In this context, smart working was the key instrument and represented the preferred solution for all Santander employees. Guaranteeing people safety and operations under any condition, it was essential for the company's business continuity and, thanks to the agreement signed between the parties, it permitted an extremely prompt reaction to the emergency.

In 2020, the company's internal communication focused on the importance of protecting the health of employees and their family members, conveying safety protocols in detail and promoting the correct use of smart working. It also provided information on the Bank's vision and strategy and supported engagement and productivity in this somewhat particular phase.

Specific tools were also used to convey messages in the physical spaces of the Bank: 15 different types of roll-ups, infographics and stickers set up the SCB offices with safety instructions.

Employees were involved in a compulsory online course entitled "How to live with the coronavirus", through which they learned what conduct to adopt in-house, how to wear masks correctly, which hygiene practices to adopt at home to avoid contagion from COVID-19, what to do in the event of contact with people in home isolation for COVID-19.

In addition, during the lock-down, numerous workshops were held aimed at balancing family caring & work-life balance, in which more than 80 colleagues took part.

Lastly, in mid-March, a cycle of three-weekly meetings was launched for the children of employees aged 4 to 18 for a duration of 3 months to deepen their knowledge of the English language with mother-tongue teachers.

Measures on processes to ensure business continuity

In relation to the phase of uncertainty, the Group has put in place many activities in order to guarantee business continuity both by preserving the safety of employees and by adapting, in some circumstances, the processes to the new scenario. In particular, the restrictive measures imposed led to a significant increase in smart working made possible thanks to the secure use of the VPN connection method. The VPN connections were guaranteed even in situations of high stress, due to the high number of simultaneous connections, without compromising the stability of the systems and without significant critical issues. Measures were implemented to make the remote connection more secure through tools that allow an increase in the level of protection via a different form of authentication. With reference to the digitalisation of the processes, they were reassessed in relation to the pandemic context and, if necessary, changes were made to adapt them to the context.

For more details on business continuity measures, please refer to Part E Operational risk, "Impacts deriving from the COVID-19 pandemic" paragraph.

Initiatives and measures in support of households and businesses

Legislative and regulatory measures

In order to deal with the critical effects linked to the pandemic, the Italian government intervened with an initial measure, Italian Decree Law No. 18 of 17 March 2020 ("Cura Italia" Decree) containing measures with the aim of both protecting health and supporting the economic fabric. In particular, art. 56 establishes the possibility for companies and professionals to benefit from the prohibition of revocation, the extension and suspension on existing loans. Subsequently, with Italian Decree Law No. 104 of 14 August 2020 ("Agosto" Decree), in addition to a series of measures to support the economy, the grace period on loans and mortgages for SMEs was extended: the deadline of 30 September 2020 envisaged by art. 56 of the "Cura Italia" Decree is now extended to 30 June 2021.

The national measures were also supported by measures issued by supranational and monetary authorities. The ECB, in addition to implementing economic policy measures, requested through a recommendation dated 27 March 2020 (and the subsequent extension of 28 July) the temporary suspension of all cash dividends and the buy-backs of treasury shares. On 15 December 2020, the European Central Bank (ECB) recommended that banks exercise maximum prudence with regard to dividends and the repurchase of treasury shares. To this end, the ECB asked all banks to consider the possibility of not distributing cash dividends or repurchasing treasury shares or to limit such distributions until 30 September 2021. The recommendation reflects also an assessment of the stability of the financial system and was developed in close collaboration with the European Systemic Risk Board. The revised recommendation aims to safeguard the ability of banks to absorb losses and provide support to the economy.

In a prudential sphere the European Supervisory Authorities have published a series of guidelines and recommendations with the aim of ensuring consistency and comparability of the risk assessment and supporting the application of accounting standards in relation to the impacts of COVID-19. For a specific discussion of the documents issued by the European regulatory and supervisory bodies and by the standard setters, please refer to Part A Section 2 - "Basis of preparation".

Bank measures in support of households and businesses

The Bank supported the legislative and non-legislative initiatives undertaken in Italy, positively accepting the measures aimed at implementing, in a structured manner, measures to support individuals and businesses.

Specifically, in implementation of Italian Decree Law No. 18/2020 art. 56 ("Cura Italia" Decree), measures were activated to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension period originally envisaged by the "Cura Italia" Decree (until 30 September 2020), already extended by Italian Decree Law No. 104/2020 ("Agosto" Decree) (until 31 January 2021), was further extended by the 2021 Budget Law until 30 June 2021. For consumers in good standing with payments, therefore classified as low-risk, but in temporary difficulty, the Bank, upon its own initiative, has granted the suspension of payments of the instalments of the loans taken out for a period of three months, which can be extended, if the conditions are met, to 6 months in implementation of the "COVID-19 grace period for consumer credit" furthered by Assofin and to which the Bank adhered. This grace period, initially terminated on 30 September 2020, was reactivated until 31 March 2021.

Customers already classified in a difficult situation before the COVID-19 event, classified as high/medium risk and with a delay of no more than 90 days, were granted the same suspension of payments upon presentation of the documentation certifying the situation of difficulty following COVID-19.

For all customers who have adhered with the general grace period on payments, the reclassification of the exposure as forborne (performing or non-performing) was not activated unless the exposure had already been classified as forborne at the time of application of the grace period. (EBA/GL/2020/02 and subsequent related measures, for which reference is made to the notes to the financial statements, Section A Accounting Policies).

During the observation period, given the evolution of the economic context and the forecasts of a reduction of the domestic GDP following the prolonged lock-down, a worsening of the measurement metrics of losses, profitability and IT fraud related to extended use of remote technologies was hypothesised. The bank has therefore activated, in collaboration with the Parent Company, the weekly monitoring of the RAS indicators approved by the Board of Directors, providing both the "actual" figure and the forecast figure in order to anticipate possible overrun events. The monitoring highlighted only the exceeding of the alert threshold of the metric that measures the bank's profitability with respect to the assigned budget. The overrun was assessed as normal following the period of suspension of activities and with a forecast return to the threshold in the second half of the year.

The effects of the pandemic on economic results, activities and risk profile

The main management and accounting aspects relating to the emergency are reported below:

- During the year, requests were received for the suspension of loan instalments from 33,729 customers; for these requests, grace periods were granted to 26,568 customers. At 31 December 2020, the positions subject to suspension amounted to 65.5 million for total gross receivables. In respect of the granted extension requests, extension interest was recorded, recognised according to the amortised cost approach.
- For the purpose of calculating impairment losses on loans and receivables, a non-IFRS 9 provision was approved, amounting to Euro 12 million, partly attributable to those contracts subject to a grace period (consumer loans) with more than "zero Days Past Due" (DPD) on the date of formalisation of the measure and partly to the worsening of the macroeconomic scenario.
- For the purposes of the valuation of the equity investment in the subsidiary Banca PSA and the newly-established TIMFin S.p.A., no particular aspects are identified that could pin point any need for impairment of the equity investment.
- For the purposes of the recognition of deferred tax assets, it should be noted that they are represented almost entirely by the DTAs deriving from the write-down of receivables, which are convertible into tax credits. The remaining portion is recognised based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12. With reference to this assumption, there are no particular aspects that could change the probability of future recovery of deferred tax assets, considering the amount and the income prospects of the Group as per the latest plan drawn up that takes into account the aspects known to date of the COVID-19 health emergency.
- For the purposes of assessing the going concern assumption, despite the uncertainties linked to the COVID-19 health emergency, the Group reasonably expects to continue with its operational existence in the foreseeable future and has therefore prepared the financial statements on a going concern basis.

Other facts worth mentioning

With regard to the main risks and uncertainties to which the Bank is exposed, in accordance with the provisions of art. 2428 of the Italian Civil Code, it should be noted that the operating results, financial position and cash flows could be influenced by the general macro-economic framework and by financial market trends and the performance of the reference sector, as described in detail previously.

With regard to the information required by the Italian Civil Code on the Bank's objectives and policies in financial risk management, as per paragraph 6-bis of art. 2428 of the Italian Civil Code, as well as in relation to the use of financial instruments, for a detailed analysis reference should be made to Part E of the Notes to the financial statements.

The Company operates in full managerial autonomy in accordance with the strategic and operational guidelines issued by the Parent Company Santander Consumer Finance S.A., which carries out management and coordination pursuant to art. 2497 bis of the Italian Civil Code and art. 23 of Italian Legislative Decree no. 385 of 1 September 1993, as updated to incorporate the amendments introduced by Italian Legislative Decree no. 223 of 14 November 2016.

Management and coordination generally produce positive effects on the business and its results, as they permit economies of scale by using professional skills and specialised services with continuous improvements in quality, allowing the Bank to focus its resources on managing the core business.

The notes are supplemented by an appendix that summarises the key figures from the latest approved financial statements of the entity that carries out management and coordination activities (Santander Consumer Finance S.A.); Santander Consumer Bank does not own any treasury shares either directly or through trust companies or nominees.

In the course of financial year 2020, no activities were performed that qualified as research and development at the time of writing this report.

Given the nature of its activity, the Group has not caused any environmental damage nor is it likely to ever cause environmental damage. In order to further reduce this impact, note that these financial statements will only be available in an electronic format, with the exception of copies that have been filed in accordance with the law.

Related party disclosures are provided in the Notes accompanying the main balance sheet and income statement items that are affected, as well as in Part H, which is specifically on related-party transactions. This information is considered exhaustive with respect to the requirements of art. 2428 of the Italian Civil Code and IAS 24.

All transactions with related parties are carried out at arm's length, taking into account the quality and type of services rendered.

Lastly, note that no transactions have been carried out with persons other than related parties, that could be considered atypical or unusual, outside the normal course of business or that would significantly impact on the economic and financial position of Santander Consumer Bank.

With regard to the going-concern assumption, note that in accordance with the instructions provided in Document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, regarding "Information to be provided in financial reports on impairment tests, on debt covenants, on debt restructuring and on the fair value hierarchy", which makes reference to the corresponding document no. 2, again issued jointly by these three Authorities on 6 February 2009, the Bank has a reasonable expectation that it will remain in operation for the foreseeable future and has therefore prepared its financial statements on a going-concern basis.

On 4 December 2019, Bank of Italy sent banking intermediaries a communication outlining the operational guidelines to be followed subsequent to the recent judgment by the Court of Justice of the European Union[20], which expressed itself on the merits of the interpretation of art. 16 paragraph 1 of Directive 2008/48/CE, on the issue of consumer credit and the early redemption of loans. Santander Consumer Bank has implemented the necessary action for the assimilation of these guidelines; in fact, the Bank, after estimating in the 2019 financial statements the impacts deriving from the new calculation methods to be applied when requesting the early settlement on the existing portfolio, in accordance with IAS 37, adjusted its own accounting model based on the above-mentioned repayment methods on the new disbursements.

In November 2019 Santander Consumer Bank SpA and TIM SpA signed an agreement to form a joint venture, which will offer consumer credit services to the TIM's customers in Italy. The initial objective is to offer loans for the purchase of terminals through instalments loans and, at a later stage, other consumer credit and insurance products. After signing the agreements between Santander Consumer Bank and TIM for the launch of the partnership, on 19 February 2020 the corporate joint venture, TIM-SCB JV S.p.A., was established with a 51% shareholding for SCB and 49% for TIM, registered in the Turin Companies' Register. On 3 November 2020, the company received the authorisation from the Bank of Italy to carry out the granting loans to the public pursuant to arts.106 et seq. of the Consolidated Banking Act.

In the last few months of 2020 and at the beginning of 2021, a number of corporate transfers were therefore completed, including the completion of the statutory process for the approval of the article of association amendments concerning, among other things, the change of company name from TIM-SCB JV S.p.A. to TIMFin S.p.A., the updating of the corporate purpose, the completion of the share capital increase and the subsequent subscription by the shareholders, which allowed the Company, on 14 January 2021, to be enrolled in the Register of Financial Intermediaries pursuant to art. 106 of the Consolidated Banking Act and start the operating activity of granting loans in February 2021.

With reference to the COVID-19 emergency, with regard to the assessments carried out by the Group for the management of this emergency, please refer to the matters illustrated in Part A - Section 4 "Other aspects", "Risks, uncertainties and impacts of the COVID-19 epidemic" paragraph.

Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. Therefore, the draft financial statements reflect all events that affected the Bank's operations in 2020.

[20] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 ("Lexitor")

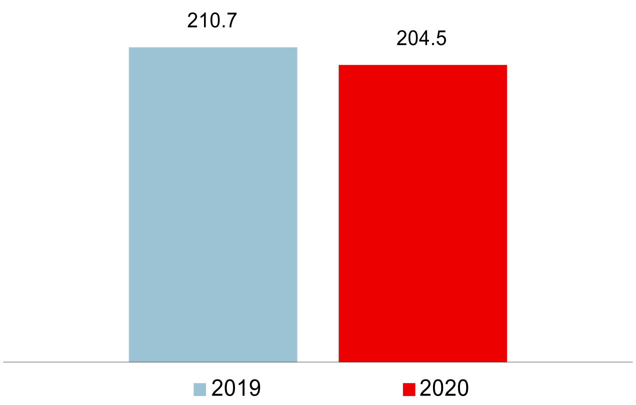
Comments on the results and key figures in the separate financial statements

The table below shows the key income statement and balance sheet figures for the year, with comparative figures from the previous year (in millions of Euro).

Amounts in millions of Euro	2020	%	2019	%	Change	
					Amounts	%
Net investment margin	**204.5**	**2.9%**	**210.7**	**3.1%**	**(6.2)**	**(2.9)**
Net fee and commission	42.2	0.6%	44.2	0.6%	(2.0)	(4.5)
Commercial margin	**246.7**	**3.5%**	**254.8**	**3.7%**	**(8.1)**	**(3.2)**
Dividends	0.0	0.0%	3.7	5.4%	(3.7)	(100.0)
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	2.1	0.0%	0.7	0.0%	1.4	200.0
Gains and losses on disposal of financial assets and liabilities	1.4	0.0%	17.0	0.2%	(15.6)	(91.8)
Operating income	**250.2**	**3.5%**	**276.2**	**4.1%**	**(26.0)**	**(9.4)**
other operating income (charges)	6.4	0.1%	14.4	0.2%	(8.0)	(55.6)
Administrative costs:	(94.3)	-1.3%	(112.3)	-1.7%	18.0	(16.0)
payroll costs	(40.2)	-0.6%	(47.5)	-0.7%	7.3	(15.4)
other administrative costs	(54.1)	-0.8%	(64.8)	-1.0%	10.7	(16.5)
Depreciation	(11.8)	-0.2%	(11.2)	-0.2%	(0.6)	5.4
Net operating margin	**150.6**	**2.1%**	**167.1**	**2.5%**	**(16.5)**	**(9.9)**
Impairment losses on financial assets	(44.6)	-0.6%	(23.3)	-0.3%	(21.3)	91.4
Other provisions	(2.2)	0.0%	(29.5)	-0.4%	27.3	(92.5)
Total profit or loss before tax	**103.7**	**1.5%**	**114.3**	**1.7%**	**(10.6)**	**(9.3)**
Tax	(33.1)	-0.5%	(33.1)	-0.5%	0.0	0.0
Net profit or loss	**70.6**	**1.0%**	**81.3**	**1.2%**	**10.7**	**13.2**

The year in question recorded an interest margin down compared to the previous year, equal to -2.9%, from Euro 210.7 million to Euro 204.5 million: interest and similar income fell (-2.1%) due to the reduction in volumes as a result of the health emergency and interest expense increased (2.4%) affected by the SRT securitisation transaction that took place last year.

Net interest margin



Net fee and commission decreased from Euro 44.2 million to Euro 42.2 million. Commission income linked to insurance products placed with customers financed by the Bank decreased (+22.9%). In addition, commission expense decreased significantly (-44.6%), mainly as a result of lower fee and commission paid.

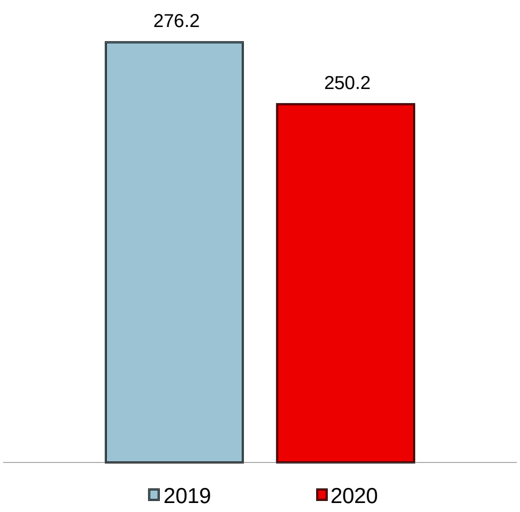
Net trading income (loss) and the net hedging income respectively represent the effect of the stable fair value of hedging derivatives on the loans portfolio overall and the decreases in the future loan exposure of structured securitisation derivatives.

The item Gains on disposal or repurchase of loans represents the balance net of receivables sold to third parties without recourse following the sale of loans in November 2020.

The item Other operating income (charges) shows a negative change due mainly to the inclusion of recoveries for preliminary costs in the calculation of the amortised cost made by the Bank starting from 2020, following the recent ruling issued by the Court of Justice of the European Union[21].

The combination of the above mentioned effects leads to a decrease in the operating income (-9.4%), which goes from Euro 276.2 million to Euro 250.2 million.

Operating income



[21] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 (“Lexitor”)

Adjustments to loans and receivables disclosed strong increase (91.5%), from Euro 23.3 million to Euro 44.6 million. This change is due to the higher allocations made to portfolios due to the deterioration of the credit caused by the COVID-19 health emergency. At individual level, there was a non-IFRS 9 model overlay adjustment of Euro 12 million.

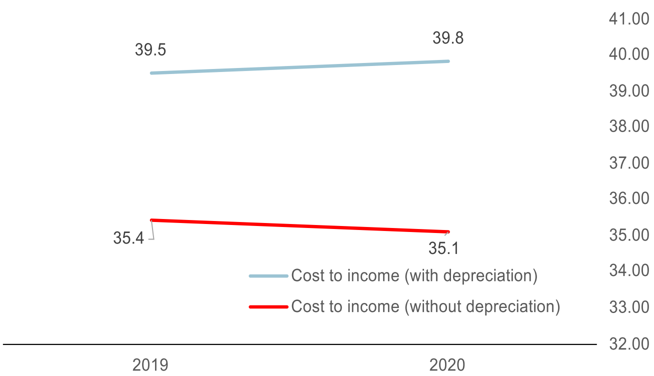
Administrative costs decreased significantly (-16.0%), from Euro 112.3 million to Euro 94.3 million, which include payroll costs (-15.4%) and overheads (-16.4%).

Net provisions for risks and charges recorded a decrease of more than 90% due to the 2019 allocations linked to the change in the repayment methods of charges paid in advance by customers in the event of early repayment.

It is also worth mentioning the increase in costs linked to value adjustments on property, plant and equipment and intangible assets, which increased by Euro 568 thousand by virtue of the amortisation charges.

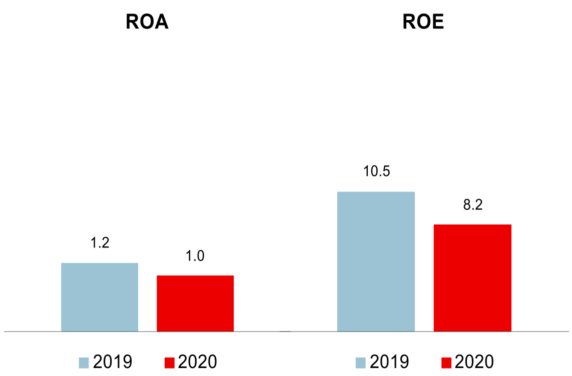
The above aspects led to a total profit or loss before tax of Euro 103.7 million and a net profit of Euro 70.6 million.

Cost to Income

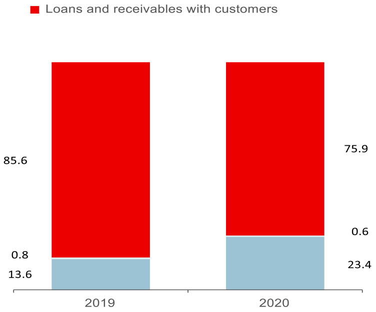


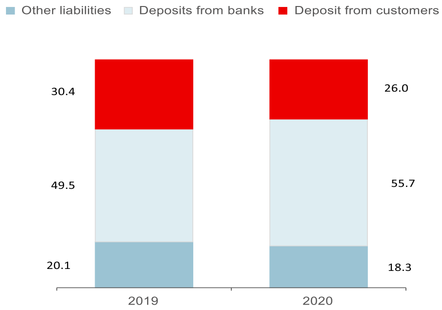
The cost-to-income ratio, calculated as the ratio between the sum of administrative costs and other net operating income records a slight reduction from 35.4% to 35.1% excluding depreciation and amortisation, while recording a slight increase from 39.5% to 39.8% including depreciation and amortisation.

Profitability indicators (ROA and ROE)



As a result of the above mentioned trends, the profitability indicators reported a decrease with respect to the previous year: the ROA (Return on Asset) stood at 1.0%, while the ROE (Return on Equity) decreased to 8.2% due to the effect of the increase in Equity aimed at enhancing capital strength (CET1 equal to 19.60%).





With regard to the breakdown of assets, loans to customers decreased by -9.7%. Other assets increased significantly (9.8%) mainly due to an increase in securities issued by the Italian Treasury Ministry (+189%) that have been classified, for the purpose of the computation of the regulatory LCR requirements, as high quality liquid assets or used as collateral in the TLTRO transactions; property, plant and equipment have also caused increases in equity investments. Loans to credit institutions decreased, mainly due to lower exposure of bank current accounts, while Margin calls and subordinated loans remained stable.

Regarding the structure of sources of funds, on the other hand, deposits from customers decreased and consisted mainly of amounts due to securitisation transactions, as well as demand and time deposit accounts offered by the Bank. Payables to credit institutions increased significantly (22.3%), essentially due to the use of the new TLTRO-III transactions combined with the review of the other sources of funds of the Group and third parties, while the other liabilities recorded a moderate decrease (-1.8%).

Loans to customers decreased compared to the previous year (-3.5%); An analysis of the breakdown by product shows an increase in the Car loan (+2.6%), the special-purpose loan (+6.4%) and leases (+14.2%) products. Salary assignment (-12.4%), personal loans (-4.8%), credit cards (-17.1%) and stock financing (-19.0%) are down. It should be noted that the growth in the special-purpose loan segment is influenced by the agreement signed with the leading Italian telephone company for the financing of mobile phones.

The decrease in “Other loans to customers” (-12.7%) is due to the reduction in the components attributable to the SPV Golden Bar.

“Other components of amortised cost” mainly relate to net amounts of contributions and commissions that are paid when a loan is granted and for which the income statement effect is deferred over the expected residual life of the loan.

Amounts in millions of Euro	Amount		Change	
	2020	**2019**	**Absolute**	**(%)**
Car loan	2,857	2,784	73	2.6
Special-purpose loan	377	355	23	6.4
Personnel loan	594	624	(30)	(4.8)
Cards	4	5	(1)	(17.1)
Leasing	132	115	16	14.2
Salary assignment	1,193	1,361	(169)	(12.4)
Stock financing	348	429	(82)	(19.0)
Other loans to customers	193	221	(28)	(12.7)
Other components of amortised cost	88	107	(19)	(17.8)
Gross loans to customers	**5,785**	**6,002**	**(216)**	**(3.6)**
Provision for loan losses	(166)	(178)	12	(6.9)
Net loans to customers	**5,619**	**5,823**	**(204)**	**(3.5)**

Santander Consumer Bank

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2020

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2020

SANTANDER CONSUMER BANK SPA
Registered office in Corso Massimo D'Azeglio 33/E, Turin, Italy
Share capital Euro 573,000,000
Turin Companies' Register No. 05634190010
Parent Company of Santander Consumer Bank S.p.A. Banking Group
Company subject to the direction and coordination of Santander Consumer Finance S.A.

**REPORT OF THE BOARD OF STATUTORY AUDITORS
TO THE SHAREHOLDERS 'MEETING
PURSUANT TO ART. 2429, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE**

Dear Shareholders,

By means of this Report, we report on the supervisory and control activities carried out by the Board of Statutory Auditors during 2020, in fulfilment of the mandate received and in accordance with arts. 2403-2403 bis of the Italian Civil Code, and the applicable primary and secondary legislation.

During 2020, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, Italian Legislative Decree 385/1993 (Consolidated Banking Act) and subsequent amendments and/or additions, the statutory regulations and those issued by the Authorities that carry out supervisory and control activities, also taking into account the rules of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian National Council of Chartered Accountants and Accounting Experts).

The Board of Directors made available the following documents approved at the meeting held on 17 February 2021, relating to the year ended 31 December 2020:

- draft financial statements, including explanatory notes and cash flow statement;
- report on operations.

This report was approved collectively and in time for its filing care of the company's registered offices in the 15 days prior to the shareholders' meeting for the approval of the financial statements under review.

Supervisory activities pursuant to arts. 2403 et seq. of the Italian Civil Code

The activities carried out by the Board of Statutory Auditors concerned, in terms of time, the entire year, and during the same period the periodic meetings required by law and by the Articles of Association were held; minutes of these meetings were prepared and duly signed for unanimous approval.

In particular, it is declared that the Board of Statutory Auditors:

- supervised compliance with the law and the articles of association and with the principles of proper administration as well as, insofar as it is responsible, the adequacy of the organisational structure adopted by the Bank, also through the collection of data and information from the heads of the corporate functions;
- supervised the adequacy and functioning of the administrative-accounting structure;
- participated in the Shareholders 'Meetings and meetings of the Board of Directors held during the year, continuously following the development of company decisions and the performance of the Bank in its various operational aspects, as well as contingent and/or extraordinary issues for the purpose of identifying the economic and financial impact on the result for the year and on the capital structure, as well as any risks, monitored on a constant basis; the meetings were held in compliance with the statutory, legislative and regulatory provisions governing their functioning. In particular, we did not find any violations of the law or the articles of association; nor operations that are manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company assets;
- during the meetings held, acquired information from the Chief Executive Officer on the general business performance and on its expected development, as well as on the transactions of greatest importance, in terms of size or characteristics, carried out by the company and, on the basis of the acquired infomation, we do not have specific comments to make.
- carried out checks on the matters subject to supervision and control, also availing itself of the evidence of the second and third level control units of the company;
- monitored the activities carried out by the Bank in compliance with anti-money laundering and anti-terrorism financing obligations;
- supervised the adequacy of the "*Internal Control System*" and the "*Corporate Governance*" rules established by the Law, the Articles of Association and the related secondary legislation, also obtaining information on the measures adopted to deal with the COVID-19 health emergency and to reduce risk factors on business management;

- held periodic meetings with the independent auditors PricewaterhouseCoopers S.p.A. for the purpose of exchanging information relating to the supervisory and control activities under their respective responsibilities, from which nothing reprehensible or significant against the Bank emerged;
- supervised the independence of the independent auditors; in particular, the report on independence issued by the latter pursuant to art. 17 of Italian Legislative Decree 39/2010 does not highlight situations that have compromised its independence or causes of incompatibility;
- supervised the adequacy and the compliance with the regulatory framework of the remuneration policies and practices adopted by the Bank.

The Board of Statutory Auditors also formally acknowledges that:

- during 2020, no complaint was received pursuant to art. 2408 of the Italian Civil Code or notices of a different nature that require mention in this Report. No complaints were made pursuant to art. 2409, para. 7, of the Italian Civil Code. The Board of Statutory Auditors did not have to intervene due to omissions of the Board of Directors pursuant to art. 2406 of the Italian Civil Code;
- no atypical or unusual transactions were carried out with third parties and/or related parties; transactions with related parties are illustrated in Part H of the Notes to the Financial Statements and referred to in the Report on Operations, as required by art. 2428, paragraph 3, of the Italian Civil Code;
- dealings and transactions with company representatives were carried out in compliance with art. 2391 of the Italian Civil Code, art. 136 of the Consolidated Banking Act and the Provisions on risk assets and conflicts of interest with respect to related parties.

Observations on the financial statements

Formally acknowledging that the financial statements have been audited by PricewaterhouseCoopers S.p.A., the company responsible for the statutory audit, we hereby confirm that, based on the meetings held periodically with the aforesaid independent auditors for the purposes of exchanging data and information relevant to the performance of the respective duties, nothing reprehensible or significant on the Company's part was revealed, as can also be inferred from the Report drawn up by the afore-mentioned independent auditors pursuant to art. 14 of Italian Legislative Decree 39/2010, which confirmed that no irregularities were found with regard to the financial statements.

Therefore, the draft financial statements were examined, in relation to which the following additional information is provided:

- the measurement and presentation criteria followed in preparing the financial statements for the year ended 31 December 2020 are, in accordance with Italian Legislative Decree No. 38 of 28 February 2005, compliant with the IAS/IFRS international accounting standards endorsed by the European Union and expressed according to the technical forms prescribed by Circular No. 262/05 "*Guidelines for the preparation of the financial statements and the consolidated financial statements of banks and financial companies holding banking groups*" as subsequently amended by the 6th update of 30 November 2018 "*Bank financial statements: layout and preparation*" issued by the Bank of Italy. We believe that the disclosure complies with the relevant provisions and provides a faithful analysis of the Bank's situation as well as an indication of the risks to which it is exposed;
- attention was paid to the layout of the draft financial statements, in their general compliance with the IAS/IFRS accounting standards and the technical forms laid down by the above-mentioned Circular with regard to their formation and structure and concerning this point there are no observations that should be highlighted in this report;
- it should be noted that your company is not subject to the obligation to make the Non-Financial Statement as it is a subsidiary company included in the consolidated non-financial statement drawn up by Banco Santander, the European parent company subject to the same regulatory obligations;

- compliance with the legal provisions pertaining to the preparation of the report on operations was verified and we have no observations in this regard;
- the compliance of the financial statements with the facts and information, which became known further to the performance of the typical duties of the Board of Statutory Auditors, was verified and in this regard no observations are made;
- on the values of receivables, with the audit of the independent auditors, according to that which was communicated to us as part of the due exchange of information, tests were carried out on their recoverability in compliance with the international accounting standard IFRS 9.

Conclusions

In view of the foregoing and given the content of the reports prepared by the independent auditors responsible for carrying out the statutory audit, the Board of Statutory Auditors has no further comments or proposals to make with regard to the financial statements and expresses, insofar as it is responsible, a favourable opinion on the approval of the same and the upholding of the proposal formulated by the Board of Directors regarding the allocation of the profit for the year in accordance with the recommendation of the European Central Bank dated 15 December 2020.

Turin, 16 March 2021

The Board of Statutory Auditors

Walter Bruno

Franco Riccomagno

Maurizio Giorgi

Notice of calling of the Shareholders' Meeting

Notice of calling of the ShareHolders’ Meeting

The Ordinary General Meeting of the shareholders of Santander Consumer Bank S.p.A. has been convened, on first call, for 31 March 2021 at 9:30 a.m. in Turin, Corso Massimo D’azeglio No. 33/E, and, if necessary, on second call, for 2 April 2021, at the same place and time, to discuss and vote on the following agenda:

1. The Report on Operations and the Financial Statements at 31 December 2020. Statutory Auditors’ Report and Independent Auditors’ Report. Related resolutions;
2. Proposal to distribute an extraordinary dividend to be taken from the extraordinary reserve; related resolutions;
3. Information on the 2020 remuneration and incentives system;
4. Appointment of Board of Directors for the period 2021-2023, with prior determination of the number of members to be appointed, and determination of their fees; related resolutions;
5. Appointment of the Board of Statutory Auditors and its Chairperson for the period 2021-2023 and determination of their fees; related resolutions;
6. 2021 remuneration and incentive policies; related resolutions

Santander Consumer Bank

Proposals to the Shareholder’s Meeting

Proposal to the Shareholder’s Meeting

Proposal of allocation of the net profit

Dear Shareholders,

As we have mentioned already, the year ended with a net profit of Euro 70,646,347.

We propose that profit be allocated as follows:

	euro
Net profit for the period	70.646.347
Legal reserve	3.532.317
Previous losses coverage	46.594
Extraordinary reserve	67.435
Dividends	67.000.000

Independent Auditors’ Report on the financial statements at 31 December 2020

Independent Auditors' Report on the financial statements at 31 December 2020

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Sole Shareholder of
Santander Consumer Bank SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santander Consumer Bank SpA (hereinafter, also, "the Company"), which comprise the balance sheet as of 31 December 2020, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020 and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Evaluation of loans and advances to customers for loans measured at amortised cost *Report on operations of Santander Consumer Bank SpA:* *Handling of Covid-19 health emergency* *The effects of the pandemic on economic results, activities and risk profile* *Comments on the results and key figures in the separate financial statements* *Notes to the financial statements:* *Part A – Accounting policies* *Part B – Information on the balance sheet, Assets - Section 4* *Part C – Information on the income statement, Section 8* *Part E – Information on risks and related hedging policies* Loans and advances to customers for loans, which at 31 December 2020 represented a considerable share of item 40 b) *"Financial assets measured at amortised cost – Loans and advances to customers"*, show a balance of Euro 5,619 million, accounting for about 76 per cent of total assets in the financial statements. The net losses on credit risk relating to loans and advances to customers for loans, charged during the year, amount to Euro 45 million and represent the best estimate made by the directors in order to reflect the expected credit losses (ECL) on the loan portfolio at the balance sheet date. We focused our attention on the evaluation of these loans as part of our audit work, considering the significance of their book value, as well as the complexity of the evaluation processes and methods. Estimation processes require the use of significant assumptions for the review of the significant increase in credit risk (SICR), for the allocation of the portfolio to the various risk stages (Staging), for the elaboration and determination of the risk parameters underlying the ECL calculation, as well as the	In performing our audit, we took into consideration the internal control system relevant to the preparation of the financial statements; in order to define appropriate audit procedures in the circumstances, we also took into account the current exceptional macroeconomic scenario due to the Covid-19 health emergency. Specifically, in order to address this key audit matter, we carried out the following main activities, also with the support of PwC network experts: • Analysing the adequacy of the IT environment and review of the operational efficacy of the relevant controls overseeing the IT systems and applications used; • Understanding and evaluating the design of the relevant controls within the monitoring, classification and valuation of loans and verifying of the operating effectiveness of such controls; • Understanding and verifying the reasonableness of the policies, procedures and models used to measure the SICR and Staging allocation and to determine the ECL. Special attention was paid to the counterparties who applied for and benefitted from economy support measures from the Government and linked to initiatives promoted by industry associations or by the Company (typically moratoria) in the aftermath of the Covid-19 health emergency; • Understanding and verifying the methods to determine and estimate the main parameters used as part of these models; in particular, as the method for the base calculation of the expected credit losses was unchanged, attention was paid on checking the reasonableness of the information and assumptions used in defining adjustments to the base calculation of the ECL model *(overlay)*, with reference to the estimate of the PD *(Probability of Default)* and LGD *(Loss Given Default)* risk parameters, in order to reflect the increased risk due to the current Covid-19 health emergency; • Examining the sensitivity analyses performed by the Company on the expected

identification of objective evidence of impairment. In the reporting period, these estimation processes were far more complex considering the current exceptional macroeconomic scenario linked to the Covid-19 health emergency, which required, as stressed in the Supervisory Authorities' communications, an update of the processes and methods of evaluation of loans, in addition to adjustments to the ECL calculation model (*overlay*) in order to reflect the increased credit risk in the present scenario due to the Covid-19 health emergency, considering the choice not to modify the base calculation method to measure expected credit losses agreed upon with the Spanish parent company.	credit losses measured through overlays; • Verifying the completeness and accuracy of the data bases used for ECL calculation purposes; • Verifying, on a sample basis, the reasonableness of the classification among performing loans (Stages 1 and 2) and among non-performing loans (Stage 3), on the basis of available information about the debtor's status and other available evidence, in addition to the correct application and allocation of the PD, LGD and EAD (Exposure At Default) risk parameters and the accuracy of the ECL calculation formula; • Examining the completeness and adequacy of the disclosures provided in the notes to the financial statements in accordance with the applicable international financial reporting standards and regulatory framework, as well as with the communications issued by the Supervisory Authorities in the aftermath of the Covid-19 health emergency.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 30 March 2016, the shareholders of Santander Consumer Bank SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010

The directors of Santander Consumer Bank SpA are responsible for preparing a report on operations of Santander Consumer Bank SpA as of 31 December 2020, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Santander Consumer Bank SpA as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Santander Consumer Bank SpA as of 31 December 2020 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 16 March 2021

PricewaterhouseCoopers SpA

Signed by

Lorenzo Bellilli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Santander Consumer Bank

Financial Statements

Balance Sheet

In Euro

	Balance sheet - Assets	12/31/2020	12/31/2019
10.	Cash and cash balances	4,185	8,679
20.	Financial assets designated at fair value through profit or loss	2,174,022	2,041,386
	a) Financial assets held for trading	2,174,022	2,041,386
40.	Financial assets measured at amortised cost	6,897,628,578	6,281,249,152
	a) Loans and advances to banks	46,822,675	52,128,479
	b) Loans and advances to customers	6,850,805,903	6,229,120,673
60.	Changes in fair value of portfolio hedged items (+/-)	9,468,226	7,877,729
70.	Equity investments	155,999,712	152,939,712
80.	Property, plant and equipment	20,361,098	20,458,083
90.	Intangible assets	25,992,720	16,374,508
100.	Tax assets	227,310,814	247,914,605
	a) current	45,693,279	36,501,369
	b) deferred	181,617,535	211,413,236
120.	Other assets	60,428,702	72,831,403
	Total Assets	**7,399,368,057**	**6,801,695,257**

	Liabilities and Shareholders' equity	12/31/2020	12/31/2019
10.	Financial liabilities valued at amortised cost	6,219,596,229	5,552,900,136
	a) Deposits from banks	4,118,444,254	3,366,538,928
	b) Deposits from customers	1,924,910,609	2,066,331,708
	c) Debt securities in issue	176,241,366	120,029,500
20.	Financial liabilities held for trading	-	618,346
40.	Hedging derivatives	10,336,754	8,745,106
60.	Tax liabilities	7,216,057	49,598,926
	a) current	7,216,057	49,598,926
80.	Other liabilities	170,493,568	250,646,532
90.	Provision for employee severance pay	3,238,279	3,180,756
100.	Provisions for risks and charges	20,254,361	38,365,059
	a) commitments and guarantees given	54,348	46,223
	c) other	20,200,013	38,318,836
110.	Valuation reserves	(686,327)	(632,393)
140.	Reserves	324,640,203	243,370,078
150.	Share premium	632,586	632,586
160.	Share capital	573,000,000	573,000,000
180.	Net Profit (Loss) for the year (+/-)	70,646,347	81,270,125
	Total liabilities and Shareholders' Equity	**7,399,368,057**	**6,801,695,257**

Income Statement

In Euro

	Items	12/31/2020	12/31/2019
10.	Interest and similar income	242,479,608	247,734,821
	of which: interest income calculated using the effective interest method	228,822,622	244,207,064
20.	Interest expenses and similar charges	(37,938,288)	(37,049,243)
30.	**Net interest margin**	**204,541,320**	**210,685,578**
40.	Fee and commission income	63,059,633	81,812,526
50.	Fee and commission expenses	(20,851,986)	(37,650,513)
60.	**Net fee and commission**	**42,207,647**	**44,162,013**
70.	Dividends and similar revenues	-	3,676,203
80.	Net income financial assets and liabilities held for trading	2,094,316	964,259
90.	Net hedging gains (losses) on hedge accounting	(12,194)	(297,712)
100.	Gains and losses on disposal of:	1,416,658	17,036,921
	a) financial assets at amortised cost	1,416,658	17,036,921
120.	**Operating income**	**250,247,747**	**276,227,262**
130.	Net losses / recoveries on credit risk relating to	(44,612,481)	(23,297,570)
	a) financial assets at amortised cost	(44,612,481)	(23,297,570)
150.	**Net profit from financial activities**	**205,635,266**	**252,929,692**
160.	Administrative costs:	(94,301,116)	(112,269,061)
	a) payroll costs	(40,169,229)	(47,499,266)
	b) other administrative costs	(54,131,887)	(64,769,795)
170.	Net provisions for risks and charges	(2,210,286)	(29,461,834)
	a) commitments and financial guarantees given	(8,125)	(22,476)
	b) other net provisions	(2,202,161)	(29,439,358)
180.	Net adjustments / writebacks on property, plant and equipment	(4,852,759)	(4,702,679)
190.	Net adjustments / writebacks on intangible assets	(6,962,045)	(6,544,446)
200.	Other operating income/expenses	6,422,404	14,376,660
210.	**Operating costs**	**(101,903,802)**	**(138,601,360)**
260.	**Total profit or loss before tax from continuing operations**	**103,731,464**	**114,328,332**
270.	Tax income of the year from continuing operations	(33,085,117)	(33,058,207)
280.	**Total profit or loss after tax from continuing operation**	**70,646,347**	**81,270,125**
300.	**Profit or loss for the year**	**70,646,347**	**81,270,125**

Statement of comprehensive income

In Euro

	Items	12/31/2020	12/31/2019
10.	**Net Profit (Loss) for the year**	**70,646,347**	**81,270,125**
70.	Defined benefit plans	(53,934)	(33,287)
170.	**Total other income components after tax**	**(53,934)**	**(33,287)**
180.	**Overall profitability (Item 10 + 170)**	**70,592,413**	**81,236,838**

Statement of changes in shareholders' equity

In Euro

Financial year 2020

	Balance at 12.31.2019	Balance at 1.1.2020	Allocation of prior year results		Changes during the year								Group shareholders' equity at 12.31.2020
						Transactions on shareholders' equity							
			Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2020	
Share capital:	**573,000,000**	**573,000,000**											**573,000,000**
a) ordinary shares	573,000,000	573,000,000											573,000,000
b) other shares													
Share premium reserve	**632,586**	**632,586**											**632,586**
Reserves:	**243,370,078**	**243,370,078**	**81,270,125**										**324,640,203**
a) retained earnings	203,457,391	203,457,391	81,270,125										284,727,516
b) other	39,912,687	39,912,687											39,912,687
Valuation reserves	**(632,393)**	**(632,393)**										**(53,934)**	**(686,327)**
Equity instruments													
Treasury shares													
Net profit (loss) for the period	**81,270,125**	**81,270,125**	**(81,270,125)**									**70,646,347**	**70,646,347**
Shareholders' equity	**897,640,396**	**897,640,396**										**70,592,413**	**968,232,809**

Financial year 2019

	Balance at 12.31.2018	Changes in opening balances	Balance at 1.1.2019	Allocation of prior year results		Changes during the year								Group shareholders' equity at 12.31.2019
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2019	
Share capital:	**573,000,000**		**573,000,000**											**573,000,000**
a) ordinary shares	573,000,000		573,000,000											573,000,000
b) other shares														
Share premium reserve	**632,586**		**632,586**											**632,586**
Reserves:	**163,894,176**		**163,894,176**	**79,475,902**										**243,370,078**
a) retained earnings	123,981,489		123,981,489	79,475,902										203,457,391
b) other	39,912,687		39,912,687											39,912,687
Valuation reserves	**(599,106)**		**(599,106)**										**(33,287)**	**(632,393)**
Equity instruments														
Treasury shares														
Net profit (loss) for the period	**79,475,902**		**79,475,902**	**(79,475,902)**									**81,270,125**	**81,270,125**
Shareholders' equity	**816,403,558**		**816,403,558**										**81,236,838**	**897,640,396**

Cash flow statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount	
	12/31/2020	12312019.00
1. Liquidity generated from operations	**61,213,819**	**155,651,754**
- net profit for the year (+/-)	70,646,347	81,270,125
- net gains/losses on financial assets held for trading and financial assets designated at fair value through profit or loss (+/-)	(676,225)	462,150
- gains (losses) from hedging activities (+/-)	12,194	297,712
- net adjustments for credit risk (+/-)	44,612,481	23,313,669
- impairment/recoveries to property and equipment and intangible assets (+/-)	11,811,782	11,241,244
- net provisions for risks and charges and other costs/income (+/-)	(19,834,853)	27,048,911
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	7,730,444	50,807,049
- impairment/recoveries to disposal groups net of tax effect (-/+)	13,482	5,881
- other adjustments (+/-)	(53,101,833)	(38,794,987)
2. Liquidity generated/absorbed by financial assets	**(651,900,930)**	**(212,806,285)**
- financial assets held for trading	680,519	(680,519)
- financial assets designated at fair value through profit and loss		
- financial assets mandatorily designated at fair value		
- financial assets measured at fair value with an impact on total profitability		
- financial assets measured at amortized cost	(656,776,464)	(176,652,728)
- other assets	4,195,014	(35,473,038)
3. Liquidity generated/absorbed by financial liabilities	**613,064,989**	**94,952,486**
- financial liabilities measured at amortized cost	678,756,452	123,609,946
- financial liabilities held for trading	(680,519)	680,519
- financial liabilities designated at fair value through profit and loss		
- other liabilities	(65,010,944)	(29,337,979)
Net Liquidity generated/absorbed by operating activities	**22,377,878**	**37,797,954**
B. INVESTING ACTIVITIES		
1. Liquidity generated by		**326,661**
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment		326,661
- sale of intangible assets		
- sale of lines of business		
2. Liquidity absorbed by	**(22,382,372)**	**(38,117,080)**
- purchase of equity investments	(3,060,000)	(30,000,000)
- purchase of property and equipment	(2,742,115)	(791,515)
- purchase of intangible assets	(16,580,257)	(7,325,565)
- purchase of lines of business		
Net Liquidity generated/absorbed by investing activities	**(22,382,372)**	**(37,790,419)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations		
Net Liquidity generated/absorbed by financing activities		
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**(4,494)**	**7,536**

Key:

(+) generated

(-) absorbed

Reconciliation

Items	Amount	
	12/31/2020	12/31/2019
Cash and cash equivalents at beginning of year	8,679	1,144
Net increase (decrease) in cash and cash equivalents	(4,494)	7,536
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	4,185	8,679

Notes to the financial statements

Part A – Accounting Policies

A.1 – General information

Section 1 – Declaration of compliance with International Financial Reporting Standards

Pursuant to Italian Legislative Decree no. 38 of 28 February 2005, the Separate Financial Statements of Santander Consumer Bank have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.

The Separate Financial Statements at 31 December 2020 have been prepared in accordance with Circular No. 262/05 as subsequently amended by the 6th update of 30 November 2018 "Banks financial statements: layouts and preparation" issued by the Bank of Italy, in the exercise of the powers established by art. 9 of Italian Legislative Decree No. 38/2005 and with the Regulation of 22 December 2005. These Instructions establish binding rules governing the financial statements and how they are to be prepared, including the contents of the notes.

On 15 December 2020, the Bank of Italy published the Communication "Additions to the provisions of Circular No. 262, Bank financial statements: layout and preparation" concerning the impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS.

In preparing the financial statements the IAS/IFRS in force at 31 December 2020 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Section 2 – Basis of preparation

The financial statements consist of the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and the notes to the financial statements and are also accompanied by the directors' report on operations, results and financial position of Santander Consumer Bank.

In accordance with the provisions of art. 5 of Italian Legislative Decree no. 38/2005, the Financial Statements have been prepared using the Euro as the functional currency.

The amounts in the financial statements are expressed in Euro, whereas unless otherwise specified, those in the notes and the report on operations are expressed in thousands of Euro.

The financial statements are prepared in accordance with the general principles laid down in IAS 1 and the specific accounting standards endorsed by the European Commission, as described in Part A.2 of these Notes. In particular, these financial statements have been prepared on a going concern basis (IAS 1 para. 25 and para. 26), in accordance with the principle of accrual accounting (IAS 1 para. 27 and para. 28) and in compliance with the consistency of presentation and classification of items in the financial statements (IAS 1 para. 45). The assets and liabilities, income and expenses have not been offset unless required or permitted by a standard or interpretation (IAS 1 para. 32).

No exceptions have been made to the application of IAS/IFRS.

The following criteria were taken into account for the drafting of the financial statements:

a) Going concern

Assets, liabilities and off-balance sheet transactions are measured according to their function, since they are expected to continue in operation for the foreseeable future;

b) Accrual principle

Costs and revenues are recognised, irrespective of the moment in which the amount is paid/received, for the period over which they are accrued and in accordance with the matching criterion;

c) Consistency of presentation

Presentation and classification of the items are kept constant over time in order to guarantee the comparability of the information, unless their change is required by an International Accounting Standard or an Interpretation, or makes the representation of the values, in terms of significance and reliability, more appropriate. If a presentation or classification criterion is changed, the new one applies - where possible - retroactively; in this case, the nature and reason for the change are also indicated, as well as the items concerned. In the presentation and classification of the items, the formats prepared by the Bank of Italy by means of circular No. 262 of 22 December 2005 “Bank financial statements: layout and preparation” and subsequent amendments and additions, are adopted.

d) Aggregation and relevance

All groupings of items of a similar nature or function, unless they are insignificant, are shown separately;

e) Prohibition of offsetting

Assets and liabilities, costs and revenues are not offset against each other, unless this is required or permitted by an International Financial Reporting Standard or an interpretation or by the schedules and instructions drawn up by the Bank of Italy for the financial statements of banks;

f) Comparative information

Comparative information is shown by reporting, in addition to the figures for the reporting period, also the corresponding data for comparison reported at 31 December 2019.

The Report on Operations and the Notes to the Financial Statements provide the information required by International Accounting Standards, by Italian law and by the Bank of Italy, as well as other non-mandatory information considered necessary to give a true and fair view of the Bank’s situation.

The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts recognised in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities reported in the financial statements. The development of such estimates involves the use of available information and the adoption of subjective judgements based on past experience, which are used to formulate reasonable assumptions for recording corporate events. By their nature, the estimates and assumptions used can vary from year to year, which means that it cannot be excluded that in future years the figures in the financial statements may differ significantly due to changes in the subjective judgements used.

The main situations in which management has to make subjective judgements include the following:

- the quantification of impairment losses on receivables and financial assets generally;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- assessing whether the value of intangible assets is fair;
- quantifying personnel provisions and provisions for risks and charges;
- making estimates and assumptions regarding the recoverability of deferred tax assets.

The main interpretative and support documents for the application of the accounting standards in relation to the COVID-19 impacts, issued by the European regulatory and supervisory bodies and by the standard setters, are reported below.

The IFRS Foundation of 27 March 2020 published the document *“IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic”* in order to further the consistent and solid application of IFRS 9, highlighting the requirements within the standard that are relevant for companies and considering how the pandemic affects their accounting for Expected Credit Losses (ECL).

Both the assessment of SICRs and the measurement of ECL must be based on reasonable and demonstrable information that is available to an entity without excessive cost or effort. Entities are required to develop estimates based on the best information available on past events, current conditions and economic forecasts. In assessing the forecast conditions, both the effects of COVID-19 and the measures supporting the economy should be taken into account.

The European Central Bank (ECB) intervened with the following communications:

- on 20 March, the press release ECB Banking “Supervision provides further flexibility to banks in reaction to coronavirus” was published, providing indications on the classification and measurement of loans, clarifying that compliance with the grace period should not be envisaged as an automatic trigger of unlikely to pay. The ECB expressed also its opinion on the forward-looking IFRS 9 measurements, recommending that banks avoid excessively pro-cyclical assumptions in their models for estimating provisions.
- On 1 April 2020, the communication “IFRS 9 in the context of the coronavirus pandemic (COVID-19)” was sent to significant institutions, providing indications on and references to the use of forecasts in order to avoid excessively pro-cyclical assumptions in the processing of estimates of expected credit losses (ECL) during the COVID-19 pandemic focusing on the following points: collective measurement of the significant increase in credit risk (SICR), use of long-term macroeconomic forecasts and use of macroeconomic forecasts for specific years.
- On 4 December 2020, the communication “Identification and measurement of credit risk in the context of the coronavirus pandemic (COVID-19)” was sent to significant institutions, with particular regard to the policies and procedures for the management of credit risk: measurement and classification of contractual changes; periodic assessment of the unlikely-to-pay status of the debtors; identification and recording of credit risk increases from the

initial stages; estimate of the provisioning levels using assumptions and parameters appropriate to the current context; adequate supervision of the management bodies on critical elements of credit risk.

The European Banking Authority (EBA):

- on 25 March published the "Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures" regarding the classification of exposures in default, the identification of forborne exposures and their accounting treatment. The document aims to ensure consistency and comparability of the risk assessment throughout the EU banking sector and monitor the effects of the current crisis.
- On 2 April 2020, the EBA published "Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19" on the legislative and non-legislative grace periods relating to loan payments applied in the light of the COVID-19 crisis. The Guidelines specify the criteria for the classification of a grace period as a "general payment grace period" and specify the correct prudential treatment of exposures subject to said grace periods, of a legislative and non-legislative nature. In particular, they clarify that the application of a grace period should not lead to the reclassification of an exposure as forborne unless this was already the classification of the exposure before the application of the grace period. For the entire duration of the grace period, institutions should in any case continue to assess whether there are indications of "unlikely-to-pay" status of the debtors subject to the grace period, in accordance with the policies and practices usually applied to these assessments, taking into account the updated payment plan as a result of complying with the grace period.
- On 2 June, it published its guidelines on the reporting and disclosure of exposures subject to measures applied in response to the crisis pursuant to art. 16 of Regulation (EU) No. 1093/2010. The main purpose is to fill the gaps in data regarding supervisory communication and disclosure associated with the COVID-19 crisis. This is necessary to ensure the availability of information necessary to monitor and assess the associated risks to increase transparency both towards the supervisory authorities and towards the public.
- On 2 December 2020, the EBA reactivated the guidelines on loans with grace periods until 31 March 2021. In fact, the EBA, after closely monitoring the developments of the COVID-19 pandemic and, in particular, the impact of the second wave of COVID-19 and the related government restrictions adopted in many EU countries, decided to reactivate its guidelines on legislative and non-legislative grace periods. This reactivation will ensure that the loans, which had not previously benefited from payment grace periods, can now benefit from them.

ESMA intervened with the communication dated 25 March 2020 "Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9" with the aim of furthering an application consistent with international accounting standards and in particular of avoiding divergences on the application of IFRS 9 in the specific context of the pandemic. According to ESMA, the principles of IFRS 9 include sufficient flexibility to reflect the specific circumstances of COVID-19 and the measures adopted. Although these measures may take on different forms, it is appropriate to carefully consider their impact on financial information, in particular the requirements of IFRS 9.

ESMA believes that the impacts of the measures put in place on financial instruments should be assessed and whether these measures lead to a change in financial assets.

The Bank monitored the regulatory changes that took place during the year; for the resulting assessments, please refer to the assessment section in Part E Section 1 - Credit risk, "Changes due to COVID-19" paragraph.

Contents of the financial statements

Balance sheet and Income statement

The formats used for the balance sheet and income statement are made up of items, sub-items and other details. In the income statement, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of comprehensive income

The statement of changes in comprehensive income is presented in the manner prescribed by the Bank of Italy, based on the information required by IAS 1.

"Net profit (loss) for the year" is the same amount shown in item 350 of the income statement.

The "other comprehensive income after tax" includes changes in the value of assets recorded during the year with contra-entry to the valuation reserves (net of tax).

Statement of changes in shareholders' equity

The statement of changes in shareholders' equity is presented in the manner prescribed by the Bank of Italy.

It shows the composition and changes in shareholders' equity accounts during the year, divided into share capital, capital reserves, retained earnings and the result for the year.

Cash flow statement

The cash flow statement for the current and previous years has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for non-monetary transactions.

Cash flows are broken down into those generated by operating activities, investing activities and funding activities.

In this statement, the cash flows generated during the year are shown without a sign, whereas those that are absorbed are preceded by a minus sign.

Contents of the notes to the financial statements

The notes include the information set out in Bank of Italy Circular no. 262/2005, as well as the additional disclosures required by International Accounting Standards. To reflect in full the formats laid down by the Bank of Italy, we also show the headings of sections on items with zero balances in both years.

Section 3 - Subsequent events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 17 February 2021.

With reference to the equity investment in the newly-established TIMFin S.p.A., at the beginning of January 2021, the Shareholders subscribed and paid in the second tranche of the share capital increase for a total of Euro 34 million, resolved by the Shareholders' Meeting of the subsidiary on 29 October 2020, which brought the share capital of TIMFin to a total of Euro 40 million, divided among the Shareholders to an extent of 51% for SCB and 49% for TIM. The portion of the share capital increase pertaining to the Bank amounts to Euro 17.3 million.

Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. Therefore, the draft financial statements reflect all events that affected the Bank's operations in 2020.

Section 4 - Other aspects

Complete copies of the last financial statements with the reports on operations of the companies that at 31 December 2020 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2021, will be deposited at head office.

The related reports of the Board of Statutory Auditors and Independent Auditors will also be deposited. The prior year financial statements of these companies will also be deposited.

Information on the activities and results achieved by the subsidiaries in 2020 is included in the report accompanying the Financial Statements.

The Financial Statements are audited by PricewaterhouseCoopers S.p.A., pursuant to the Resolution of the Shareholders' Meeting of 31 March 2016, which appointed this firm to perform the audit for the nine years from 2016 to 2024.

Listed below are changes to international accounting standards or related interpretations, approved by the European Commission, that have become effective as from 1 January 2020:

- Amendments to references to the IFRS Conceptual Framework (EU Reg. 2019/2075) - The amendments aim to update existing references to the previous Conceptual Framework in various accounting standards and interpretations, replacing them with references to the revised Conceptual Framework.
- Amendments to accounting standards IFRS 9, IAS 39 and IFRS 7 (EU Reg. 2020/34) - in the context of the project "Reform of the reference indices for determining interest rates", the amendments are aimed at transposing the effects of the interest rate reform in financial reporting, with particular reference to the potential impacts before the replacement of reference indices .
- Amendments to IFRS 3 - Definition of a Business (EU Reg. 2020/551) - In order to address the concerns highlighted by the post-implementation review of IFRS 3 Business combinations regarding the difficulties encountered in the practical application of the definition of "business".
- Amendments to IFRS 16 - Concessions on fees related to COVID-19 (EU Reg. 2020/1434) - The amendment to IFRS 16 envisages an optional and temporary operational support related to COVID-19 for lessees who benefit from suspensions of payments due for leases, without compromising the relevance and usefulness of the financial information communicated by the companies.

- Listed below are the relevant international accounting standards approved by the European Commission, that will become effective after the balance sheet date:
    - **IFRS 17** - Insurance Contracts, in force from 1 January 2021 (EU Reg. 2017/1988)

Finally, the main standards currently being approved are listed below:

- Amendments to IFRS 1.
- Amendments to IAS 1.
- Amendments to IAS 16.
- Amendments to IAS 37.
- Amendments to IFRS 3.
- Amendments to IFRS 4.
- Amendments to IFRS 7.
- Amendments to IFRS 9.
- Amendments to IFRS 16.
- Amendments to IFRS 17.

Risks, uncertainties and impacts of the COVID-19 epidemic

The Bank is constantly monitoring developments of the COVID-19 health emergency. At present, a general uncertainty remains on the future developments of the pandemic linked, on the one hand, to the possibility of a progressive reduction in the levels of contagion, as a result of the ongoing vaccination campaign, and, on the other hand, to the possibility that the current levels may continue also in 2021.

These uncertainties have a direct impact on the general economy and financial markets, manifesting themselves in the expected levels of consumption, investments and general financial conditions of the country, and are currently difficult to quantify and measure.

In the presence of this situation of uncertainty, the Bank immediately put in place all the controls necessary to adequately monitor the risks; for more details, please refer to the disclosures in the notes to the financial statements in Part E "Information on risks and hedging policies".

With regard to the going-concern assumption, in line with the matters envisaged by IAS 1, note that in accordance with the instructions provided in Document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, regarding "Information to be provided in financial reports on impairment tests, on debt covenants, on debt restructuring and on the fair value hierarchy", which makes reference to the corresponding document no. 2, again issued jointly by these three Authorities on 6 February 2009, the Bank has a reasonable expectation that it will remain in operation for the foreseeable future and has therefore prepared its financial statements on a going-concern basis.

With reference to the accounting estimates for the valuation of loans to customers and the determination of the related value adjustments, please refer to Part E "Information on risks and hedging policies" of these Notes, Section 1 "Credit risk management policies", "Changes due to COVID-19 " paragraph.

With reference to lease contracts (IFRS 16), actuarial gains/losses linked to the employee termination indemnities (IAS 19) and non-financial assets (IAS 36), there are no particular impacts related to the health emergency.

Contractual amendments deriving from COVID-19

1) Contractual amendments and derecognition (IFRS 9)

With reference to the contractual changes made during the year following the COVID-19 health emergency, please refer to Part E "Information on risks and hedging policies" of these Notes, Section 1 "Credit risk management policies", "Changes due to COVID-19" paragraph.

2) Amendment to IFRS 16

During 2020, the International Accounting Standards Board ("IASB") issued an amendment to the IFRS 16 Leases to facilitate lessors in accounting for incentives relating to leases (for example, suspension of rents or temporary reduction of the same) deriving from the COVID-19 pandemic. The Group did not identify any cases.

A.2 – Main items in the financial statements

This section explains the accounting policies used to prepare the 2020 Financial Statements. The company's accounting policies are explained with reference to the classification, recognition, measurement and derecognition of assets and liabilities. A description of the economic effects is given for each of these stages, where relevant.

1 – Financial assets at fair value through profit and loss

Recognition

Derivatives are initially recognised on the subscription date. They are recognised at fair value without considering transaction costs or income directly attributable to the instrument concerned.

Classification

All financial assets not classified in the portfolio of financial assets at fair value through comprehensive income and in the portfolio of financial assets measured at amortised cost are classified in this category. Derivatives traded, in connection with securitisation transactions represented as an asset if the fair value is positive, are shown in the sub-item Financial assets held for trading. If the fair value is negative, they are posted in financial liabilities held for trading. These contracts are not subject to net settlement by either counterparty.

According to the general rules provided for by IFRS 9 in relation to reclassification of financial assets (with the exception of equity securities for which no reclassification is allowed), no reclassifications to other categories of financial assets are permitted except in the event that the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the 'at fair value through profit and loss' category to one of the other two categories provided for by IFRS 9 (Financial assets measured at amortised cost or financial assets at fair value through comprehensive income). The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value at the date of reclassification and that date will be considered the date of initial recognition for the assignment to the various stages of credit risk (stage assignment) for the purposes of the impairment test.

Measurement and recognition of components affecting the income statement

Subsequent to initial recognition, financial assets held for trading are measured at fair value. The effects of the application of this criterion are recognised in the income statement. For the determination of fair value, estimates and valuation models are used based on prices quoted on an active market.

Derecognition

Financial assets are only derecognised if the sale involves the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if ownership of the assets has been transferred.

Financial liabilities are derecognised when they expire or are settled.

2 – Financial assets at fair value through comprehensive income

The company does not have any financial assets at fair value through comprehensive income.

3 – Financial assets measured at amortised cost

Recognition

Financial assets measured at amortised cost are initially recognised on the payout date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out including costs/revenues that are both directly attributable to the individual loans and identifiable from the start of the transaction, even if they are settled at a later time.

Classification

Financial assets measured at amortised cost include loans to customers and banks, both directly disbursed and acquired from third parties, which are placed in a Hold to Collect business model and which have passed the SPPI test as envisaged by IFRS 9. Loans and receivables include receivables previously transferred relating to securitisation transactions for which the requirement of the transfer of risks and benefits pursuant to IFRS 9 with regard to derecognition does not apply, as well as in accordance with the provisions of IFRS 10 with regard to the consolidated financial statements.

According to the general rules provided for by IFRS 9 in relation to reclassification of financial assets, no reclassifications to other categories of financial assets are permitted except in the event that the entity changes its business model for the management of financial assets. In these cases, which are expected to be highly infrequent, financial assets may be reclassified from the amortised cost category to one of the other two categories provided for by IFRS 9 (Financial assets measured at fair value through comprehensive income or Financial assets measured at fair value through profit and loss). The transfer value is represented by the fair value at the time of the reclassification and the effects of the reclassification operate prospectively from the date of reclassification. Gains or losses arising from the difference between the amortised cost of a financial asset and its fair value are recognised in profit or loss in the event of reclassification to Financial assets measured at fair value through profit and loss and to Shareholders' equity, in the appropriate valuation reserve, in the event of reclassification to Financial assets measured at fair value through comprehensive income.

This item also includes the loans originated by lease operations, governed by IFRS 16 in continuity with the previous IAS 17, as the model of accounting for lease contracts by the lessor remained essentially unchanged.

Measurement and recognition of components affecting the income statement

After initial recognition, these assets are measured at amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/recoveries and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans. The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.

Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired, following the procedures set out in Part E – Information on risks and related hedging policies.

Derecognition

Apart from those situations where the impairment of the loans reduces their fair value to zero, the assets sold are only derecognised from the balance sheet if their disposal leads to the transfer of substantially all of the risks and benefits associated with them. This situation takes place in the case of a transfer without recourse with respect to non-performing loans, the economic effects of which are recorded in item 100 (gains/losses on disposal or repurchase of loans) in the income statement. Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred. Derecognition also takes place following the expiry of the contractual rights or when the loan is considered permanently unrecoverable.

4 – Hedging transactions

Types of hedges

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. Of the types of hedges that are allowed, the Group uses the method of fair value hedging on a portion of its assets at a fixed rate (hereinafter, also FVH).

It is explained that, for the purposes of the valuation of hedging transactions, the Bank uses the option to continue to apply the rules provided by IAS 39, rather than those provided by IFRS 9, which makes changes to hedge accounting, providing for greater alignment between hedging relationships and the underlying risk management strategies.

Measurement

Hedging derivatives are measured at fair value. Therefore, any change in the fair value of the hedging instrument is recognised in the income statement, as are changes in the fair value of the hedged item, with a net effect to reflect the partial ineffectiveness of the hedge.

Hedges are formally documented and subject to regular testing by:

- *prospective tests* that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge;
- *retrospective tests* that show the effectiveness of the hedge during the period under review.

The tests described here are designed to determine the extent to which the actual results differ from the perfect hedge. If the tests do not confirm the hedge’s effectiveness, hedge accounting is interrupted for the ineffective portion and it is reclassified to financial instruments held for trading.

Recognition of components affecting the income statement

In the case of FVH derivatives, changes in the fair value of the hedging derivative and of the hedged item are recognised in the income statement.

Differentials on FVH hedging derivatives are recognised in the income statement on a pro-rata basis.

5 – Equity investments

Recognition and measurement

This category includes equity investments in subsidiaries carried at cost, in accordance with IAS 27, paragraph 37. If there is evidence that an equity investment may be impaired, its recoverable amount is estimated. If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement. If the reasons for impairment cease to exist due to an event occurring after recognition of the impairment, write-backs are made against the income statement.

Derecognition

Equity investments are derecognised on expiry of the contractual rights over the related cash flows or when the equity investment is sold with the transfer of essentially all the related risks and benefits of ownership.

6 – Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including any directly attributable purchasing costs or costs involved in bringing the asset to working condition.

Classification

Property, plant and equipment include motor vehicles owned by the company, furniture and furnishings and equipment of any kind. They are property, plant and equipment that are held for use in the production or supply of goods or services or for administrative purposes and expected to be used for a number of years. This category also includes leasehold improvements to property, plant and equipment, which have not been included in other assets as permitted by the Bank of Italy.

This item also includes the rights of use acquired under leases, according to the matters envisaged by IFRS 16. Lease contracts as a lessee are accounted for on the basis of the right-of-use model, by means of recognition under the balance sheet assets of a right to use the asset subject to leases, classified on the basis of the nature of the underlying asset, and a financial liability, as a direct contra-entry. Any depreciation and impairment of the right of use is recorded in the income statement, as is any interest expense on the financial liability. On the date of initial recognition, the value of the right of use is determined as equal to the initial recognition value of the lease liability (see paragraph Financial liabilities measured at amortised cost), as permitted by the standard itself.

When the asset is made available to the bank for its use (initial recognition date), the relative right of use is recognised. In identifying rights of use, the Bank applies the “simplifications” permitted by IFRS 16 and therefore contracts with the following characteristics are not considered:

- “Short-term”, i.e. with a residual life of less than 12 months;
- “Low-value”, i.e. with an estimated value of the asset, carried forward, of less than Euro 5,000.

Measurement

Property, plant and equipment are measured at cost less depreciation and any impairment losses. Property, plant and equipment are depreciated systematically over their estimated useful life, taking into account the date of entry into operation of the asset. Any adjustments are recorded in the income statement.

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal.

7 – Intangible assets

Classification

This category includes non-monetary, identifiable intangible assets with a useful life of several years, represented in the company's operational activities by charges for the purchase of software. Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Recognition and measurement

Intangible assets are stated at cost, adjusted for any ancillary charges only if it is probable that the future economic benefits attributable to the asset will be realised and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognised in the income statement in the period that the cost is incurred. The cost of intangible assets (classified as assets with a finite life) is amortised on a straight-line basis over their useful lives. An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income, is the difference between the carrying amount of an asset and its recoverable amount.

Derecognition

Intangible assets are derecognised on disposal and when no further economic benefits are expected.

8 – Non-current assets and disposal groups classified as held for sale

The company has not recognised non-current assets and disposal groups classified as held for sale.

9 – Current and deferred taxation

The effects of current and deferred taxation are recognised by applying the tax rates in force in the relevant country. Income taxes are recognised in the income statement.

The provision for income taxes is determined on the basis of a prudent estimate of current taxes, deferred tax assets and deferred tax liabilities. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences - without time limits - between the value of an asset or a liability according to statutory criteria and the corresponding values for tax purposes.

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences or tax losses carried forward, are recognised to the extent that their recovery is likely.

Deferred tax assets and liabilities are systematically assessed to take account of any changes in regulations or tax rates.

10 – Provisions for risks and charges

Classification and recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event;
- the origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);
- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

In addition to the provisions for risks and charges dealt with in IAS 37, the item Provisions for risks and charges also includes the provisions for commitments and guarantees given, determined in accordance with IFRS 9.

Measurement

Provisions are measured on the basis of reliable forecasts in terms of the expected disbursement, discounted at current market rates when the time element is significant. Provisions are charged to the income statement.

Derecognition and recognition of components affecting the income statement

The liabilities relating to provisions for risks and charges are derecognised on settlement of the expected amount or in circumstances where the conditions that led to the initial provision no longer exist. Accruals to the provisions in question and their increase due to the passage of time are recognised under “Net provisions for risks and charges” in the income statement.

11 – Financial liabilities valued at amortised cost

Recognition

The initial recognition of these financial liabilities takes place on receipt of the amounts collected or on issue of the debt securities. These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue that are not reimbursed by the creditor.

This item also includes deposits from banks in relation to targeted Longer Term Refinancing Operations(TLTRO-III), introduced starting from 2019 and which will end with the last auction in 2021.

In the first two transactions, the counterparties were able to request loans for a maximum amount of 30% of the stock of eligible loans at 28 February 2019, net of the amount of loans still in place under the TLTRO-II programme. There was also a limit for participation in the individual auction of 10% of the stock of eligible loans at 28 February 2019. Starting from the third transaction, the maximum amount that can be requested was increased, up to 50% of the stock of eligible loans, again net of the amount of loans still in place under the TLTRO-II programme, and the participation limit for each auction was also removed. From the seventh transaction, the maximum amount that can be requested was increased up to 55% of the reference aggregate.

The interest rate for each transaction is set at a level equal to the average level of the main refinancing transactions of the Eurosystem for the duration of the respective TLTRO-III, except for the periods between 24 June 2020 and 23 June 2021 and between 24 June 2021 and 23 June 2022, when an interest rate lower than 50 basis points will be applied and in any case not higher than -1 in the case of eligible net loans higher than the reference value.

Classification

Deposits from banks, deposits from customers, and debt securities in issue cover the various forms of interbank and customer funding and the deposits paid into current accounts with customers and debt securities in issue. These items also include liabilities related to the recognition in the financial statements of loans subject to securitisation where the relative securities have been placed on the market.

Starting from 1 January 2019, this item includes also payables recognised by the company as lessee in the context of leases operations. On the effective date the Bank evaluates the lease payables at the current value of the payments due for leases not yet paid at that date, discounted using the marginal financing rate, determined by the Bank taking into account the average financing rates with similar durations and economic context.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. As an exception, short-term liabilities are measured at the amount collected, as the effect of the time factor is insignificant. Lease payables are amended when there is a lease modification, which is not considered as a separate contract; these amendments, as indicated by IFRS 16, involve the use of the updated rate (for example: the change of the lease duration, the change of the amount of payments).

Derecognition

Financial liabilities are derecognised when they expire or are settled. The repurchase of debt securities issued in prior periods results in their derecognition.

12 – Financial liabilities held for trading

Recognition

Financial liabilities held for trading include derivatives traded in connection with securitisations originated by the Group. They are recognised on the subscription date at fair value, without considering transaction costs or income directly attributable to the instrument concerned.

Measurement
All liabilities held for trading are measured at fair value with fair value changes recognised in the income statement.

Derecognition

These liabilities are derecognised when the contractual rights to the cash flows cease or when a financial liability is sold and substantially all of the risks and benefits associated with it are transferred.

13 – Financial liabilities designated at fair value

The company does not have any financial liabilities designated at fair value.

14 – Foreign currency transactions

The company has not carried out any transactions in foreign currency.

15 - Other information

Treasury shares

There are no treasury shares to be deducted from shareholders' equity.

Provision for employee severance pay

The provision for employee severance pay is recognised on the basis of its actuarial value. For the purposes of discounting, the projected unit credit method is used, which involves the projection of future payments based on historical statistical analyses and the demographic curve, and the discounting of these flows on the basis of a market interest rate. The contributions paid in each year are considered as separate units, recorded and evaluated individually in order to determine the final obligation.

According to IAS 19 – Employee Benefits, interest costs (which correspond to the change in the current value with respect to the actuarial estimate at the previous year-end, merely due to the fact that the estimated date of disbursement is getting closer) and service costs (which correspond to the higher cost due mainly to the increase in salaries and in the workforce) are included in personnel costs, while actuarial gains/losses (reflecting any change in the current value caused by changes in macroeconomic scenarios or in interest rate estimates), are recognised in shareholders' equity.

Share-based payments

Not applicable.

Revenue recognition

The recognition of revenue related to contracts with customers, excluding revenue related to contracts with customers subject to the provisions of IFRS 9 and IFRS 16, takes place in accordance with IFRS 15.

This envisages a revenue recognition model that is substantially different with respect to the past, since the basic principle refers to the identification of the contractual obligations contained in the contract and the time at which each obligation is fulfilled. It does not distinguish, therefore, between the various types of goods or services rendered but takes into consideration only the fact that the obligation in relation to the customer is made at a given time rather than over the course of time. In principle, the revenue is recognised when a good or service is transferred to a customer, with emphasis on the concept of control.

More generally, the remaining types of revenues are recognised when received or when it is likely that the future benefits will be received and these benefits can be measured reliably. The effects of transactions and other events are recognised when they occur and not when the amount involved is received or paid; they are shown in the accounting records and reported in the financial statements of the periods to which they relate on an accrual basis.

Fair value measurements

Fair value may be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required by IFRS 13, fair value measurement has been adopted for each specific asset or liability. Accordingly, the characteristics of the asset or liability being measured have been taken into account.

Fair value measurement assumes that the sale or transfer of the asset or liability takes place:

- in the principal market for the asset or liability;
- or in the absence of a principal market, the most advantageous market for the asset or liability.

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured. In choosing the inputs used in valuation techniques, the highest priority is given to observable market data and the lowest priority to internal estimates.

The valuation techniques used by the Group are:

- Market approach. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- Revenue approach. This method converts future amounts (cash flows or income and expenses) to a single current (discounted) amount. When this approach is used, fair value measurement reflects current market expectations about future amounts. This technique involves the use of a net present value calculation.

As regards the impact of the Credit Value Adjustment and the Debit Value Adjustment on the determination of fair value, as far as the consumer credit portfolio is concerned, the counterparty risk is included in the impairment of the portfolio, while, for the measurement of derivatives, the risk is neutralised by means of the daily settlement of positions.

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.

The hierarchy gives the highest priority to listed prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. The fair value is directly observable on active markets in which the entity has access at the date of determination of the fair value of identical or comparable assets or liabilities.
- Level 2. The fair value is determined internally based on input directly observable on the market.
- Level 3. The fair value is determined internally on the basis of inputs that are not directly observable. The company makes use of assumptions determined internally.

Method of determining amortised cost

The amortised cost of a financial asset is the amount at which it was measured on initial recognition, net of repayments of principal, plus or minus accumulated amortisation (calculated using the effective interest method) of the differences between the initial value and its value on maturity, less any impairment loss.

The effective interest rate is the rate that equates the present value of a financial asset to the contractual flow of future cash payments, either received up to the expected maturity or to the next date that the price is recalculated. To calculate the present value, the effective interest rate is applied to the future cash flows received or paid through the entire life of the financial asset or liability, or for a shorter period under certain conditions (for example, if there is a change in market rates).

After initial recognition, the amortised cost permits the allocation of revenues and costs to decrease or increase the instrument over its entire expected life through the amortisation process.

With particular reference to loans or finance that arise from the consumer finance business, leases and salary assignment and the delegation of payment, contributions received from affiliates under special conventions as part of promotional campaigns (consumer contracts and leases at subsidised rates of interest), the recovery of the network brokerage costs and the preliminary fees are classified as transaction income; reimbursements of stamp duty and legal fees, on the other hand, are excluded, as they are mere recoveries of expenses. Reimbursements of collection expenses are also excluded from the calculation of the effective interest rate because of the low mark-up compared with the actual charges incurred for the collection of loan repayments.

With reference to costs, commissions and rappels paid to credit intermediaries and insurance premiums relating to salary assignment and delegation of payment as well as costs incurred by the bank for approval activities, are attributed to the financial instrument.

With regard to credit cards, the immateriality of the amounts of associated transaction costs, and the absence of a sinking fund plan known beforehand because of their floating-rate structure, means that the income and expenses associated with such an instrument tend to be excluded from the scope of amortised cost.

As already mentioned in the section relating to the criteria for the measurement of financial assets and liabilities measured at amortised cost, the amortised cost measurement is not applied to financial assets and liabilities whose short duration means the effect of discounting is insignificant, nor to non-performing loans.

Method of determining the impairment of financial assets

The new impairment model provided for by IFRS 9 requires the classification of loans into three different stages depending on the deterioration in the credit quality observed with respect to the initial recognition and which correspond to the different methods of calculation of the expected loss and interest income:

- Stage 1: classified in this stage are loans defined as performing, i.e. loans that have not deteriorated since initial recognition. In this case, the expected loss for the calculation of corrections is measured over a 12-month time period (12-month PD), while interest is calculated on the gross exposure;
- Stage 2: comprises loans that have undergone a significant qualitative worsening compared to initial recognition. For these loans, expected loss is calculated over the lifetime of the loan (lifetime PD), and interest is calculated on the basis of the gross exposure;

- Stage 3: includes impaired assets, i.e. that have objective evidence of deterioration (over 90 days past due). Included in this category are past due non-performing, unlikely to pay and bad loans. In this case a lifetime PD is calculated, while interest is calculated on the basis of the receivable net of impairment.

For further details please refer to Part E, Section 2, paragraph “2.3 Methods for the measurement of expected losses”.

Method of determining the impairment of other non-financial assets

Property, plant and equipment and intangible assets with a defined useful life are subject to impairment testing if there is an indication that the carrying amount of the asset may no longer be recovered in full. The recoverable amount is determined with reference to the fair value of the property, plant and equipment or intangible asset net of disposal costs or the value in use if determinable and if it is higher than the fair value.

For other property, plant and equipment and intangible assets (other than goodwill) it is assumed that the carrying amount usually corresponds to the value in use, as it is determined by an amortisation process estimated on the basis of the actual contribution of the asset to the production process resulting in the determination of a fair value being extremely uncertain. The two values differ, giving rise to impairment, in the event of damages, exit from the production process or other similar non-recurring circumstances.

Receivables classified to Other assets are subject to impairment on the basis of the recoverability of the loan itself.

Intercompany transactions

Banking and commercial transactions with the Shareholder, with the subsidiaries Banca PSA Italia S.p.A., PSA Renting S.p.A., TIMFin S.p.A. and with other companies of the Santander Group are regulated on an arm’s-length basis.

Securitisations

With reference to the provisions contained in IFRS 9, in continuity with IAS 39 in the matter of derecognition, according to which the derecognition of assets and liabilities is permitted only when the risks and benefits associated with the asset being sold are transferred, securitised loans are recognised and measured in the same manner as loans to customers, with the recognition of a corresponding payable to the SPV (classified among amounts due to customers, liabilities and shareholders' equity item 20), where the relative securities have been placed on the market. This payable is stated at a value equal to the liabilities issued by the special purpose vehicle held by entities other than the bank, minus the value of the assets of the special purpose vehicle generated by the securitised portfolio.

In self-securitisations, in which there are no liabilities in respect of the special purpose vehicle, the liquidity generated by the securitised portfolio is shown as a receivable from the securitisation, net of any payables of the special purpose vehicle.

In terms of the income statement, the related income items, as a result of reclassification, are recorded in the financial statements as follows:

- Interest expense on the payable, corresponding to the total costs recorded by the securitised portfolios, net of income other than the income statement components generated on the portfolio;
- Income statement components of the portfolio being re-recorded;
- Adjustments to the securitised portfolio, under the corresponding balance sheet item.

A.3 – Information on transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: change in business model, carrying amount and interest income

The Bank has not reclassified any financial assets during the year.

A.3.2 Reclassified financial assets: change in business model, fair value and effects on comprehensive income

The Bank has not reclassified any financial assets during the year.

A.3.3 Reclassified financial assets: change in business model and effective interest rate

The Bank has not reclassified any financial assets during the year.

A.4 Information on fair value

Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The valuation techniques used have been adapted to the specific characteristics of the assets and liabilities being measured. In choosing the inputs used in valuation techniques, the highest priority is given to observable market data and the lowest priority to internal estimates.

- The valuation techniques used by the Bank are:
- Market approach. This method uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- Income approach. This method converts future amounts (cash flows or income and expenses) to a single current (discounted) amount. When this approach is used, fair value measurement reflects current market expectations about future amounts. This technique involves the use of a net present value calculation.

As regards the impact of the Credit Value Adjustment and the Debit Value Adjustment on the determination of fair value, as far as the consumer credit portfolio is concerned, the counterparty risk is included in the impairment of the portfolio, while, for the measurement of derivatives, the risk is neutralised by means of the weekly settlement of positions.

A.4.2 Valuation processes and sensitivity

The process used for the determination of the fair value of individual financial statement components is illustrated below.

With respect to balance sheet assets:

- Cash, bank accounts, demand loans: for these items, it is assumed that their fair value corresponds to their carrying amount.
- Short-term loans to banks: the fair value is calculated by discounting expected cash flows.
- Derivatives: fair value is determined by means of daily measurement based on expected cash flows.
- Securities portfolio: fair value is based on quoted market prices of financial instruments in active markets, or, if not available, on those for comparable assets.
- Loans to customers:
  - Demand loans. It is assumed that their fair value corresponds to their carrying amount.
  - Other assets. The fair value of the portfolio is calculated by discounting expected cash flows, net of impairment adjustments, using the average interest rate on loans granted in the month on which the valuation is based for each type of product.

With respect to balance sheet liabilities:

- Deposits from banks: on demand. It is assumed that their fair value corresponds to their carrying amount.
- Short- and medium- to long-term deposits from banks and debt securities in issue. The fair value is calculated by discounting expected cash flows based on an interest rate curve observed directly in the market plus the intercompany spread applicable at the measurement date. For floating rate transactions, expected cash flows do not take account of the variable component that is not capable of being determined at the measurement date.
- Deposits from customers:
  - Time deposit accounts. Fair value is determined by discounting expected cash flows using the interest rate actually applied to the customer at the measurement date for the same maturities.
  - Current accounts and deposits. For this item, it is assumed that their fair value corresponds to its carrying amount.
- Hedging derivatives. Please see the assumptions given for hedging derivatives under balance sheet assets.

A.4.3 Fair value hierarchy

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.

The hierarchy gives the highest priority to listed prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. The fair value is directly observable on active markets in which the entity has access at the date of determination of the fair value of identical or comparable assets or liabilities.
- Level 2. The fair value is determined internally based on input directly observable on the market.
- Level 3. The fair value is determined internally on the basis of inputs that are not directly observable. The company makes use of assumptions determined internally.

A.4.4 Other information

There is no further information that needs to be disclosed to comply with IFRS 13 paragraphs 48, 93(i) and 96.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: distribution by levels of fair value

	12/31/2020			12/31/2019		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	2,174	-	-	2,041	-
a) financial assets held for trading	-	2,174	-	-	2,041	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets compulsorily assessed at fair	-	-	-	-	-	-
2. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	-	2,174	-	-	2,041	-
1. Financial liabilities held for trading	-	-	-	-	618	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	10,337	-	-	8,745	-
Total	-	10,337	-	-	9,363	-

Key:
L1= Level 1
L2= Level 2
L3= Level 3

At the reporting date, there were no transfers of assets and liabilities between level 1 and level 2 to be disclosed.

A.4.5.2 Annual changes in financial assets measured at fair value on a recurring basis (level 3)

The Bank does not hold any financial assets measured at fair value (level 3).

A.4.5.3 Annual changes in financial liabilities measured at fair value on a recurring basis (level 3)

The Bank does not hold any financial assets measured at fair value (level 3).

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on non-recurring basis: distribution by levels of fair value

Assets / Liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2020				12/31/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets valued at amortised cost	6,897,629	1,234,372		5,534,102	6,281,249	405,253		5,799,376
2. Available for sale financial assets								
3. Non current assets classified as held for sale								
Total	**6,897,629**	**1,234,372**	**-**	**5,534,102**	**6,281,249**	**405,253**	**-**	**5,799,376**
1. Financial liabilities measured at amortised cost	6,219,596		2,556,146	3,632,616	5,552,900		1,089,608	4,462,389
2. Liabilites included in disposal group classified as hfs								
Total	**6,219,596**	**-**	**2,556,146**	**3,632,616**	**5,552,900**	**-**	**1,089,608**	**4,462,389**

Key:
BV= Book Value
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – Information on "Day One Profit/Loss"

The Bank does not hold any financial instruments that meet the conditions referred to in paragraph 28 of IFRS 7.

Part B – Information on the balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

	Total 12/31/2020	Total 12/31/2019
a) Cash	4	9
b) On demand deposits with Central banks	-	-
Total	**4**	**9**

Section 2 – Financial assets designated at fair value through profit and loss - Item 20

2.1 Financial assets held for trading: breakdown by type

This item has a balance of Euro 2,174 thousand (Euro 2,041 thousand at 31 December 2019) and include the positive fair value of derivatives entered into in connection with securitisation transactions with companies of the Santander Group.

Items/Values	Total 12/31/2020			Total 12/31/2019		
	L1	L2	L3	L1	L2	L3
A. Balance-sheet assets						
1. Debt securities		-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other securietes	-	-	-	-	-	-
2. Equity securites	-	-	-	-	-	-
3. Investment funds unit	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 REPOs	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments						
1. Financial derivates	-	2,174	-	-	2,041	-
1.1 trading	-	2,174	-	-	2,041	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**-**	**2,174**	**-**	**-**	**2,041**	**-**
Total (A+B)	**-**	**2,174**	**-**	**-**	**2,041**	**-**

Key:
L1= level 1
L2= level 2
L3= level 3

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

Items/Values	Total 12/31/2020	Total 12/31/2019
A. CASH ASSETS		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Equity instruments	-	-
a) Banks	-	-
b) Other financial companies	-	-
of which: Insurance companies	-	-
c) Non financial companies	-	-
d) Other issuers	-	-
3. Units investment funds	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total (A)	**-**	**-**
B. DERIVATIVE INSTRUMENTS	-	-
a) Central counterparties	-	-
b) Others	2,174	2,041
Total (B)	**2,174**	**2,041**
Total (A+B)	**2,174**	**2,041**

2.3 Financial assets designated at fair value: breakdown by type

The Bank does not hold any financial assets designated at fair value.

2.4 Financial assets designated at fair value: breakdown by borrower/issuer

The Bank does not hold any financial assets designated at fair value.

2.5 Financial assets mandatorily measured at fair value: breakdown by type

The Bank does not hold any financial assets mandatorily measured at fair value.

2.6 Other financial assets mandatorily measured at fair value: breakdown by borrower/issuer

The Bank does not hold any other financial assets designated at fair value.

Section 3 – Financial assets at fair value through comprehensive income – Item 30

The Company has not designated any financial assets to this category.

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans and advances to banks

Loans and advances to banks come to Euro 46,823 thousand (Euro 52,128 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Values	Total 12/31/2020						Total 12/31/2019					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
A. Loans to Central Banks	**1,076**	-	-	-	-	**1,076**	**3,704**	-	-	-	-	**3,704**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	1,076	-	-	X	X	X	3,704	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	**45,747**	-	-	-	-	**45,834**	**48,425**	-	-	-	-	**48,534**
1. Loans	45,747	-	-	-	-	45,834	48,425	-	-	-	-	48,534
1.1 Current accounts and demand deposits	3,832	-	-	X	X	X	6,953	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	41,915	-	-	X	X	X	41,471	-	-	X	X	X
- Repos	-	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	41,915	-	-	X	X	X	41,471	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**46,823**	-	-	-	-	**46,909**	**52,128**	-	-	-	-	**52,238**

Key:
L1= level 1
L2= level 2
L3= level 3

Loans to central banks of Euro 1,076 thousand (Euro 3,704 thousand at 31 December 2019) consist of receivables due from the Bank of Italy relating to the compulsory reserve.

Loans to banks refer to current accounts and demand deposits for Euro 2,822 thousand (Euro 4,112 thousand at 31 December 2019) and to the temporary debit balances on current accounts to affiliates for Euro 1,010 thousand (Euro 2,841 thousand at 31 December 2019).

The item other loans relates mainly to the capital granted as a subordinated loan to the subsidiary Banca PSA Italia in the amount of Euro 33,543 thousand. The item also includes the amounts paid as a guarantee deposit to the other party, Banco Santander, in the amount of Euro 8,350 thousand (Euro 7,900 thousand at 31 December 2019), corresponding to the negative fair value of the derivative contracts entered into with it.

For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

4.2 Financial assets measured at amortised cost: breakdown by type of loans and advances to customers

Loans to customers amount to Euro 6,850,806 thousand (Euro 6,229,121 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Values	Total 12/31/2020						Total 12/31/2019					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3	First and second stage	Third stage	of which: impaired acquired or originated	L1	L2	L3
1. Loans	**5,586,537**	**32,843**	-	-	-	**5,487,193**	**5,786,361**	**36,841**	**784**	-	-	**5,747,138**
1.1. Current accounts	8,023	2	-	X	X	X	6,877	3	-	X	X	X
1.2. REPOs	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgages	-	-	-	X	X	X	-	-	-	X	X	X
1.4. Credit cards, personal loans and wage assignemnt losses	1,862,192	13,881	-	X	X	X	1,894,719	16,199	784	X	X	X
1.5 Lease loans	127,732	448	-	X	X	X	111,470	467	-	X	X	X
1.6. Factoring	294,933	-	-	X	X	X	372,047	-	-	X	X	X
1.7. Other loans	3,293,656	18,513	-	X	X	X	3,401,248	20,173	-	X	X	X
2. Debt securities	**1,231,426**	-	-	**1,234,372**	-	-	**405,918**	-	-	**405,253**	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	1,231,426	-	-	1,234,372	-	-	405,918	-	-	405,253	-	-
Total	**6,817,963**	**32,843**	**-**	**1,234,372**	**-**	**5,487,193**	**6,192,279**	**36,841**	**784**	**405,253**	**-**	**5,747,138**

Specifically, the loans include:

- Euro 8,025 thousand (of which Euro 2 thousand non-performing loans) for current accounts balances to customers and postal current accounts;
- Euro 1,684,968 thousand (of which Euro 13,881 thousand non-performing loans) for loans to customers arising from financing personal loan transactions, credit cards and loans guaranteed by salary assignment;
- Euro 128,180 thousand (of which Euro 448 thousand non-performing loans) for loans to customers for finance leases, recorded at amortised cost;
- Euro 294,933 for factoring receivables related to operations with automotive companies;
- Euro 3,503,274 thousand (of which Euro 18,513 thousand non-performing loans) for loans to customers resulting from financing for car loans and other special-purpose loans. This item also includes the amount due from the SPE for the proceeds arising from the portfolio involved in the self-securitisation (Euro 191,105 thousand).

The total of assets assigned and not derecognised, which, net of adjustments, amounts to Euro 2,904,154 thousand, of which Euro 9,615 thousand is non-performing, was allocated to the various forms of financing, as required by the instructions for preparation of the financial statements. This amount does not include the amount due from the SPV for the proceeds arising from the portfolio involved in the self-securitisation.

Debt securities include the balance of the government securities held for the purposes of compliance with the regulatory liquidity requirements as included in the "held to collect" business model.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

4.3 Financial assets measured at amortised cost: loans and advances to customers, breakdown by borrower/issuer

Type of transaction / Values	Total 12/31/2020			Total 12/31/2019		
	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets	First and second stage	Third stage	of which: purchased or originated credit impaired financial assets
1. Debt securities	**1,231,426**	-	-	**405,918**	-	-
a) Public Administration	1,231,426	-	-	405,918	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**5,586,537**	**32,843**	-	**5,786,361**	**36,841**	**784**
a) Public Administration	8,124	739	-	6,728	3,838	-
b) Other financial company	201,990	18	-	224,309	13	-
of which: insurance companies	2	5	-	4	6	-
c) Non financial companies	558,790	2,871	-	627,944	3,959	-
d) Households	4,817,633	29,215	-	4,927,380	29,031	784
Total	**6,817,963**	**32,843**	**-**	**6,192,279**	**36,841**	**784**

4.4 Financial assets measured at amortised cost: gross value and total write-downs

		Gross value				Writedown			Write off partial total
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities		1,231,426	-	-	-	-	-	-	-
Loans		5,600,338	-	99,707	132,199	40,910	25,776	99,355	-
Total	**12/31/2020**	**6,831,764**	**-**	**99,707**	**132,199**	**40,910**	**25,776**	**99,355**	**-**
Total	**12/31/2019**	**6,163,360**	**-**	**138,918**	**157,286**	**33,378**	**24,492**	**120,445**	**-**
of which: impaired financial assets aquired or created		X	X	-	-	X	-	-	-

4.4a Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments

		Gross value				Writedown			Write off partial total*
		First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		64,369	-	227	76	2,651	88	11	-
2. Other loans and advances subject to COVID-19-related forbearance measures		-	-	841	25	-	180	16	-
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**64,369**	**-**	**1,068**	**100**	**2,651**	**268**	**27**	**-**

Section 5 – Hedging derivatives – Item 50

The Company does not hold any hedging derivatives with positive fair value.

Section 6 – Changes in fair value of portfolio hedged items – Item 60

6.1 Remeasurement of hedged assets: breakdown by hedged portfolio

Remeasurement to hedged assets / Values	Total 12/31/2020	Total 12/31/2019
1. Positive adjustment	**9,468**	**7,878**
1.1 of specific portfolios:	9,468	7,878
a) financial assets at amortised cost	9,468	7,878
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	-	-
2.1 of specific portfolios:	-	-
a) financial assets at amortised cost	-	-
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**9,468**	**7,878**

Section 7 – Equity investments – Item 70

7.1 Equity investments: disclosures

The Bank’s equity investments at 31 December 2020 are made up as follows:

Company name	Registered Office	Head Office	% holding	% of votes
A. Subsidiaries				
1. Banca PSA Italia S.p.A.	Milano	Milano	50.0%	
2. PSA Renting Italia S.p.A.	Trento	Milano	50.0%	
3. TIMFin S.p.A.	Torino	Torino	51.0%	
B. Joint ventures				
C. Companies under significant influence				

For further information, please refer to the notes to the consolidated financial statements, Part A – Section 3 – paragraph 2 - Main considerations and assumptions for the determination of the scope of consolidation.

7.2 Significant equity investments: carrying amount, fair value and dividends received

Pursuant to the applicable legislation, with reference to the information on subsidiaries with significant minority interests, please refer to the information provided in the Consolidated Financial Statements, Part A – Section 3 – paragraph 3.1 – Equity investments in subsidiaries with significant minority interests.

7.3 Significant equity investments: accounting information

Pursuant to the applicable legislation, with reference to the information on subsidiaries with significant minority interests, please refer to the information provided in the Consolidated Financial Statements, Part A – Section 3 – paragraph 3.2 – Equity investments in subsidiaries with significant minority interests.

7.4 Insignificant equity investments: accounting information

The Bank does not hold any insignificant equity investments.

7.5 Equity investments: change in the year

Equity investments in subsidiaries are recognised in the financial statements at 31 December 2020 for Euro 156,000 thousand (Euro 152,940 thousand at 31 December 2019), as shown in the following table:

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**152,940**	**122,940**
B. Increases	**3,060**	**30,000**
B.1 Purchases	3,060	30,000.00
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes		
C. Decreases		
C.1 Sales		
C.2 Adjustments		
C.3 Devaluations		
C.4 Other changes		
D. Closing balance	156,000	152,940
E. Total revaluations		
F. Total adjustments		

Purchases refers to the new equity investment in the subsidiary TIMFin S.p.A., following the capital contribution paid in.

7.6 Commitments relating to equity investments in subsidiaries under joint control

The Bank has no equity investments in subsidiaries under joint control.

7.7 Commitments relating to equity investments in companies subject to significant influence

The Bank has no equity investments in companies subject to significant influence.

7.8 Significant restrictions

The equity investments held by the Bank are not subject to any significant restrictions.

7.9 Other information

Based on the Bank of Italy’s instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 8 – Property, plant and equipment – Item 80

8.1 Property, plant and equipment used for business purposes: breakdown of assets measured at cost

Property, plant and equipment amount to Euro 20,361 thousand (Euro 20,458 thousand at 31 December 2019) and are made up as follows, net of accumulated depreciation:

Activities/Values	Total 12/31/2020	Total 12/31/2019
1. Owened assets	**4,579**	**2,838**
a) lands	-	-
b) buildings	-	-
c) furniture	805	665
d) electronic system	3,438	1,724
e) other	336	449
2. Leased assets	**15,782**	**17,620**
a) lands	-	-
b) buildings	15,652	17,098
c) furniture	-	-
d) electronic system	-	-
e) other	131	522
Total	**20,361**	**20,458**
of which: obtained by the enforcement of collateral	-	-

The rights of use acquired through leases and relative to the use of property, plant and equipment in application of the IFRS 16 accounting standard are included under property, plant and equipment item.

The table below shows the useful life determined for the purposes of calculating the annual depreciation charge of owned assets:

Category of assets	Useful life (years)
OFFICE FURNITURE AND FURNISHINGS	9
ORDINARY OFFICE MACHINES	9
DATA PROCESSING MACHINES	5
TELEPHONE SYSTEMS	4
VEHICLES	4
MISCELLANEOUS EQUIPMENT	4
SOFTWARE EXPENDITURE	3
DEFERRED CHARGES TO BE AMORTISED	6

8.2 Available for sale financial assets: breakdown of assets measured at cost

No property, plant and equipment held for investment are recognised.

8.3 Property, plant and equipment used for business purposes: breakdown of revalued assets

There are no items of property, plant and equipment used for business purposes that have been revalued.

8.4 Available for sale financial assets: breakdown of assets measured at fair value

No property, plant and equipment held for investment are recognised.

8.5 Inventories of property, plant and equipment covered by IAS 2: breakdown

There are no property, plant and equipment obtained through the realisation of the guarantees received or other inventories of property, plant and equipment.

8.6 Property, plant and equipment used for business purposes: change in the year

	Lands	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	-	**19,350**	**3,884**	**11,600**	**10,715**	**45,549**
A.1 Total net reduction value	-	(2,252)	(3,219)	(9,875)	(9,745)	(25,091)
A.2 Net opening balance	-	**17,098**	**665**	**1,724**	**970**	**20,458**
B. Increase:	-	**1,330**	**238**	**2,448**	**1,544**	**5,560**
B.1 Purchasing	-	-	238	2,448	366	3,052
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from investment properties	-	-	X	X	X	-
B.7 Other adjustment	-	1,330	-	-	1,178	2,508
C. Decrease:	-	**2,777**	**98**	**734**	**2,048**	**5,657**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Amorisation	-	2,268	98	734	1,739	4,839
C.3 Impairment losses allocated to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.4 Negative chages in fair value allocated to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
C.5 Negative exchange difference	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) held for sale investment	-	-	X	X	X	-
b) non-current assets and group of assets held for sale	-	-	-	-	-	-
C.7 Other adjustment	-	508	-	-	310	818
D. Net closing balance	-	**15,652**	**805**	**3,438**	**466**	**20,361**
D.1 Total net write-down	-	4,253	3,284	10,605	11,372	29,514
D.2 Final gross balance	-	**19,904**	**4,090**	**14,043**	**11,838**	**49,875**
E. Carried at cost	-	-	-	-	-	-

Each class of assets is measured at cost. Sub-item E (Carried at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for property, plant and equipment that are carried in the balance sheet at fair value.

The item C.7 "Other adjustment" includes the amount relative to improvements and incremental expenses incurred on third-party assets not separable from the fixed asset itself (Euro 310 thousand), initially recognised under item 80 "Property, plant and equipment" and classified in these financial statements under the item 120 "Others".

The table below reports the annual changes in acquired rights of use of property, plant and equipment for operating purposes acquired through financial leases:

	Lands	Buildings	Furniture	Electronic System	Others	Total
A. Gross opening balance	**-**	**19,350**	**-**	**-**	**2,087**	**21,437**
A.1 Total net reduction value	-	(2,252)	-	-	(1,565)	(3,817)
A.2 Opening net balance	**-**	**17,098**	**-**	**-**	**522**	**17,620**
B. Increase:	**-**	**1,330**	**-**	**-**	**1,178**	**2,508**
B.1 Purchasing	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from properties held for investment	-	-	-	-	-	-
B.7 Other adjustment	-	1,330	-	-	1,178	2,508
C. Decreases:	**-**	**2,777**	**-**	**-**	**1,569**	**4,346**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,268	-	-	1,569	3,838
C.3 Impairment losses	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.4 Negative chages in fair value	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.5 Negative exchange difference	-	-	-	-	-	-
C.6 Transfer to::	-	-	-	-	-	-
a) Property, plant and equipment held for investment	-	-	-	-	-	-
b) non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-
C.7 Other adjustment	-	508	-	-	-	508
D. Net final balance	**-**	**15,652**	**-**	**-**	**131**	**15,782**
D.1 Total net reduction in value	-	(4,253)	-	-	(3,134)	(7,387)
D.2 Gross closing balance	**-**	**19,904**	**-**	**-**	**3,265**	**23,169**
E. Carried at cost	-	-	-	-	-	-

8.7 Available for sale financial assets: change in the year

No property, plant and equipment held for investment have been recognised in the financial statements.

8.8 Inventories of property, plant and equipment covered by IAS 2: change in the year

There are no property, plant and equipment obtained through the realisation of the guarantees received or other inventories of property, plant and equipment in the financial statements.

8.9 Commitments to purchase property, plant and equipment

There are no commitments to purchase property, plant and equipment.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type

Intangible assets amount to Euro 25,993 thousand (Euro 16,375 thousand at 31 December 2019) and are made up as follows:

Activities/Values	Total 12/31/2020		Total 12/31/2019	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		-		-
A.2 Other intangible asset	**25,993**	-	**16,375**	-
A.2.1 Assets valued at cost	25,993	-	16,375	-
a) intangible assets generated internally	-	-	-	-
b) other assets	25,993	-	16,375	-
A.2.2 Assets valued at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**25,993**	**-**	**16,375**	**-**

Other intangible assets refer entirely to the Bank's software.

9.2 Intangible assets: change in the year

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	-	-	-	**97,342**	-	**97,342**
A.1 Reductions of total net value	-	-	-	(80,967)	-	(80,967)
A.2 Net opening balance	-	-	-	16,375	-	16,375
B. Increases	-	-	-	**16,580**	-	**16,580**
B.1 Purchases	-	-	-	16,580	-	16,580
- of which business combinations	-	-	-	-	-	-
B.2 Increments of internal intagible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive variations of fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- to P&L statement	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other variations	-	-	-	-	-	-
C. Decreases	-	-	-	**6,962**	-	**6,962**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	6,962	-	6,962
- Amortisations	X	-	-	6,962	-	6,962
- Depreciations	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ P&L statement	-	-	-	-	-	-
C.3 Negative variations of fair value	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- to P&L statement	X	-	-	-	-	-
C.4 Transfer to non-current assets	-	-	-	-	-	-
C.5 Negative exchange differrences	-	-	-	-	-	-
C.6 Other variations	-	-	-	-	-	-
D. Net closing balance	-	-	-	**25,993**	-	**25,993**
D.1 Adjustment of net total values	-	-	-	87,929	-	87,929
E. Gross closing balance	-	-	-	**113,922**	-	**113,922**
F. Evaluation to cost	-	-	-	-	-	-

Each class of assets is measured at cost. Sub-item F (Carried at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for intangible assets that are carried in the balance sheet at fair value.

The additions in item B.1 relate to the capitalisation of costs incurred for the implementation of EDP application packages and the development of new computer programmes.

9.3 Intangible assets: other information

Based on the Bank of Italy's instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 10 – Tax assets and liabilities – Assets item 100 and Liabilities and Shareholders' equity item 60

Current tax assets recognised in asset line item 100 amount to Euro 45,693 thousand (Euro 36,501 thousand in 2019), while current liabilities recognised in liabilities and shareholders' equity line item 60 amount to Euro 7,216 thousand (Euro 49,599 thousand in 2019).

10.1 Deferred tax assets: breakdown

	12/31/2020	12/31/2019
- Balancing the income statement	181,278	211,101
- Balancing net equity	339	312
Total	**181,618**	**211,413**

Deferred tax assets are accounted for with reference to the deductible temporary differences mainly deriving from the write-down of receivables and convertible into tax credits. The remaining portion is recognised based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12.

The balance of deferred tax assets through the income statement of Euro 181,278 thousand (Euro 211,101 thousand at 31 December 2019) relates mainly:

- for Euro 159,860 thousand, to temporary differences mainly generated by the deferred deductibility for IRES and IRAP purposes of adjustments on loans to customers in previous years;
- for Euro 2,393 thousand, to the effects resulting from the first application of IFRS 9 on adjustments to loan to customers;
- for Euro 19,015 thousand to temporary differences generated mainly by provisions for risks and charges;
- for Euro 10 thousand to the deferred taxes generated from the reporting in the income statement of payments subject to a consistent application of accounting policies for the salary assignment loan portfolio.

Deferred tax assets through shareholders' equity of Euro 339 thousand relate to the tax effect of actuarial gains and losses pertaining to provision for employee severance pay.

10.2 Deferred tax liabilities: breakdown

The Company had not recorded any liabilities for deferred tax liabilities.

10.3 Changes in deferred tax assets (through income statement)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**211,101**	**201,267**
2. Increase	**6,180**	**16,637**
2.1 Deferred tax assets of the year	6,180	16,637
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) write-backs	-	-
d) others	6,180	16,637
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**36,003**	**6,803**
3.1 Anticipated levies cancelled in fiscal year	36,003	6,803
a) reversals of temporary differences	35,740	6,803
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	263	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
a) conversion into tax credit under L. 214/2011	-	-
b) others	-	-
4. Closing balance	**181,278**	**211,101**

The increase in the item in “Deferred tax assets of the year - others” reflects the temporary IRES and IRAP differences deriving mainly from the tax loss and the provisions for risks and charges made in the year (Euro 6,180 thousand) whose future reabsorption will have an impact on the income statement.

“Reversals” refer to the portion deducted in the year of temporary differences from value adjustments on loans allocated in previous years in the amount of Euro 25,154 thousand, the portion deducted in the year of the value adjustments on loans consequent to first-time adoption of IFRS 9 (Euro 299 thousand), to the use of the provisions allocated for other risks and charges in the amount of Euro 10,258 thousand, and to the reversal in the income statement of the portion for the year, equal to Euro 24 thousand, of deferred taxation arising from a consistent application of accounting policies for the salary assignment loan portfolio.

10.3bis Changes in deferred tax assets as per Italian Law no. 214/2011

	Total 12/31/2020	Total 12/31/2019
Opening balance	**182,361**	**182,361**
2. Increases	**2,652**	**-**
3. Decreases	**25,153**	**-**
3.1 Reversals of temporary differences	25,153	-
3.2 Transformation into tax credits	-	-
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**159,860**	**182,361**

With regard to deferred tax assets recorded in the financial statements as a result of both the tax loss for the year and the deferred deductibility of the loan write-downs generated in previous years as reported in the table, it should be stressed that they are fully convertible into tax credits as a result of the exercise of the option referred to in art. 11 of Italian Decree Law no. 59/2016 and subsequent amendments.

10.4 Changes in deferred tax liabilities (through the income statement)

There are no deferred tax liabilities through the income statement in the financial statements.

10.5 Changes in deferred tax assets (through shareholders' equity)

	Total 12/31/2020	Total 12/31/2019
1. Opening balance	**312**	**296**
2. Increases	**27**	**16**
2.1 Deferred tax assets during the year	27	16
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	27	16
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
- of which: business combinations	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax assets derecognised during the year	-	-
a) reversals of temporary differences	-	-
b) devaluation for appeared irrecoverability	-	-
c) due to changes in accountable parameters	-	-
d) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
- of which: business combinations	-	-
4. Closing balance	**339**	**312**

The increase in deferred tax assets with a balancing entry in shareholders' equity exclusively refers to the impact of the actuarial result correlated to the Provision for employee severance pay.

10.6 Change in deferred tax liabilities (through shareholders' equity)

There are no changes in deferred tax liabilities through shareholders' equity.

10.7 Other information

Based on the Bank of Italy's instructions for the preparation of the financial statements, no other information has to be provided in this paragraph.

Section 11 - Non-current assets and disposal groups classified as held for sale and associated liabilities – Assets item 110 and Liabilities and Shareholders' equity item 70

11.1 Non-current assets and disposal groups classified as held for sale: breakdown by type

The Bank does not have any non-current assets and disposal groups classified as held for sale.

11.2 Other information

There is no further information that needs to be disclosed to comply with IFRS 5, paragraph 42.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

The balance of "Other assets", amounting to Euro 60,429 thousand (Euro 72,831 thousand at 31 December 2019), is made up as follows:

	12/31/2020	12/31/2019
Advances to suppliers	502	1,904
Stamp duties	8,497	7,965
Withholding taxes	39	99
Other tax receivables	8,157	8,242
Due from dealers	3,730	4,682
Due from insurances	28,092	38,360
Accruals and prepaid expenses	175	546
Assets in transit	3,907	5,502
Leasehold improvements	2,649	2,672
Other items	2,712	2,660
Other intercompany assets	1,969	197
Total	**60,429**	**72,831**

The item "Due from insurances" mainly relates to receivables due for insurance brokerage commission linked to insurance brokerage activities.

"Assets in transit" include items temporarily in transit relating to instalment collection.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: deposits from banks, breakdown by type

Deposits from banks amount to Euro 4,118,444 thousand (Euro 3,366,539 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Values	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**2,535,602**	X	X	X	**1,011,370**	X	X	X
2. Deposits from banks	**1,582,843**	X	X	X	**2,355,169**	X	X	X
2.1 Current accounts and demand deposits	32,000	X	X	X	-	X	X	X
2.2 Time deposits	-	X	X	X	220,000	X	X	X
2.3 Loans	1,550,526	X	X	X	2,134,879	X	X	X
2.3.1 Repos	50,088	X	X	X	79,114	X	X	X
2.3.2 Other	1,500,438	X	X	X	2,055,765	X	X	X
2.4 Liabilities relating to commitments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other liabilities	316	X	X	X	289	X	X	X
Total	**4,118,444**	**-**	**2,556,146**	**1,540,077**	**3,366,539**	**-**	**1,089,608**	**2,285,443**

Key:
BV= Book Value
L1=Level 1
L2=Level 2
L3=Level 3

The item "Deposits from central banks" includes loans received from the Bank of Italy in connection with the TLTRO-II and TLTRO-III operations with the European Central Bank (Euro 2,535,602 thousand).

"Deposits from banks" consists of:

- Parent Company overnight financing transactions (Euro 32,000 thousand);
- a repo transaction with a third party (Euro 50,088 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon (Euro 125,087 thousand), loans granted by Santander Group companies as part of ordinary funding operations (Euro 1,375,351 thousand);
- accrued amounts due to banks (Euro 316 thousand).

For further details, please see the information provided on funding in the report on operations.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

1.2 Financial liabilities measured at amortised cost: deposits from customers, breakdown by type

Deposits from customers amount to Euro 1,924,911 thousand (Euro 2,066,332 thousand at 31 December 2019) and are made up as follows:

Type of transaction/Value	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	734,475	X	X	X	708,191	X	X	X
2. Time deposits	516,225	X	X	X	512,833	X	X	X
3. Loans	-	X	X	X	-	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	16,033	X	X	X	17,711	X	X	X
6. Other liabilities	658,178	X	X	X	827,597	X	X	X
Total	**1,924,911**	**-**	**-**	**1,914,082**	**2,066,332**	**-**	**-**	**2,055,208**

The item Current accounts and demand deposits includes demand deposits from customers (Euro 702,408 thousand), the current account held by the Group company Santander Private Banking (Euro 8,295 thousand) and the ordinary current accounts to affiliates (Euro 22,580 thousand).

The item “Other liabilities” mainly includes the “conventional” debt recorded by the Bank with regard to the vehicle Golden Bar, for the purposes of the recognition in the financial statements of the securitisation transactions according to the supervisory instructions; for further details please refer to Part E, Section 1, paragraph C “Securitisations”.

For further details, please see the information provided on funding in the report on operations.

For further information about the methodology used for the determination of the fair value of this item, please see Part A Accounting policies – A.4 Information on fair value.

1.3 Financial liabilities measured at amortised cost: debt securities in issue, breakdown by type

Tipologia titoli / Valori	Total 12/31/2020				Total 12/31/2019			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities								
1. bonds	176,241	-	-	178,457	120,030	-	-	121,738
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	176,241	-	-	178,457	120,030	-	-	121,738
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**176,241**	**-**	**-**	**178,457**	**120,030**	**-**	**-**	**121,738**

Legenda:
BV= Book Value
L1=Level 1
L2=Level 2
L3=Level 3

The balance of the item “Debt securities in issue” relates to non-preferred senior bonds entirely subscribed by the Parent Company. This item also includes the relative accrued interest expense.

For further details relating to the issues, please see the information provided on funding in the report on operations.

For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

1.4 Details of subordinated debts/securities

This item, totalling Euro 125,000 thousand (Euro 125,000 thousand at 31 December 2019), includes loans granted by Santander Group companies consisting of:

Type	12/31/2020	12/31/2019
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2028	35,000	35,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2025	50,000	50,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2027	30,000	30,000
TIER II subordinated debt to SCF - Santander Consumer Finance - maturing to 2029	10,000	10,000
Total	**125,000**	**125,000**

1.5 Details of structured debts

The Bank has no structured debts.

1.6 Lease payables

The composition of financial outflows for leases relative to the 2020 financial year (IFRS 16 paragraph 53) and the analysis of maturity of the relative liabilities (IFRS 16 paragraph 58) is given below.

	Capital	Interest	Variable payments	Total cash flow leasing
	a	b	c	d=a+b+c
cash outflows	3,676	380	719	4,776

	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
lease payables	-	597	-	-	-	468	880	4,888	9,201	-

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2020					Total 12/31/2019				
	NV	Fair Value			Fair Value *	NV	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivative instruments										
1. Financial derivatives	X	-	-	-	X	X	-	618	-	X
1.1 Trading	X	-	-	-	X	X	-	618	-	X
1.2 Related with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**618**	**-**	**X**
Total (A+B)	**X**	**-**	**-**	**-**	**X**	**X**	**-**	**618**	**-**	**X**

At 31 December 2020, the Bank had no financial liabilities held for trading.

2.2 Details of "Financial liabilities held for trading": subordinated liabilities

The Bank has no subordinated liabilities classified under the item "Financial liabilities held for trading".

2.3 Details of "Financial liabilities held for trading": structured debts

The Bank has no structured debts.

Section 3 – Financial liabilities designated at fair value – Item 30

The Bank has not designated financial liabilities under this category.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchical level

	NV	Fair value	12/31/2020		NV	Fair value	12/31/2019	
	12/31/2020	L1	L2	L3	12/31/2019	L1	L2	L3
A) Financial derivatives	**1,186,937**	**-**	**10,337**	**-**	**1,196,624**	**-**	**8,745**	**-**
1) Fair value	1,186,937	-	10,337	-	1,196,624	-	8,745	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**1,186,937**	**-**	**10,337**	**-**	**1,196,624**	**-**	**8,745**	**-**

Key:
NV= Notional Value
L1= level 1
L2= level 2
L3= level 3

The amount shown in the above table refers to the negative fair value of interest rate swaps entered into by the bank with the Spanish parent company Banco Santander. The derivatives portfolio consists of contracts taken out to hedge changes in the fair value of fixed-rate underlying assets.

As regards checking the effectiveness of the hedge with respect to the underlying, reference should be made to Part E, Section 2 - Market risk, Subsection 2.2 - Interest rate risk and price risk, paragraph A (General aspects, management processes and methods of measuring interest rate risk and price risk).

The following table gives details of hedging derivatives with negative fair values at 31 December 2020 (in Euro):

Notional (euro)	Start date	Settlement date	Counterparty	Fair value (euro)
60,750	01/30/2017	10/31/2025	Banco Santander	536
51,040	04/26/2017	07/28/2025	Banco Santander	442
57,976	04/26/2017	08/26/2025	Banco Santander	525
57,501	04/26/2017	09/26/2025	Banco Santander	528
28,022	05/31/2017	06/30/2023	Banco Santander	164
36,887	05/31/2017	07/31/2023	Banco Santander	239
39,392	07/31/2017	11/29/2024	Banco Santander	390
42,875	07/31/2017	12/31/2024	Banco Santander	398
38,822	07/31/2017	01/31/2025	Banco Santander	399
14,187	09/29/2017	12/31/2025	Banco Santander	162
39,059	06/30/2020	12/31/2027	Banco Santander	937
59,468	06/29/2018	09/30/2024	Banco Santander	474
71,023	07/31/2018	07/31/2028	Banco Santander	915
57,694	08/31/2018	08/31/2028	Banco Santander	670
88,870	12/21/2018	12/21/2028	Banco Santander	1,052
61,670	05/31/2019	11/30/2027	Banco Santander	440
94,670	05/29/2020	02/28/2031	Banco Santander	513
94,670	05/29/2020	02/28/2031	Banco Santander	494
97,556	05/29/2020	07/29/2031	Banco Santander	548
47,474	05/29/2020	05/29/2031	Banco Santander	263
47,335	05/29/2020	06/30/2031	Banco Santander	247
1,186,937				**10,337**

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value							Cash flow		Foreign invest.
	Specific									
	debt securities and interest rates	equities and equity index	currencies and gold	credit	commodities	others	Generic	Specific	Generic	
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets valued to amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	10,337	X	-	X
4. Other operations	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**10,337**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

For the related comments please read the description in point 4.1.

Section 5 – Remeasurement of financial liabilities with general hedges – Item 50

No financial liabilities with general hedges have been recognised in the financial statements.

Section 6 – Tax liabilities – Item 60

Please refer to Section 10 of Assets.

Section 7 – Liabilities associated with non-current assets held for sale – Item 70

The Bank does not have any liabilities associated with assets held for sale.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

Other liabilities amount to Euro 170,494 thousand (Euro 250,647 thousand at the end of 2019) and consist of:

	12/31/2020	12/31/2019
- Due to suppliers	19,249	19,933
- Due to dealers	28,641	34,327
- Payables to employees	5,519	6,994
- Due to Social Security institutions	2,628	2,646
- Tax payables	6,872	7,113
- Other amounts due to customers	15,048	14,569
- Due to insurances	27,374	42,228
- Factoring payables	17,241	72,754
- Accruals and deferred income	128	128
- Items in transit	36,195	36,310
- Other liabilities for commissions	2,348	3,343
- Other payables	9,251	10,302
Total	**170,494**	**250,647**

“Other amounts due to customers” include temporary debt balances with customers for early repayments and the temporary debt balances for instalment payments received in advance of the contractual expiry date.

“Items in transit” mainly include items in transit relating to instalment collection and the settlement of loans.

“Other payables” mainly consists of the provision for agents’ leaving indemnities.

Section 9 – Provision for employee severance pay – Item 90

9.1 Provision for employee severance pay: change in the year

	Total 12/31/2020	Total 12/31/2019
A. Opening balance	**3,181**	**3,136**
B. Increases	**102**	**93**
B.1 Provision of the year	21	43
B.2 Other increases	81	50
- of which business aggregation operations	-	-
C. Reductions	**44**	**48**
C.1 Severance payments	44	48
C.2 Other reductions	-	-
- of which business aggregation operations	-	-
D. Closing balance	**3,238**	**3,181**
Total	**3,238**	**3,181**

The provision for employee severance pay amounts to Euro 3,238 thousand (Euro 3,181 thousand at 31 December 2019) and, as required by IAS 19, this coincides with its actuarial valuation (Defined Benefit Obligation – DBO).

The actuarial assumptions adopted for the valuation of the provision at the reporting date are the following:

- discount rate: 0.40%;
- expected inflation rate: 0.90%;
- frequency of advances: 5.00%;
- frequency of termination for reasons other than death, disability, retirement: 6.50%;
- number of retirements: 100% in the year in which they become eligible pursuant to law.

The following demographic assumptions were used:

- death: IPS55 generational table with age-shifting;
- disability: 1998 INPS tables;
- retirement: in accordance with Italian law 214/2011.

With the introduction of the reform envisaged by Italian Law 296/2006 (2007 Finance Act) on supplementary pensions, amounts provided relate to interest cost, corresponding to interest cost accrued at the beginning of the period and interest cost pertaining to movements in the year.

9.2 Other information

The provision for employee severance pay covers the amount of accruing employee rights, in accordance with the law in force and collective and supplementary labour agreements and amounts to Euro 3,241 thousand at the reporting date. Excluding the components relating to actuarial gains and losses, the provision amounts to Euro 2,213 thousand.

As regards the application of the amendments made to IAS 19 by EU Regulation 475/2012, set out below is a sensitivity analysis for changes in the discount rate.

Sensitivity analysis	**12/31/2020**	**12/31/2019**
Sensitivity to the discount rate		
a. Assumption (+50 bps)	0.90%	1.20%
b. DBO	3,133	3,072
c. Assumption (-50 bps)	-0.10%	0.20%
d. DBO	3,355	3,294

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	Total 12/31/2020	Total 12/31/2019
1. Provisions for credit risk on commitments and financial guarantees given	54	46
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	-	-
4. Other funds for risks and obligations	20,200	38,319
4.1 legal disputes	4,776	5,977
4.2 staff expenses	-	-
4.3 others	15,424	32,342
Total	**20,254**	**38,365**

10.2 Provisions for risks and charges: change in the year

	Provisions for other off-balance sheet commitments and other guarantees	Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Initial existence	-	-	**38,319**	**38,319**
B. Increases	-	-	**2,975**	**2,975**
B.1 Reserve of the fiscal year	-	-	2,970	2,970
B.2 Variation due to pass of time	-	-	-	-
B.3 Variation due to modifies of discount rate	-	-	-	-
B.4 Other variations	-	-	5	5
- of which business aggregation operations	-	-	-	-
C. Decreases	-	-	**21,093**	**21,093**
C.1 Use in the exercise	-	-	21,070	21,070
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	23	23
- of which business aggregation operations	-	-	-	-
D. Final surplus	-	-	**20,200**	**20,200**

The main increases in item B.1 "Reserve of the fiscal year" relate to provisions for legal disputes with customers and dealers, and other allocations to provisions for customer disputes.

Item C.1 "Use during the year" relates both to reversals of provisions through line item 170b) of the income statement, set up in prior years for lawsuits, for Euro 768 thousand, and to utilisations of provisions set up in prior years as a result of disbursements made for Euro 20,302 thousand.

10.3 Provisions for credit risk on commitments and financial guarantees given

	Provisions for credit risk on commitments and financial guarantees given			
	First stage	Second stage	Third stage	Total
Loan commitments given	54	-	-	54
Financial guarantees given	-	-	-	-
Total	**54**	**-**	**-**	**54**

10.4 Provisions on other commitments and other guarantees given

The Bank does not have provisions on other commitments and other guarantees given.

10.5 Defined-benefit pension plans

The Bank has not established any company defined-benefit pension plans.

10.6 Provisions for risks and charges - other provisions

Provisions for legal disputes relate to provisions for disputes with customers and dealers.

Other provisions include provisions for legal disputes with customers relating to the salary assignment loan portfolio, as well as the provisions for future reimbursements of charges paid in advance, in the event of early repayment.

For further details please refer to Please refer to Part E, Section 5 - Operational risk.

Section 11 – Redeemable shares – Item 120

The Bank has not approved any share redemption plans.

Section 12 – Shareholders' equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

For information on this section, please refer to paragraph 12.2.

12.2 Share capital – Number of shares: change in the year

Items/Types	Ordinaries	Others
A. Shares existing at the start of the fiscal year	**573,000**	-
-fully paid-up	573,000	-
- not fully paid-up	-	-
A.1 treasury shares (-)	-	-
A.2 Shares outstanding: Opening balance	573,000	-
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business combination transaction	-	-
- bonds conversions	-	-
- warrants executions	-	-
- others	-	-
- free:	-	-
- to employees	-	-
- to directors	-	-
- others	-	-
B.2 Sales of treasury shares	-	-
B.3 Other adjustments	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business sale operations	-	-
C.4 Other adjustments	-	-
D. Shares in circulation: final surplus	**573,000**	-
D.1 Treasury shares (+)	-	-
D.2 Shares existing at the end of the fiscal year	573,000	-
-fully paid-up	573,000	-
- not fully paid-up	-	-

12.3 Share capital: other information

At 31 December 2020, the share capital of the Bank amounts to Euro 573 million.

	Total	
	12/31/2020	**12/31/2019**
Par value per share (zero if the shares have no par value)	1,000	1,000
Fully paid		
Number	573,000	573,000
Amount	573,000,000	573,000,000
Agreed sale :		
Number of shares under contract		
Total amount		

12.4 Profit reserves: other information

The Bank's profit reserves at 31 December 2020 consist mainly of the legal reserve (Euro 17,552 thousand), the extraordinary reserve (Euro 273,677 thousand), the capital reserve (Euro 39,913 thousand), the negative merger reserve (Euro -66 thousand), the IFRS 9 first-time adoption reserve and the reserve arising from the acquisition of the ISBAN business unit (Euro -6,435 thousand).

12.5 Equity instruments: breakdown and change in the year

The Bank has not issued any equity instruments.

12.6 Other information

The Bank has not issued any financial instruments repayable on demand (puttable financial instruments).

The paragraph “Proposals to the Shareholders’ Meeting” in the Report on Operations indicates the amount of dividends proposed for distribution of Euro 67 million.

As required by art. 2427, paragraph 7-bis of the Italian Civil Code, the following table describes in detail the items of shareholders’ equity with an indication of their origin, extent to which they are available for use or for distribution, as well as how they have been used in previous years.

Items	Amount	Permitted uses (*)	Available portion	Summary of use in the three previous fiscal year	
				to cover losses	for other reasons
Share capital	**573,000**				
Share premium reserve	**633**				
Reserves	**324,640**				
Legal reserve	17,552	A(1), B			
Extraordinary reserve	273,677	A, B, C	273,677		
FTA reserve	(6,081)				
Incorporation reserve	(355)				
Changes in previous period earning		(2)			
Reserve Earning	(66)				
Capital reserve		A, B			
Merger reserve					
Other reserve	39,913				
Revaluation reserves	**(686)**				
Cash flow hedges reserves		(2)			
Actuarial gains(losses) on defined benefit plans	(686)	(2)			
Net income (loss)	**70,646**			**948**	
Total	**968,233**			**948**	

(*) A = for increase in capital; B = to cover losses; C = for distribution to shareholders
(1) To be used to increase capital (A) for the portion exceeding one fifth of share capital
(2) The reserve is restricted pursuant to art. 6 of Legislative Decree no. 38/2005

The profit for 2019 has been allocated to the legal reserve (Euro 4,064 thousand), to the extraordinary reserve (Euro 77,091 thousand), and to cover accumulated losses (Euro 116 thousand).

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal value of commitments and financial guarantees given			Total 12/31/2020	Total 12/31/2019
	First stage	Second stage	Third stage		
Loan commitments given	**590,488**	**249**	**3**	**590,740**	**475,540**
a) Central banks	-	-	-	-	-
b) Public Administration	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	586,666	249	-	586,916	472,016
f) Households	3,821	-	3	3,824	3,524
Financial guarantees issued	-	-	-	-	-
a) Central banks	-	-	-	-	-
b) Public Administration	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	-	-	-	-	-

The item “Loan commitments given” includes the amount of the irrevocable commitments relating to factoring transactions and the margins available on credit lines granted to customers.

2 Other commitments and other guarantees given

There are no other commitments and other guarantees given that fall respectively within the scope of IAS 37 and IFRS 4.

3. Assets used to guarantee own liabilities and commitments

Portfolios	Amounts 12/31/2020	Amounts 12/31/2019
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets valued to amortised cost	3,687,069	2,173,141
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The item “Financial assets measured at amortised cost” includes:

- Italian government bonds, the pool of loans (ABACO) and the assets underlying the securities provided as collateral for the loans received from the Bank of Italy in connection with TLTRO-II and TLTRO-III operations with the European Central Bank;
- the portfolio of loans subject to securitisation, referred to below in Part E, Section C.1 of the Notes to the Financial Statements;
- the government securities involved in the repurchase agreements entered into with UniCredit Bank AG;
- the amounts paid as guarantee deposit to Santander Group companies as part of derivatives operations.

4. Administration and trading on behalf of third parties

The Bank does not operate in the field of administration and trading on behalf of third parties.

5. Financial assets subject to offsetting in the financial statements, or subject to master netting or similar agreements

Instrument type		Gross amount of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet values of financial asset (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e)	Net amounts
					Financial instruments (d)	Cash Collateral received (e)	12/31/2020	12/31/2019
1. Derivatives		2,174	-	2,174	-	2,224	(50)	(161)
2. Repo's		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**2,174**	**-**	**2,174**	**-**	**2,224**	**(50)**	**X**
Total	**12/31/2019**	**2,041**	**-**	**2,041**	**-**	**2,203**	**X**	**(161)**

As required by IFRS 7, it is hereby disclosed that the derivatives in place at 31 December 2020 are derivative instruments with Banco Santander with a positive fair value equal to Euro 2,174 thousand (column c) subject to an ISDA-based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives with negative balance of the same type, where present.

Column e) "Cash collateral received" shows the effect of the potential offsetting of exposures for which cash collateral has been provided.

6. Financial liabilities subject to offsetting in the financial statements, or subject to master netting or similar agreements

Instrument type		Gross amount of the financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet values of financial liabilities (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount (f=c-d-e)	Net amount (f=c-d-e)
					Financial instruments (d)	Cash Collateral received (e)	12/31/2020	12/31/2019
1. Derivatives		10,337	-	10,337	-	10,574	(237)	(739)
2. Repos		50,090	-	50,090	4	-	50,087	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2020**	**60,427**	**-**	**60,427**	**4**	**10,574**	**49,849**	**X**
Total	**12/31/2019**	**88,477**	**-**	**88,477**	**79,114**	**10,103**	**X**	**(739)**

The financial liabilities subject to offsetting have the following characteristics:

- Derivatives with Banco Santander with negative fair value, equal to Euro 10,337 thousand (column c), are subject to an ISDA-based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives recognised as assets, where present. Column e) "Cash collateral received" shows the effect of the potential offsetting of exposures for which cash collateral has been provided;
- Repos include the transactions carried out with a third party. Column d) "Financial instruments" includes the fair value of the security provided as collateral against the loan received.

7. Securities lending

The Bank is not party to any securities lending.

8. Information on joint arrangements

The Bank is not party to any joint arrangements.

Part C – Information on the income statement

Section 1 – Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Interest and similar income amount to Euro 242,480 thousand (Euro 247,735 thousand at 31 December 2019) and is made up of:

Items/Technical forms	Debt securities	Loans	Other operations	Total 12/31/2020	Total 12/31/2019
1. Financial assets valued to fv with impact to P&L:	-	-	-	-	-
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated to fv	-	-	-	-	-
1.3 Other financial assets mandatorly valued to fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	X	-	-
3. Financial assets at amortised cost	**586**	**228,084**	X	**228,670**	**244,005**
3.1 Loans to banks	-	642	X	642	554
3.2 Loans to customers	586	227,442	X	228,028	243,452
4. Hedging derivatives	X	X	**16**	**16**	-
5. Other assets	X	X	**265**	**265**	**144**
6. Financial liabilities	X	X	X	**13,529**	**3,586**
Total	**586**	**228,084**	**281**	**242,480**	**247,735**
of which: interest income on credit impaired financial	-	-	-	-	-
of which: interest income on financial lease	-	3,903	-	3,903	3,884

The value of interest on loans to customers mainly relates to the economic effects of loans to customers, inclusive of the portfolio of securitised loans entered in the financial statements according to IFRS 9, in continuity with the previous IAS 39, on reversal derecognition.

Against a background of negative rates, the item “Financial liabilities” mainly consists of interest income accrued on financing transactions through TLTRO-II and TLTRO-III with the European Central Bank. This item includes interest on TLTRO III loans to which the average rate on deposits with the Central Bank was applied, calculated for the entire duration of the respective transaction, with the exception of the period between 24 June 2020 and 31 December 2020, (for which a further rate of -0.5% is applied compared to the base rate of -0.5%) since the loans eligible to obtain the bonus rate are well above the required net lending benchmarks.

For more details, refer to the Financial Management section of the Report on Operations.

1.2 Interest and similar income: other information

The Bank does not hold any financial assets in foreign currency.

1.3 Interest and similar expense: breakdown

Interest and similar expense amount to Euro 37,938 thousand at 31 December 2020 (Euro 37,049 thousand at 31 December 2019) and is made up of:

Items/Technical forms	Debts	Securities	Other operations	Total 12/31/2020	Total 12/31/2019
1. Financial liabilities valued at amortised cost	31,050	1,212	X	32,262	31,740
1.1 Deposits from central banks	-	X	X	-	-
1.2 Debts from banks	8,074	X	X	8,074	12,443
1.3 Debts to customers	22,975	X	X	22,975	19,256
1.4 Debt securities in issue	X	1,212	X	1,212	41
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	12
5. Hedging derivatives	X	X	4,791	4,791	5,034
6. Financial assets	X	X	X	885	263
Total	**31,050**	**1,212**	**4,792**	**37,938**	**37,049**
of which: interest expense on lease payables	(380)	-	-	(380)	(307)

Interest expense on deposits from banks mainly derives from loans granted by Santander Group companies as part of ordinary funding operations (Euro 8,015 thousand) and by other banks (Euro 57 thousand).

Interest expense on deposits from customers consists of the cost of funding provided by customers through current and deposit accounts (Euro 13,656 thousand). Again with reference to deposits from customers, the income statement components attributable to cash generated by the securitisation portfolio are shown under liabilities.

Interest expense on debt securities in issue relates to the issue of non-preferred Senior bonds.

"Hedging derivatives" include the net balance of differentials on hedging derivatives as reported in table 1.5 below.

1.4 Interest expenses and similar charges: other information

1.4.1 Interest expenses on foreign currency liabilities

The Bank has no liabilities in foreign currency.

1.5 Differentials on hedging operations

Items	Total 12/31/2020	Total 12/31/2019
A. Positive differentials related to hedging operations:	16	-
B. Negative differentials related to hedging operations:	(4,791)	(5,034)
C. Balance (A-B)	**(4,775)**	**(5,034)**

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

The fee and commission income generated during the year amount to Euro 63,060 thousand (Euro 81,813 thousand at 31 December 2018) and are broken down as follows:

Type of service/Values	Total 12/31/2020	Total 12/31/2019
a) released guarantees	-	-
b) credit derivatives	-	-
c) management services, brokerage and consultancy:	44,468	61,989
1. negotiation of financial instruments	-	-
2. currency negotiation	-	-
3. individual portfolio management	-	-
4. stock custody and administration	-	-
5. depositary bank	-	-
6. allocation of stock	-	-
7. reception and transmission order	-	-
8. consultancy activities	-	-
8.1. in matter of investments	-	-
8.2. in matter of financial structure	-	-
9. distribution of third parties services	44,468	61,989
9.1. porfolios management	-	-
9.1.1. individuals	-	-
9.1.2. collectives	-	-
9.2. insurance products	44,468	50,126
9.3. other products	-	11,863
d) payment and recess services	14,742	14,622
e) services of servicing for operations of cartolization	-	-
f) services for factoring operations	-	-
g) business of tax collection and betting office	-	-
h) activities of management of multilateral sistem of trading	-	-
i) holding and management of current account	-	-
j) other services	3,850	5,201
Total	**63,060**	**81,813**

Item c) includes commission income on insurance products placed with financed customers of Euro 44,468 thousand; During the year, the Bank integrated the recovery of network brokerage costs in the calculation of the amortised cost, following the recent ruling issued by the Court of Justice of the European Union[22].

Item d) mainly includes commissions generated during the year from collection and payment services provided to customers.

Item j) "other services", on the other hand, comprises:

- income recognised in respect of damages for late payment (Euro 1,790 thousand);
- fees and commission income for the management of credit cards (Euro 121 thousand);
- commission income on stock financing (Euro 541 thousand);
- commissions for other services (Euro 1,398 thousand).

[22] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 ("Lexitor")

2.2 Fee and commission income: distribution channels for products and services

Channels/Values	Total 12/31/2020	Total 12/31/2019
b) through Group bank branches:	**44,468**	**61,989**
1. portfolio management	-	-
2. securities placement	-	-
3. third-party services and products	44,468	61,989
b) off-site:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. third-party services and products	-	-
c) other distributive channels:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

The amount indicated in the table corresponds to the revenues for insurance products placed with customers.

2.3 Fee and commission expenses: breakdown

Fee and commission expense amount to Euro 20,852 thousand (Euro 37,651 thousand at 31 December 2019) and are broken down as follows:

	12/31/2020	12/31/2019
a) guarantees received	30	16
b) credit derivatives	-	-
c) management and brokerage services	18,253	33,306
1.trading in financial instruments	-	-
2. currency trading	-	-
3. portfolios management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolio	-	-
4. custody and administration securities	88	65
5. financial instruments placement	-	-
6. off-site distribution of financial instruments, products and services	18,165	33,241
d) collection and payment services	2,264	3,166
e) other services	305	1,163
Total	**20,852**	**37,651**

Point 6 in item c) mainly refers to commission paid on the placement of insurance products (Euro 16,911 thousand) and contributions and termination indemnities accrued by the network of agents based on targets for the placement of loans with customers (Euro 1,254 thousand). During the year, the Bank integrated the network brokerage costs in the calculation of the amortised cost made following the above-mentioned ruling.

The total of item d) in the table refers to the cost incurred for the collection of loan instalments and for payments made.

Section 3 – Dividends and similar revenues – Item 70

3.1 Dividends and similar revenues: breakdown

Items/Incomes	Total 12/31/2020		Total 12/31/2019	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	-	-	-	-
B. Other financial assets mandatorily designated at fair value	-	-	-	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Investments	-	-	-	3,676
Total	**-**	**-**	**-**	**3,676**

In 2020 there were no dividends paid by subsidiaries.

Section 4 – Net income financial assets and liabilities held for trading – Item 80

4.1 Net income financial assets and liabilities held for trading: breakdown

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Loss from negotiation (D)	Net result [(A+B) - (C+D)]
1. Financial trading assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Equity stocks	-	-	-	-	-
1.3 O.I.C.R. shares	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	X	X	X	X	-
4. Derivatives	**3,086**	-	**(991)**	-	**2,095**
4.1 Financial derivatives:	3,086	-	(991)	-	2,095
- On debt securities and interest rates	3,086	-	(991)	-	2,095
- On capital stocks and stock indexes	-	-	-	-	-
- On currency and gold	X	X	X	X	-
- Others	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected to fv option	X	X	X	X	-
Total	**3,086**	**-**	**(991)**	**-**	**2,094**

The item includes the net positive result arising from financial derivatives held to hedge interest rate risk associated with securitisations that do not meet the requirements for classification as hedging derivatives.

Section 5 – Net hedging gains (losses) on hedge accounting – Item 90

5.1 Net hedging gains (losses) on hedge accounting: breakdown

This table shows the income generated by the valuation of the derivatives hedging the fair value of financial assets and the corresponding charge resulting from the valuation of the hedged assets.

P&L item/Values	Total 12/31/2020	Total 12/31/2019
A. Income from:		
A.1 Fair value hedging instruments	820	129
A.2 Financial assets hedged (fair value)	1,590	3,865
A.3 Financial liabilities hedged (fair value)	-	-
A.4 Cash-flow hedging derivatives	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income in hedge accounting (A)	**2,411**	**3,993**
B. Charges on		
B.1 Fair value hedging instruments	(2,423)	(4,291)
B.2 Financial assets hedged (fair value)	-	-
B.3 Financial liabilities hedged (fair value)	-	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**(2,423)**	**(4,291)**
C. Net hedging activity (A-B)	**(12)**	**(298)**
of which: net gains (losses) of hedge accounting on net positions	-	-

Section 6 – Gains (losses) on disposal or repurchase – Item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items / Income	Total 12/31/2020			Total 12/31/2019		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	3,755	(2,338)	1,417	20,606	(3,569)	17,037
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	3,755	(2,338)	1,417	20,606	(3,569)	17,037
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,755**	**(2,338)**	**1,417**	**20,606**	**(3,569)**	**17,037**
B. Financial liabilities valued at amortised cost						
1. Deposits with banks	-	-	-	-	-	-
2. Deposits with customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

The item Loans to customers includes receivables sold without recourse during the year. In particular, the net result is related to the extraordinary sale of non-performing loans in the second half of 2020.

Section 7 – Net result on other financial assets and liabilities measured at fair value through profit and loss - Item 110

The Bank does not hold any financial assets or liabilities designated at fair value.

Section 8 – Net losses / recoveries on credit risk – Item 130

8.1 Net adjustments for credit risk associated with financial assets measured at amortised cost: breakdown

Items / Income	Write-downs (1)			Write - backs (2)		Total 12/31/2020	Total 12/31/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others				
A. Loans to banks	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	-	-	-	-
B. Loans to customers	**(40,913)**	**(773)**	**(35,157)**	**24,515**	**7,717**	**(44,612)**	**(23,298)**
- Loans	(40,913)	(773)	(35,157)	24,515	7,717	(44,612)	(23,298)
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired loans	-	-	-	92	1,031	1,123	(618)
Total	**(40,913)**	**(773)**	**(35,157)**	**24,515**	**7,717**	**(44,612)**	**(23,298)**

8.1a Net adjustments for credit risk associated with loans measured at amortised cost subject to COVID-19 support measures: breakdown

Operation / P&L item	Net Adjustments			Total 12/31/2020
	First and second stage	Third stage		
		Write-off	Others	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(2,355)	-	7	(2,348)
2. Other loans and advances subject to COVID-19-related forbearance measures	(156)	-	(15)	(171)
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
Total	**(2,511)**	**-**	**(7)**	**(2,519)**

8.2 Net adjustments for credit risk associated with financial assets measured at fair value through comprehensive income: breakdown

The Bank does not have any financial assets at fair value through comprehensive income.

Section 9 – Gains/losses on contractual changes without cancellations – Item 140

The Bank has not made any profits/incurred any losses from contractual changes without cancellations.

Section 10 – Administrative costs – Item 160

10.1 Payroll costs: breakdown

Payroll costs amount to Euro 40,169 thousand (Euro 47,499 thousand at 31 December 2019) and are split as follows:

Type of expense/Amounts	Total 12/31/2020	Total 12/31/2019
1) Employees	**40,807**	**46,913**
a) wages and salaries	27,926	33,870
b) social obligation	8,610	8,782
c) Severance pay	-	-
d) Social security costs	-	-
e) reserve to staff severance indemnity	21	43
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	2,490	2,358
- defined contribution	2,490	2,358
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	1,760	1,859
2) Other staffs in activity	**327**	**580**
3) Managers and statutory auditors	**358**	**426**
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	**(1,427)**	**(539)**
6) Refunds of expenses for third party employees seconded to the company	**105**	**120**
Total	**40,169**	**47,499**

"Social security costs" include pension costs incurred by the Bank in 2020.

The "reserve to staff severance indemnity" shows the amount calculated in accordance with actuarial estimates for the interest cost only. With the reform introduced by Italian Law 296/2006 (2008 Finance Act) on supplementary pensions, termination indemnities do not include any service cost due to the fact that all new accruals are transferred to third-party pension funds, shown in the table in point g).

Fees payable to directors amount to Euro 256 thousand, while fees relating to members of the Board of Statutory Auditors amount to Euro 102 thousand.

10.2 Average number of employees, by category

	12/31/2020	12/31/2019
Employees:		
a) Senior managers	11	11
b) Managers	182	189
of which 3rd and 4th level	*68*	*74*
c) Remaining employees staff	446	450
Total	**639**	**650**
Other personnel	**8**	**12**

10.3 Defined-benefit pension plans: costs and revenues

The Bank has not allocated defined-benefit pension plans.

10.4 Other personnel benefits

	12/31/2020	12/31/2019
Ancillary staff expenses (contributions to rent and health insurance, luncheon vouchers and other minor benefits)	1,760	1,859
Incentive plan reserved for managers and middle managers		
Cost of allocation of share by the parent company to employees		
Total	**1,760**	**1,859**

10.5 Other administrative costs: breakdown

Other administrative costs amount to Euro 54,132 thousand (Euro 64,770 thousand at 31 December 2018) and are made up as follows:

Type of service/Amounts	Total 12/31/2020	Total 12/31/2019
Indirect taxes and duties	7,247	10,688
Telephone, broadcasting and postal	2,650	3,640
Maintenance, cleaning and waste disposal	647	651
Property lease, removals and condominium expenses	445	526
Professional fees and corporate expenses	7,734	8,594
Travel and accomodation	935	1,915
Stamp duty and flat-rate substitute tax	4,168	5,033
Insurance charges	67	60
Forms, stationery and consumables	221	189
Supplies, licences EDP consulting and maintenance	10,604	9,306
Debt recovery charges	9,557	10,711
Legal fees	2,698	4,832
Advertising, promotion and representation	1,450	1,901
Commercial information and searches	3,186	3,972
Other expenses	2,522	2,752
Total	**54,132**	**64,770**

Section 11 – Net provisions for risks and charges – Item 170

11.1 Net provisions for credit risk on commitments to disburse funds and financial guarantees given: breakdown

	Additions	Uses	Net provision 12/31/2020	Net provision 12/31/2019
Net provision on commitment and financial guaranties	(8)		(8)	(22)

11.2 Net provisions relating to other commitments and other guarantees given: breakdown

The Bank does not have other commitments and other guarantees given.

11.3 Net provisions for other risks and charges: breakdown

	Additions	Uses	Net provision 12/31/2020	Net provision 12/31/2019
Net personnel expense provision				
Net provision for legal disputes	(2,970)	768	(2,202)	(2,494)
Other provisions				(26,946)
Total	**(2,970)**	**768**	**(2,202)**	**(29,439)**

The item “Net provision for legal disputes” mainly include provisions made during the year for litigation with customers and dealers.

The item “Other provisions” mainly relates to provisions for legal disputes with customers. For further details please refer to section 10 “Provisions for risks and charges”.

Section 12 – Net adjustments/writebacks on property, plant and equipment – Item 180

12.1 Net adjustments to property, plant and equipment: breakdown

Net adjustments to property, plant and equipment refer to the depreciation of the assets, classified under item 110 of assets for Euro 4,853 thousand.

Asset/Income	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, equipment and investment property				
1 For operational use	(4,839)	(13)	-	(4,853)
- Owned	(1,002)	(13)	-	(1,015)
- Licenses acquired through lease	(3,838)	-	-	(3,838)
2 Held for investment	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3 Inventories	X	-	-	-
Total	**(4,839)**	**(13)**	**-**	**(4,853)**

Section 13 – Net adjustments/writebacks on intangible assets – Item 190

13.1 Net adjustments to intangible assets: breakdown

Net adjustments to intangible assets amount to Euro 6,962 thousand and relate to the amortisation of the year.

Asset/Income	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net risult (a + b - c)
A. Intangible assets				
A.1 Owned	(6,962)	-	-	(6,962)
- Generated internally by the company	-	-	-	-
- Other	(6,962)	-	-	(6,962)
A.2 Licenses acquired through lease	-	-	-	-
Total	**(6,962)**	**-**	**-**	**(6,962)**

Section 14 – Other operating expenses/income – Item 200

14.1 Other operating expenses: breakdown

Other operating expenses amount to Euro 4,307 thousand (Euro 4,911 thousand at 31 December 2019) and are divided as follows:

	Total 12/31/2020	Total 12/31/2019
Amortisation on improvements (not separable) on real estates owned by the Group	373	341
Rebates and discounts	97	98
Losses on disposal	8	91
Miscellaneous expenses	1,116	1,667
Expenses related to leasing activities	280	205
Other expenses	2,432	2,509
Total	**4,307**	**4,911**

14.2 Other operating income: breakdown

Other operating income amounts to Euro 10,729 thousand (Euro 19,287 thousand at 31 December 2019) and can be broken down as follows:

	Total 12/31/2020	Total 12/31/2019
Recovery of taxes	7,391	8,408
Other income for services rendered to Group companies	94	208
Recovery of lease instalments	4	13
Recovery of other expenses	1,110	524
Recovery of preliminary expenses	-	9,221
Rebates and discounts received	2	4
Gains on disposal	18	27
Income related to leasing transactions	494	433
Other income	1,615	449
Total	**10,729**	**19,287**

During the year, the Bank integrated the recoveries of preliminary expenses in the calculation of the amortised cost, following the recent ruling issued by the Court of Justice of the European Union[23].

The increase in the item "Other income" is due to servicing fees and reimbursements of expenses made by the newly established TIMFin.

[23] Court of Justice of the European Union, 11 September 2019, lawsuit C-383/18 ("Lexitor")

Section 15 – Gain (losses) of equity investments - Item 220

The Bank did not record any gains or losses on equity investments.

Section 16 – Net gains (losses) arising on fair value measurement of property, plant and equipment and intangible assets – Item 230

The Bank's property, plant and equipment and intangible assets have not been measured at fair value.

Section 17 – Adjustments to goodwill – Item 240

The Bank has not recognised any goodwill.

Section 18 – Gains (losses) on disposals of investments - Item 250

The Bank has not recorded gains or losses on disposal of investments.

Section 19 - Tax income of the year from continuing operations: breakdown

19.1 Tax income of the year from continuing operations: breakdown

The item "Tax income of the year" shows a balance of Euro -33,085 thousand (Euro -33,058 thousand at 31 December 2019) and represents the provision made during the year in accordance with current tax law. It is made up as follows:

Income/Value	Total 12/31/2020	Total 12/31/2019
1. Current tax expense (-)	(3,263)	(42,892)
2. Change of current taxes of previous years (+/-)	-	-
3. Reduction in current tax for the period (+)	-	-
3. bis Reductions in current tax expense for the period due tax credit related to L. 214/2011 (+)	-	-
4. Change of deferred tax assets (+/-)	(29,822)	9,833
5. Change of deferred tax liabilities (+/-)	-	-
6. Tax espense for the year (-)	**(33,085)**	**(33,058)**

The change of deferred tax assets is mainly due to the drop during the year of the portions of deferred tax assets recognised in previous years and pertaining to the year, relating to provisions for bad debt and other provisions.

For further details, see Section 10 of Part B - Information on the balance sheet.

19.2 Reconciliation between theoretical and effective tax charge

The following table shows the effects on current taxes recognised in the financial statements arising from the presence of permanent differences that increase taxable income with respect to the profit from continuing operations, thereby aggravating the tax burden.

	12/31/2020	12/31/2019
Profit (loss) from continuing operations before tax	103,731	114,328
Profit before tax on discontinuing operations		
Theoretical taxable income	**103,731**	**114,328**
IRES - Theoretical tax charge	(28,526)	(31,440)
- effect of income and expenses that do not contribute to the tax base	2,379	3,060
- effect of expenses that are wholly or partially non-deductible	(812)	2,229
IRES - Effective tax burden	**(26,959)**	**(26,151)**
IRAP - Theoretical tax charge	(5,778)	(6,368)
- portion of non-deductible administrative expenses, depreciation and amortisation	(367)	(423)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	2,029	2,580
- effect of income and expenses that are wholly or partially non-deductible	(2,010)	(2,695)
IRAP - Effective tax burden	**(6,126)**	**(6,907)**
Effective tax burden as shown in the financial statements	**(33,085)**	**(33,058)**

The effects of temporary changes that increase/decrease taxable income, recognised in the accounts as part of deferred tax assets/liabilities, are reflected in the reconciliation.

Section 20 – Total profit or loss after tax from discontinued operations – Item 290

The Bank has not recognised any profit or loss on disposal groups classified as held for sale.

Section 21 – Other information

For information on public funds pursuant to art. 1, paragraph 125 of Italian Law no. 124 of 4 August 2017 (“Annual law for the market and the competition”), please refer to Part C - Section 24 of the Consolidated Financial Statements.

Section 22 – Earnings per share

22.1 Average number of ordinary shares (fully diluted)

The Bank does not hold shares for which is IAS 33 applicable, therefore the disclosures required by this section do not apply.

22.2 Other information

There is no further information to be disclosed in this section.

Part D – Comprehensive income

Statement of comprehensive income

	Items	12/31/2020	12/31/2019
10.	**Net Profit (Loss) for the year**	**70,646**	**81,270**
	Other comprehensive income after tax not to be recycled to income statement		
20.	Equity securities designated at fair value with an impact on total income:	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value with impact on the income statement (changes in creditworthiness):	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedges of equity securities designated at fair value with an impact on total profitability:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(81)	(50)
	Non current assets classified as held for sale	-	-
90.	Valuation reserves from investments accounted for using the equity method	-	-
100.	Income taxes relating to other income components without reversal to the income statement	27	16
	Other comprehensive income after tax to be recycled to income statement		
110.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) value change	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments:	-	-
	a) value change	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (no equity securities) measured at fair value with an impact on total profitability:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	- adjustments to credit risk	-	-
	- gains / losses from realization	-	-
	c) other changes	-	-
160.	Non current assets classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Valutation reserves from investments accounted for using the equity method;	-	-
	a) changes in fair value	-	-
	b) reclassification through profit or loss	-	-
	- impairment adjustments	-	-
	- gains / losses from realization	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to the income statement	-	-
190.	**Total of other comprehensive income after tax**	**(54)**	**(33)**
200.	**Comprehensive income (Items 10+190)**	**70,592**	**81,237**

Part E – Information on risks and related hedging policies

Introduction

Again in 2020 Santander Consumer Bank (hereinafter the Bank) placed great importance on the governance of risks in accordance with both the general emergency due to the COVID-19 pandemic and the requirements of the prudential supervision regulations, as a means of ensuring reliable and sustainable value creation in a context of controlled risk.

The risk management strategy focuses on a complete and consistent overview of risks. It takes account of both the macro-economic scenario and the risk profile, stimulating the growth of the risk culture and encouraging a transparent and accurate presentation of the risks associated with the portfolios held, ensuring adequate organisational and methodological procedures consistent with the regulatory and operational context.

The policies that guide the assumption and governance of risks are approved by the Board of Directors (BoD), which is supported in the carrying out of its functions by the specialist committees established, which include the board Risk Committee, which is entrusted with the task of supporting the Board of Directors in relation to risk, so allowing it to take correct decisions with regard to risk governance. In addition to these, managerial committees have been established. These include the Executive Risk Committee, whose Chairman is the Chief Executive Officer (CEO), with the Chief Risk Officer (CRO), the Head of Administration and Control and the Head of Finance as permanent members.

The CRO's area of governance is Risk Division, in which he/she has the role of Head of Risk. Under the management of the CRO, the Division ensures effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Parent Company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long-term strategic objectives and short-term earnings objectives. To ensure the independence of the risk function, the Head of the function hierarchically reports to the Chief Executive Officer and in addition functionally reports to the Chief Risk Officer of the Consumer Finance Department to which Santander Consumer Bank belongs for management purposes (specifically, to the "Chief Risk Officer").

As Chief Risk Officer (CRO), the Head of Risk is also a member of the Board of Directors (BoD). In accordance with the risk appetite defined by the BoD of the Bank in the role assigned to it, the CRO measures and monitors the propensity to risk.

As part of management, and with the coordination of the CRO, the Risk Control Department has the task of measuring, controlling and monitoring all actual and potential risks to which the Bank is subjected. These controls must take place efficiently and are essential for facilitating the maximisation of profit in a context of careful and dynamic management of risk situations.

The function therefore guarantees the comprehensive and organic treatment of risks related to the Bank's activities, facilitating their identification, measurement, analysis and definition of measures needed to address them.

The Department quantifies the overall exposure of the Institution to risk, allowing the delegated bodies to define a strategy for the management thereof and to define the desired risk profile through instruments such as the Risk Appetite Framework (RAF) and the activities challenging the main exercises of regulatory tasks including the preparation of ICAAP and ILAAP processes.

Among the main functions assigned to this Department are:

- monitoring of the main risk indicators;
- assistance in deciding the provisions to cover current and future losses;
- calculation and monitoring of expected losses;
- ensure the reliability and automatic generation of reports;
- monitor financial risks periodically, with particular reference to interest rate risk and liquidity risk, using Asset & Liability Management (ALM) techniques;
- liaise with the internal and external control bodies to verify the level of implementation of company policies.

The Bank's risk appetite is shown in the Risk Appetite Framework (RAF), a strategically important tool, organised and structured on the one hand to present to the Board of Directors the main risks to which the Company is exposed and on the other, always to allow the Board of Directors, through its approval, to determine the level of such risks that it is willing to assume under normal and stressed conditions. The document outlines and thus applies the Target Risk framework defined for the Bank.

The Board of Directors, in its capacity as a strategic oversight body, therefore, approves the risk objectives, the tolerance thresholds (where identified) and the risk management policies. It also ensures that the implementation of the RAF is consistent with the risk objectives and the approved tolerance thresholds.

The Risk Appetite Framework, therefore, represents the reference framework for the Bank's management, in which the risk objectives and limits, the reference processes, the monitoring and control mechanisms and the relevant governance are defined. It includes the definition of the maximum level of risk - including the possible undesirable effects (risk capacity)

- that can technically be assumed by the Bank in carrying out its business plans, without compromising regulatory requirements, commercial viability or other constraints imposed (by the Supervisory Body, by the Supervisory Authority, etc.) and subsequently sets out:

- the level of overall risk, by type, that the Bank intends to assume, within the framework of its risk capacity, in order to pursue its strategic and commercial objectives (propensity to risk);
- the overall risk profile actually assumed by the Bank;
- the main specific risks.

The overall risk profile stems from the general principles defined by the risk policies and consists of a structure of limits suitable to ensure that, even under stressed conditions, minimum levels of solvency, liquidity and earnings are met.

The general principles that guide the risk assumption strategy are based on the maximisation and protection of financial results, by pursuing revenue generation without affecting the achievement of adequate levels of capitalisation and a conscious assumption of risks and measurement thereof.

The Bank's risk appetite is based on the following requisites and features:

- it reflects an aggregated view and applies to all business units (functional areas of the Bank);
- it considers the main types of risk that impact the Bank's business development;
- it takes a prospective view of the Bank's risk profile in certain circumstances, with the use of stress tests and scenario analysis;
- it is not static, adapting to the changing business environment;
- it combines quantitative and qualitative standards;
- it is concise and easy to communicate to Senior Management and external stakeholders;
- it enables a structured comparison of risk profile against risk appetite;
- it is connected to the overall corporate strategy and to other instruments or business processes that help with planning, evaluating and monitoring risks, including those aimed at defining the budget, liquidity/financing and capital;
- it is integrated with risk management of the Bank's ordinary activities, through its link with existing policies and limits.

In summary, the expectations are:

- keeping expected profitability within the parameters laid down;
- prudent management of risk through the continuous monitoring of the portfolios managed;
- management of funding aimed at increasing the diversification of funding sources;
- control/optimisation of operating costs, to be implemented by means of more stringent monitoring of the planning/assessment/authorisation process and by streamlining business processes;
- achievement of levels of capitalisation in line with current regulations and with constraints imposed by the Supervisory Authority, as well as with the objectives agreed with the Parent Company;
- development and updating of professional skills in the light of continuous changes in regulations, in the increasingly competitive market context and in the strategies of the Santander Group.

The RAF is also linked to other instruments or business processes that help with planning, assessing and monitoring risks, including:

- Three-year strategic plans;
- Budgeting & Forecasting;
- *Risk Assessment (RIA - Risk Identification Assessment exercise and Risk Map)*;
- *Capital Planning and Monitoring*;
- Liquidity Contingency Plan and ALCO limits (liquidity risk and interest rate);
- Internal Liquidity Adequacy Assessment Process – ILAAP;
- Internal Capital Adequacy Assessment Process (ICAAP);
- *Credit Management Programme*;
- The most significant transactions;
- Internal Control System.

The definition of the Risk Appetite Framework and the consequent operational limits for major specific risks, the use of risk measurement tools as part of credit, liquidity and operational risk control management processes and the use of measuring parameters based on risk capital to report corporate performance and assess the adequacy of internal capital, are fundamental steps for the operational application of the risk strategy along the Bank's decision-making chain, down to each operating unit.

In particular, given the strategic role of this instrument, this monitoring was further strengthened for the current year with weekly monitoring. In fact, the COVID-19 crisis put pressure on certain metrics in each of the Risk Appetite monitoring axes, which did not necessarily manifest themselves in the very short term but which were and still are linked to the duration of the long-term effects of the crisis. The purpose of monitoring was the preventive identification of possible situations of overrun and the consequent definition of prevention or mitigation plans. However, the result of the monitoring, shared with the Spanish Parent Company, did not reveal any critical issues on any regulatory metrics.

Risk culture

The Bank continues with its programme of transmission and sharing of a risk culture, by means of regular updates to relevant documents and by initiatives implemented to address specific issues as they arise. In this regard, the programme for the development of Advanced Risk Management (ARM) continued also in 2020, with the support of the Spanish parent company, aimed at spreading awareness of the risks to which the Bank is exposed, the conduct required to mitigate them and finally the instruments necessary to monitor them and improve them. The measures, which are spread over various areas and have impacts across the entire Bank, have seen the involvement of both top management and other areas of the business.

Particular attention has been given to spreading awareness of the concepts underlying the knowledge and conscious management of the risks to which the Bank is exposed, through press releases and news on the local and corporate intranet, but above all via the holding of three digital meeting open to colleagues of the bank during which specific risk management aspects were dealt with.
Beyond that, the Bank ensures the dissemination of risk culture by means of extensive training, delivered both vie e-learning and in the classroom (limited to new hires), aimed at the correct application of internal and external models designed to prevent, mitigate and monitor risks in an effective manner.

The report prepared with the support of the Spanish parent company for the monitoring of risk culture within the company, which involves Human Resources and other Control functions, highlighted a solid awareness of the issue, also confirmed by the results of the annual survey.

Organisation and risk governance

In relation to the main activity carried out by the bank, the credit risk represents the main type of risk to which it is exposed. The type of customer is mainly private and therefore the risk in question is highly differentiated and fragmented. In fact, overall, the Group's assets are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. So in general, credit risk exists, but in a situation of high fragmentation.

In compliance with the applicable provisions relating to the Internal Control System (Bank of Italy Circular No. 285 of 17 December 2013 and subsequent up-dates) the Bank is provided with an organisational and operational structure adequate to the assigned objectives. This structure has also been consolidated and modified following the introduction of the IFRS 9 accounting standard and will be further enhanced by the entry into force of the New Default Definition pursuant to art. 178 of EU Regulation No. 575/2013 and with the up-dating of the definitions of impaired loan exposures in order to guarantee an adequate risk management, with particular reference to the definition of the policies for the valuation and classification of loans, the development of second level controls and the monitoring of positions in the assigned stages.

Starting from January 2021 in compliance with the requirements of the regulations (EBA/GL/2016/07 "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No. 575/2013" and EBA/RTS/2016/06 "New regulatory technical standards on materiality threshold of credit obligations past due" that supplement the Delegated Regulation (EU) No. 171/2018 of the European Commission dated 19 October 2017), the new European rules on classification of debtors in default came into force, i.e. debtors who are no longer able to fulfil their commitments with the Bank and are therefore "in default".

The new regulation establishes more restrictive criteria and methods for default classification than those adopted so far, with the aim of harmonising the regulations among the various countries of the European Union. The legislation is aimed at both companies and individuals who have access to credit and requires the Bank to automatically classify the exposure as "in default" when a materiality threshold is exceeded, expressed in absolute and relative terms, taking into account the total amount of the exposures that the debtor has with the Bank.

The materiality threshold is considered exceeded when the customer has an amount past due by more than 90 consecutive days:

- in the case of Individuals and Small and Medium Enterprises, more than Euro 100 (as an absolute component) and more than 1% of total exposures to the Bank (as a relative component);
- in the case of Large Enterprises, more than Euro 500 (as an absolute component) and more than 1% of total exposures to the Bank (as a relative component).

In addition to the above, the new regulation envisages also:

- the possibility that the classification as “in default” of a position spreads to all the joint obligations with other debtors (e.g. joint names, guarantors of partnerships, etc.);
- for customers in financial difficulty, that any suspension of payment of the instalments, the renegotiation of the loan or the consolidation of the position entail its classification as a Non-Performing Loan (NPL);
- the prohibition on offsetting between credit facilities for the customer with overdue credit facilities.

The customer who has settled the arrears, after at least 90 days from these settlements without any further situations of arrears or further prejudicial events occurring, will exit the default status.

In 2020, the Bank launched a project to adapt the models for estimating the PD/LGD/EAD parameters to the new regulatory standards for all the products managed with the support of the parent company’s methodological study team. The updated and validated models will be in use from 2021. During the year, monitoring and backtesting activities will be carried out in order to ensure an adequate calculation of the economic impacts.

The organisational standards on which the Bank’s risk governance system is based are aimed at:

- ensuring the separation of operational functions from control functions;
- ensuring the identification, measurement and monitoring of risks inherent, or that may be assumed, in the various operational areas;
- guaranteeing that any anomalies, which result from checks performed by the monitoring functions, are rapidly brought to the attention of the appropriate level of management, dealt with promptly and recorded for subsequent checks.

The organisational structure that ensures there is an internal control system that operates on three levels, in line with banking supervisory regulations, consists of:

- line controls (first-level controls): these are performed by the operating units to verify that the processes and tasks within their competence have been carried out in accordance with internal procedures. Where possible, these types of controls are incorporated in automated IT procedures;
- risk management controls (second-level controls): these are performed by the Risk Control Department to ensure the correct functioning of the risk management process by means of the measurement and assessment of the level of risks assumed as well as compliance with any limits assigned to operational areas;
- compliance controls (second-level controls): these are performed by Compliance and Conduct Department and by Anti-Money Laundering and Customer Protection Department, tasked with verifying compliance with internal and external regulations applicable to the Bank;
- internal audit controls (third-level controls): these are carried out by the Internal Audit Department, which has the task of verifying the ordered performance of processes (management/production, business/commercial, support/functional) and their compliance with corporate standards, the substantial correctness of the conduct of operations and the suitability, from the standpoint of its framework and rules governing how it should function, of the internal control system and the adequacy and effectiveness of the monitoring systems, in relation to the various types of risk.

In detail, the structures involved in the overall process of risk management are:

- Board of Directors;
- Chief Executive Officer and General Manager;
- Administration and Control Division;
- Institutional Relations, Legal and Compliance Division;
- Information Technology Division;
- Operation Division;
- Finance Division;
- Marketing Division;
- Sales Division;
- Risk Division;
- Collection Division;
- Human Resources Division;
- Internal Audit Department (reports to the Board of Directors through a direct functional relationship with the Chief Executive Officer).

Moreover, as set out in greater detail in the Corporate Governance section, the corporate bodies avail themselves of specific internal committees, which, as far as risk management is concerned, include the following:

- the Management Committee;
- the Board Risk Committee;
- the Executive Risk Committee;
- the Executive Risk Control Committee;
- the Collection Committee;
- the Compliance and Conduct Committee;
- the Financial Risk Management Committee (ALCO);
- the Operational Risk Committee;
- Internal Control Coordination Committee.

Main Risks

The Bank's risk profile is defined through the risk assessment carried out in accordance with the methodologies shared with the parent company Risk Identification Assessment (RIA). The assessment sees the direct involvement of the first line of control and the supervision and support of the second line of control, and is carried out at the beginning of the year and updated in the second half. Specifically, the updating carried out in the second part of the year is aimed at verifying the changes achieved as a result of the implementation of the remedial actions identified during the first assessment or new assessments performed. Through the RIA methodology, the Bank's risk profile is identified and assessed and a specific score is given, taking into account:

- the current level of risk;
- the current environmental risk;
- exposure to potential specific risks.

The method also makes it possible to:

- identify possible "emerging risks" to enable the effective management and mitigation of risks;
- obtain a quantitative representation of the risks assumed at the date of the analysis, on the basis of the activities of the Bank and of the development strategies put in place.

The result of the exercise carried out showed a worsening of the general risk profile as a result of the global and local uncertainty linked to the evolution of the COVID-19 pandemic. The deterioration was highlighted in the Credit Risk area with a score increased by +0.50, and in the Strategic Risk with an increase in the score assigned of +0.38. The general risk profile of the Bank therefore increased from "medium-low" to "medium-high". As a consequence of this result, the Bank strengthened all the development plans formalised and already in place to ensure the return of the risk profile within the expected thresholds.

Section 1 – Credit risk

Qualitative information

1. General aspects

The credit risk as previously indicated, is the main risk component to which the Bank is exposed and represents the risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the company to possible future losses, or that it may experience a deterioration in creditworthiness that could compromise its future ability to fulfil its obligations.

The assets overall are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. The credit risk therefore exists, but in a situation of high fragmentation.

In view of this, the Bank's strategies, which are based on sound and prudent management, are aimed at:

- coordinating the actions necessary to achieve the objectives of sustainable growth in the bank's lending activities in line with the risk appetite objectives approved by the Board of Directors;
- portfolio diversification, with particular reference to wholesale products, limiting the concentration of exposures to individual counterparties and/or groups, sectors of economic activity, geographical area and risk classification;
- compliance with internally established rules for the assumption of risks;
- effective counterparty selection based on a thorough analysis of creditworthiness aimed at minimising the risk of insolvency;
- continuous monitoring of the managed portfolios in order to identify any sign of imbalance in a timely manner and initiate the necessary corrective actions aimed at preventing the possible deterioration of positions.

The management and control process of product placed according to corporate strategies is entirely formalised in the bank's official policies and procedures which define:

- operating processes
- signatory and delegation powers
- methods and regulations for creditworthiness assessment
- control activities on three levels

All the processes developed by the bank guarantee an adequate segregation of duties and roles, also guaranteed by the assignment of specific roles to different functions/resources.

The marketed products are illustrated below:

- Car loans: special-purpose loans for the purchase of vehicles, including motorcycles and motorbikes, to persons who apply for loans offered by dealers affiliated with the Bank. The loan amount is granted directly by the affiliated dealer. The customer undertakes to repay the loan in accordance with a fixed rate repayment plan in equal instalments. The customer may take out insurance cover for the loan or the object financed;
- Special-purpose loans: loans granted solely by the agency channel to persons for the purchase of goods other than cars and/or for the provision of services. These have the same repayment / contractual features of car loans;
- Personal loans: loans granted directly to the customer that have the same repayment / contractual features of car loans and special-purpose loans. It is possible to take out insurance cover for the loan;
- Consumer car leases: financing transactions offered by the Bank (lessor) consist of granting the use for an agreed period of time, upon payment of periodic lease charges (lease payment), of motor vehicles, motorcycles, camper vans, commercial vehicles purchased or constructed by a third party supplier, as requested by the lessor and chosen and indicated by the customer (user with a VAT number); the latter assumes all the risks and retains the right, at the end of the contractual term, to purchase the goods for a predetermined price and to extend the use thereof under predetermined or pre-determinable financial conditions. For lease products, the typical risks of finance leases, apart from those arising from a contractual breach by the customer, are of a contractual and financial nature;
- Credit cards: a line of credit for an unlimited period made available to a customer, who may make use thereof in one or more lots. The user undertakes to repay the amounts utilised and interest accrued thereon, complying with the payment of monthly minimum instalments, but with the right to make larger repayments if desired. The repayment of the capital element ensures the availability once again of the full credit facility, which may be reutilised by the customer. Interest rates are generally fixed, but Santander Consumer Bank has the right to modify the financial conditions during the relationship, in compliance with regulations in force. The loan may be guaranteed;
- Salary assignment: a particular type of personal loan that is settled through the assignment of a portion of salary or pension up to one fifth of the amount thereof net of withholdings. This product has a set maximum duration and a minimum duration that is not normally less than twenty-four months;

- End-of-service indemnity (TFS): the product consists of the financing of an advance of the end-of-service indemnity, which, for public employees, is not disbursed when they retire, but only subsequently. In fact, at the end of the work activities, employees of public companies, who have accrued pension requirements, are entitled to an End-of-service indemnity indem, but this is disbursed by INPS in a maximum of 3 annual instalments (based on the amount to be disbursed). With the new product, the bank immediately advances the full amount to the customer, net of interest and stamp duty, collecting the payment directly from INPS according to the scheduled instalments.
- Financing to wholesale clients: this includes the following types of products:
  - Financing the stock of new, used and demonstration vehicles;
  - Financing for general purchases and/or capital goods;
  - Financing of working capital and/or cash advances.

The distribution channels for the marketing of the products are the following:

- Branches: the company provides on-the-spot personal loans to customers and provides indirect support for dealers (affiliates)
- Affiliates: through this channel, only special-purpose loans, car loans and leases.
- Agents: through this channel, personal loans, special-purpose loans (cars, furniture, etc.) and car leases are granted.
- Special Agreements: this category includes business from third-party companies towards SCB according to the terms of the agreements concluded at national level.
- Internet: through the Bank's website and some selected specialised sites.

2. Credit risk management policies

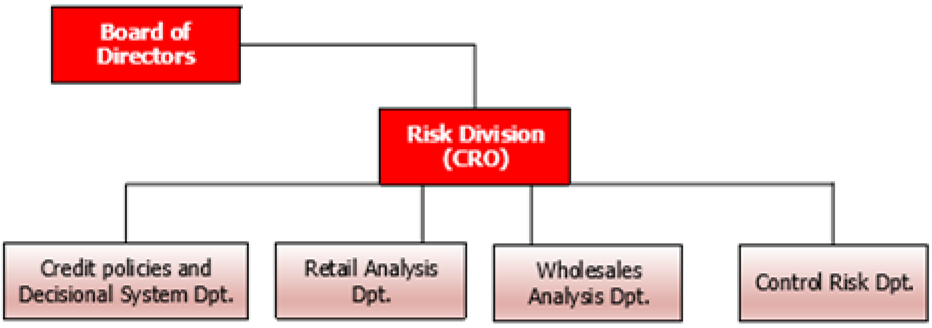
2.1 Organisational aspects

The Division ensures effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Parent Company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long-term strategic objectives and short-term earnings objectives. To ensure the independence of the risk function, the Head of the function hierarchically reports to the Chief Executive Officer and in addition functionally reports to the Chief Risk Officer of the Consumer Finance Division to which Santander Consumer Bank belongs for management purposes (specifically, to the "Chief Risk Officer" of the Consumer Finance Division to which SCB belongs to for management purposes).

The Head of Risk also takes on the role of Chief Risk Officer (CRO), is a member of the Board of Directors (BoD) and takes part to meetings of the risk committees providing support to control activities.

In accordance with the risk appetite defined by the BoD of the Bank in the role assigned to it, the CRO measures and monitors the propensity to risk.

The Division is structured along four services lines as detailed below.



The mission of the **Credit Policies and Credit Decision System Department** is to protect the company from credit risk pertaining to customers and affiliates by defining operating policies and strategies concerning affiliation criteria and lending, by staff training and by constant monitoring of lending activities. It verifies that the operability and behaviour of staff comply with internal data acquisition procedures and current regulations.

The functions carried out are the following:

- to define the risk policies, the strategies and internal procedures for the management of products/channels, the monitoring of compliance therewith, ensuring the constant updating thereof and the communication thereof to all relevant areas of the Bank;
- to create (internally or with the help of external suppliers), to monitor, to implement and to update automatic applications for decision-making and support in setting up dossiers;
- to monitor the riskiness of products and channels, highlighting abnormal situations for timely corrective action;
- to prepare an overview of the qualitative trend of corporate loans and any balances showing significant changes in riskiness that need to be analysed;
- to handle relations with official data bases relating to its sphere of operations, especially with regard to changes in the information provided, reporting anomalies and cancellations, and monitoring their bills;
- to assign approval levels according to the degree of experience of staff members and in accordance with the guidelines authorised by the Board of Directors and to organise training sessions needed to ensure that updates are provided on new policies and/or processes, as well as the maintenance of a high level of skills of operating personnel;
- to provide support to the operating units and other corporate functions of other Group companies;
- to prepare a division budget.

The mission of the **Risk Control Department** is to measure, control and monitor risk. This control must take place efficiently and is essential to facilitate the maximisation of profit in a context of careful and dynamic management of risk situations.

The Department has to guarantee the comprehensive and organic treatment of risks related to the Bank's activities in order to facilitate their identification, measurement, analysis and definition of measures needed to address them.

The Department must also quantify the overall exposure of the Institution at risk to allow the delegated bodies to define a strategy for the management thereof and to define the desired risk profile (Risk Appetite).

The main functions are:

- cooperate with Governing Bodies in the definition of the overall risk management system;
- ensure adequate risk management processes through suitable systems and indicators designed to highlight anomalies, in order to identify, measure, control and mitigate major risks;
- support Governing Bodies in the definition of provisions to cover current and future losses in line with corporate strategies;
- calculate and monitor expected losses, in line with corporate strategies;
- provide consultancy to Governing bodies on related matters;
- ensure the reliability and automatic generation of reports of the service;

- ensure monitoring of financial risks periodically, with particular reference to interest rate risk and liquidity risk, using Asset & Liability Management (ALM) techniques;
- ensure monitoring of operational, technological and fraud risks;
- liaise with the internal and external control bodies to verify the level of implementation of company policies.

The main functions of the Department, coordinated by the Chief Risk Officer (CRO) are carried out through the coordination of six teams whose main activities are reported below (credit risk, operational risk, cyber risk and fraud risk, market risk, strategic risk, technological risk and governance risk).

Credit risk

This office carries out activities for the assessment of risks relative to credit in terms of strategy, provision, concentration and business. The activity is carried out through the management of current and prospective analysis of the portfolio, construction of vintages, calculation of Expected Losses (EL), comparison with Lon Loss Reserves (LLR) as well as calculation of budget and three-year plan forecasts.

Operational, Cyber and Fraud Risk

This office assesses and monitor operational, reputational, technological, cyber, conduct and compliance risk, and in particular including:

- management and monitoring of the SOX risk indicators;
- review and update of the Business Contingency Plan and the Business Impact Analysis;
- development of the Heracles project and the AORM approach - Assessing doubtful positions for fraud risk highlighted by offices dealing with preliminary investigations and resolution phases both at head offices and branches;
- monitoring customer and dealer fraud risk through targeted actions;
- maintenance of a level of attention and knowledge of fraud risk at admission phase, both through timely notifications (via email, intranet) and through the delivery of specific anti-fraud courses to operators tasked with the investigation and resolution of loan requests.

Market risk

This office monitors and assesses the risks relative to liquidity, interest rate and counterparty, in particular:

- management of regulatory indicators and of the provisional forecasting for LCR, NSFR and maturity ladder, mismatch Bank It;
- monitoring of group metrics (MLR, MVE, NIM), early warning, Liquidity spread and intraday liquidity:
- development of the Deposit behavioural model;
- calculation of VAR on securities portfolio.

Strategic risk

This office is tasked with the management and monitoring of strategic assessment exercises aimed at the definition of the corporate risk map (RIA) to be used also for regulatory exercises. In particular, it deals with:

- Coordination of scenario stress and analysis exercises;
- Quarterly monitoring of the main ICAAP parameters (base case and stressed case);
- Definition and monitoring of the Risk Appetite Framework and of the Statement (dashboard);
- Assessment of coherence with the strategic plan, RAF and ICAAP;
- Independent assessment of RWAs and capital ratios (capital planning);
- Management and monitoring of SOX processes;
- Risk Assessment Monitoring and Management activities (Conduct/Fraud/Cyber).

Technological risk

This office deals with automation, management and implementation of reports for senior management and the parent company, as well as Data governance and Data Quality processes.

Governance risk

This office ensures the update of the document corpus linked to the Risk Division, deals with the arrangements of Risk Committees, sees to the preparation of annual reports and working plans.

The **Wholesale Analysis Department** prepares motions concerning positions of corporate customers that are subsequently submitted for the attention of the decision-making Committees (Executive Risk Committee or Board of Directors depending on their signatory powers). The foregoing positions consist entirely of credit lines granted to dealers to finance their showroom cars, and the revolving dealer product, given that the Bank has no other corporate customer business.
The main functions assigned to this unit are:

- to prepare positions for submission to the Committees with powers of approval;
- to carry out an annual review of dealers' positions in "non-standardised" products;
- to develop together with the Collection Division debt recovery strategies to be implemented with affiliates (only with respect to "non-standardised" products);
- to manage collaborations with leading automobile brands with regard to wholesale;
- to periodically manage positions subjected to special monitoring.

Retail Analysis Department's mission is the assessment and approval of retail transactions that fall within its sphere of competence.

The main functions assigned thereto are the correct application of risk assumption policies and procedures laid down by the Credit Policies and Credit Decision System with regard to particular credit proposals.

2.2 Systems for managing, measuring and monitoring risk

The Risk Division looks after the credit risk management process, from the approval of policies, to the identification, measurement, control and management, where applicable, of risks. The Risk Control Department collaborates with the definition and implementation of the Risk Appetite Framework and measures and monitors the various business risks. The areas that assume risks and senior management are involved in the risk management process. In addition, in close collaboration with the units that assume the risks, it relates these activities to business development by identifying new opportunities and business plans, budgets and the optimisation of risk-adjusted profitability, by performing analyses and management of the loan portfolios in a way that makes it possible to align business development to the desired risk profile and, where applicable, to mitigate the risk and handle debt collection case by case.

Within Santander Consumer Bank, the credit risk assumed by the Company's activity can essentially be split into two categories: standardised and non-standardised. Both have an associated risk that the borrower will default on its obligations under the terms of the agreement, but it is necessary to distinguish between contracts that are treated in a standardised way and others that require specific treatment (by an analyst or portfolio manager).

As regards standardised management of risks, the following phases are involved:

1. acceptance of a loan application;
2. monitoring and reporting;
3. credit collection.

1. The acceptance of a loan application is in turn split into input to the system, credit analysis, assessment and approval:

   - the input phase requires those responsible to key in the following information: socio-demographic variables relating to counterparties, and information relating to the financial plan (amount to be lent, the asset to be financed etc.). The information that needs to be appraised varies depending on the type of counterparty (retail, sole proprietorship, company) and the asset to be financed;
   - the credit analysis phase aims to ascertain the accuracy, the validity and the completeness of the data provided by the counterparty along with the loan application; this enables an accurate assessment of the customer's credit standing and an early identification of possible cases of fraud;
   - the information entered into the system during the credit analysis phase is processed and assessed through a credit scoring system managed by the Credit Policies and Decisional System Department. Through the use of rating models and policy rules, Credit Scoring provides a summary of the counterparty's credit risk, reflecting the probability of default within a time period of one year. By means of a decision engine, one of the following outcomes will be assigned: Automatic Refusal/Automatic Approval/Manual Review; the assessment is based both on data provided by the customer at the dossier input phase and certified during the credit analysis phase and on external

data provided by Credit Information Systems. For dossiers subjected to manual review, as well as the usual assessment done with a scoring system, a detailed review is performed by an operator;

- the approval phase is the third phase of the loan application process and is delegated, by the competent corporate bodies, to various persons in the structure based on grids that show the signatory powers, the type of customer, the amount to be lent, the type of product/service and, in certain cases, the asset to be financed;
- once concluded, the origination of a dossier phase may provide for a process of mitigation and collateral management, where the analyst has to analyse in detail all of the items acquired by the applicant and, where necessary, foresee the inclusion of appropriate collateral (in order to minimise the credit risk inherent in lending activities), such as a second signature and/or guarantees, insurance assignment and bills of exchange.

2. The monitoring phase is handled by Credit Policies and Decisional System Department. Its purpose is to identify, analyse, forecast and model the behaviour of all the variables that could potentially result in changes to the asset quality assumed by the Bank. It makes it also possible to recalibrate the acceptance process, given that the information obtained is used to optimise the rules for acceptance and the cut-off levels of the score grids. Further monitoring is performed by the Risk Control Department as part of its second level control function and is aimed at forming an overall opinion on risk-taking, through checks of compliance with the risk limits or trend analysis or specific analysis. It produces detailed reports of the phenomena analysed that are distributed to the risk-taking functions, both Senior Management and the Board of Directors, in line with the agreed reporting schedule;
3. the credit collection phase is handled by the *Collection Business Unit* (CBU). The unit aims for maximum efficiency in the management of the portfolio to be recovered through the application of strategies that make it possible to assign different priorities depending on the customer's risk profile and the ageing of their balances. The objective is to collect unpaid loans with a simultaneous assessment of the customer's current position via a qualitative and quantitative analysis; the tools adopted include the renegotiation of the amount of the instalment, repayment via bills of exchange and a settlement. It also carries out debt collection subsequent to the issue of a document known as "Loss of Benefit of Term" (LBT) that is intended to recover the full amount of the residual debt. At the same time and to support this activity, external law firms send borrowers payment orders and, later, where there are grounds for doing so, they initiate the most appropriate legal proceedings (injunction decree, writ of summons, bankruptcy petition or lawsuits).

Salary or pension assignment and TFS require a specific management process for the duration of the loan. The preliminary phase envisages the commercial agreement for the placement of the product through the specifically dedicated sales network. Approval, assessment and resolution are handled by specific structures of Santander Consumer Bank. Post-delivery monitoring is primarily based on earnings related data and is also performed by the Collection Business Unit Division, which also performs credit collection services.

On the other hand, as regards non-standardised risk management, the process is split into the following phases:

- customer analysis;
- customer's credit rating;
- analysis of credit transactions;
- preparation of resolutions regarding transactions/customer;
- customer and portfolio tracking, control and checks on production volume;
- collection.

A preliminary customer assessment phase, based on a validated scoring system, is also provided for this type of customer.

The Risk Control Department analyses and monthly presents to the members of the Executive Risk Committee the aggregate data relative to the performance of LLP (Loan Loss Provision) and LLR (Loan Loss Reserve), providing details on the components that have influenced the trend in the months under observation; it also provides to carry out and quarterly present to the Executive Risk Control Committee an analysis of the concentration risk.

The bank also provides to carry out half-yearly stress testing finalised at checking and assessing:

- the adequacy of the capital
- the adequacy of provisions
- the sustainability of the business in scenarios of plausible difficulties

The policies applied by the bank, in accordance with the requirements of the regulations, apply different levels of plausibility (base scenario and stressed scenario) and the results are brought to the attention of the Parent Company's Board of Directors and Senior Management.

2.3 Methods for the measurement of expected losses

In accordance with IFRS 9 model, financial assets can be classified into three categories, two main ones and a residual one:

- assets measured at amortised cost (HTC);
- assets measured at fair value through other comprehensive income (FVTOCI);
- assets measured at fair value through profit and loss (FVTPL).

Classification to the first and second category is performed by assessing the Bank's business model and the characteristics of the cash flows connected to it.

The first category will therefore include assets that possess the characteristics of a loan, with cash flows relating to the repayment of the nominal amount and of interest at fixed dates connected to a business model whose purpose is to hold the instrument for the entire duration of the loan in order to collect all the cash flows.

The second category by contrast includes instruments whose contractual flows are characterised exclusively by the payment of principal and interest, but whose business model is the holding of these instruments with the aim of both collecting the contractual flows and selling the asset, known as "Hold to Collect and Sell".

The final category includes assets that cannot be classified in the first two. Therefore, all activities with a business model different from the previous ones, in which the fair value of the instrument is a key management factor.

The Bank, taking account of the products marketed and of its business model, places its portfolio in the first category, therefore classifying it as HTC.

For portfolios classified as HTC for which the SPPI test is passed, loans are initially recognised on the payout date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out plus or minus the costs/revenues that are both directly attributable to the individual loans and identifiable at the start of the transaction, even if they are settled at a later time.

The impairment model introduced with IFRS 9 requires also the classification of loans into three different stages depending on the deterioration in the credit quality observed with respect to the initial recognition and which correspond to the different methods of calculation of the expected loss and interest income. Specifically, the new model requires that the at the time of analysis an assessment is carried out on whether the credit risk of the instrument or of the position has suffered a significant increase in risk (SICR). To carry out this assessment, portfolios have been classified on the basis of the days of delay and on the basis of other qualitative information (e.g. measurement of forborne, scan, etc.) At the end of the monthly analysis, the positions are classified in stages as required by the regulations:

- Stage 1: classified in this stage are loans defined as performing, for which a SICR has not been recorded. In this case, the expected loss for the calculation of corrections is measured over a 12-month time period (12-month PD), while interest income is calculated on the gross exposure.
- Stage 2: comprises loans that have undergone a significant qualitative worsening compared to initial recognition (more than 30 days past due). For these loans, expected loss is calculated over the lifetime of the loan (lifetime PD), and interest is calculated on the basis of the gross exposure.
- Stage 3: includes impaired assets, i.e. that have objective evidence of deterioration (over 90 days past due). Included in this category are past due non-performing, unlikely to pay and bad loans. In this case a lifetime PD is calculated, while interest is calculated on the basis of the receivable net of impairment.

The tool used for the application of the principles described was developed directly by the Spanish Parent Company for the group units and at Bank level applies to the entire portfolio for loans. The local application of the parameters was subsequently adapted to local situations so as to correctly take into consideration the specifications of the products distributed. These adaptations were validated by the independent Validation function within the Spanish Parent Company. The forward looking components adopted are instead provided directly by the Parent Company and adopted locally.

The Bank uses two different approaches for assessing Expected Credit Losses:

- collective assessment: application of a statistical approach for the estimates of the reference parameters (PD, LGD, EAD), applied to all consumer products;
- individual assessment: losses recognised on individually valued assets. This scope includes wholesale products where the assessment depends on the SCAN (Santander Customer Assessment Note) classifications assigned to each position.

The model applied for the calculation of the Probability of Default (PD) can be outlined with the following steps:

- Segmentation of the portfolio:
  - Retail portfolios: grouped on the basis of qualitative criteria (e.g. forbearance measures applied, cure period, etc.).
  - Wholesale portfolio: in which positions are grouped by rating.

- Definition of the Remaining Times On Book (RTOB) variable: this information/variable is used for the calculation of the Lifetime PD and for the segmentation of the portfolio. The materiality threshold is defined as 95% of the total.
- Methods applied:
  - 12-Month Probability of Default: calculation of the probability of a loan defaulting in the following 12 months. 12-month PD is applied at Stage 1.
  - Lifetime Probability of Default: Calculation of the probability of a loan defaulting in the remaining lifetime. Lifetime PD is applied at Stage 2.
  - Non-performing: The PD applied (Stage 3) is 100%.

The PD calculation applied is based on the probability of transition between LLR classes using the Markov transition matrices method.

As regards the calculation of the Loss Given Default (LGD), the following elements are taken into consideration:

- Maximum time in default (TID): the bank assesses the maximum time horizon within which a loan is managed by collection processes and defines the maximum time in default (TID) to be considered in the calculation of the LGD on the basis of collection progress for the entire duration of the default and its asset sale policy.
- Default Type: types of default (+90DPD, write-off) and their nature (reversible/irreversible).
- The tool used by the bank estimates also three components in order to reach the final calculation:
  - Cure Rate (CR): the percentage of loans that, after a default event, return to normal;
  - Recovery Rate (RR): based on recovery from "irreversible default" but starting from the date of the first relevant default (this may be a reversible default);
  - Expected Loss Best Estimate (ELBE): estimate of a Loss for a loan classified as in default.

Based on the elements calculated, the value of the specific LGD for each portfolio category is determined:

- LGD Non-Defaulted portfolio;
- LGD Reversible Defaulted portfolio;
- LGD Irreversible Defaulted portfolio.

Changes due to COVID-19

The Bank supported the legislative and non-legislative initiatives undertaken in Italy, positively accepting the measures aimed at implementing, in a structured manner, measures to support individuals and businesses. For details of the main legislative and regulatory actions adopted by Italian and European institutions and the initiatives implemented by the Bank to deal with the situation, please refer to the "Initiatives and measures in support of households and businesses" section in the Report on Operations.

Specifically, in implementation of Italian Decree Law No. 18/2020 art. 56 ("Cura Italia" Decree), measures were activated to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension period originally envisaged by the "Cura Italia" Decree (until 30 September 2020), already extended by Italian Decree Law No. 104/2020 ("Agosto" Decree) (until 31 January 2021), was further extended by the 2021 Budget Law until 30 June 2021. For consumers in good standing with payments, therefore classified as low-risk, but in temporary difficulty, the Bank, upon its own initiative, has granted the suspension of payments of the instalments of the loans taken out for a period of three months, which can be extended, if the conditions are met, to 6 months in implementation of the "COVID-19 grace period for consumer credit" furthered by Assofin and to which the Bank adhered. This grace period, which initially ended on 30 September 2020, was reactivated until 31 March 2021.

For the breakdown of the loans that at 31 December 2020 fall within the above-mentioned cases, please refer to the previous part B, table 4.4a "Loans measured at amortised cost subject to COVID-19 support measures: gross value and total value adjustments".

For customers who have adhered with the general grace period on payments, the reclassification of the exposure as forborne (performing or non-performing) was not activated unless the exposure had already been classified as forborne at the time of application of the grace period. (EBA/GL/2020/02 and subsequent communications).

During the observation period, given the evolution of the economic context and the forecasts of a reduction of the domestic GDP following the prolonged lock-down, a worsening of the measurement metrics of losses, profitability and IT fraud related to extended use of remote technologies was hypothesised. The bank has therefore activated, in collaboration with the Parent Company, the weekly monitoring of the RAS indicators approved by the Board of Directors, providing both the "actual" figure and the forecast figure in order to anticipate possible overrun events. The monitoring highlighted only the exceeding of the alert threshold of the metric that measures the bank's profitability with respect to the assigned budget.

The overrun was assessed as normal following the period of suspension of activities and with a forecast return to the threshold in the second half of the year.

For the purpose of determining the value adjustments on loans, a non-IFRS 9 model overlay adjustment was approved, totalling Euro 12 million for the parent company following the further deterioration recorded in the macroeconomic context. The advance is partly due to those contracts subject to a grace period (consumer loans) with more than “zero Days Past Due” (DPD) at the date of formalisation of the measure and partly to the worsening of the macroeconomic scenario. In the second half of the year, measures in support of customers continued, managing the extension of the grace period for all cases in which customers did not request the restart of the plan.

Assessment of the significant increase in credit risk (SICR)

The assessment of the significant increase in risk is carried out by the Bank on the basis of the observation of qualitative aspects, such as the forborne status for consumer customers or positions under monitoring for wholesale products and the past due status. The observations made do not show specific changes as the containment measures requested by the regulator are still in place. The main effects are observed in the first stage 0-30 days at the end of the Payment Holiday period, in which the Bank makes every effort to inform customers of the deadline reached and avoid the deterioration of the positions.

Measurement of expected losses

The Bank has not changed the calculation methodology for the measurement of the expected loss, previously indicated, having applied the previously mentioned non-model adjustments. The decision not to change the parameters in the applied models, agreed with the Spanish Parent Company, made it possible on the one hand to maintain the functioning of the models unchanged, without distorting their functioning generated by the succession of support measures for businesses and households, and on the other to accurately monitor the positions subject to support measures.

2.4 Credit risk mitigation techniques

All tools that help to reduce the loss that the bank would record as a result of the default of the counterparty in question fall within the scope of risk mitigation techniques. These include all guarantees, operational techniques and control processes developed by the bank. With reference to these processes, the bank has internally formalised the guidelines and the procedures of the governance system to support the adequate use of guarantees.

In line with the credit risk management model, which has, for some time, placed an emphasis on strategies, the risk mitigation techniques used in portfolio management are also closely linked to the characteristics of the products themselves and can be classified as follows on the basis of the products:

- consumer credit: co-obligation, guarantee, bill of exchange, mortgage, mandate to register a mortgage, insurance assignment. Note, however, that the provision covering the portfolio is extremely limited;
- stock financing: Diversion & Repossession Agreement, signed by the parent companies (captive agreements) and the Bank at the signing of the framework agreement;
- salary assignment: as collateral for the loan, specific life and unemployment insurance cover is provided, as well as, for private and para-public companies, a restriction on the borrower’s termination indemnity.

In general, therefore, within the credit granting process the presence of mitigating factors is favoured in the presence of counterparties with a rating not in line with the policies of the bank, the choice of which varies depending on the product, the counterparty and the commitment assumed.

The internal processes, which govern the acquisition of individual guarantees, are documented and show the rules, processes and structures for their internal management.

3. Non-performing exposures

The positions falling under this category are those that, as a result of the occurrence of events after their disbursement, exhibit a clear loss of value.

Based on the existing regulatory framework, impaired financial assets are classified, according to their criticality, into three main categories:

- “bad loans” (i.e. exposures to borrowers in a state of insolvency or in substantially comparable situations);
- “unlikely to pay loans” (i.e. positions in respect of which the Bank considers it unlikely that, without recourse to measures such as the enforcement of guarantees, the debtor will comply in full - in terms of capital and/or interest - with their contractual obligations);
- “overdrawn and/or past-due exposures” (i.e. exposures that are overdrawn and/or past-due by more than 90 days).

Forborne exposures, on the other hand, again regulated in Bank of Italy Circular no. 272 of 30 July 2008, can be defined as loans for which the original contractual terms and conditions have been modified and/or partial or total refinancing of a debt in the event that the debtor faces financial difficulties that result in it being unable to meet its original contractual commitments. Such financial difficulties must be measured and evaluated by the individual bank on the basis of internal rules.

Forborne exposures may be:

- **Forborne non performing**: this category covers forborne exposures that are classified as bad loans, unlikely to pay or overdrawn past-due exposures;
- **Forborne performing**: this category cover forborne exposures that are performing.

In order to comply with regulatory requirements, the Bank has a system to support the assessment of positions, which carries out an initial segmentation of the non-performing portfolio, which will then be analysed by operators at the NPL Analysis Office (within the Regulatory Reporting Department).

The aim is that a subjective assessment will be performed on homogeneous portfolios in order to ensure reliability and consistency with regard to the assessments provided. In order to obtain an overall assessment on customers' ability to meet contractual obligations, information has been integrated on performance data from Credit Bureaux CRIF and the Bank of Italy Central Credit Bureau, which includes, in addition to the information provided by the Bank, also the anomalies identified on the subject by other banks, as well as negative information (complaint files, detrimental action records). The customer, who is assigned a risk group by the decision tree, is subject to verification by the NPL Analysis Office using a process that consists of several different steps, with the aim of making it comprehensive and reliable.

The approach already applied in previous years in the valuation of positions is to take into consideration all available elements, internal and external to the Bank, in order to obtain and document a summary opinion.

In parallel, and independently, the Risk Control Department is tasked with the second-level checks aimed at regularly ascertaining compliance with, and the effectiveness of, the procedures provided internally.

In short, they mainly concern:

- the consistency of loan classification;
- the adequacy of the provisions made in this regard;
- the effectiveness of collection and of the procedures for monitoring loans.

3.1 Management strategies and policies

Non-performing loans are monitored monthly within the framework of the Risk Target defined for the bank and approved by the Board of Directors. The main metrics used are:

- **Entity cost of credit**: measures the creditworthiness of the portfolio and allows traceability with the strategic plan and budget, the risk policies and the contingency plan indicators. Expresses the net provisions incurred by the Sub-group in the course of the year (last 12 months) as a percentage of the average loan portfolio. The figure recorded at the end of the year was in line with to the target set by the Board of Directors;
- **Corporate Single Name**: measures the level of individual exposure towards counterparties, expressed in terms of insolvency with respect to the shareholders' equity of the Bank;

Upon completion of the monthly monitoring, the Bank monitors, via the second-level control functions, the progress of the strategic plan approved by the Board of Directors and of the budget (verification of balances in delinquency, NPLs, classifications to write-offs, etc.)

Strategic planning is a dynamic process, consisting of a series of procedures and activities aimed at continuously guiding the Bank's management activities towards the achievement of its objectives, through ongoing analysis of the results achieved, in view of the changing reference conditions.

The main elements related to strategic planning are:

- Estimation processes: budgeting, forecasting and three-year plan;
- interaction with other processes.

With particular reference to estimation processes, the strategic planning process is divided into two parts:

- Preparation of the annual budget and infra-annual plans, during which the short/medium-term objectives and expectations are developed and defined.
- Preparation of the three-year plan, during which the long-term objectives are set and analysed.

The main objective of budgeting is to produce the year-end estimate for the financial year following the current one.

Budgeting is an in-depth estimation process that allows a full overview of amounts, such as the profitability of the new volumes for the year and the total assets.

It requires the involvement and coordination of managers and product business lines, the supervision of the function heads and final validation by the Chief Executive Officer and General Manager and the Management Committee. A special function is assumed by Risk Control, which, by virtue of its role, produces the Bank's projection of impaired loans. This estimate is therefore the starting point for determining the provisions required and the level of coverage.

The forecasting process involves updating the budget assumptions, and aims to align the assumptions with the latest developments and consider the corrective measures against possible misalignments recognised with respect to the objectives set. These activities are usually carried out twice a year, in May/June and September/October, but can be carried out more frequently if requested by the Spanish parent company.

The three-year plan is a process of analysis and estimation of the expected results for the three years following the year in progress. These activities make it possible to:

- have a strategic vision for assessing corporate guidelines;
- analyse the prevailing trends and take corrective and/or improvement actions.

The process is broken down into steps similar to those carried out for the budget and the forecasts, although it may provide less certainty for years further from the observation period.

Regardless of the deadlines previously defined, a review is carried out each time that the external and/or internal conditions, which are at the basis of the strategies, change considerably, or when the differences between forecasts and actual figures are significant and may lead to alternative strategies to those in the plan.

The Write-Off policy on the other hand defines the maximum period at the end of which a loan must be reported as a loss, depending on the type of product and Group company.

The months spent in the SCB portfolio are counted from the oldest outstanding instalment open at the time of the calculation. The loan becomes a Write-off (completely adjusted positions) in the month following that in which the age of the unpaid amount is exceeded, which varies from 12 to 24 months depending on the product (Car, Personal Loans, Durables, Credit cards). In addition to the rule of classification by days, the Write-off policy provides specific criteria for certain cases, summarised in the following points:

I. In the case of loans subject to fraud: entry as a loss will occur in the month following identification of the fraud in the system.

II. In the case of the death of the customer: the position will be entered as a loss six months after classification of such status in the system.

III. In the case of loans subject to legal action: entry as a loss will occur in the month following receipt of unfavourable information by the competent court.

IV. In the case of loans to companies subject to bankruptcy, entry as a loss will take place nine months after classification of such status in the system.

V. In the event of disposal to third parties/tax loss.

Controls are carried out throughout the entire process by analysts from the Risk Control Department (in collaboration with Administration and Budget, Planning and Controls and CBU). The working group plays a fundamental role in this regard, performing monthly data reconciliation between the areas concerned.

3.2 Write-off

After initial recognition, loans are measured at their amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/writebacks and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.

Loans are assessed by the bank at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. Recognition and classification is performed in accordance with the IFRS 9 impairment model.

The correction rate applied to loans depends on the classification within the various stages listed above and is estimated for homogeneous loan categories in terms of credit risk taking into account past experience, based on observable elements at the measurement date.

The financial instruments belonging to the HTC business model are entered in the financial statements net of the correction identified through the write-downs line item of the income statement. The original value is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent to such adjustments. The write-back is recorded in the income statement.

In the case of financial instruments belonging to the HTC&S business model on the other hand, the reserve to cover losses is shown under other comprehensive income rather than as a reduction of the carrying amount of the financial asset in the statement of the financial position.

Apart from those situations where the impairment of the loans reduces their fair value to zero, loans are only eliminated from the balance sheet if their disposal leads to the transfer of substantially all of the risks and benefits associated with them.

This situation takes place in the case of a transfer without recourse with respect to non-performing loans, the economic effects of which are recorded in item 100 (gains/losses on disposal or repurchase of loans) in the income statement.

Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred.

Derecognition also takes place following the expiry of the contractual rights or when the loan is considered permanently unrecoverable.

The model for the calculation of risk provisions provides a measurement of the impairment for homogeneous classes of risk on the basis of predictive parameters, the quantification of which is based on observations from past experience. Calculation of the provision for loan losses is performed monthly in accordance with rules that comply with corporate policies and the regulations in force at the time.

3.3 Purchased or originated impaired financial assets

The Bank does not have any purchased or originated impaired financial assets.

4. Financial assets subject to commercial renegotiation and forborne exposures

On the basis of the regulatory framework as supplemented by the implementing provisions, in order to comply with regulatory requirements in relation to the classification of Bad and Unlikely to Pay loans, the Bank has set itself the objective of establishing a support system for the assessment of positions that, after an initial segmentation, allows a subjective assessment to be performed on homogeneous portfolios in order to ensure that the assessments provided over time are reliable and consistent.

As regards forborne positions, relating to exposures subject to renegotiation and/or refinancing due to manifest difficulties (actual or potential), these are not handled separately but constitute a subset that is duly identified, classified and managed in the internal processes through the information systems with which the Bank is equipped.

For these positions, the management guidelines are based on the following principles:

- comprehensive customer management;
- assessment of the actual difficulties facing the customer (temporary or structural) to ensure proper management;
- continuation of existing guarantees;
- containment of customer debt exposure.

The classification of positions according to the IFRS 9 model provides for the following classification:

- Stage 1: all positions that do not come under stage 2 or 3.
- Stage 2: all positions that meet the following requirements:
  - Transactions arising from concession agreements with loans classified as refinancing or restructuring but not classified as non-performing.
  - Transactions arising from concession agreements with loans classified as refinancing or restructuring, reclassified from non-performing stage 3 to stage 2 as “under monitoring” (or Probation Period).
- Stage 3: all positions that meet the following requirements:
  - Transactions with a loan more than 90 days past due.
  - Transactions classified as non-performing, not because of days late but classified as being in the “Cure Period”.

For reporting purposes, in addition to that indicated previously, the Bank integrates the information at its disposal with the performance data from Credit Bureaux CRIF and the Bank of Italy Central Credit Bureau, which includes, in addition to the information provided by the Bank, also the anomalies identified on the subject by other banks, as well as negative information (complaint files, detrimental action records). Such integration makes it possible to obtain a reliable overall assessment of customers’ ability to meet contractual obligations.

To meet these needs the Bank has developed a segmentation model based on a decision tree, which divides the portfolio into homogeneous groups depending on whether or not they meet certain conditions defined within the tree itself.

The internal processes that govern the operation of the decision tree are documented through internal policies that describe the rules, processes and structures for their internal management.

The positions, which are assigned a risk group by the decision tree, are subject to verification by dedicated internal analysts using a process that consists of several different steps, with the aim of making it comprehensive and reliable.

The approach applied in the valuation of positions is to take into consideration all available elements, internal and external to the Bank, in order to obtain and document a summary opinion. For this purpose, in the analysis notes entered in the system, a record is provided of the references used, the valuations made, and the opinion issued, such as to enable the reconstruction, including retrospectively, of the activity performed.

This valuation is carried out both on the occasion of their classification (origination), and on the occurrence of significant events, and is in any case subject to periodical review. Considering then that the assessment activities carried out by analysts do not vary with the change in the overall exposure pertaining to each individual subject subjected to analysis, the Bank has identified specific corporate bodies responsible for approving the relative decisions.

The restoration of impaired exposures to performing status follows the guidelines of the Supervisory Board and takes place after verification that the circumstances that resulted in the impairment no longer exist. Through the Risk Control Department, the CRO’s (Chief Risk Officer) area of governance carries out second-level control activities aimed at verifying the correct classification of positions and the possible creation/adjustment of provisioning.

For the management of support measures activated following the COVID-19 pandemic and the results obtained, please refer to the specific “Changes due to COVID-19” section.

Quantitative information

A. Credit quality

A.1 Performing and non-performing exposures: amounts, adjustments, trends and economic distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolios/quality		Non-performing loans	Unlikely to pay	Non-performing past due exposures	Performing past due exposures	Other not impaired exposures	Total
1. Financial assets valued to amortised cost		4,807	17,152	10,885	42,411	6,822,374	6,897,629
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets designated to fair value		-	-	-	-	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	-	-
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2020**	**4,807**	**17,152**	**10,885**	**42,411**	**6,822,374**	**6,897,629**
Total	**12/31/2019**	**4,343**	**16,839**	**15,660**	**44,359**	**6,200,049**	**6,281,249**

The only portfolio that has impaired assets consists of loans to customers. The amount of bad, unlikely-to-pay and past due loans corresponds to what was communicated to the Bank of Italy in the ordinary supervisory reports.

For details on the credit quality relating to the exposures subject to forbearance included in the portfolio of financial assets measured at amortised cost, see table A.1.7. below.

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality		Non-Performing Assets				Performing Assets			
		Gross exposure	Specific writedowns	Net exposure	Overall partial write-off*	Gross exposure	Specific writedowns	Net exposure	Total (net exposition)
1. Financial assets valued to amortised cost		132,199	(99,355)	32,843	-	6,931,471	(66,686)	6,864,785	6,897,629
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-
3. Financial assets designated to fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	X	X	-	-
5. Financial assets classified as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2020**	**132,199**	**(99,355)**	**32,843**	**-**	**6,931,471**	**(66,686)**	**6,864,785**	**6,897,629**
Total	**12/31/2019**	**157,286**	**(120,445)**	**36,841**	**-**	**6,302,278**	**(57,870)**	**6,244,408**	**6,281,249**

Portfolio/quality		Low credit quality assets		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	2,174
2. Hedging Derivatives		-	-	-
Total	**12/31/2020**	**-**	**-**	**2,174**
Total	**12/31/2019**	**-**	**-**	**2,041**

A.1.3 Distribution of financial assets by past due time bands (book values)

Portfolios / stages of risk		First stage			Second stage			Third stage		
		From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets valued at amortised cost		25,767	1,556	1,375	2,214	8,163	3,337	843	932	22,235
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-
Total	**12/31/2020**	**25,767**	**1,556**	**1,375**	**2,214**	**8,163**	**3,337**	**843**	**932**	**22,235**
Total	**12/31/2019**	**27,128**	**638**	**586**	**2,641**	**10,115**	**3,250**	**675**	**1,074**	**22,940**

A.1.4 Financial assets, commitments to disburse funds and guarantees given: dynamics of total write-downs and total provisions

Causal / risk stages	Total value adjustments									
	First stage activities					Second stage activities				
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total ...	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total ...	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total openingl adjustments	**33,378**	-	-	-	**33,378**	**24,492**	-	-	-	**24,492**
Changes in increase from financial assets acquired or originated	17,855	-	-	-	17,855	-	-	-	-	-
Cancellations other than write-offs	(1,893)	-	-	-	(1,893)	(931)	-	-	-	(931)
Net value adjustments / write-backs for credit risk (+/-)	(8,400)	-	-	-	(8,400)	2,586	-	-	-	2,586
- Gross opening variation	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	(31)	-	-	-	(31)	(372)	-	-	-	(372)
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**40,910**	-	-	-	**40,910**	**25,776**	-	-	-	**25,776**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	(374)	-	-	-	(374)	(288)	-	-	-	(288)

Causal / risk stages	Total value adjustments						Total provisions on commitments to disburse funds and financial guarantees issued			Total
	Activities included in the third stage					Of which: impaired financial assets acquired or originated				
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns		First stage	Second stage	Third stage	
Total openingl adjustments	**120,445**	-	-	**471**	**119,974**	**1,123**	**46**	**1**	-	**178,361**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	54	-	-	**17,910**
Cancellations other than write-offs	(40,559)	-	-	-	(40,559)	-	-	-	-	**(43,383)**
Net value adjustments / write-backs for credit risk	35,898	-	-	11	35,887	(1,123)	(46)	(1)	-	**30,038**
- Gross opening variation	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	(16,428)	-	-	(252)	(16,176)	-	-	-	-	**(16,830)**
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**99,355**	-	-	**230**	**99,125**	-	**54**	-	-	**166,095**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	(111)	-	-	(1)	(110)	-	-	-	-	**(773)**

Value adjustments on loans deriving from finance leases amounted, at year end, to Euro 4,877 thousand and showed a net increase of Euro 274 thousand (the main increases are in acquired financial assets for Euro 198 thousand, reversals different from write-offs for Euro -207 thousand, Net losses / recoveries on credit risk for Euro 1,915 thousand, Write-offs not recognised through profit or loss for Euro -905 thousand, gains and use for transfer for Euro -727).

For more information on the composition of the portfolio subject to impairment and on the determination of value adjustments, reference is made to the information provided in the descriptive part of Part E of the Financial Statements.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between the various stages of credit risk (gross and nominal values)

Portofolios/risk stages		Gross exposure / Par value					
		Transfers between first stage and second stage		Transfers between second stage to thirth stage		Transfer between first stage and thirth stage	
		From first to second stage	From second stage to first stage	From second to third step	From thirth to second step	From first to thirth step	From thirth to first step
1. Financial assets valued at amortised cost		56,194	25,072	16,827	4,473	36,509	3,965
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments and financial guarantees given		-	-	-	-	-	-
Total	**12/31/2020**	**56,194**	**25,072**	**16,827**	**4,473**	**36,509**	**3,965**
Total	**12/31/2019**	**101,281**	**34,449**	**14,300**	**10,060**	**36,789**	**6,057**

A.1.5a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolio/quality		Gross values / Par value					
		Transfers between first stage and second stage		Transfers between second stage to thirth stage		Transfer between first stage and thirth stage	
		From first to second stage	From second to first stage	From second to third step	From thirth to second step	From first to thirth step	From thirth to first step
A. Loans and advances measured at amortized cost		**1,007**	**552**	**-**	**-**	**59**	**4**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)		184	552	-	-	35	4
A.2 subject to COVID-19-related forbearance measures		823	-	-	-	25	-
A.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability		-	-	-	-	-	-
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-
B.2 subject to COVID-19-related forbearance measures		-	-	-	-	-	-
B.3 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
Total	**12/31/2020**	**1,007**	**552**	**-**	**-**	**59**	**4**

A.1.6 On- and off-balance sheet exposures to banks: gross and net values

Type of exposure/amounts	Gross exposures		Overall Write-Downs and provisions	Net Exposure	Total Write-off*
	Non-performing	performing			
A. Credit exposures for cash					
a) Bad Exposures	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
b) Probable defaults	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
c) Impaired expired exposures	-	X	-	-	-
- of wich: forborne exposures	-	X	-	-	-
d) Expired exposures not impaired	X	4	-	4	-
- of wich: forborne exposures	X	-	-	-	-
e) Other non-impaired exposures	X	46,818	-	46,818	-
- of wich: forborne exposures	X	-	-	-	-
Total (A)	**-**	**46,823**	**-**	**46,823**	**-**
B. Non-balance sheet credit exposures					
a) Non-performing	-	X	-	-	-
b) performing	X	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**-**	**46,823**	**-**	**46,823**	**-**

A.1.7 On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures		Overall Write-Downs and provisions	Net exposure	Total Write-off
	Non-performing	performing			
A. Credit exposures for cash					
a) Non performing loans	37,904	X	33,097	4,807	-
- of which: forborne exposures	6,416	X	6,108	308	-
b) Probable defaults	62,660	X	45,508	17,152	-
- of which: forborne exposures	16,389	X	12,695	3,694	-
c) Impaired expired exposures	31,635	X	20,750	10,885	-
- of which: forborne exposures	107	X	74	33	-
d) Expired exposures not impaired	X	60,209	17,802	42,407	-
- of which: forborne exposures	X	2,379	393	1,986	-
e) Other non-impaired exposures	X	6,824,439	48,884	6,775,555	-
- of which: forborne exposures	X	12,833	2,977	9,857	-
Total (A)	**132,199**	**6,884,648**	**166,041**	**6,850,806**	**-**
B. Non-balance sheet credits exposures					
a) Non-performing	3	X	-	3	-
b) performing	X	590,737	54	590,683	-
Total (B)	**3**	**590,737**	**54**	**590,686**	**-**
Total (A+B)	**132,201**	**7,475,385**	**166,095**	**7,441,491**	**-**

This table gives details of non-performing and performing loans to customers, gross and net of specific and portfolio adjustments.

The item “Off-balance sheet credit exposures” includes the amount of the irrevocable commitments relating to factoring transactions and the margins available on credit lines granted to customers.

A.1.7a Cash credit exposures to customers subject to COVID-19 support measures: gross and net values

Exposure types / amounts	Gross exposure	Total value adjustments and total provisions	Net exposure	Write-off partial total*
A. BAD CREDIT EXPOSURES	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
B. UNLIKELY TO PAY CREDIT EXPOSURES	100	27	74	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	76	11	65	-
b) Subject to COVID-19-related forbearance measures	25	16	9	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT EXPOSURES	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
D. PERFORMING PAST DUE EXPOSURES	149	65	83	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	149	65	83	-
b) Subject to COVID-19-related forbearance measures	-	-	-	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
E. OTHER PERFORMING EXPOSURES	65,288	2,854	62,435	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	64,448	2,674	61,774	-
b) Subject to COVID-19-related forbearance measures	841	180	661	-
c) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-
TOTAL (A+B+C+D+E)	**65,537**	**2,946**	**62,592**	**-**

A.1.8 Cash credit exposures to banks: dynamics of gross non-performing loans

The Bank does not have any exposures to banks that are subject to impairment.

A.1.8bis Cash credit exposures to banks: dynamics of gross forborne exposures by credit quality

The Bank does not have any forborne exposures to banks.

A.1.9 Cash credit exposures to customers: dynamics of gross non-performing loans

Description/Category	Bad Exposures	Unlikely to pay	Past due impaired exposures
A. Opening balance (gross amount)	**60,596**	**58,903**	**37,788**
- Sold but not derecognised	7,461	10,518	13,272
B. Increases	**26,899**	**40,753**	**30,455**
B.1 transfers from performing loans	6,809	29,952	28,837
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	18,076	8,301	59
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	2,014	2,500	1,559
C. Decreases	**49,590**	**36,996**	**36,609**
C.1 transfers to perfomorming loans	74	4,968	3,396
C.2 write-offs	14,665	1,619	431
C.3 recoveries	1,829	8,771	5,970
C.4 sales proceeds	4,647	1,900	977
C.5 losses on disposals	27,292	8,605	2,963
C.6 transfers to other impaired exposures	35	7,018	19,382
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	1,048	4,115	3,491
D. Closing balance (gross amounts)	**37,904**	**62,660**	**31,635**
- Sold but not derecognised	1,926	10,217	9,093

A.1.9bis Cash credit exposures to customers: dynamics of gross forborne exposures by credit quality

Description/Quality	Forborne exposures Non-performing	Forborne exposures: performing
A. Opening balance (gross amount)	**29,237**	**19,682**
- of which sold non-cancelled exposures	1,544	864
B. Increases	**15,095**	**14,640**
B.1 Transfers from performing not forborne exposures	3,339	11,076
B.2. Transfers from performing forborne exposures	1,815	X
B.3. Transfers from impaired forborne exposures	X	1,518
B.4 Transfers from impaired not forborne exposure	-	-
B.4 other increases	9,941	2,046
C. Decreases	**21,420**	**19,109**
C.1 Transfers to performing not forborne exposures	X	9,104
C.2 Transfers to performing forborne exposures	1,518	X
C.3 transfers to impaired exposures not forborne	X	1,815
C.4 write-offs	305	251
C.5 recoveries	4,712	5,745
C.6 sales proceeds	1,137	-
C.7 losses on disposals	4,746	-
C.8 other decreases	9,002	2,194
D. Closing balance (gross amounts)	**22,912**	**15,213**
- of which sold non-cancelled exposures	1,359	3,513

A.1.10 Cash non-performing credit exposures to banks: dynamics of total write-downs

Exposures to banks are not subject to write-downs.

A.1.11 Cash non-performing credit exposures to customers: dynamics of total write-downs

Description/Category	Bad Exposures		Unlikely to pay		Impaired Past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance	**56,253**	**6,834**	**42,064**	**16,161**	**22,128**	**-**
- Sold but not derecognised	6,630	439	5,133	912	5,591	-
B. Increases	**21,770**	**3,993**	**25,131**	**7,777**	**16,654**	**74**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	8,885	3,113	18,616	7,302	16,305	74
B.3 losses on disposal	1,015	72	920	142	335	-
B.4 transfer from other impaired exposure	11,867	806	4,980	2	15	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	2	2	615	332	-	-
C. Reductions	**44,926**	**4,719**	**21,686**	**11,243**	**18,032**	**-**
C.1 write-backs from assessments	82	26	4,069	2,244	1,021	-
C.2 write-backs from recoveries	881	404	1,486	756	908	-
C.3 gains on disposal	2,586	337	681	236	465	-
C.4 write-offs	14,399	123	1,643	163	464	-
C.5 transfers to other impaired exposures	16	2	4,840	806	12,006	-
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	26,962	3,828	8,968	7,037	3,167	-
D. Closing overall amount of writedowns	**33,097**	**6,108**	**45,508**	**12,695**	**20,750**	**74**
- Sold but not derecognised	1,603	177	5,079	849	4,938	5

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of financial assets, loan commitments and financial guarantees given by external rating class (gross values)

Exposures	External rating classes						Without rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets valued at amortised cost	-	-	-	-	-	-	**7,063,670**	**7,063,670**
- First stage	-	-	-	-	-	-	6,831,764	6,831,764
- Second stage	-	-	-	-	-	-	99,707	99,707
- Third stage	-	-	-	-	-	-	132,199	132,199
B. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	-	-	-	-	**7,063,670**	**7,063,670**
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-
D. Loan commitments and financial guarantees given								
- First stage	-	-	-	-	-	-	590,488	590,488
- Second stage	-	-	-	-	-	-	249	249
- Third stage	-	-	-	-	-	-	3	3
Total (D)	-	-	-	-	-	-	**590,740**	**590,740**
Total (A+B+C+D)	-	-	-	-	-	-	**7,654,410**	**7,654,410**

A.2.2 Distribution of financial assets, loan commitments and financial guarantees given by internal rating class (gross values)

This table has not been prepared because the internal ratings are not currently used in the calculation of capital requirements for the management of credit risk.

A.3 Distribution of guaranteed credit exposures by type of guarantee

A.3.1 On- and off-balance sheet guaranteed exposures to banks

The Bank has no guaranteed credit exposures to banks.

A.3.2 On- and off-balance sheet guaranteed exposures to customers

	Gross exposure	Net exposures	Collaterals (1)				Guarantees (2)		Guarantees (2)							Total (1)+(2)
							Credit derivatives		Credit derivatives			Signature loans				
								Other derivatives	Other derivatives							
			Property, Mortgages	Financial leasing property	Securities	Other assets	CLN	Central counterparties	Banks	Other financial companies	Other entities	public administrations	Banks	Other financial companies	Other entities	
1. Guaranteed cash loans:	**110,805**	**105,338**	-	-	-	**1,905**	-	-	-	-	-	-	**4,292**	**171**	**95,711**	**102,080**
1.1 totally secured	95,416	90,271	-	-	-	-	-	-	-	-	-	-	815	171	89,284	90,271
- of which: non-performing	4,164	616	-	-	-	-	-	-	-	-	-	-	-	-	616	616
1.2 partially secured	15,389	15,067	-	-	-	1,905	-	-	-	-	-	-	3,477	-	6,427	11,809
- of which: non-performing	356	49	-	-	-	-	-	-	-	-	-	-	-	-	48	48
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which: non-performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Financial and non-financial assets obtained through the realisation of guarantees received

The Bank does not have any financial assets obtained through the realisation of guarantees.

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of on- and off-balance sheet exposures to customers

Exposures/Counterparts	Public administration		Financial companies		Financial companies(of which: insurance		Non-financial companies		Households	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet credit exposures										
A.1 Bad exposures	-	-	-	4	-	-	396	3,284	4,411	29,809
- of wich: forborne exposures	-	-	-	-	-	-	17	222	291	5,886
A.2 Unlikely to pay	717	284	17	23	5	1	1,613	2,782	14,805	42,419
- of wich: forborne exposures	-	-	-	-	-	-	129	262	3,566	12,433
A.3 Non-performing past-due	22	13	2	1	-	-	862	2,008	9,999	18,728
- of wich: forborne exposures	-	-	-	-	-	-	-	-	33	74
A.4 Performing exposures	1,239,550	3,615	201,990	143	2	-	558,790	4,208	4,817,633	58,720
- of wich: forborne exposures	-	-	-	-	-	-	128	46	11,715	3,324
Total (A)	**1,240,289**	**3,912**	**202,008**	**171**	**7**	**1**	**561,661**	**12,282**	**4,846,849**	**149,676**
B. Off-balance sheet credit exposures										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	3	-
B.2 Performing exposures	-	-	-	-	-	-	586,861	54	3,821	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**586,861**	**54**	**3,824**	**-**
Total (A+B) 12/31/2020	**1,240,289**	**3,912**	**202,008**	**171**	**7**	**1**	**1,148,522**	**12,337**	**4,850,673**	**149,676**
Total (A+B) 12/31/2019	**416,484**	**3,448**	**224,322**	**103**	**9**	**-**	**1,103,872**	**26,029**	**4,959,935**	**148,781**

The above table shows the cash positions with customers by sector. It shows the distinct prevalence of exposures to retail customers.

B.2 Territorial distribution of on- and off-balance sheet exposures to customers

Exposures / Geographic area		North West Italy		North East Italy		Italian Centre		South Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet credit exposures									
A.1 Bad Exposures		899	6,092	495	3,112	843	6,654	2,571	17,239
A.2 Unlikely to pay		3,578	8,681	1,514	3,834	3,791	9,497	8,267	23,494
A.3 Impaired past due exposures		2,387	4,094	1,005	2,052	2,074	3,851	5,418	10,753
A.4 Not impaired exposures		1,812,989	15,804	855,647	10,410	2,344,015	12,789	1,805,292	27,682
Total (A)		**1,819,853**	**34,670**	**858,661**	**19,408**	**2,350,723**	**32,792**	**1,821,548**	**79,168**
B. Off-balance sheet credit									
B. 1 Non-performing exposures		-	-	-	-	-	-	3	-
B. 2 Performing exposures		218,291	14	145,409	14	116,190	11	110,792	15
Total (B)		**218,291**	**14**	**145,409**	**14**	**116,190**	**11**	**110,795**	**15**
Total (A+B)	**12/31/2020**	**2,038,144**	**34,684**	**1,004,070**	**19,422**	**2,466,913**	**32,803**	**1,932,343**	**79,184**
Total (A+B)	**12/31/2019**	**2,009,812**	**32,410**	**1,019,132**	**17,138**	**1,650,844**	**32,455**	**2,024,796**	**96,358**

The Bank has exposures almost exclusively to Italian customers; the geographical breakdown used in the table is taken from the instructions issued by the Bank of Italy and is consistent with the allocation used for regulatory reporting.

B.3 Territorial distribution of on- and off-balance sheet exposures to banks

Exposures / Geographical Area		Italy		Other european countries		United States		Asia		Rest of the world	
		Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs	Net exposures	Total write-downs
A. Balance sheet credit exposures											
A.1 Non-performing loans		-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
A.3 Non-Performing past due exposures		-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures		38,472	-	8,351	-	-	-	-	-	-	-
Total (A)		**38,472**	**-**	**8,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures											
B.1 Non-performing exposures		-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures		-	-	-	-	-	-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**12/31/2020**	**38,472**	**-**	**8,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A+B	**12/31/2019**	**44,228**	**-**	**8,467**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This table contains, for cash exposures to residents, the positive balance of current accounts with banks, while for exposures to foreigners, the balance is made up of balances due from the Spanish Parent Company Banco Santander S.A.

B.4 Large exposures

	12/31/2020
Number	4
Weighted value	587,188
Book value	2,268,051

At the balance sheet date there were the following four counterparties that could be classified as large exposures: Italian Ministry of Economy and Finance (MEF), Banco Santander S.A., Hyundai Motor Company Italy S.r.l. and Mazda Motor Italia S.r.l.

C. Securitisations

Qualitative information

Strategy and characteristics of securitisation transactions

Santander Consumer Bank uses securitisation transactions in order to broaden the diversification of funds collected by optimising its cost.

Securitisation is a financial structure with which a special purpose vehicle (SPV) purchases portfolios of loans financed through the issue of different classes of Asset Backed Securities (ABS), the repayment of which is guaranteed by the collection flows of the securitised loans. Class A securities are the first to be repaid. They are the least risky, have a higher rating and pay a lower rate of interest (Coupon).

Santander Consumer Bank (SCB) uses securitisations as a regular financing instrument via the vehicle **Golden Bar (Securitisation) S.r.l.**

SCB assumes the role of Originator, Seller and Servicer

These transactions may have a revolving structure, if the possibility of transferring additional portfolios is provided for, or an amortising structure, if this option has not been contractually provided for.

The collections deriving from the securitised loans are used to finance the purchase of additional loans during the revolving period or to repay the securities in the amortising period.

The Senior classes have usually a dual rating in order to be eligible for refinancing transactions at the Central Bank, such as for example targeted long-term refinancing operations (TLTROs).

Securitisation transactions

In addition to the targeted self-securitisations in previous years, in 2020 the Company did not finalise new securitisation transactions intended for investors.

Both of the transactions issued in previous years and intended for investors, Golden Bar 2018-1 and Golden Bar 2019-1, began to repay non-Junior classes in 2020.

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Assets held by the Group	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar 2018-1	320,676	253,223	82,750	3,000	5,619,380	n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	479,190	531,833	12,000	5,434		n.a.	n.a.	n.a.	n.a.

Breakdown of the excess spread accrued during the year	12/31/2020	
	Golden Bar 2018-1	Golden Bar 2019-1
Interest expense on securities issued	(17,005)	(28,273)
Commisions and fees for the operation	(548)	(765)
- for servicing	(529)	(742)
- for other services	(19)	(23)
Other charges	(4,026)	(4,674)
Interest generated by the securitised assets	22,751	34,217
Other revenues	2,005	2,564
Total	**3,177**	**3,069**

At 31 December 2020, the Golden Bar 2018-1 transaction had an outstanding balance of Euro 335,973 thousand.

The Golden Bar 2019-1 transaction had an outstanding balance of Euro 543,833 thousand.

Quantitative information

C.1 Exposures arising from the main “own” securitisation transactions broken down by type of securitised asset and by type of exposure

	Cash exposure						Guarantees given						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
Type of securitized assets / Exposures	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries	Book value	Adjustments/Recoveries
A. Derecognised in full																		-
B. Derecognised in part																		
C. Not derecognised	36,890	(356)			72,607	(700)												
Golden Bar Stand Alone	36,890	(356)			72,607	(700)												

C.2 Exposures arising from the main “third-party” securitisation transactions broken down by type of securitised asset and by type of exposure

The Bank does not have any “third-party” securitisation transactions.

C.3 Special purpose vehicles (SPVs) created for securitisation

Securitization name - Company name	Head office	Consolidation	Assets			Liabilities		
			Credits	Debt securities	Others	Senior	Mezzanine	Junior
Golden Bar 2018-1	Torino (TO)	NO	320,676		19,023	253,223		82,750
Golden Bar 2019-1	Torino (TO)	NO	479,190		69,782	474,809	57,024	12,000

C.4 Non-consolidated special purpose vehicles (SPVs) created for securitisation

Please refer to the matters described in the consolidated notes, Part A, Section 3 “Scope of consolidation and consolidation method”.

C.5 Servicer activities - own securitisations: collections of securitised loans and repayments of securities issued by the special purpose vehicle for securitisation

The Bank does not carry out Servicer activities on securitisation transactions relating to the divested business removed from the financial statements.

D. Information on unconsolidated structured entities (other than special purpose vehicles created for securitisations)

The Bank does not have any positions with unconsolidated structured entities.

E. Disposal transactions

A. Financial assets sold but not derecognised

Qualitative information

At 31 December 2020, a short-term repurchase agreement transaction was in place for an amount of Euro 50 million.

The purpose of the transaction is to optimise the management of collateral.

Quantitative information

E.1 Financial assets sold and fully booked and associated financial liabilities: book values

	Financial assets sold as a whole				Associated financial liabilities		
	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement	of which Non-performing	Book value	of which: subject to securitization transactions	of which: subject to sale contracts with repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortised cost	**849,980**	**799,866**	**50,114**	**3,208**	**793,975**	**743,887**	**50,088**
1. Debt securities	50,114	-	50,114	-	50,088	-	50,088
2. Loans	799,866	799,866	-	3,208	743,887	743,887	-
Total 12/31/2020	**849,980**	**799,866**	**50,114**	**3,208**	**793,975**	**743,887**	**50,088**
Total 12/31/2019	**1,085,912**	**997,669**	**88,243**	**1,848**	**997,614**	**918,500**	**79,114**

The Bank has securitised exposures derecognised for prudential purposes but not derecognised for financial statements purposes totalling Euro 479,190 thousand, relating to the Golden Bar 2019-1 transaction.

E.2 Financial assets sold partially booked and associated financial liabilities: book values

The Bank does not hold any financial assets sold partially booked.

E.3 Transfers with liabilities that have recourse only against the assets sold and not fully derecognised: fair value

			12/31/2020	12/31/2019
A. Financial assets held for trading	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated at fair value	-	-	-	-
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets at fair value through other comprehensive income	-	-	-	-
1. Debt securities	-	-	-	-
2. Equities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortised cost (fair value)	**831,795**	-	**831,795**	**1,075,249**
1. Debt securities	50,098	-	50,098	-
2. Loans	781,697	-	781,697	1,075,249
Total financial assets	**831,795**	-	**831,795**	**1,075,249**
Total associated financial liabilities	**793,967**	-	**X**	**X**
Net exposures 12/31/2020	**37,828**	-	**37,828**	**X**
Net exposures 12/31/2019	**77,635**	-	**X**	**77,635**

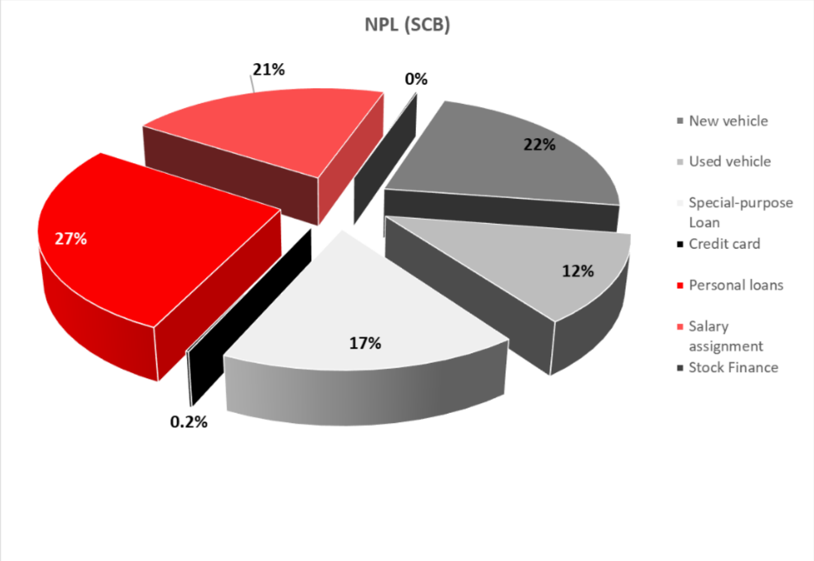
B. Financial assets sold and fully derecognised with recognition of continued involvement

This section is not applicable to sales made by the Bank in the course of the year.

F. Models for the measurement of credit risk

The balance at risk by product of the “dossiers in delinquency” (i.e. that have amounts past due by more than ninety days) is monitored on a monthly basis. The following chart summarises the breakdown of the variable just described at December 2020.

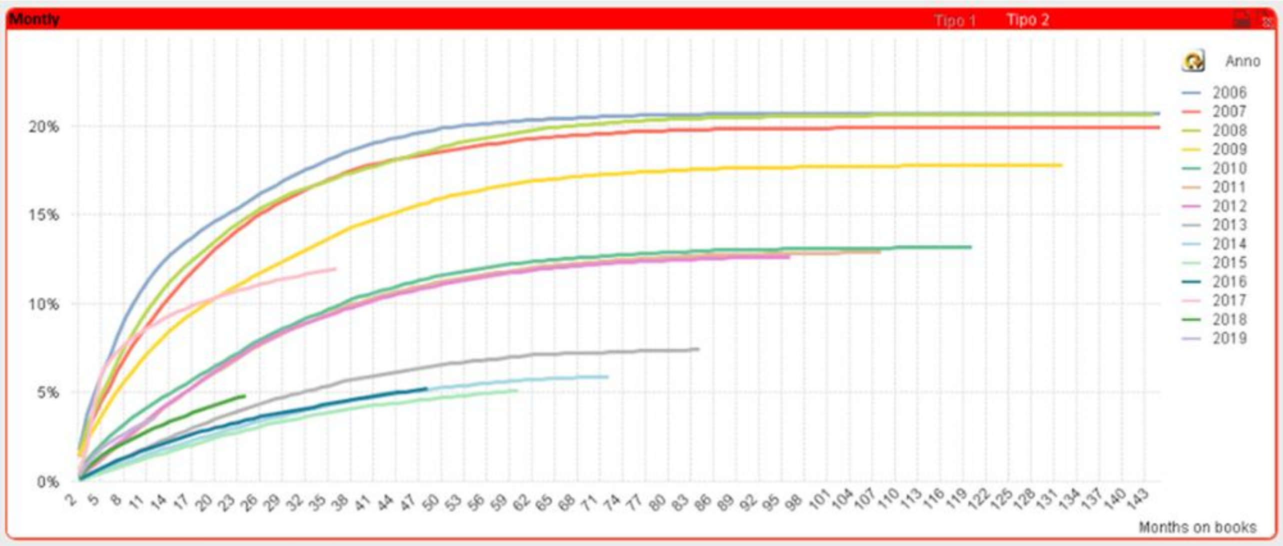
NPL (SCB)



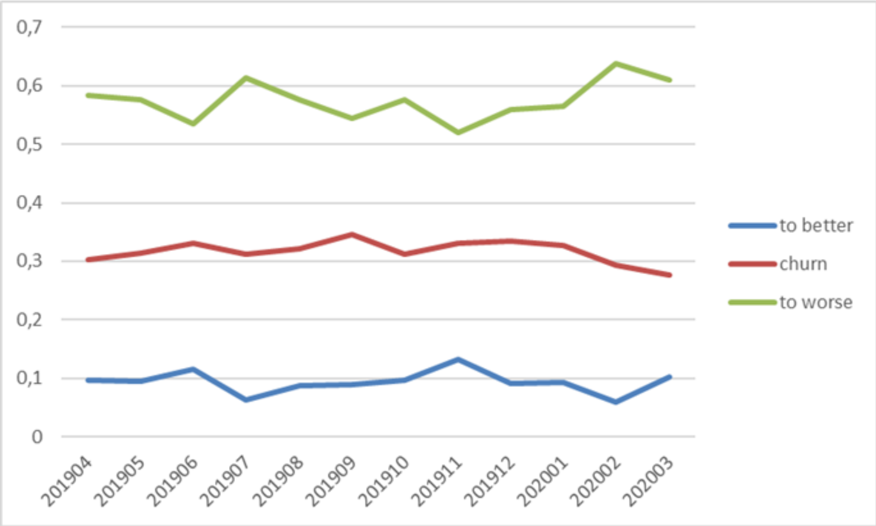
The stress tests carried out for ICAAP purposes, calculated on the basis of the PD and LGD parameters, both in the baseline and stress scenario, confirmed the soundness of the strategies adopted.

Credit risk is assessed, among other things, by:

- *Vintage analysis*. This indicator is the ratio of a generation of loans that in any month have been classified as bad to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to their segmentation. The comparison is between products with a similar production date, so you can identify any deviations from past performances. Usually, graphic representations are used to keep track of the trend, such as the one that shows the relationship between age and the loss rate;



- Roll rate (trend analysis). It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio.



Polynomial models are used (confidence/R2 ~ 95%) for stress test purposes, also to take account of the trend in default rates with a non-linear trend at the same date of the first instalment.

Please read Section *F - Models for the measurement of credit risk* in the Consolidated Financial Statements for further information on the method used.

Section 2 – Market risk

2.1 Interest rate risk and price risk - trading portfolio reported for supervisory purposes

The Bank does not hold any trading portfolios reported for supervisory purposes.

2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The Bank is exposed to fair value interest rate risk (risk that the value of assets and liabilities issued at fixed rates changes as a consequence of a fluctuation in the interest rate curve) and cash flow risk (risk that interest-related cash flow changes as a consequence of a fluctuation in the interest rate curve).

The sources of interest rate risk are mainly related to loans to customers, which are generated by the placement of consumer credit products and services (asset items) and their means of funding (liabilities and shareholders' equity items). In fact, the sector in which the Bank operates is characterised by the asset mix, which is typically composed of loans granted mainly at fixed rates; whereas the funding sources are both fixed rate and floating rate. Accordingly, the main interest rate categories to which the Bank is exposed lead to repricing risk.

Interest rate risk is managed by macro-strategies shared at Group level within well defined, formalised exposure limits. The Finance Division manages interest rate risk in accordance with the current documentation approved by the Board of Directors. Through the Market Risk function, the Risk Control Department has the task of monitoring market risks through the application of appropriate analysis and assessment methods.

Internal processes for the management and monitoring of interest rate risk prescribe the processing of information each month at operating level by the responsible organisational units and a critical assessment by the ALCO Committee.

Monitoring involves comparing the results of stress tests performed on sensitive assets and liabilities with the limits established by the Bank of Italy and by the related documentation.

Specific ratios are managed by the Finance Division and measured and monitored by the Risk Division. Specific quantitative limits are set for the following risk metrics:

- Market Value of Equity Sensitivity (MVE Sens.);
- Net interest margin Sensitivity (NIM Sens.).

To mitigate the risk of fluctuations in interest rates, the Bank implements two main forms of mitigation:

- use of financial instruments;
    - derivatives: used to hedge interest rate risk (usually Interest Rate Swaps);
    - medium-term fixed rate financing: used as an alternative to derivatives, to mitigate the exposure to interest rate risk;
- operating limits consistent with the risk objectives established by the Bank.

Of the various types of risk hedges that are acceptable, the Bank has chosen to use derivatives according to the following methods.

Impacts deriving from the COVID-19 pandemic

Interest rates rose in the early months of the year, and then fell sharply with the spread of the COVID-19 pandemic. This reduction did not have a significant impact on the Bank’s financial statements thanks to the hedging strategy already in place and the balance between fixed and variable rate assets and liabilities.

Quantitative information

1. Banking book: distribution by residual term (repricing date) of financial assets and liabilities

This table is not prepared as the next section gives an analysis of the sensitivity to interest rate risk based on internal models and this analysis covers the whole of the banking book.

2. Banking book: internal models and other methodologies for analysing sensitivity

The measurement/quantification of financial risks, especially the interest rate risk, is carried out by analysing the specific synthetic indicators described below. These indicators are calculated on a monthly basis, which involves calculating a final figure at the end of each month, as well as a forecast figure for the next reporting period. The Risk Control Department of Santander Consumer Bank is responsible for preparing and maintaining adequate, uniform and timely reporting for the monitoring of interest rate risk, formalised through specific indicators.

Sensitivity indicator "Market Value of Equity" (MVE)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a change in the interest rate curve under various scenarios on shareholders' equity. With the implementation of the evolved corporate tool introduced in 2017, in addition to the standard scenarios of parallel and immediate shock to the curve, more progressive scenarios were implemented. The following paragraph shows the results obtained by applying the scenario +100 basis points (parallel and intermediate shock) on which the monthly analysis and the decisions on interest rate risk are based. The measurement of interest rate risk is then carried out by assessing the impact of changes in interest rates on the value of interest-bearing assets/liabilities inclusive of derivatives (Interest Rate Swaps); the sensitivity of the market value of equity is computed as the difference between the present value of all future cash flows discounted using market interest rate curves and the present value of future cash flows discounted using stressed interest rate curves.

At 31 December 2020, the MVE calculated with a parallel and immediate shift of +100 basis points was Euro -12.31 million. The indicator remained within the thresholds approved by the Board of Directors.

Sensitivity indicator "Net Interest Margin" (NIM)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on net interest income (analysis period: 12 months). As regards interest rate shift scenarios, please see the information provided in the paragraph above.

At 31 December 2020, the NIM was Euro 2.46 (with a parallel and immediate shift of +100 basis points).

+100 bps MM	MVE	NIM
December 2020	-12.31	2.46
Limit	51	14

-100 bps MM	MVE	NIM
December 2020	6.70	1.97
Limit	51	14

2.3 Exchange risk

The Bank is not exposed to exchange risk.

Section 3 – Derivative instruments and hedging policies

3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional amounts

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with clearing arrangements	without clearing arrangements			with clearing arrangements	without clearing arrangements	
1. Debt securities and interest rate	-	-	744,299	-	-	-	939,100	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	744,299	-	-	-	939,100	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**744,299**	**-**	**-**	**-**	**939,100**	**-**

A.2 Financial derivatives held for trading: positive and negative gross fair value – breakdown by product

Types of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With clearing arrangements	Without clearing arrangements			With clearing arrangements	Without clearing arrangements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	2,174	-	-	-	2,041	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,174**	**-**	**-**	**-**	**2,041**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	618	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**618**	**-**

A.3 OTC financial derivatives held for trading: notional amounts, positive and negative gross fair value by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	744,299	-	-
- positive fair value	X	2,174	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-			
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives held for trading: notional amounts

Underlying / residual		Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates		297,433	446,866	-	744,299
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2020**	**297,433**	**446,866**	**-**	**744,299**
Total	**12/31/2019**	**175,751**	**742,258**	**21,091**	**939,100**

B. Credit derivatives

The Bank does not have any credit derivatives at the date of the financial statements.

3.2 Accounting hedges

It should be noted that on 15 January 2020, Regulation (EU) No. 34 was published, which endorsed the amendments to IFRS 9, IAS 39 and IFRS 7, issued by the IASB on 26 September 2019, as part of the project for the “Reform of the reference indices for determining interest rates”.

In application of the provisions of IFRS 7 paragraph 24H, it should be noted that the hedging relationship of the Bank is structured with “Interest Rate Swaps”, for a notional value of Euro 1,186,937 thousand, designated as a fair value hedging macro hedge on “Financial assets at amortised cost”.

In relation to EU Regulation 2016/1011 on reference rates (BMR), which came into force on 1 January 2018, Santander Consumer Bank took part in the working group organised by the Parent Company aimed at ensuring compliance with the same on reference indices and managing and orderly transition of the IBOR indices. In this regard, note that the hedges are indexed to EURIBOR rates and therefore disclosed to the extent that the method for calculating the rate will be redefined. During the transition process and in collaboration with the Spanish parent company, the Bank provides quantitative information on a quarterly basis to monitor the exposures affected by the regulations. In order to minimise the risk that one or more IBOR rates or other rates may be discontinued, the bank has started the process of inclusion and negotiation of fallback clauses that ensure an alternative index as a replacement in the event of unavailability of one of the pre-existing reference rates.

Qualitative information

A. Fair value hedges

With regard to the fair value hedging, the Bank enters into amortising derivatives to neutralise the exposure to changes in fair value of a portfolio of financial assets, attributable to unexpected fluctuations in interest rates.

The effectiveness of the hedges is periodically measured and formalised, based on monthly predefined tests (both retrospective and prospective):

- retrospective test. This test is designed to assess the difference between changes in the fair value of the hedged item and those of the hedging instrument, quantifying it by means of a specific percentage (efficiency percentage);
- prospective test. This assessment is based on expectations of the future trend of the hedging relationship by identifying different scenarios for the trend in interest rate curves. In order to assess the effectiveness of the hedge, the difference between changes in the fair value of the hedged item and those of the hedging instrument have to be considered jointly for each scenario (quantifying them by means of a percentage).

The observation/effectiveness range is as foreseen by IAS-IFRS for this purpose. The metrics are defined and maintained in accordance with the Spanish Parent Company’s instructions.

B. Cash flow hedges

At 31 December 2020, there were no cash flow hedging derivatives.

C. Foreign investment hedging

Not applicable, the Bank did not carry out any foreign investment hedging during the year.

D. Hedging instruments

The Bank is exposed to interest rate risk, defined as “Fair Value” risk, i.e. the possibility that financial assets/liabilities may increase/decrease in value due to changes in the interest rates expressed by the market. The interest rate risk determinants for the SCB Group are mainly related to loans to customers, which are generated by the disbursement of consumer credit products/services (asset items) and their means of funding (liabilities and shareholders' equity items). To mitigate this risk the Bank uses Interest Rate Swaps.

The relationship for measuring hedge effectiveness is determined by the ratio between the change in fair value of the hedged item between the time “t” and the time “t-1” and the change in the fair value of the hedging instruments between the time “t” and the time “t-1”; the result of this operation must be within a specific range provided for by IAS.

The reasons for possible ineffectiveness are therefore due to significant changes in the mark to market valuations of the swaps, as a result of, for example, sudden and significant changes in the interest rates that determine the valuations.

E. Hedged items

In relation to the hedged item used by the Bank in the hedging strategy, the following is taken into consideration:

- the hedging relationship is defined as Macro Fair Value Hedging, i.e. valuation of the hedge taking into consideration the entire hedged item in the face of all the risks to which it is exposed and not part of it;
- The hedging instruments used are the performing loans present in the portfolio, divided into time buckets depending on the agreement maturities;
- For the purposes of evaluating the effectiveness, the economic relationship is that described in section D “hedging instruments”;
- The interest rate risk determinants for the Bank, and consequent possible sources of ineffectiveness, with reference to the hedged items, are linked to changes in the fair value of loans to customers, generated by the disbursement of consumer credit products/services.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging derivatives: period-end notional amounts

Underlying assets / Type of derivatives	Total 12/31/2020				Total 12/31/2019			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties: with clearing arrangements	without central counterparties: without clearing arrangements		Central Counterparts	without central counterparties: with clearing arrangements	without central counterparties: without clearing arrangements	
1. Debt securities and interest rate	-	-	1,186,937	-	-	-	1,196,624	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	1,186,937	-	-	-	1,196,624	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equities and stock indexes	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**1,186,937**	**-**	**-**	**-**	**1,196,624**	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by product

	Positive and negative Fair Value								Change in the value used to calculate the effectiveness of the hedge	
	Total 12/31/2020				Total 12/31/2019					
	Over the counter				Over the counter				Total	Total
		Without central counterparties				Without central counterparties				
	Central Counterparts	With clearing arrangements	Without clearing arrangements	Organized markets	Central Counterparts	With clearing arrangements	Without clearing arrangements	Organized markets	12/31/2020	12/31/2019
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	10,337	-	-	-	8,745	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**10,337**	**-**	**-**	**-**	**8,745**	**-**	**-**	**-**

A.3 OTC hedging derivatives: notional amounts, positive and negative fair value by counterparty

Underlyings	Central Counterparts	Banks	Other financial companies	Other entities
Contracts not included in clearing agreement				
1) Debt securities and interest rate				
- notional value	X	1,186,937	-	-
- positive fair value	X	-	-	-
- negative fair value	X	10,337	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC hedging derivatives: notional amounts

Underlying / residual		Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A.1 Financial derivative contracts on debt securities and interest rates		380,285	757,609	49,043	1,186,937
A.2 Financial derivative contracts on equity securities and stock index		-	-	-	-
A.3 Financial derivative contracts on currency and gold		-	-	-	-
A.3 Financial derivative on commodities		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2020**	**380,285**	**757,609**	**49,043**	**1,186,937**
Total	**12/31/2019**	**391,391**	**757,030**	**48,203**	**1,196,624**

B. Hedging credit derivatives

The Bank does not have any credit derivatives at the date of the financial statements.

C. Non-derivative hedging instruments

The Bank does not have any non-derivative hedging instruments at the date of the financial statements.

D. Hedged instruments

D.1 Fair value hedges

The Bank has not applied the new accounting rules provided for hedge accounting in accordance with IFRS 9.

D.2 Cash flow and foreign investment hedges

The Bank does not have any cash flow and foreign investment hedges.

E. Effects of hedging transactions recognised in shareholders' equity

The Bank does not use hedging transactions recognised in shareholders' equity.

3.3 Other information on derivatives held for trading and hedging derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

	Central counterparty	Banks	Other financial companies	Other entities
A. Financial derivatives				
1) Debt securities and interest rates				
- notional amount	-	1,931,236	-	-
- positive fair value	-	2,174	-	-
- negative fair value	-	10,337	-	-
2) Equity instrument and stock index				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currency and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Hedge purchase				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Hedge sale				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Section 4 – Liquidity risk

Qualitative information

A. General aspects, management and measurement of liquidity risk

The Bank is exposed to liquidity risk, defined as the probability that it may, at any time, not have sufficient cash reserves to meet payments arising from its obligations, or it may not be able to source sufficient liquidity in the markets to renew maturing deposits. In accordance with the guidelines of the Spanish parent company Santander Consumer Bank has implemented extensive documentation in this regard.

The Finance Division manages liquidity risk in accordance with the current documentation approved by the Board of Directors.

Based on the governance model adopted by the Bank, liquidity risk is monitored by the Risk Division (as part of second-level controls), whereas Internal Audit performs third-level controls.

The Bank manages its liquidity by means of maturity ladder methodology agreed at Santander Consumer Finance Group level. This analysis is designed to identify and quantify the imbalances between cash inflows and outflows that occur in different timeframes.

The Bank also uses liquidity stress testing to analyse the potential impacts arising from liquidity crises (outflows from customer deposits, downgrading of securities, non-renewal of loans), in line with corporate models and regulatory requirements. The results of the stress tests remained above the management limits over the course of the year and were shared periodically within relevant committees.

As well as the above-mentioned indicators, the Parent Company also monitors its Liquidity Coverage Ratio defined as:

$$\text{LCR} = \frac{\text{Stock* of high quality liquid assets}}{\text{Total expected net cash flow** in the subsequent 30 calendar days}}$$

(*) The stock of liquid assets is weighted on the basis of the quality of the same
(**) expected in a hypothetical scenario of stress defined by the regulator through the assignment of standard weighting coefficients for the various categories of inflows and outflows

The LCR officially came into force on 1 October 2015 and has to constantly remain above 60% throughout the year, as required by European Commission Regulation 575/2013 and by Directive 2013/36/EU and subsequent amendments to the Delegated Regulation. The limit as from 2018 was set at 100%. Santander Consumer Bank satisfies this liquidity ratio and during the year it also implemented daily management of the ratio. At 31 December 2020, the LCR was 454.59%.

Finally, the Bank manages also liquidity through medium- to long-term indicators, such as the Net Stable Funding Ratio and Group indicators.

Each month an ALCO (Asset Liability Committee) meeting is held, attended by representatives from the Bank's Risk Division, Finance and Administration and Control Divisions, as well as colleagues from the corresponding Spanish Parent Company Divisions. The objective of this committee is to agree on the Company's strategies for interest rate and liquidity risk, funding policies and the cost of funding.

The Bank diversifies its sources of funding by recourse to financing provided by the Spanish Parent Company, bond issues, customer deposits and repurchase agreements (repos).

The Bank has also obtained credit lines from the Spanish Parent Company to mitigate its liquidity risk.

As regards transactions which require the payment of a margin call, the Company is a party to agreements for net interest margin hedging instruments entered into with Banco Santander.

Impacts deriving from the COVID-19 pandemic

The COVID-19 pandemic that characterised the whole of 2020 had no significant effects on the Bank's liquidity risk. In fact, the Bank distributes the maturities of deposits in a balanced manner to avoid their concentration. Customer deposits (deposit accounts) remained stable even in the most intense months of the pandemic during the first wave. On the other hand, the ECB supported the Banks through TLTRO auctions, encouraging their use and providing the opportunity to participate in further auctions (PELTRO). During the year, SCB increased its participation in TLTRO-III.

Quantitative information

1. Distribution of financial assets and liabilities by residual maturity

Items/Time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**268,264**	**1,027**	**126,332**	**38,531**	**417,231**	**1,702,703**	**929,924**	**3,007,269**	**542,766**	**1,076**
A.1 Government securities	-	-	50,000	-	50,000	1,130,838	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	268,264	1,027	76,332	38,531	367,231	571,865	929,924	3,007,269	542,766	1,076
- Banks	12,185	-	-	18	150	150	301	-	33,500	1,076
- Customers	256,079	1,027	76,332	38,513	367,081	571,715	929,623	3,007,269	509,266	-
B. On-balance sheet liabilities	**768,116**	**8,811**	**60,077**	**71,958**	**417,753**	**430,771**	**681,529**	**3,715,408**	**84,201**	-
B.1 Deposits and current accounts	766,268	8,124	9,987	21,676	74,317	83,289	156,667	818,390	-	-
- Banks	32,000	-	-	-	-	-	-	-	-	-
- Customers	734,268	8,124	9,987	21,676	74,317	83,289	156,667	818,390	-	-
B.2 Debt securities	-	-	-	-	-	-	1,166	175,000	-	-
B.3 Other liabilities	1,848	687	50,090	50,281	343,436	347,483	523,696	2,722,018	84,201	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	196	214	211	322	-	-	-
- Short positions	-	-	-	416	970	1,991	3,384	-	-	-
C.3 Deposit to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	99,682
- Short positions	99,682	-	-	-	-	-	-	-	-	-
C.5 Written guarantees	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Physically settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Cash settled credit derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

With respect to financial assets subject to self-securitisations, at the end of 2020, the Bank was involved in three securitisations of performing loans for which it had subscribed all of the securities issued: Golden Bar 2016-1 VFN, Golden Bar 2020-1 and Golden Bar 2020-2 VFN, the latter finalised during the accounting period.

The securitisations are stand-alone.

On 20 July 2020, the unwinding of the Golden Bar 2015-1 transaction was completed, with the subsequent repayment of the securities.

Again at 31 December 2020, Golden Bar 2018-1 and Golden Bar 2019-1 are both partially subscribed by third party investors.

Below is a summary of the main features of the transactions originated by Santander Consumer Bank in 2020:

Transaction	12/31/2020				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding al 31/12
Golden Bar 2015-1	A	IT0005137580	WR/ NR	Car loan and Personnel loan	-
	B	IT0005137598	WR/ NR		-
	C	IT0005137606	NR / NR		-
Golden Bar 2016-1	A	IT0005210031	A1 / AL	Salary assignment, retirement assignment and delegation of payment.	651,095,399
	B	IT0005210080	Baa3 / BBBH		27,500,000
	C	IT0005210098	Ba3 / BBB		38,500,000
	D	IT0005210106	B2 / BB		55,000,000
	E	IT0005210114	NR / NR		76,890,000
	F	IT0005210122	NR / NR		110,000
Golden Bar 2020-1	A	IT0005402570	AH/A	Car loan and Personnel loan	629,000,000
	B	IT0005402588	BBB/BBB		50,000,000
	Z	IT0005402604	NR / NR		67,498,000
Golden Bar 2020-2	A	IT0005417891	AH/A+	Car loan	483,540,000
	B	IT0005417909	BBB/BBB		37,737,000
	Z	IT0005417917	NR / NR		37,737,000

The table below shows the details of the changes in securities during financial year 2020:

Transaction	Notional value			
	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	428,276,727	- -	428,276,727	-
Golden Bar 2016-1	1,100,000,000	- -	250,904,601	849,095,399
Golden Bar 2020-1	-	746,498,000	-	746,498,000
Golden Bar 2020-2	-	559,014,000	-	559,014,000

The tables below show the changes in the reserves and subordinated loans:

Transaction	Subordinate loans				
	Distribute	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	25,030,000	-	-	-	-
Golden Bar 2016-1	49,530,000	-	-	-	-
Golden Bar 2020-1	8,530,000	-	8,530,000 -	8,530,000	-
Golden Bar 2020-2	5,242,800	-	5,242,800 -	5,242,800	-

Transaction	Cash Reserve				
	Composed	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	25,000,000	21,413,836	- -	21,413,836	-
Golden Bar 2016-1	27,500,000	27,500,000	- -	6,272,615	21,227,385
Golden Bar 2020-1	8,500,000	-	8,500,000 -	12,500	8,487,500
Golden Bar 2020-2	5,212,800	-	5,212,800	-	5,212,800

Transaction	Liquidity Reserve				
	Composed	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2015-1	-	-	-	-	-
Golden Bar 2016-1	22,000,000	22,000,000	-	-	22,000,000
Golden Bar 2020-1	-	-	-	-	-
Golden Bar 2020-2	-	-	-	-	-

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Assets held by the Group	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar 2016-1 VFN	888,681	848,985	110	21,227		n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-1	720,123	679,000	67,498	8,488	5,619,380	n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-2 VFN	495,485	521,277	37,737	5,213		n.a.	n.a.	n.a.	n.a.

In accordance with international accounting standards, no securitised portfolios have been derecognised as there were not the requisites for derecognition of the loans by the Parent Company, given that it was the subscriber of the Junior securities issued by the SPV.

Financial year 2020

Breakdown of the excess spread accrued during the year	12/31/2020			
	Golden Bar 2015-1	Golden Bar 2016-1 VFN	Golden Bar 2020-1	Golden Bar 2020-2 VFN
Interest expense on securities issued	(2,197)	(20,919)	(21,381)	(1,482)
Commisions and fees for the operation	(128)	(2,156)	(798)	(372)
- for servicing	(112)	(2,142)	(755)	(337)
- for other services	(16)	(14)	(43)	(35)
Other charges	(214)	(835)	(11,663)	(3,589)
Interest generated by the securitised assets	11,514	63,531	41,591	16,144
Other revenues	18,319	5	1,888	1,349
Total	**27,294**	**39,626**	**9,637**	**12,050**

Financial year 2019

Breakdown of the excess spread accrued during the year	12/31/2019		
	Golden Bar 2014-1	Golden Bar 2015-1	Golden Bar 2016-1 VFN
Interest expense on securities issued	(181)	(7,724)	(21,162)
Commisions and fees for the operation	(260)	(862)	(2,011)
- for servicing	(256)	(840)	(1,993)
- for other services	(4)	(22)	(18)
Other charges	(100)	(27,612)	(2,632)
Interest generated by the securitised assets	2,692	40,478	70,729
Other revenues	313	3,422	8
Total	**2,464**	**7,702**	**44,932**

Section 5 – Operational risk

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is defined as the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This last type includes losses deriving from fraud, human error, business interruption, non-availability of systems, contractual non-performance and natural catastrophes. Operational risk includes legal risk, but not strategic or reputation risks. Furthermore the category of IT and cyber risks defined as the “overall risk level to which the company’s processes and assets in relation to a given IT system” are subject and the outsourcing risk, deriving from the choice of outsource one or more company activities to third party suppliers, are included in operational risk.

Operational risks are, therefore, pure risks, as they are linked only to negative manifestations of events closely linked to the Bank’s operations and its governance. In accordance with the requirements of the parent company, the bank has therefore established a framework for the governance of operational risks, establishing rules and organisational processes for their measurement, management and control.

In accordance with the definition proposed by Basel II, Operational Risks can be caused by several factors.

	ORIGIN	CONSECUENCES
Operational Risk	Processes	Losses due to faults in processes
	People	Losses due to human error, negligence or malicious acts
	Systems	Losses due to faults in systems, communications, supplies, etc..
	External Events	Losses due to natural disasters, accidents, robberies, etc..
	Legal	Losses due to legal / regulatory failures, errors in the formalisation of contracts, etc..

Exposure to this type of risk can come from various sources, particularly during the following phases of the business:

- customer acceptance;
- completion of the contract;
- supply and management of suppliers;
- after-sale processes;
- back office processes;
- back-end activities;
- marketing activities;
- debt collection activities;
- employee management;
- management of the safety and security of the Bank’s premises.

Moreover, exposure to operational risk can also arise at the same time as potential errors linked to support processes, mainly including:

- administrative processes;
- information systems.

The local Operational Risk structure, operating within the Risk Division’s Risk Control Department, is responsible for second-level control. The functions and activities assigned to it are:

- to ensure the effective implementation of the risk culture;
- to encourage the first-level function to correctly manage operational risk;
- to ensure that individual risks are identified and properly managed by the individual areas;
- to ensure that the limits defined are consistent and in line with the bank’s Operational Risk appetite;
- to aggregate, measure and analyse the losses related to the risks monitored;
- to inform the Board of Directors of Operational Risk developments;
- it is responsible for formulating, developing and updating the framework.

A specific Operational Risk Committee is formed to monitor exposures, mitigation actions, and measurement and control methods.

The supporting computer application is central to the methods for the collection, classification and completeness check of data, scenario analyses, risk indicators, and the reporting and measurement of risk capital.

In the area of operational risk, the exposure is measured according to the criteria laid down in the rules of internal governance. The main tools of supervision include: segregation of duties, identification of possible risk indicators (alert signals that can be quantified, totalised and compared with the Group benchmark), self-assessment questionnaires (local, based on the Parent Company's guidelines) and risk scenario analysis.

An Events Database (EDB) is also used. The main purpose of the EDB is to collate the total losses recorded due to operational risks. In addition to recording losses, it supports the incorporation of other events that have not turned into losses (near misses).

With reference to IT risk, specific indicators are produced and monitored by the local IT function.

Finally, legal risk includes various types of regulatory violations, illegal behaviour and non-compliant business methods that could result in financial losses for the intermediary. These include, for example, losses resulting from:

- violations of laws or regulations;
- fines and penalties resulting from measures taken by the Supervisory Authority;
- transactions carried out as part of non-traditional activities with non-residents, which the counterparty is banned from entering into by law or regulations;
- use of unacceptable business methods.

Also falling within the definition of legal risk are losses from retroactive changes in the regulatory framework, as well as those resulting from settlements.

The risk of litigation has been the subject of specific and careful analysis by the Bank. In the presence of legal obligations, for which it is probable that there will be an outflow of economic resources for their fulfilment, and for which it is possible to make a reliable estimate of the amount involved, the Bank decided to set up provisions for risks and charges, distinguishing between situations according to the most appropriate Basel II category (i.e. Provision for Legal Risks, categories IV/VII).

These two Basel categories of legal-type risk include the following:

Category IV: practices connected with customers, products and activities such as breach of the fiduciary relationship, abuse of confidential information.

Category VII: executive and procedural compliance such as incorrect data entry, incomplete legal documentation, breach of contract by non-customer counterparties, legal disputes with suppliers.

Impacts deriving from the COVID-19 pandemic

As soon as the first government measures were issued, the bank assessed immediately the business as a going concern and monitored the possible events that could have generated critical situations in its operations. With reference to the Business Continuity Plan (BCP), no specific activation indications were issued by the Regulator and as part of the regular monitoring carried out, no operating or business blocks were recorded.

Therefore, in compliance with the findings, the Bank did not activate the BCP as it was not in a Contingency situation, as operations were always 100% guaranteed.

The bank has also taken all actions to prevent any critical issues and spread of the virus among bank employees, ensuring the continuity of all services during the block imposed by the Public Administration that did not affect the financial services. In particular, all critical issues and processes were assessed, focusing the analysis as required by the Regulator on three key aspects:

- **People:** all employees were able to work from home (smart working) using the secure connection in the VPN model
- **Suppliers:** all key suppliers have certified their ability to guarantee continuity
- **Applications and connections**: all key applications were guaranteed without interruptions. In the same way, VPN connections were guaranteed even in situations of stress, given the number of simultaneous connections managed without significant critical issues.
- **Processes:** all processes were re-evaluated considering the severe pandemic scenario and where necessary they were redesigned and adapted.
- **Structures**: offices and branches remained operational during the block but, with a precautionary approach, closed to customers but with remote assistance guaranteed.

With particular reference to the Governance structure adopted, for the monitoring of the measures, the bank envisaged:

- Periodic meetings, on a daily basis, of the Management Committee, composed of the Chief Executive Officer and the Heads of the Bank's functions (Institutional Relations, Legal and Compliance; Risks; Administration and Control; Finance; Information Technology and Processes; Human Resources; Marketing; Sales, Debt collection). In addition, in line with the governance adopted by the Bank, the Committee discussed the issues relating to the COVID-19 emergency during the weekly meetings.
- Moreover, the bank arranged weekly interviews with the JST of the Bank of Italy and provided reports via e-mail with updates on stress tests when available and on business continuity, impacts on liquidity, impact on credit risk, impact on profitability.
- Lastly, the Bank has prudentially established additional criteria that will activate the BCP procedures in the event of subsequent COVID-19 waves.

Quantitative information

The risk exposure of each unit is identified by the corporate risk matrix. The model used for the self-assessment questionnaires consists of three phases:

- identification of risks by business areas, with the creation of a specific library containing objectives, activities and root cause that trigger risk events;
- measurement of inherent risk: risk associated with an activity/process regardless of the level of control present. The level of risk is given by the combination of probability/frequency of realisation of the asset/process and the potential impact generated by the event. The size of the impact is assessed using different criteria depending on the type of risk being considered;
- verification of the presence of appropriate control tools: control systems must be evaluated according to effectiveness (0%-100%), adequacy and possible future developments for the year;
- measurement of residual risk determined by the combination of inherent risk and evaluation of control systems and measured in terms of probability/frequency of realisation of the asset/process and the potential impact generated by the event;
- definition of controls for risks deemed acceptable or mitigation plans for risks deemed not acceptable.

Details are provided below of gross losses suffered and net provisions made in 2020 by risk category:

Risk Type	Net Losses	Net provisions	Addition and Uses	Net Op Risk Impact
Internal Fraud				
External Fraud	442	160		602
Employment. Practices & Workplace Safety	17			17
Clients, Products & Business Practices	8,223	2,970	(7,880)	3,313
Damage to Physical Assets				
Business Disruption & System Failures				
Execution, Delivery & Process Management	3		(49)	(46)
TOTAL	**8,684**	**3,130**	**- 7,928**	**3,886**

For more information on pending court proceedings or events related to class actions/consumer associations in respect of the Bank, considered relevant for the purposes of operational risk management and this report, reference is made to the same section of the Consolidated Financial Statements.

Part F – Information on shareholders' equity

Section 1 – Shareholders' equity

A. Qualitative information

Equity management concerns all strategies designed to identify and maintain shareholders' equity at the proper size, as well as an optimal combination of the various different methods of capitalisation, in order to ensure, from time to time for Santander Consumer Bank, full compliance with the regulatory requirements and consistency with the risk profiles assumed.

More details regarding equity management policies have been referenced in Information on consolidated shareholders' equity.

B. Quantitative information

B.1 Shareholders' equity: breakdown

Captions/Amounts	Amount 12/31/2020	Amount 12/31/2019
1. Share capital	573,000	573,000
2. Share premium reserve	633	633
3. Reserves	324,640	243,370
- useful	284,728	203,457
a) legal	17,552	13,489
b) statutory	-	-
c) treasury shares	-	-
d) other	267,175	189,969
- other	39,913	39,913
4. Equity Instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(686)	(632)
- Equity instruments designated at fair value through other comprehensive	-	-
- Hedge accounting of equity instruments designated at fair value through other comprehensive income	-	-
- Financial assets (different from equity instruments) at fair value through other comprehensive income	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investment coverage	-	-
- Cash flow hedges	-	-
- Hedging instruments [Unspecified Elements]	-	-
- Exchange differences	-	-
- Non-current assets and groups of assets held for sale	-	-
- Financial liabilities designated at fair value with impact on the income statement (changes in their creditworthiness)	-	-
- actuarial gains (losses) on defined benefit plans	(686)	(632)
- Units of valuation reserves of investments valued at equity	-	-
- Special revaluation laws	-	-
7. Profit (loss) for the year	70,646	81,270
Total	**968,233**	**897,640**

B.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

The Bank does not have any financial instruments classified under financial assets designated at fair value through comprehensive income.

B.3 Valuation reserves for financial assets measured at fair value through comprehensive income: change in the year

The Bank does not have any financial instruments classified under financial assets designated at fair value through comprehensive income.

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

During the year there was a decrease in valuation reserves related to defined-benefit pension plans for an amount equal to Euro 54 thousand net of the corresponding tax effect.

Section 2 – Own funds and capital adequacy ratios

The information on own funds and capital adequacy contained in the public disclosure (Pillar 3) is not applicable at individual level since such information is required from the Spanish Parent Company.

Quantitative information concerning the composition of own funds and capital adequacy is provided below. The table shows the amount of capital for supervisory purposes and its fundamental components, which correspond to those indicated in supervisory reports.

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Santander Consumer Bank Own Funds	Total	
	12/31/2020	12/31/2019
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	820,454	820,640
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	(12)	(3)
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	820,442	820,637
D. Deductions from CET1	12,442	24,736
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	808,000	795,901
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements		
of which AT1 instruments subject to transitional provisions		
H. Deductions from AT1		
I. Transitional regime - Impact on AT1 (+/-),		
L. Total Capital Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)		
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	119,962	125,000
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Share of Class 2 (Tier 2 -T2) (M - N +/- O)	119,962	125,000
Q. Total own funds (F + L + P)	**927,961**	**920,901**

The table shows the amount of risk assets and prudent ratios, according to information reported in supervisory reports.

Categorie/Valori	Non weighted assets		Weighted assets	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,985,142	6,810,650	3,868,578	4,425,653
1. Standardized approach	6,985,142	6,810,650	3,868,578	4,425,653
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			309,486	354,052
B.2 Risk valuation adjustment credit				
B.3 Regulation Risk				
B.4 Market Risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			20,480	27,416
1. Basic indicator approach (BIA)			-	
2. Traditional standardized approach (TSA)			20,480	27,416
3. Advanced measurement approach (AMA)			-	
B.6 Other calculation elements			-	
B.7 Total capital requirements			329,966	381,468
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			4,124,575	4,768,352
C.2 Capital primary class1 / Risk			19.59%	16.69%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			19.59%	16.69%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			22.50%	19.31%

Part G – Business combinations

The Bank has not realised any business combinations.

Part H – Related party transactions

1. Information on the remuneration of directors, auditors and managers

The following table shows the amounts of compensation paid in 2020 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of “related party”.

	12/31/2020
Short-term benefits	2,887
Post-employment benefits	-
Other long-term benefits	-
Termination indemnities	
Share-based payments	141
Total	**3,028**

2. Related party disclosures

All transactions with related parties were concluded at arm’s-length conditions. Details are shown below (amounts in thousands of Euro):

	Receivables	Payables	Derivatives	Expenses	Income
Banco Santander	10,610	10,337	1,931,236	9,092	4,099
Santander Consumer Finance	-	1,708,680	-	9,227	-
Banca PSA Italia SpA	33,961	32	-	-	2,479
TimFin S.p.A	1,550	-	-	-	1,439
Altre Società del Gruppo Santander	128	9,280	-	3,233	126

In respect of the Spanish Parent Company Banco Santander:

- the receivables mainly relate to amounts paid by way of guarantee deposit payments in connection with derivative contracts entered into with the Spanish counterparty, and to the measurement of derivatives and related accruals with positive FV;
- the payables mainly relate to the measurement of derivatives and related accruals;
- the derivatives relate to interest risk hedging transactions and to derivatives subscribed within the securitisation transactions as mentioned in Part E, Section 2. The figure shown in the table represents the sum of the notional amounts;
- the expenses relate mainly to the result of hedging and trading activities linked to derivatives entered into as part of securitisation transactions;
- the income relates to the result of hedging and trading activities linked to derivatives entered into as part of securitisation transactions.

In respect of the direct parent company Santander Consumer Finance:

- the payables relate entirely to loans and related interest accruals received from the Parent Company as part of normal funding activities and subordinated loans;
- the expenses relate to interest expense on loans received.

In respect of the investee company Banca PSA SpA:

- the receivables relate to outsourcing fees not yet paid by the subsidiary (Euro 419 thousand) and by the subordinated loan (Euro 33,542 thousand);
- the income relates to interest income on the subordinated loan (Euro 642 thousand), to services arising from the internal audit contract (Euro 94 thousand), revenues relating to the issue of the Non-preferred Senior notes (Euro 665 thousand) and the recovery of expenses in relation to seconded staff (Euro 1,078 thousand).

In respect of the investee company TimFin SpA:

- receivables refer mainly to fees for servicing provided (Euro 1,091 thousand) and for the recovery of expenses relating to seconded personnel (Euro 349 thousand);
- the income refers to the receivables previously stated.

Relationships are also maintained with other companies of the Santander Group.

Receivables relate mainly to servicing activities provided (Euro 126 thousand).

Payables are determined by current accounts opened by Group companies (Euro 9,280 thousand), whereas the expenses mainly consist of consulting and services received (Euro 3,194 thousand). Income relates mainly to servicing activities provided (Euro 126 thousand).

Finally, it should be noted that there are amounts due of Euro 147 thousand and amount payables of Euro 879 thousand in respect of related parties.

Other information

For the information required by art. 2427, paragraph 16 bis of the Italian Civil Code concerning the total amount of fees due to the independent auditors, please refer to *Part H - Related-party transactions – Other information* of the Consolidated Financial Statements of Santander Consumer Bank Group.

Part I – Share-based payments

The Bank has not entered into any payment agreements based on its own equity instruments.

Part L – Segment reporting

Not applicable.

Part M – Report on leases

Section 1 – Lessee
Qualitative information

The Bank has applied IFRS 16 to lease agreements relative to the rental of offices by the Company for their activities (head office, branches, data centres) and the hire of vehicles for its employees.

The Bank has determined the duration of lease agreements by taking into account the original contract duration as well as the options for extension and resolution, also contractually provided. The probability of exercise of such options is defined on the basis of the Bank's internal procedures.

Cash outflows, to which the Bank is exposed as lessee and which are not included in the lease liability measurement, consists of variable payments due for Value Added Tax.

The sensitivity of variable payments due for leases is mainly correlated to the variability of the ISTAT consumer prices index for families of blue- and white-collar workers on which the lease payments of some lease contracts are indexed. The Bank has not been exposed to other risks deriving from leases.

There are no other forms of contractual variable quotes provided which are not included in the liability measurement. Expenses for ordinary maintenance of offices, for water supply, lighting and cleaning are chargeable to the Bank and are not included in the financial flows subject to lease liabilities pursuant to IFRS 16.

The Bank has evaluated the assets consisting in the right of use by using the initial value adjusted by amortisation, depreciation and impairment as well as any recalculations. In 2020, the Bank entered into a lease agreement aimed at changing the location of the branch while keeping the city unchanged, renegotiated the contractual conditions relating to 4 branches and changed the estimates made with regard to the company fleet. No impairment has been recorded in relation to current contracts.

At 31 December 2020, the contractual conditions were renegotiated for some branches, the effects of which will come into force from the next year, and a new contract was entered into for the data centre.

At 31 December 2020, the Bank was not involved in any sale and leaseback operations, and it was exclusively involved in leases of modest value linked to rental of hardware.

Quantitative information

The following table reports the main quantitative information related to lease activity:

	ROU	ROU provisions for depreciation	Depreciation	Leasing low-value	Short term leasing	Proceeds sub-leasing
Total	**23,169**	**7,387**	**3,838**	**626**		**4**
- of which real estate	**19,904**	**4,253**	**2,268**			
- of which vehicles	**3,265**	**3,134**	**1,569**			

During 2020 the assets consisting in the right of use underwent a net change of Euro 1,732 thousand (Euro 23,169 thousand value of the ROU at 31 December 2020), deriving mainly from the entering into of a lease agreement aimed at changing the location of the branch while keeping the city unchanged, the renegotiation of the contractual conditions relating to 4 branches and the modification of the estimates made with regard to the company fleet. For information relating to assets for acquired rights of use, please refer to Part B, Assets - paragraph 8.6 "Property, plant and equipment used for business purposes: change in the year".

Details of the information relative to lease liabilities is included in Part B, Liabilities and Shareholders' Equity - section 1.2 "Financial liabilities measured at amortised cost: deposits from customers, breakdown by type". In relation to the details of maturities of lease liabilities, please refer to Part B - Liabilities and Shareholders' Equity, section 1.6 "Lease payables".

The information relative to interest expense on lease liabilities is included in Part C - Information on the income statement

Section 2 – Lessor
Qualitative information

Financing transactions in the form of leasing offered by the Bank (lessor) consist of granting the use for an agreed period of time, upon payment of periodic lease charges (lease payment), of motor vehicles, motorcycles, camper vans, commercial vehicles purchased or constructed by the lessor by a third party supplier, as chosen and indicated by the customer, who assumes all the risks and retains the right, at the end of the contractual term, to purchase the goods for a predetermined price and to extend the use thereof under predetermined or predeterminable financial conditions. The sale provides for specific guarantee forms (Buy back by the Dealer) in the case of motor vehicles in ordinary leases to private entities, juridical or physical persons, and a limit instead on a financed product (Commercial vehicles of more than 35 tons) in the case of a commercial vehicle. Further specific product guarantees or restrictions may be defined at the sale stage by the sales division.

However, with regard to the customer profile, the rules applied are common and valid without distinction for all products and sales channels, therefore no diversified valuations are required for lease customers.

Quantitative information

1. Balance sheet and Income statement information

Details of the information relative to lease financing is included in Part B, Assets.

Details of the information relative to interest income on lease financing and on other revenues from financial leases are included in Part C.

2. Finance leases

2.1 Classification by time bands of payments to be received and reconciliation with lease financing recognised under assets

Maturity ranges	Total 12/31/2020 Lease payments receivables	Total 12/31/2019 Lease payments receivables
Up to one year	31,691	29,561
Over one year up to 2 years	34,683	27,274
Over 2 years up to 3 years	36,881	27,779
Over 3 years up to 4 years	28,129	23,589
Over 4 years up to 5 years	10,466	15,774
For over 5 years	884	-
Amount of the lease payments receivables	**142,733**	**123,978**
Reconciliation of the undiscounted lease payments	(14,312)	(12,058)
Not accrued gains (-)	(14,312)	(12,058)
Not guarantee residual value (-)	-	-
Lease payments	**128,421**	**111,920**

2.2 Other information

There is no further information to be disclosed in this section.

3. Operating leases

The company has no operating leases.

Balance sheet and income statement of Santander Consumer Finance, S.A.

On the basis of the provisions of Italian Legislative Decree no. 6/2003 on the disclosures to be made with regard to direction and coordination to which Santander Consumer Bank S.p.A. is subject (art. 2497-bis, art. 2497-ter), a summary of the key data from the latest approved financial statements of Santander Consumer Finance S.A., which exercises direction and coordination, is given below.

For an adequate and full understanding of economic and financial position of Santander Consumer Finance SA at 31 December 2019 as well as of the economic results achieved by the company in the financial year ending on that date, reference is made to the financial statements themselves which, accompanied by the independent auditors' report, are available in the forms and in the manner prescribed by law.

SANTANDER CONSUMER FINANCE, S.A.
CONDENSED BALANCE SHEET AS OF 31 DECEMBER 2019 AND 2018

(EUR Thousands)

ASSETS	2019	2018	LIABILITIES AND EQUITY	2019	2018
Cash and balances at central banks	595,137	289,726	LIABILITIES		
Financial assets held for trading	-	67			
Financial assets through other comprehensive income	3,423,139	2,883,847	Financial liabilities held for trading	202	254
Financial assets at amortised cost	25,034,238	25,477,016	Financial liabilities at amortised cost	30,984,771	29,899,396
Derivatives – hedge accounting	45,639	115,013	Derivatives – hedge accounting	54,634	35,629
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	-	-	Provisions	41,450	40,697
Investments in subsidiaries, joint ventures and associates	12,083,573	12,055,896	Tax liabilities	281,520	258,479
Tangible assets	48	127	Other liabilities	49,540	39,452
Intangible assets	18,322	14,048			
Tax assets	138,372	134,958	**TOTAL LIABILITIES**	**31,412,117**	**30,273,907**
Other assets	2,896	11,482			
Assets included in disposal groups classified as held for sale	2,649	5,632	Equity	9,937,352	10,729,376
			Other comprehensive income	(5,456)	(15,471)
TOTAL ASSETS	**41,344,013**	**40,987,812**			
			TOTAL EQUITY	**9,931,896**	**10,713,905**
Memorandum items: off balance sheet items			**TOTAL LIABILITIES AND EQUITY**	**41,344,013**	**40,987,812**
Loans commitment granted	966,404	1,732,388			
Financial guarantees granted	3,939,106	4,256,464			

SANTANDER CONSUMER FINANCE, S.A.
CONDENSED INCOME STATEMENT AS OF 31 DECEMBER 2019 AND 2018

(EUR Thousands)

	2019	2018
Interest income	288,506	268,874
Interest expenses	(148,303)	(134,485)
NET INTEREST INCOME	**140,203**	**134,389**
Dividend income	572,785	565,188
Income from companies accounted for using the equity method	-	-
Commissions income	32,817	32,163
Commissions expense	(57,807)	(55,140)
Gains or losses on financial instruments not at fair value through profit or loss, net	(249)	14
Gains or losses on financial instruments held for trading, net	-	-
Gains or losses from hedge accounting, net	-	-
Currency translation differences, net	(5,225)	(3,441)
Other operating income	155	203
Other operating expenses	(11,682)	(13,410)
OPERATING INCOME	**670,997**	**659,966**
Administration and general expenses	(75,860)	(56,292)
Depreciation and amortisation cost	(4,047)	(513)
Provisions or reversal from provisions, net	(2,410)	9,195
Impairment charges and reversals from financial assets not at fair value through profit or loss	(44,489)	(49,027)
NET OPERATING PROFIT	**544,191**	**563,329**
Impairment charges or reversals on investments in joint ventures and associates	-	-
Impairment charges or reversals on non-financial assets	-	-
Gains or losses on assets and liabilities included in disposal groups classified as held for sale from discontinued operations	(1,271)	786
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS	**542,920**	**564,115**
Taxation	(34,708)	(4,578)
Gains or losses after tax in respect of continuing operations	508,212	559,537
PROFIT/(LOSS) AFTER TAX	**508,212**	**559,537**

Annexes

Annex 1 – Country-by-country reporting at 31 December 2020

Following the updating on 17 June 2014 of the Circular of the Bank of Italy no. 285 of 17 December 2013, Chapter III, Section 2, which implements the provisions of art. 89 of Directive 2013/36/EU (CRD IV) on the issue of prudential supervision of credit institutions and investment firms, the following information is provided.

Company Name	Head Office	Activity	Revenue	Number of employees	Total profit or loss before tax	Tax income of the year	Public contributions received.
Santander Consumer Bank S.p.a.	Italy	Banking	250,721	613	103,731	(33,085)	28
Banca PSA Italia S.p.a.	Italy	Banking	133,475	181	83,527	(26,169)	46
PSA Renting Italia S.p.a.	Italy	Rental business and operating lease	22,080	13	5,141	(652)	-
TimFin S.p.a.	Italy	Credit business[24]	(6)	-	(2,742)	761	-

[24] Enrolment in the Register of Financial Intermediaries pursuant to art. 106 of the Consolidated Banking Act, received on 14 January 2021.

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