Santander Consumer Bank

Financial Statements at 31 December 2021

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
	Ramon Guillermo Javier Billordo
	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 started operations in February 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 organizational 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.

Pending the appointment of a new independent director, the Board of Directors, which was appointed for the period 2021-2023, is made up as follows:

- Ettore Gotti Tedeschi (Chairman)
- Alberto Merchiori (Chief Executive Officer)
- Pedro De Elejabeitia Rodriguez (Director)
- Guillermo Javier Billordo (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., Banca PSA Italia S.p.A. and TIMFin 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.

With particular regard to the subsidiary TIMFin S.p.A., management and coordination activities are ensured not only by the presence of four members of the Board of Directors and two acting members 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 TIMFin S.p.A., (ii) the planning of regular meetings between the main business functions of the two companies, (iii) the review and validation of the documentation to be submitted for examination and approval by the Board of Directors of TIMFin S.p.A. (RAF, ILAAP, ICAAP, policies and procedures) and (iv) 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 2021, the Board met twelve times with a participation rate of 92%.

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 Appointments Committee, pending the appointment of a new independent director, is made up as follows:

- 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, pending the appointment of a new independent director, is made up as follows:

- Pedro De Elejabeitia Rodriguez
- Adelheid Maria Sailer-Schuster

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 Risks Committee, pending the appointment of a new independent director, is made up as follows:

- Adelheid Maria Sailer-Schuster (Chairwoman)
- 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 2021, the following were members: the Chief Executive Officer and General Manager Alberto Merchiori, Andrea Mastellaro (Sales Network Manager), Flavio Gorio (Head of Information Technology – *interim*), Letizia Alviano (Head of Marketing), Flavio Gorio (Head of Operations), 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, in any event in observance of the provisions of law;

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 agreement on the compensation payable in the event of early termination of the employment relationship or early termination of office (golden parachute) of Board members or employees of the company.

The Board of Statutory Auditors

The Board of Statutory Auditors, which was appointed for the period 2021-2023, is currently 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.

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 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.

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.

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 Agencies and Financial Brokers Network, the Head of the National Agreements 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 and 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.

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 preset 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 Regulatory Reporting and Controlling, 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.

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.

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 Regulatory Reporting and Controlling, 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 Regulatory Reporting & Controlling.

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 an advisory and proposing 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.

The committee normally meets on a monthly basis.

The Supervisory Board set up in accordance with 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.

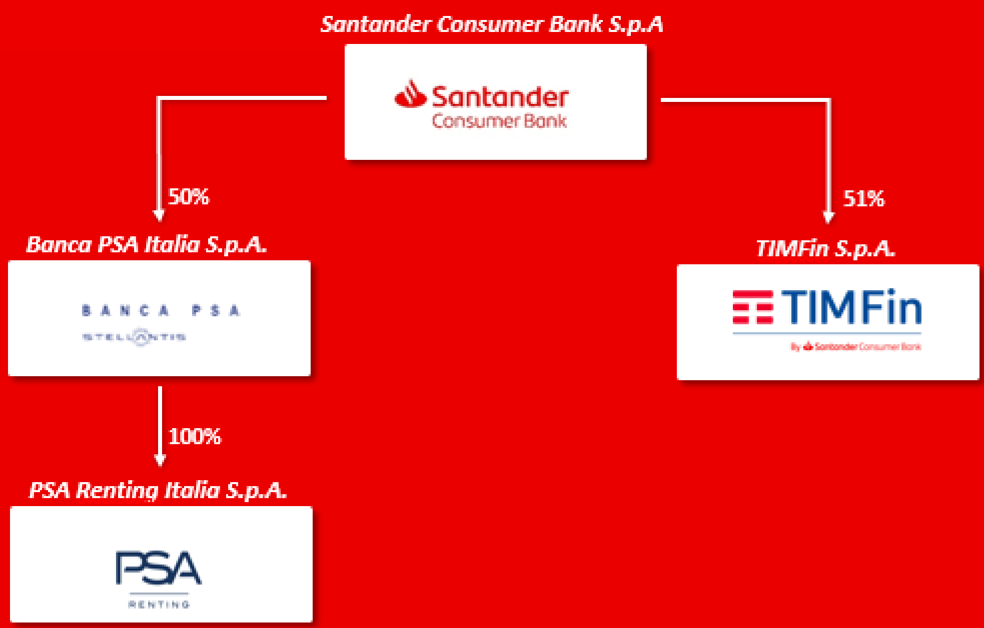
The Board currently in office - up to the Shareholders' Meeting that will be convened to approve the financial statements at 31 December 2021 - is composed of the Chairman of the Board of Statutory Auditors of Santander Consumer Bank S.p.A., an external member and the Head of Compliance and Conduct, DPO.

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



Report on Group operations

Report on Group operations

The macroeconomic scenario

In 2021, the international economy[1] was heavily affected by the COVID-19 health emergency. After a widespread slowdown in activities in the third quarter, which did not affect the Euro Zone, signs are emerging in the United States and other advanced countries of a return to a more sustained recovery, in the face of prolonged weakness in emerging economies. However, the resurgence of the pandemic and persistent supply-side bottlenecks generate downside risks to economic activities. Inflation further increased almost everywhere, reflecting the rise in the prices of energy goods, those of intermediate inputs and the recovery of domestic demand.

Since the beginning of November, infections from COVID-19 have resumed on a global scale, to a greater extent in Europe and in the United States, where the number of hospitalisations and deaths has also risen. The rise in the latter was less marked than in previous epidemic waves, thanks to the contribution of vaccination campaigns.

In the third quarter, GDP slowed both in the major advanced economies, with the exception of the Euro Zone, and in emerging ones. For the fourth quarter, the purchasing managers indexes (PMI) show widespread signs of cyclical recovery among the main advanced economies. The emerging economies continue to experience weaker cyclical conditions than the main advanced countries, especially in manufacturing. Demand pressures have manifested themselves to a disruptive extent in international transport and logistics, already held back by the closures of important ports in China to combat the pandemic; this resulted in heavy congestion and a lengthening of shipping times on the main routes from Asia to Western countries.

During 2021, thanks to the containment of the pandemic made possible by the spread of vaccines, the recovery in global demand was rapid and more intense than expected, driven above all else by the net recovery of that of goods. The persistence in many countries of some restrictive measures to counter the emergency continued to hinder access to recreational services and tourism, albeit to a lesser extent than in the most acute phases of the health crisis; household demand has been directed more towards goods. At the same time, many companies that had downgraded their forecasts for new orders and investment plans quickly drew on inventories and significantly increased their demand for intermediate inputs to replenish stocks. These general factors have been joined some sector-related specificities: the decisive acceleration given by the pandemic to the digitisation process has triggered a rapid increase in the demand for electronic devices for remote working, distance learning and entertainment. These developments have resulted in strong growth in demand for semiconductors, a fundamental component not only for electronic equipment, but also for some durable goods such as cars and household appliances.

These imbalances have translated into a lengthening of supplier delivery times, slowing production and increasing backorders in manufacturing. These difficulties have been particularly intense in advanced economies, whose industries are located further downstream in the international production chains, especially in the sectors of motor vehicles and other means of transport that make greater use of semiconductors.

According to forecasts released in December by the OECD, world GDP grew by 5.6 percent in 2021 and will slow down to 4.5 percent in the current year. The outlook remains mixed from country to country: output in advanced economies will return next year in line with the trend prior to the start of the pandemic, while the recovery will remain more fragile in emerging economies, especially in less developed ones.

In the Euro Zone, economic activity slowed down significantly in the latter part of the year, due to the rise in infections and the consequent introduction of increasingly stringent containment measures, as well as the persistence of supply bottlenecks that they are hindering manufacturing production. Inflation reached its highest value since the launch of the monetary union, mainly affected by the exceptional increases in the energy component. The Governing Council of the European Central Bank announced the plan for the future implementation of the public and private security purchase programs, reiterating that the monetary policy stance will remain expansive and that its conduct will remain flexible and open to various options in relation to the evolution of the macroeconomic framework.

In the third quarter of 2021, GDP further increased, driven by the marked rise in household consumption and, to a marginal extent, by net foreign demand.

The news on the diffusion of the Omicron variant conditioned the performance of the financial markets, influencing share prices and helping to widen the sovereign spreads of the Euro Zone countries. The common currency continued to depreciate against the dollar, anticipating expectations of a less expansive monetary policy in the United States. The deterioration in the health situation observed since the beginning of November contributed to an increase in risk aversion, which was reflected in a generalised decline in long-term yields, more pronounced in economies whose government securities are considered safer such as the United States and Germany.

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[1] Bank of Italy, Economic Bulletin, Issue 1/2022

In Italy[2], growth continued at a high pace in the third quarter of 2021, mainly driven by household consumption. In the third quarter, GDP increased by 2.6 per cent over the previous period (from 2.7 in the second), driven mainly by the further marked expansion of household consumption.

GDP slowed sharply in the fourth quarter, reflecting the resurgence of the pandemic, in addition to persistent supply difficulties for businesses. Based on the set of models used by the Bank of Italy, it is estimated that GDP grew by 0.5 percent in the fourth quarter, with an uncertainty that can be quantified in half a percentage point above and below this central projection. Value added has decelerated both in industry and in services.

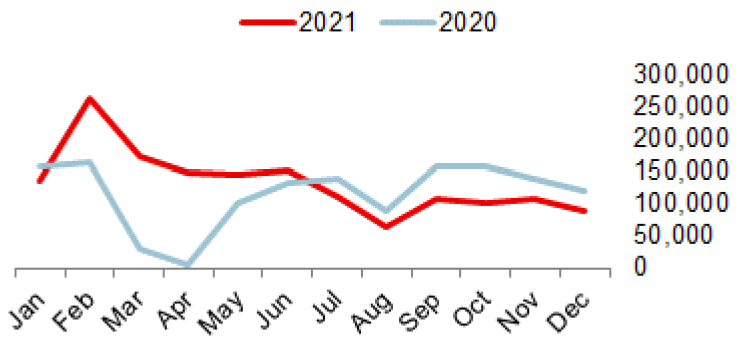
In a nutshell, the scenario outlined in Italy by the latest projections is the following:

- **Monetary policy**. Maintaining conditions of strong support for budgetary policy, with the use of both national resources and European funds, and maintaining favourable monetary and financial conditions. According to expectations, the yield on ten-year Italian government securities would be 0.9% in 2021 to reach 1.4% in 2023.
- **GDP**. Estimates point towards significant acceleration as from the third quarter. On average for the year, the increase in GDP is currently estimated at 5.1 percent in 2021; it would remain high in the following two years (with a precise estimate of 4.4 in 2022 and 2.3 in 2023). Output should return to pre-pandemic levels in the second half of 2022.
- **Labour market**. Over the next three years, hours worked should increase by over 11 percent, returning to the values prior to the pandemic at the end of 2022. The number of employees is also expected to continue to rise in the coming quarters, returning to above pre-crisis levels by the first six months of 2023. In the projections, the impact of the removal of redundancy freezes on overall employment is largely offset by new hires. The unemployment rate, expected to rise in 2021 (to 10.5%), should subsequently decrease, reaching 9.9% in 2023.
- **Inflation.** Inflation reached high levels in the latter part of 2021, driven by exceptionally strong growth in energy prices. The effects of the latter should gradually diminish over the course of 2022, leading to a gradual decline in inflation. Net of volatile components, the annual change in prices remains moderate.

Industry trends

New car registrations increased by +5.8% in 2021, with 1,475,393 cars, due above all else to the positive performance in the rental market[3]. There was an increase also in registrations of two-wheel vehicles, which reached 270,232 units (+23.58%),[4] and in changes of ownership of vehicles net of transfers to dealers (+13.24%)[5].

Motor vehicle registrations



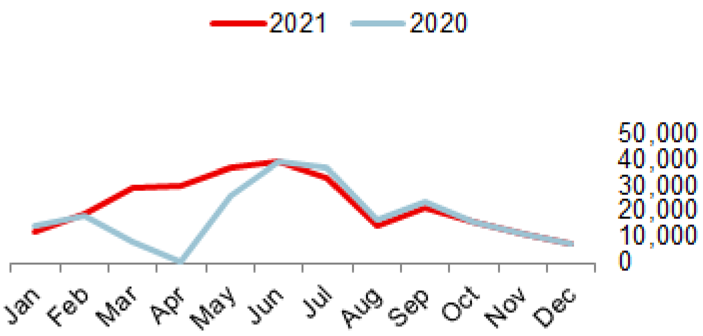
[2] Ibidem

[3] UNRAE data at 31/12/2021

[4] ANCMA data at 31/12/2021 for vehicles over 50 cc

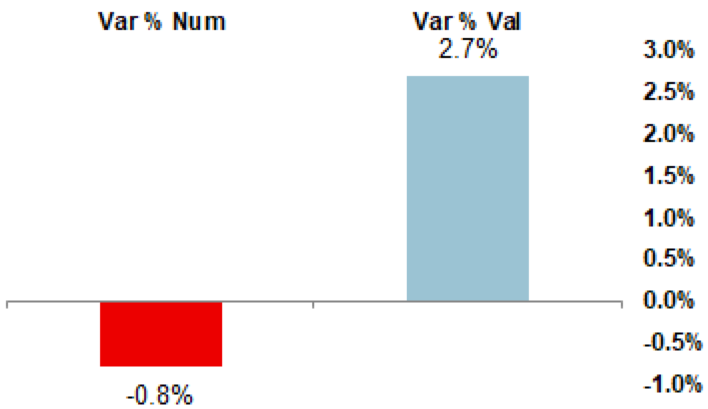
[5] ACI data at 31/12/2021

Motorcycle registrations

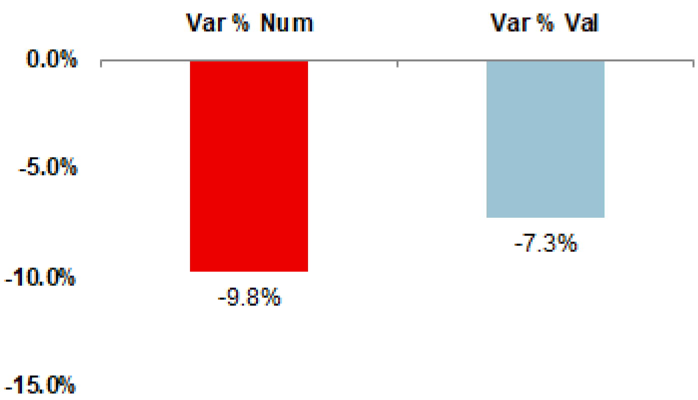


As regards the car leasing market, there was an increase compared to the previous year (+18.6%), with Euro 13.9 billion of new loans[6]. The trend for motor vehicles indicates a rise (+2.7%), while for commercial vehicles a drop of -7.3%[7].

Motor vehicle lease (Jan-Dec 2021 vs 2020)



Commercial vehicle lease (Jan-Dec 2021 vs 2020)



In the course of 2021, the riskiness in retail credit[8] was, with respect to total loans to households, at the lowest level in recent years, with the default rate (90 days past due) which records a reduction and stands at 1.2% in September 2021.

The demand for credit from households will be favoured by the improvement in the macroeconomic scenario and the consolidation of the recovery expected in the coming years in a context of less uncertainty, as well as by low interest rates and the boost that will come from the implementation of the PNRR (national recovery plan).

After the rebound of 2021, the overall flows of consumer credit will consolidate growth in the two-year period 2022-23, recovering pre-COVID levels. The recovery will be driven by targeted loans, favoured by incentives for energy efficiency, while the recovery in

[6] Assilea data at 31/12/2021

[7] Ibidem

[8] Observatory on retail credit (https://www.prometeia.it/news/osservatorio-credito-dettaglio-51-edizione)

personal loans will be slower. Good prospects also for real estate mortgages, also thanks to the boosts deriving from government incentives.

The pandemic-induced shift in customer habits accelerated the transformation that the household credit industry was already undergoing. Investments in technology, innovation and human capital will therefore be key elements in completing the digital transition and adapting service models to new customer needs. And also the management of climate risks and the integration of ESG (Environment, Social, Governance) criteria in supply policies will be increasingly important factors, in a scenario in which the PNRR identifies two fundamental pillars precisely in the digital and green transition.

Strategic guidelines and outlook for 2022

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, also in terms of sustainability, 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 non-performing 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 orientation, 2022 will see the main points of attention listed below:

- Total volumes disbursed by the Bank growing, creating new business opportunities, building customer loyalty.
- A gradual increase in the loan portfolio, with a relatively growing weight of durable loans thanks to the agreement with Poste Italiane SPA in order to cope with the portfolio exit deriving from the agreements with Kia and Hyundai.
- Evaluation of new business opportunities by observing global mobility also in terms of sustainability.
- Maintain high levels of profitability thanks to the growth trend in margins, contain operating expenses and constantly monitor the cost of risk.

Business outlook

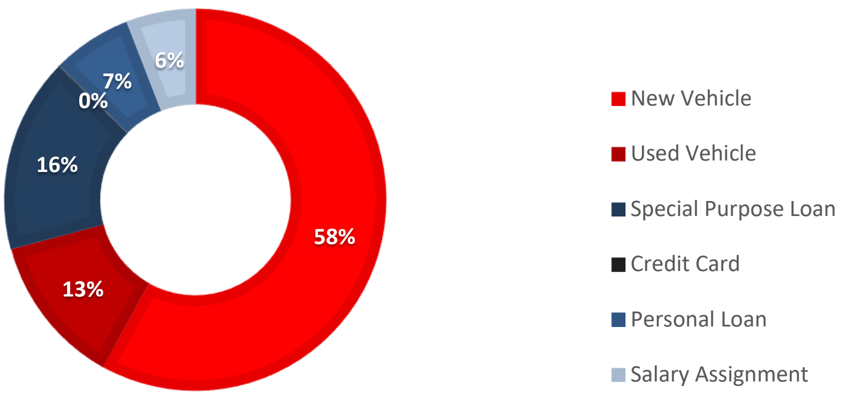
In the context of consumer credit, the Santander Consumer Bank Group recorded an increase in volumes compared to the previous year (+21.9%), despite the prolongation of the health emergency and the contraction in the automotive sphere due to difficulties in finding raw electronics materials (microchips) for new vehicles. The performances of the Automotive sector are in general up (+9.2%), in particular new vehicles by +5.5% while the second-hand car records a more significant increase (+30.2%). Special-purpose loans also recorded significant growth thanks also to the contribution of TIMFIn volumes (+120.7%), while personal loans increased by +38.1% and the salary assignment loans by +23.9%.

In the automotive sector, the Parent Company recorded an increase in new vehicles of +22.8%, while second-hand vehicles increased +34.6%, while Banca PSA Italia contributed with a total disbursed of Euro 911.4 million (-9.2% compared to the previous year).

Group Santander Consumer Bank	dec '21	dec '20	% 21/20
(Million euros)			
New Business Total*	3,308.9	2,714.5	21.9%
Total Vehicle	*2,343.9*	*2,145.5*	9.2%
New Vehicle	*1,921.0*	*1,820.6*	*5.5%*
Used Vehicle	*422.9*	*324.8*	*30.2%*
Special Purpose Loan	543.9	246.5	120.7%
Credit Card	3.7	4.1	-10.3%
Personal Loan	*223.0*	*161.4*	38.1%
Salary Assignment	*194.4*	*156.9*	23.9%

* Excluding Top Up and Refinancing

December 2021 – 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. Once again in 2021 the Bank 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. Furthermore, the Bank continued to support the legislative and non-legislative initiatives undertaken in Italy (in terms of the possibility of extending the grace periods granted during 2020 on the basis of the provisions of the subsequent decrees issued - see the matters indicated under "Initiatives and measures in support of households and businesses"), positively welcoming the measures aimed at implementing in a structured way support measures for individuals and businesses.

Operational continuity of its processes and services

Safety and management of human resources

Also during 2021, due to the spread of the COVID-19 virus, Smart-Working was the key tool for managing worker safety and represented the preferred solution for all Santander group employees. Guaranteeing people safety and operations under any condition, it was essential for the company’s business continuity and, thanks to the agreement entered into between the parties, it permitted an extremely prompt reaction to the emergency.

As in the previous year, employees were provided with PPE useful for working safely and the information campaign focused on the prevention of the COVID-19 virus on how to protect the health of employees and family members continued.

The Parent Company joined the vaccination campaign in June care of the CE.ME.DI. centre at which about a hundred employees and some of their families have been vaccinated (first and second dose). Also in 2021, internal company communication focused on the importance of protecting the health of employees and their families, conveying safety protocols in detail, accompanying the phases of gradual return to the company through alternate team work, promptly updating government provisions in particular relating to the introduction of the green pass to enter workplaces.

Widespread communication was given to the company vaccination campaign, which was proposed to all SCB colleagues and their families. The news published on the Intranet regarding this initiative was the one most consulted in 2021 and with the highest number of “Likes”, demonstrating the appreciation of the project.

In June, the Parent Company drew up a new anti-contagion protocol.

Measures on processes to ensure business continuity

In relation to the phase of uncertainty that has also characterised 2021, the Group has maintained many activities in order to ensure business continuity, both by preserving the safety of employees and adapting processes. In particular, in the periods most affected by the pandemic, smart working was encouraged, 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

The Italian government, to address the critical effects related to the pandemic, intervened with the following regulatory measures:

- Italian Decree Law no. 18 dated 17 March 2020 “Cura Italia” containing measures with the aim of both protecting health and supporting the economic fabric. In particular, article 56 established the possibility for companies and professionals to benefit from the prohibition of revocation, the extension and suspension on existing loans.
- 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 was extended to 30 June 2021.
- Budget Law 2021 no. 178 "Decreto Sostegni bis" allowed those who already benefited from the suspension pursuant to Italian Legislative Decree no. 18 of 17 March 2020 and subsequent amendments (micro-enterprises and SMEs including freelancers), to extend the suspension of the principal quota only of the instalments due from 1 July to 31 December 2021. The deadline for sending requests has been set until 15 June 2021 (pursuant to article 16 of the Decree Law Sostegni bis).

The national measures were also supported by measures issued by supranational and monetary authorities. In particular, following the EBA Guidelines "on legislative and non-legislative grace periods relating to loan payments applied in the light of the COVID-19 crisis" (update of 2 December 2020), the Group has reclassified the exposures subject to a grace period with a suspension of more than 9 months as Forborne Performing (performing exposures subject to concession, reclassified in Stage 2 IFRS 9).

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 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 the legislative measures mentioned above, the Group continued to activate measures to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension deadline was further extended on the basis of the provisions of the Sostegni bis Decree until 31 December 2021.

Following the support measures activated and in compliance with EBA regulations, all the grace periods with a duration of more than 9 months have been, in a prudential context, classified as "Forborne Performing" with an additional provision or "Forborne non-performing" depending on the classification on the date of granting of the grace period.

During the observation period, given the evolution of the economic context and growth forecasts, checks continued on the documentation portfolios subject to support measures, as part of the monthly monitoring of closing activities without highlighting specific criticalities. The trend indicated was also confirmed by the monthly monitoring of the RAS (Risk Appetite Statement) of the Parent Company for which there were no overruns or critical situations attributable to the COVID-19 pandemic.

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:

- At 31 December 2021, the positions subject to suspension amounted to Euro 3.1 million for total gross receivables (pertaining entirely to the Parent Company). The bank recorded deferred interest, accounted for according to the amortised cost approach.
- For the purposes of calculating impairment losses on loans and receivables, at 31 December 2021 a non-IFRS 9 overlay adjustment remained at consolidated level for a total of Euro 12 million, of which Euro 2.2 million pertaining to the overlay adjustment of the parent company and Euro 9.8 million relating to the override to the model of the subsidiary Banca PSA. The anticipation is partly due to those contracts subject to a grace period (consumer loans) that do not yet have a sufficient payment history and partly to the worsening macroeconomic scenario. For further information, please refer to that which is indicated in the Notes - Part E.
- For the purposes of the valuation of the equity investments in the subsidiaries Banca PSA and TIMFin S.p.A., no particular aspects are identified that could pin point any need for impairment of the equity investments.
- 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 continuation of 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 2021 are summarised below.

The European geopolitical context was characterised by a shared effort, both at EU and individual Member State level, to implement suitable measures to decisively face the pandemic that severely penalised social life and the economy during 2021. Among the measures that deserve greater emphasis it is possible to include on the one hand the efforts for the production and distribution of vaccines and on the other the implementation of the Next Generation EU plan which sets itself the ambitious goal of ferrying Europe out of the economic crisis following the pandemic.

During the year, new leaderships appeared on the political scene of the old continent: in February, after the resignation of Giuseppe Conte, Mario Draghi took office in Palazzo Chigi. In December, on the other hand, after 16 years, the Merkel era in Germany came to an end, leaving room for the new Social Democratic Chancellor Olaf Scholz and a coalition (SPD, Greens and Liberals) unprecedented at federal level.

On the US front, 2021 opened with the assault on Capitol Hill on 6 January by supporters of Donald Trump, determined to block the ratification of Joe Biden's victory in the presidential elections at the end of 2020 by Congress. The first foreign policy decisions of the newly elected presidency appeared to be aimed at recovering relations with historical allies and relaunching the US image on the global stage. Decisions such as the return to the Paris agreements to combat climate change, the return to the World Health Organisation, the US disengagement from Afghanistan deserve attention.

Of particular attention in terms of geopolitical risks, appears to be the worsening of tensions between Russia and Ukraine regarding the crisis that is affecting the Ukrainian region of Donbass, and which could weigh on economic growth, especially as it derives from a potential energy shock.

At an economic level, 2021 was characterised by consistent economic recovery following the COVID-19 pandemic, albeit with geographically diversified methods and intensities.

The discriminating factors were the speed of vaccination campaigns, the efficiency of the infection prevention mechanisms and, finally, the intensity of fiscal support for recovery. In particular, within the European Union, mention should be made of the Next Generation EU program and the preparation of the National Recovery and Resilience Plans within the individual States.

Initially, the recovery was more lively in the Far East and the United States than in the Eurozone, where the first months of the year were still penalised by the effects of the pandemic on the service sector. In the second half of the year, however, the Eurozone also saw sharp recovery in economic activities, in the wake of the improvement in the health situation and the relaxation of restrictions.

However, the rebound in world trade and manufacturing production has encountered significant obstacles in maritime transport and in the availability of raw materials and some intermediate goods, with repercussions on production costs and, in some sectors, on the ability of companies to meet demand. Inflation is picking up in all advanced countries, albeit largely due to transitory factors with new multi-year highs expected in the second half of the year. This inflationary dynamic was particularly accentuated in the United States.

The reabsorption of the economic effects of the pandemic, the persistence of supply shocks and the signs of tension on the labour market have changed the attitude of central banks, even though they have not yet led to tangible monetary policy actions. The Federal Reserve has signalled that it is preparing to reduce purchases of securities, with the aim of cancelling them in mid-2022 and subsequently starting a phase of hike in official rates. The European Central Bank, which is facing lower inflationary pressures, announced in September only a moderate reduction in net purchases under the PEPP which will, instead, be stopped at the end of March 2022 with only the reinvestment of the repaid capital on maturing securities until the end of 2024, as stated in the last press conference of 2021.

The rise in inflation expectations has pushed medium and long-term rates up, while short-term rates continue to be held back by excess liquidity and by still unchanged official rates.

During 2021, the BTP-Bund spread remained at contained levels. After the establishment of the Draghi government, the spread narrowed and remained at 100/110 basis points. In the last quarter of the year, on the other hand, there was an increase in the differential which settled at 130 basis points, driven mainly by the rise in interest rates.

Although the Euro has weakened in the currency markets, its volatility has remained relatively low.

The GDP of the various European countries underwent a generalised increase, with reference to Italy, this increase was approximately 6%. The recovery was concentrated mainly in the second part of the year in conjunction with the loosening of the more restrictive rules imposed by the lock-down and thanks to the acceleration of the vaccination campaign against COVID-19.

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 and TIMFin are also supervised and coordinated by Santander Consumer Bank in terms of financial management and enjoy 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 2021, the Parent Company Santander Consumer Bank had net debt of Euro 5,925 million (-5.3% compared to the previous year). This reduction is mainly due to the reduction in the portfolio of government securities to be financed and used as HQLA for LCR purposes or pledged to guarantee TLTRO auctions, the latter partially replaced with the collateralisation of credits in Abaco. In fact, since the end of 2020, the ECB has allowed the eligibility of consumer credits in ABACO as a further support measure during the pandemic period.

This debt is mainly composed of structured funding (62.9%), Group funding (15.4%) and deposits from customers (20.1%).

Over the course of 2021, the amount deriving from participation in the ECB's TLTRO III auctions rose to Euro 2,804 million compared to Euro 2,549 million at the end of December 2020.

The Parent Company also finalized a new STS securitisation transaction, pursuant to EU regulation 2402 of 2017, obtaining Euro 505 million from the sale of the Senior and Mezzanine class securities to institutional investors. This sale also permitted a benefit from the point of view of absorption of regulatory capital as it was recognised for prudential purposes as an operation with a significant transfer of risk.

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.

Customer deposits remained fairly stable at Euro 1,197 million at the end of 2021 compared to Euro 1,241 million at the end of 2020. Further details on funding results are provided in the Deposit accounts section of the separate financial statements.

The cost of funding decreased throughout 2021 thanks to greater participation in the TLRO as well as the reduction of interest rates and spreads paid.

Lastly, the Parent Company 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 625 million at the end of 2021. In addition, a further 90 million government securities, not recorded in the financial statements, deriving from a reverse repo agreement are available at 31 December 2021.

The financial management of Banca PSA

In terms of the structure of financing sources, there was an increase in deposits from banks, while the deposits from customers, mainly represented by compensation accounts with dealers and time deposit accounts, decreased while the liabilities in total remained more or less unchanged with a slight drop.

During 2021, the Company structured a synthetic SRT (Significant risk transfer) securitisation transaction for Euro 425 million through the acquisition of unfunded financial guarantees provided by parties who meet the requirements described in articles 193, 201 and 213 of European Regulation CRR 575/2013. The receivables subject to this securitisation relate to the Stock financing portfolio.

The company also distributed dividends for Euro 89.5 million for each participant in full compliance with the maintenance of the capital ratios established by the Regulator.

Other facts worth mentioning

With regard to the main risks and uncertainties to which the Group is exposed, in accordance with the provisions of article 2428 of the Italian Civil Code, it should be noted that the 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.

The Group 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 article 2497 bis of the Italian Civil Code and article 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 2021, 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 the 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.

Following the well-known sentence C-383/18: Sentence of the European Court of Justice (First Section) of 11 September 2019 "Lexitor", the Bank of Italy, on 4 December 2019, had disseminated to the market "guidelines "aimed at promoting alignment with the framework outlined following the aforementioned ruling and at preserving the quality of customer relations, establishing that, in the event of early repayment of the credit, the consumer's right to reduce the total cost of credit should be considered inclusive of all costs charged to the consumer, excluding taxes, therefore not only the costs related to the duration of the credit relationship, but also the so-called "up front" costs, which do not depend on the duration of the loan.

Subsequently, Italian Law no. 106 of 23 July 2021 - conversion, with amendments, of Italian Decree Law no. 73 of 25 May 2021 (so-called Sostegni bis Decree) - introduced from 25 July 2021, with Article 11 octies, a new formulation of article 125 sexies of the Consolidated Law on Banking, amending the regulations for early repayment of consumer credit agreements. In particular, the second paragraph of the aforementioned article envisages that the provisions of article 125 sexies of the Consolidated Law on Banking and secondary regulations continue to apply to the early terminations of contracts signed before the date of entry into force of the conversion law of the aforementioned decree, contained in the transparency and supervisory provisions of the Bank of Italy in force at the date of the signing of the contracts, while for contracts signed after 25 July 2021 the restitution, in proportion to the residual life of the contract, of interest and all the costs included in the total cost of the credit, excluding taxes, according to the criteria set out in these contracts.

Consequently, the Parent Company - in compliance with the changed regulatory framework - adjusted its extinguishing calculations by seeing to, in the event of early repayment, the reimbursement, in addition to the interest not accrued, of the additional charges (i) if envisaged in the loan agreement and (ii) based on the provisions of article 125 sexies of the consolidated law as per Italian Legislative Decree no. 385 of 1993 in force at the date of the signing of the loan agreement.

Following this intervention by the legislator, the ABF Coordination Board with decision no. 21676/2021 of 15 October 2021 took note of the differentiated regulatory regime introduced by the legislator for contracts entered into up to 25 July 2021 and for those entered into thereafter, recalling the not dissimilar position expressed by other countries of the European Union of prestigious legal tradition also to protect the lender's legitimate expectations, and therefore concluded that the "up front" costs for all contracts signed before 25 July 2021 are not reimbursed.

By order of 2 November 2021, the Court of Turin declared relevant and not manifestly unfounded the question of the constitutional legitimacy of article 11 octies, due to contrast with articles 3, 11 and 117, first paragraph, of the Constitution, with consequent transmission of the documents of the trial to the Constitutional Court, based on the twofold finding that it was impossible to interpret the provisions of the law in conformity with the "Lexitor" judgement and, at the same time, the absence of the conditions for the direct application of the EU rule by disapplying the rule of domestic law which is incompatible with the first.

Lastly, with reference to the aforementioned regulatory change, the Bank of Italy, with a communication dated 1 December 2021, considered that its "guidelines" of 4 December 2019 are to be considered superseded by the new regulatory provision. Pending the ruling of the Constitutional Court, therefore, the Bank of Italy has deemed it necessary to comply with the new law provision in carrying out its supervisory action and therefore to consider - in relation to the contracts falling within the scope of application of the aforementioned article 11 octies, second paragraph - the conditions for being able to follow up on one's own "guidelines" do not exist.

Considering the current situation of uncertainty, pending the ruling of the Constitutional Court, the Parent Company deemed it appropriate not to proceed with the release of the residual risk provision not used at 31 December 2021 and equal to Euro 8.2 million.

In October 2021, the Italian branch of Hyundai Capital Bank, a company controlled 51% by SCB AG and the remaining 49% by Hyundai Capital Services, was launched through the sale of a business segment of the Parent Company SCB Italia relating to relations with dealers in the Hyundai network and the related sources of funding. The transfer, which took place at consistent values, consists of a total amount of assets equal to Euro 253 million, and a corresponding liability which has configured an imbalance of Euro 1, equal to the purchase price. The branch falls within the scope of a "business combination under common control", therefore excluded from the scope of application of IFRS3 in accordance with OPI 1.

In addition, a servicing agreement was signed between Hyundai Capital Bank and the Parent Company SCB Italia relating to the main operating activities concerning Italy.

With reference to the continuation of 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. The draft financial statements therefore reflect all events that affected the Group’s operations in 2021.

On 3 February 2022 the Council of State through sentence 753/2022, definitively annulled the provision of the AGCM made following the outcome of the I811 "Auto Financing" procedure, which had seen all the captives banks of automotive groups condemned, including Banca PSA Italia Spa, as well as Banque PSA Finance SA for having established "an agreement restricting competition in violation of article 101 of the Treaty on the Functioning of the European Union (TFEU) aimed at coordinating the commercial strategies on the market for vehicle financing services".

Against this ruling, Banca PSA is immediately taking action to see the reimbursement of the amount paid recognised[9], while the recognition of the relative income at the reference date of the approval of the financial statements has not yet taken place.

During the first quarter of 2022, at the end of the information and consultation procedures with the personnel representative bodies, the agreements subject to the negotiations communicated in December 2021 may be signed, by means of which Stellantis NV, in order to improve the current European financing landscape and offer consistent and attractive financing activities to all customers, resellers and distributors of the brand:

- will create a multi-brand rental operating company with Crédit Agricole Consumer Finance as a partner in which they each hold a 50% stake, with the aim of becoming a leader in the sector in Europe;
- will reorganise the financing activities through JVs established with BNP Paribas Personal Finance or Santander Consumer Finance in each country to manage the financing activities for all the brands of the Brand. Santander Consumer Finance will be the designated partner for the JV operating in Italy.

The proposed transactions are expected to be completed in the first half of 2023, once the necessary clearances have been obtained from the relevant antitrust and market regulators. In light of these important innovations, the activities of Banca PSA Italia S.p.A. during 2022 will be geared towards preparing for this important new challenge.

In the course of 2021, the subsidiary TIMFin adopted the Supervisory Body pursuant to Italian Legislative Decree no. 231/2001; in addition, in November 2021, Santander Consumer Bank, the Parent Company, exercised, as part of the 2021 Income Tax Return for the year 2020, the option of joining the Tax Consolidation with its subsidiary TIMFin.

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

	Shareholders’ equity	of which: Result at 12/31/2021
Balances of the Parent Company at 12/31//2021	**1,003,545,230**	**179,206,328**
Effect of consolidation of subsidiaries	43,864,651	(54,537,633)
Minority interests	222,524,577	34,471,195
Consolidated balances at 12/31/2021	**1,269,934,459**	**159,139,890**

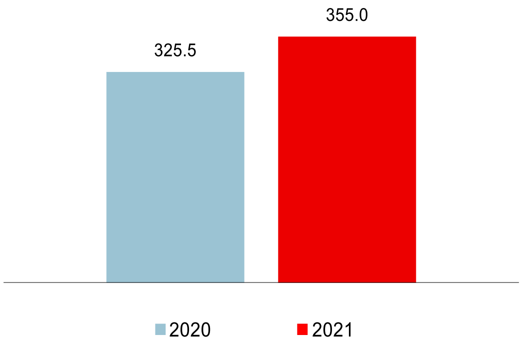
9 For a more detailed examination, see Part E - Information on risks and related hedging policies of the Notes - Legal Risks Section.

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).

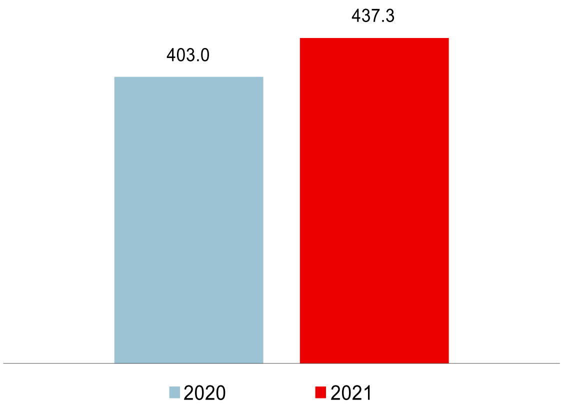
Amounts in millions of euro	2021	%	2020	%	Change amount	Change %
Net investment margin	**355.0**	**3.2%**	**325.5**	**3.0%**	**29.5**	**9.1**
Net fee and commission	80.6	0.7%	76.3	0.7%	4.3	5.6
Commercial margin	**435.6**	**4.0%**	**401.8**	**3.7%**	**33.8**	**8.4**
Net income (loss) financial assets and liabilities held for trading and FV adjustment	0.5	0.0%	(0.3)	0.0%	0.8	(266.7)
Gains and losses on disposal of financial assets and liabilities	1.3	0.0%	1.4	0.0%	(0.1)	(7.1)
Operating income	**437.3**	**4.0%**	**403.0**	**3.7%**	**34.3**	**8.5**
other operating income (charges)	4.2	0.0%	5.5	0.1%	(1.3)	(23.6)
Administrative costs:	(158.4)	-1.4%	(143.4)	-1.3%	(15.0)	10.5
payroll costs	(65.2)	-0.6%	(56.9)	-0.5%	(8.3)	14.6
other administrative costs	(93.2)	-0.9%	(86.5)	-0.8%	(6.7)	7.7
Depreciation	(14.8)	-0.1%	(12.3)	-0.1%	(2.5)	20.3
Net operating margin	**268.4**	**2.5%**	**252.8**	**2.3%**	**15.6**	**6.2**
Impairment losses on financial assets	(22.9)	-0.2%	(63.1)	-0.6%	40.2	(63.7)
Profit/loss from contract changes without cancellation	(0.1)	0.0%	(0.2)	0.0%	0.1	(50.0)
Other provisions	(2.4)	-2.2%	(3.0)	0.0%	0.6	(20.0)
Total profit or loss before tax	243.0	2.2%	186.5	1.7%	56.5	30.3
Tax	(83.9)	-0.8%	(59.0)	-0.5%	(24.9)	42.2
Net profit or loss	**159.1**	**1.5%**	**127.5**	**1.2%**	**31.6**	**24.8**
Consolidated income (loss)	**159.1**	**1.5%**	**127.5**	**1.2%**	**31.6**	**24.8**
Holdings income (loss) of the period	**124.7**	**1.1%**	**98.9**	**0.9%**	**25.8**	**26.1**

Net interest margin



The reference year recorded for the Group an increasing interest margin (+9.1%) characterised by increasing interest income (+6.4%) mainly related to the TLTRO and decreasing interest expense (-12.7%) mainly due to the reduction in interest on intercompany funding.

Operating income



Net commission fees were up, rising from Euro 76.3 million to Euro 80.6 million. Commission income linked to insurance products placed with customers financed by the Group increased (+8.9%), as did commission expense (+15.3%).

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

The item Gains on disposal or repurchase of loans represents the balance net of non-performing receivables further to the sale transactions to third parties without recourse following the sale of loans in November and December 2021 by the Parent Company.

The combination of the above mentioned effects led to an increase in the operating income (+8.5%), which went from Euro 402.9 to Euro 437.3 million.

Adjustments to loans and receivables disclosed a significant decrease (-63.7%), from Euro 63.1 million to Euro 22.9 million. This change is due to the higher provisions made in 2020. For details, see the matters reported in the management report and that which is indicated in the Explanatory Notes - Part E.

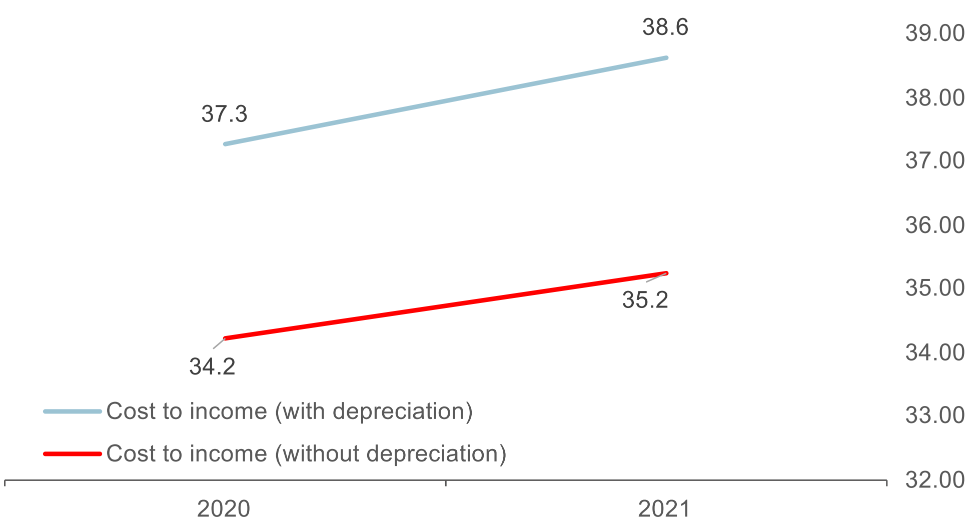
Administrative costs increased (+10.4%), from Euro 143.4 million to Euro 158.4 million, which include payroll costs (+14.6%) and overheads (+7.7%).

Net provisions for risks and charges recorded a decrease of 19.1% as to date no further interventions have been necessary - compared to what was already done at the end of 2019 in terms of provisions and at the end of 2020 and during the first half of 2021 with regard the uses of the fund - mainly attributable to the Lexitor phenomenon. For further information, please refer to the matters set out in advance in the paragraph “Other facts worth mentioning”.

The item Other operating income (expenses) shows an increase of +22.9%. This item includes the recovery of servicing fees.

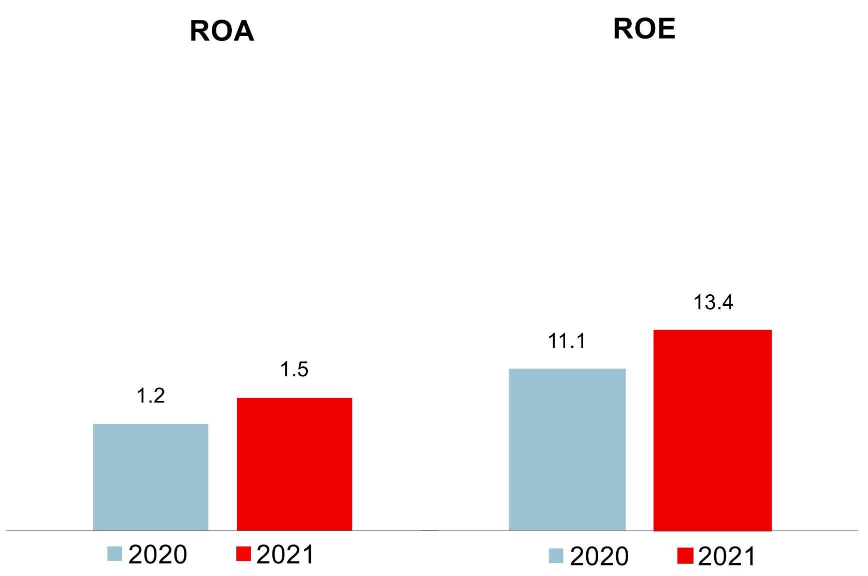
The above aspects led to a total result before tax of Euro 243.0 million and a net profit of Euro 159.1 million, of which Euro 124.7 million attributable to the Parent Company.

Cost to income

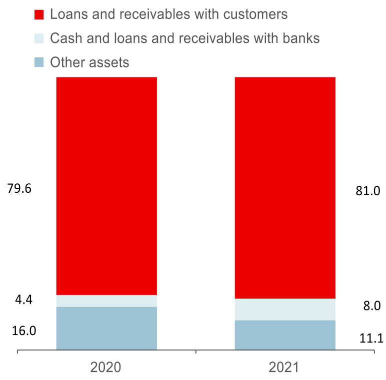


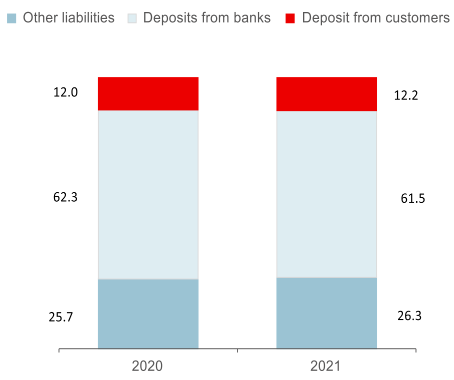
The cost-to-income ratio, calculated as the ratio between the sum of administrative costs and other net operating income records an increase from 34.2% to 35.2% excluding depreciation and amortisation, and from 37.3% to 38.6% including depreciation and amortisation.

Profitability indicators (ROA and ROE)



As a result of the above mentioned trends, the profitability indicators increased with respect to the previous year: the ROA (Return on Asset) stood at 1.5%, while the ROE (Return on Equity) rose to a value of 13.4%.





in percentage value

With regard to the breakdown of assets, loans to customers increased (in relative terms) by +1.8%. With regard to Government securities, compared to the previous year, there has been a different treatment of the Parent Company's Government securities purchased during the year, which were accounted for at fair value (therefore allocated in the charts shown above in other assets), while up to 31 December 2020 they were at amortised cost (in loans to customers). Loans to credit institutions increased in absolute value and as a percentage of assets, mainly due to higher liquidity deposits deriving from securitisation and long-term refinancing operations.

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. Payables to credit institutions show a decrease compared to the previous year deriving from the lower intercompany funding despite a greater use of the new TLTRO-III transactions.

With regard to the evolution of the item loans to customers net of government securities, there was a significant decrease compared to the previous year (-2.5%) of the entire portfolio. Analysing the details by product, there was an increase in Car loans (+9%), special-purpose loans (+37.5%), and leases (+25.1%), while there was a decrease in salary assignment (-7.4%) and credit cards (-16.2%).

Amounts in millions of euro	Amount		Change	
	2021	2020	Assoluta	(%)
Car loan	5,141	4,718	423	9.0
Special-purpose loan	519	377	142	37.5
Personnel loan	620	597	23	3.9
Cards	4	4	(1)	(16.2)
Leasing	852	682	171	25.1
Salary assignment	1,105	1,193	(88)	(7.4)
Stock financing	405	1,437	(1,032)	(71.8)
Factoring	95		95	100.0
Other loans to customers	2	2	0	(12.8)
Other components of amortised cost	127	98	29	30.2
Gross loans to customers	**8,870**	**9,107**	**(238)**	**(2.6)**
Provision for loan losses	(190)	(208)	18	(8.8)
Net loans to customers	**8,680**	**8,899**	**(220)**	**(2.5)**

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 2021, the Bank disbursed loans for Euro 911.4 million, with an increase of 2.9% compared to the volumes produced during the previous year.

Loans granted by Banca PSA and intended for the purchase of new vehicles represented 29.9% (30.2% in 2020) of the vehicles registered by Peugeot, Citroen and DS (former PSA Group with the exclusion of Opel) in 2021.

In terms of breakdown by product type, 80.9% of the year's lending relates to financing for the purchase of new vehicles, 11.4% to finance lease transactions, and the remaining 7.7% to financing for the purchase of second-hand vehicles.

The loan portfolio for Auto Loans, Leasing and Corporate Dealers, gross of adjustment provisions, in 2021 recorded a drop of 15.32% mainly linked to Corporate Dealer loans and stood at a value of Euro 2,788 million (Euro 3,292 million in 2020) and has a breakdown as follows: Auto Loan 74.51%, Leasing 11.86%, Loans in favour of Corporate Dealers for Stock Financing operations 13.63%. The latter product during 2021 underwent a reduction of 59.8% in its value compared to the previous year; the decrease is attributable not to a drop in demand but rather to the collapse in the supply of goods due to the "semiconductor crisis" caused by problems linked to logistics and the procurement of commodities at a global level.

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

2021 closed with a net profit of Euro 71.9 million and a significant increase with respect to 2020 of 25.38% (2020 net profit Euro 57.4 million). This result was generated by the average net loan portfolio of Euro 3,042 million.

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 2021, the growth trend of PSA Renting was confirmed, with an increase of 42% compared to 2020. The growth concerned all distribution channels without distinction, with the exception of the Rent to Rent channel, which, since it is heavily related to Short-Term Rental, particularly suffered from restrictions on mobility laid down, and the direct channel. Of note is the significant growth in lease contracts marketed through the dealer network (+47%).

2021 also marked the increase in the marketing of electric vehicles and new generation plug-in hybrids and F2ML represents a fundamental development tool for the development of this type of engine. In 2021, lease contracts relating to these new types of engines represented 42% 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 2021 stood at Euro 21.3 thousand (+5% compared to 2020). Lastly, the decrease in Rent-to-Rent contracts led to an increase in the average duration, which stood at 29.5 months in 2021 against 29.3 months in 2020.

Revenues from production, reported in the separate financial statements provided by the company, amounted to Euro 93.8 million in total and are essentially made up of lease payments received from customers, 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 34,6 million and are mainly represented by costs incurred for the acquisition of services provided to the customers, maintenance costs, registration costs and vehicle related taxes. Depreciation costs of leased vehicles increased by 66% in proportion to the increase in the fleet of vehicles on the road.

The 2022 Budget provides for a substantial increase in volumes with an almost unchanged commercial penetration. The development is essentially linked to the optimisation of the overall offer in coordination with the automotive brand PSA, to the strengthening of 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.

2021 was the first year of operational activity of TIMFin, which began the disbursement of loans to customers starting from 1 February 2021.

The disbursements to retail customers were mainly aimed at financing loans for the purchase of devices ("handsets" or "smartphones") from the affiliated TIM network.

In June 2021, a framework factoring agreement was signed with TIM in order to allow TIM (assignor) to obtain, through the receivables assignment transaction, the early disinvestment vis-à-vis TIMFin (assignee) of the value of the receivables claimed by the company from its customers for the deferred purchase of modem equipment relating to internet connection lines.

Finally, in 2021, the insurance distribution activities began, with the launch of “TIMFin Assicura Prestito”, of the company CNP Santander Insurance Europe DAC, offered by means of telemarketing activities to its customers.

On 31 December 2021 it closed with a “natural” net loss for the year of Euro 7,571 thousand.

Interest and similar income, for a total of Euro 5.5 million, mainly consists of financial contributions paid by TIM relating to the loan to customers for the purchase of handsets and interest on the factoring business.

Net commission includes the balance of commission income and expense components relating to the distribution of insurance coverage on loans as well as costs for bank commission mainly on collection and payment services.

Value adjustments for credit risk, for a total of Euro 3.4 million, refer to the provision made during the year on the existing portfolio.

Administrative expenses amounted to Euro 13.9 million, while other operating income and expenses, equal to Euro 1.3 million, mainly consist of the fees paid by TIM for supporting the improvement of the acceptance process of its own customers, with particular reference to modem receivables.

The assets are made up entirely of loans to customers, while the liabilities are largely made up of intercompany loans.

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

Independent Auditors' Report on the consolidated financial statements at 31 December 2021

Independent Auditors' Report on the consolidated financial statements at 31 December 2021

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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 2021, 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 2021 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* *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 customers for loans, which at 31 December 2021 represented a considerable share of item 40 b) "*Financial assets measured at amortised cost – Loans and advances to customers*", show a balance of Euro 8,680 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, recognised during the year, amount to Euro 23 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 that, starting from 1 January 2021, also include the effects of applying the new default definition. Such 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	In performing our audit, we took into consideration the internal control system relevant to the preparation of the consolidated financial statements; in order to design appropriate audit procedures in the circumstances, we also took into account the application, starting from 1 January 2021, of the new default definition, as well as the adjustments necessary as a result of the continuing uncertain macroeconomic scenario linked to the Covid-19 pandemic. 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 reviewing the operational effectiveness 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 behaviour of counterparties who, during the year, continued to benefit from economy support measures, as well as those who resumed payments according to the amortisation schedule; • Understanding and verifying the methods to determine and estimate the main risk parameters used as part of these models; in particular, attention was paid on checking the reasonableness of the recalibration of the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, in order to reflect the application of the new default definition and the update of the historical

stages (Staging), for the elaboration and determination of the risk parameters underlying the ECL calculation, which also incorporate the use of macroeconomic scenarios and prospective information, as well as in relation to the loans subject to an individual evaluation, for the estimate of the 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 also in relation to the need to consider the uncertainties linked to the persistent macroeconomic scenario related to the Covid-19 pandemic, as well as the continuation of the resulting economic support measures, including moratoria.

These circumstances required an update of the processes and methods of evaluation of loans with particular reference to the calculation of the SICR and the recalibration of the main risk parameters underlying the determination of the ECL, including the update of the historical series and macroeconomic scenarios (both "frozen" from the beginning of the pandemic), as well as the management of adjustments to the ECL calculation model (overlay) to incorporate the uncertainties related to the evolution of the pandemic context.

series, as well as the estimates made in defining the expected macroeconomic scenarios used;

- Verifying the reasonableness of the methods to manage the adjustments applied to the ECL calculation model (overlay), also through examination of the sensitivity analyses performed by the Company, as well as the information and assumptions used in defining the adjustments applied during the year;
- 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 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.

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 2021, 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 2021 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 2021 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, 15 March 2022

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	12/31/2021	12/31/2020
10.	Cash and cash balances	743,971,269	476,504,783
20.	Financial assets designated at fair value through profit or loss	5,835,076	2,976,014
	a) Financial assets held for trading	5,835,076	2,976,014
30.	Financial assets at FV with effects on P&L	633,804,158	-
40.	Financial assets measured at amortised cost	8,832,379,904	10,189,033,689
	a) Loans and advances to banks	112,263,758	12,462,552
	b) Loans and advances to customers	8,720,116,146	10,176,571,137
50.	Hedging derivatives	7,621,892	-
60.	Changes in fair value of portfolio hedged items (+/-)	(6,454,592)	9,279,554
90.	Property, plant and equipment	24,843,136	21,538,308
100.	Intangible assets	33,221,385	26,099,970
110.	Tax assets	228,607,599	259,405,571
	a) current	70,341,151	73,058,418
	b) deferred	158,266,448	186,347,153
130.	Other assets	217,237,759	189,432,584
	Total Assets	**10,721,067,586**	**11,174,270,473**

	Liabilities and Shareholders' equity	12/31/2021	12/31/2020
10.	Financial liabilities valued at amortised cost	9,091,455,311	9,498,991,692
	a) Deposits from banks	6,592,764,743	6,961,659,275
	b) Deposits from customers	1,309,717,371	1,337,849,477
	c) Debt securities in issue	1,188,973,197	1,199,482,940
20.	Financial liabilities held for trading	5,921,893	3,204,990
40.	Hedging derivatives	3,030,834	11,908,410
60.	Tax liabilities	60,901,873	35,506,737
	a) current	59,815,801	34,909,666
	b) deferred	1,086,072	597,071
80.	Other liabilities	265,782,051	275,606,997
90.	Provision for employee severance pay	4,113,181	4,426,093
100.	Provisions for risks and charges	19,927,983	24,542,144
	a) commitments and guarantees given	-	54,348
	c) other	19,927,983	24,487,796
120.	Valuation reserves	(326,983)	(571,367)
150.	Reserves	349,435,583	394,593,793
160.	Share premium	632,586	632,586
170.	Share capital	573,000,000	573,000,000
190.	Minorities shareholders' equity (+/-)	222,524,579	253,495,851
200.	Net Profit (Loss) for the year (+/-)	124,668,695	98,932,545
	Total liabilities and Shareholders' Equity	**10,721,067,586**	**11,174,270,473**

In light of the changes made following the 7th update of 29 October 2021 of the Bank of Italy circular no. 262, some items of the 2020 financial statements have been restated. Please refer to the Notes - Part A Accounting policies - Section 5 “Other aspects”.

Consolidated Income Statement

In Euro

	Items	12/31/2021	12/31/2020
10.	Interest and similar income	394,007,206	370,258,182
	of which: interest income calculated using the effective interest method	360,392,074	353,819,203
20.	Interest expenses and similar charges	(39,045,514)	(44,737,095)
30.	**Net interest margin**	**354,961,692**	**325,521,087**
40.	Fee and commission income	125,800,402	115,510,147
50.	Fee and commission expenses	(45,180,286)	(39,193,934)
60.	**Net fee and commission**	**80,620,116**	**76,316,213**
80.	Net income financial assets and liabilities held for trading	(232,894)	9,980
90.	Net hedging gains (losses) on hedge accounting	721,048	(272,650)
100.	Gains and losses on disposal of:	1,254,996	1,416,658
	a) financial assets at amortised cost	1,254,996	1,416,658
120.	**Operating income**	**437,324,958**	**402,991,288**
130.	Net losses / recoveries on credit risk relating to	(22,884,903)	(63,059,761)
	a) financial assets at amortised cost	(22,884,903)	(63,059,761)
140.	Profit/loss from contract changes without cancellation	(94,222)	(188,038)
150.	**Net profit from financial activities**	**414,345,833**	**339,743,489**
180.	**Net profit from financial and insurance activities**	**414,345,833**	**339,743,489**
190.	Administrative costs:	(158,363,628)	(143,409,454)
	a) payroll costs	(65,205,162)	(56,914,246)
	b) other administrative costs	(93,158,466)	(86,495,208)
200.	Net provisions for risks and charges	(2,441,725)	(3,016,988)
	a) commitments and financial guarantees given	54,348	(8,125)
	b) other net provisions	(2,496,073)	(3,008,863)
210.	Net adjustments / writebacks on property, plant and equipment	(5,181,190)	(5,271,927)
220.	Net adjustments / writebacks on intangible assets	(9,583,495)	(6,993,859)
230.	Other operating income/expenses	4,240,206	5,497,475
240.	**Operating costs**	**(171,329,832)**	**(153,194,753)**
290.	**Total profit or loss before tax from continuing operations**	**243,016,001**	**186,548,736**
300.	Tax income of the year from continuing operations	(83,876,111)	(59,003,275)
310.	**Total profit or loss after tax from continuing operation**	**159,139,890**	**127,545,461**
330.	**Profit or loss for the year**	**159,139,890**	**127,545,461**
340.	Minority profit (loss) of the year	34,471,195	28,612,916
350.	**Parent Company's profit (loss) of the year**	**124,668,695**	**98,932,545**

Statement of Consolidated Comprehensive Income

In Euro

	Items	12/31/2021	12/31/2020
10.	**Net Profit (Loss) for the year**	**159,139,890**	**127,545,461**
70.	Defined benefit plans	74,357	(117,474)
140.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	217,560	-
170.	**Total other income components after tax**	**291,917**	**(117,474)**
180.	**Overall profitability (Item 10 + 170)**	**159,431,807**	**127,427,987**
190.	**Minority consolidated other comprehensive income**	34,518,728	28,581,146
200.	**Parent Company's consolidated other comprehensive income**	**124,913,079**	**98,846,841**

Statement of changes in Consolidated Shareholders' Equity

In Euro

Financial year 2021

	Balance at 12.31.2020	Changes in opening balances	Balance at 1.1.2021	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: Changes of ownership interesrs	Comprehensive income for 2021	Group shareholders' equity at 12.31.2021	Minority interests at 12.31.2021
Share capital:	**646,094,500**		**646,094,500**										**16,660,000**		**573,000,000**	**89,754,500**
a) ordinary shares	646,094,500		646,094,500										16,660,000		573,000,000	89,754,500
b) other shares																
Share premium reserve	**12,404,771**		**12,404,771**												**632,586**	**11,772,185**
Reserves:	**534,495,085**		**534,495,085**	**60,545,462**					**(166,590,757)**				**7,350,000**		**349,435,584**	**86,364,205**
a) retained earnings	421,954,773	570,046	422,524,820	60,545,462					(166,590,757)						309,522,897	6,956,626
b) other	112,540,312	(570,046)	111,970,266										7,350,000		39,912,687	79,407,579
Valuation reserves	**(456,407)**		**(456,407)**											**291,917**	**(326,983)**	**162,493**
Equity instruments																
Treasury shares																
Net profit (loss) for the period	**127,545,462**		**127,545,462**	**(60,545,462)**	**(67,000,000)**									**159,139,890**	**124,668,695**	**34,471,195**
Shareholders' equity	**1,066,587,559**		**1,066,587,559**		**(67,000,000)**				**(77,090,757)**					**124,913,079**	**1,047,409,882**	
Minorities interests	**253,495,851**		**253,495,851**						**(89,500,000)**				**24,010,000**	**34,518,728**		**222,524,579**

Financial year 2020

	Balance at 12.31.2019	Changes in opening balances	Balance at 1.1.2020	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: 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**

Consolidated Cash Flow Statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount 12/31/2021	Amount 31/12/2020
1. Liquidity generated from operations	**122,330,891**	**165,301,756**
- net profit for the year (+/-)	159,139,890	127,545,460
- net gains/losses on financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss (+/-)	4,672,153	(247,036)
- gains (losses) from hedging activities (+/-)	(721,048)	272,650
- net adjustments for credit risk (+/-)	(16,399,180)	63,916,069
- impairment/recoveries to property and equipment and intangible assets (+/-)	9,106,469	12,262,764
- net provisions for risks and charges and other costs/income (+/-)	5,075,629	(18,865,259)
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	41,889,838	16,188,790
- impairment/recoveries to disposal groups net of tax effect (-/+)		13,482
- other adjustments **(+/-)**	(80,432,859)	(35,785,165)
2. Liquidity generated/absorbed by financial assets	**784,612,443**	**(721,477,115)**
- financial assets held for trading	37,775	734,521
- financial assets designated at fair value through profit and loss		
- financial assets mandatorily designated at fair value		
- financial assets measured at fair value with impact on the comprehensive income	(637,875,026)	
- financial assets measured at amortized cost	1,429,985,507	(766,697,232)
- other assets	(7,535,813)	44,485,596
3. Liquidity generated/absorbed by financial liabilities	**(411,628,664)**	**448,559,094**
- financial liabilities measured at amortized cost	(381,901,427)	539,825,236
- financial liabilities held for trading	1,681,387	(2,088,754)
- financial liabilities designated at fair value through profit and loss		
- other liabilities	(31,408,624)	(89,177,388)
Net liquidity generated/absorbed by operating activities	**495,314,670**	**(107,616,265)**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**1**	
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment		
- sale of intangible assets		
- sale of lines of business	1	
2.Liquidity absorbed by	**(18,267,429)**	**(19,734,186)**
- purchase of equity investments		
- purchase of property and equipment	(1,562,518)	(3,052,670)
- purchase of intangible assets	(16,704,911)	(16,681,517)
- purchase of lines of business		
Net liquidity generated/absorbed by investing activities	**(18,267,428)**	**(19,734,186)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	24,010,000	
- issue/purchase of equity instruments		2,940,000
- dividends distributed and other allocations	(233,590,757)	
- sale/purchase of minority control		
Net cash generated/absorbed by financing activities	**(209,580,757)**	**2,940,000**
NET CASH GENERATED/ABSORBED IN THE YEAR	**267,466,486**	**(124,410,451)**

Key:

(+) generated

(-) absorbed

Reconciliation

Items	Amount 12/31/2021	Amount 31/12/2020
Cash and cash equivalents at beginning of year	**476,504,783**	**600,915,234**
Net increase (decrease) in cash and cash equivalents	**267,466,486**	**(124,410,451)**
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	**743,971,269**	**476,504,783**

In light of the changes made following the 7th update of 29 October 2021 of the Bank of Italy circular no. 262, some items of the 2020 financial statements have been restated. Please refer to the Notes - Part A Accounting policies - Section 5 “Other aspects”.

Santander Consumer Bank

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 2021 have been prepared in accordance with Circular no. 262/05 (hereinafter also the Circular) as subsequently amended by the 7th update of 29 October 2021 “Banks financial statements: layouts and preparation” issued by the Bank of Italy, in the exercise of the powers established by article 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 21 December 2021, the Bank of Italy published the Communication “Amendment of the 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.

In preparing the financial statements the IAS/IFRS in force at 31 December 2021 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 units, 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 2020.

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 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 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 registration 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 2020 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 2020, 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 was carried out so that the loans, which had not previously benefited from payment grace periods, can benefit from them.

The ESMA intervened with the following communications:

- 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. While these measures may take on different forms, their impact on financial information, in particular the requirements of IFRS 9, should be carefully considered. ESMA believes that the impacts of the measures implemented on financial instruments should be assessed and whether such measures involve a change in financial assets.
- communication dated 28 October 2020 "European common enforcement priorities for 2020 annual financial report";
- communication dated 29 October 2021 "European common enforcement priorities for 2021 annual financial reports". The authority calls for a careful assessment of the long-term impacts of COVID-19 on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates the recommendations included in its 2020 Communication, in particular those relating to business continuity assumptions, significant judgments, uncertainty in estimates, presentation of financial data and deterioration of assets. ESMA also underlines that the twelve months from the end of the reference period referred to in paragraph 26 of IAS 1 are a minimum period, therefore, as required by paragraph 25 of IAS 1, issuers must assess and indicate whether there are significant uncertainties relating to events or conditions that may give rise to significant doubts on the issuer's ability to continue to operate beyond the twelve-month period after the reference period. The Authority expects issuers to disclose, with an appropriate level of detail of information, the impact of any material adjustment on the ECL estimate. The Entity reminds issuers to indicate the basis of the inputs and the assumptions and estimation techniques used to determine the significant increase in credit risk (SICR) and encourages credit institutions to explain how the Forward-looking aspect has been incorporated into the determination of the ECL as well as providing specific information on the main opinions and estimates relating to the uncertainties that have been considered for the definition of the scenarios and their weight. ESMA emphasises that the tabular reconciliation of the bad debt provision from the opening balance to the closing balance should be disaggregated by class of financial instrument and should separately provide information on changes resulting from losses for off-balance sheet commitments. ESMA reminds issuers to provide adequate qualitative and quantitative information on liquidity risk, as well as to include in the financial statements a description of the nature and extent of any significant public support measures received by category (e.g. loans, tax relief, compensation schemes). Finally, ESMA stresses that issuers must consider climate risks when preparing and reviewing financial statements to the extent that the effects of such risks are significant and must provide adequate disclosure of them.

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 2 - 1.1 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. Investments in subsidiaries

Company name	Head office	Registered Office	Type of relationship (1)	Nature of holding		% of votes (2)
				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 to art. 39, paragraph 1, of Legislative Decree 136/2015

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

(2) Voting rights at ordinary shareholders' meeting, distinguishing, if applicable, between actual and potential.

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:

- the entity has the power to manage the relevant activities, i.e. the activities that significantly affect the investee's returns;
- the entity is exposed, or has rights, to variable returns depending on the economic performance of the investee;
- 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 identified, 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%	89,500
PSA Renting Italia S.p.A.	50%	50%	2,244
TIMFin S.p.A.	49%	49%	-

Key

(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.	3,122,020	230,238	2,792,343	506	2,622,602	392,256	118,147	140,784	-30,157	106,646	71,915		71,915	95	72,010
PSA Renting S.r.l	415,136	2,277	340,706	47	367,223	14,348	16,238	35,326	-23,064	12,797	8,935		8,935		8,935
TIMFin S.p.A.	256,088	7,411	235,144	2,069	204,010	45,448	5,456	5,290	-12,818	-10,907	-7,571		-7,571		-7,571

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 23 February 2022.

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 2021. For further details on the events that took place after 31 December 2021, please refer to the matters described in the Consolidated Management Report - Other facts worth mentioning.

Section 5 - Other aspects

Complete copies of the last financial statements with the Report on Operations of the companies that at 31 December 2021 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2022, 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 2021 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 held in 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 2021:

- Reform of the benchmarks of interest rates, phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 adopted with Commission Regulation (EU) no. 2021/25 of 13 January 2021 published in the Official Journal L 11 of 14 January 2021.
- Amendments to IFRS 16 - Concessions on fees related to COVID-19 after 30 June 2021 (EU Reg. no. 2021/1421).

Listed below are the relevant amendments issued by the IASB that will become effective after the balance sheet date:

- Amendments to IAS 1: requires companies to provide information on the relevant accounting standards rather than on the significant accounting standards;
- Amendments to IAS 8: clarifies how companies should distinguish changes in accounting standards from changes in accounting estimates.
- IFRS Practice Statement 2: Making Materiality Judgements (Practice Statement): provides guidance on how to apply the concept of materiality to disclosure of accounting standards.
- The IFRS Interpretations Committee published in June 2021 an attempt to decide on the accounting methodology of the TLTROs issued by the European Central Bank, analysing in particular whether they should be accounted for in accordance with IFRS 9 or IAS 20. In February 2022, the IFRS Interpretations Committee did not give indications on the treatment reserved for the case, considering the matter too specific with respect to the general rule.

In compliance with the provisions of Bank of Italy Circular 262, current accounts and unrestricted deposits with banks and central banks have been reclassified from the item Financial assets at amortised cost to the item Cash and cash equivalents. Furthermore, the related comparatives have been adjusted to provide transparent disclosure. In order to allow the reconciliation of the comparatives with the data resulting from the approved 2020 financial statements, the details of the reclassification carried out are shown in the table below:

Balance sheets - Assets	Financial Statements 2020 approved	Financial Statements 2021 reclassified
10. Cash and cash balances	5,184	476,504,783
40. Financial assets measured at amortised cost a) Loans and advances to banks	488,962,151	12,462,551
Total	**488,967,335**	**488,967,334**

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 throughout 2022.

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) **Amendments to the accounting standard IFRS 16**

   Regulation no. 2021/1421 of the Commission dated 30 August 2021 was published In the European Official Gazette dated 31 August 2021, which amended the accounting standard IFRS 16 Leasing. Companies must apply the new amendment starting from 1 April 2021 for financial years starting at the latest on 1 January 2021 or later. Article 1 of the regulation envisages amendments to paragraph 46B of the standard, whereby the practical expedient referred to in paragraph 46A applies only to concessions on fees that are a direct consequence of the COVID-19 pandemic and only if certain conditions are met. 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 2021 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.

Cash and cash equivalents

Recognition and classification

The following items are included in this item:

- legal tender currencies, including foreign banknotes and divisional coins;
- current accounts and "on demand" deposits with central banks, with the exception of the compulsory reserve, as well as "on demand" receivables (current accounts and on demand deposits) vis-à-vis banks. Cash receivables that can be withdrawn by the creditor at any time without notice or with 24 hours or one business day's notice are considered "on demand" receivables. Receivables with a contractual obligation of expiry equal to 24 hours or one working day are also included among the "on demand" receivables.

Measurement

Cash and cash equivalents are valued according to the following criteria:

- current accounts and "on demand" deposits with Central Banks, with the exception of the compulsory reserve, as well as "on demand" credits (current accounts and on demand deposits) from banks and checks (current account, circular and similar), constituting receivables, are valued according to the general principle of the estimated realizable value. This value normally coincides with the nominal value, while in situations of difficult collectability the nominal value must be reduced by the bad debt provision, which expresses the risk of bad debt due from banks;
- cash and revenue stamps on hand are valued at nominal value;
- cash and cash equivalents in foreign currencies are valued at the exchange rate in force on the closing date of the financial year.

Derecognition

These assets are derecognised from the financial statements at the natural end of the contractual rights on the related cash flows.

1 – Financial assets measured 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 measured 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 'measured 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 measured at fair value through other comprehensive income

Recognition

The initial recognition of financial assets measured at fair value through comprehensive income takes place as of the settlement date. Upon initial recognition, financial assets are measured at fair value which normally corresponds to the consideration for the transactions inclusive of the transaction costs and income directly attributable to the instrument.

Classification

Financial assets held on the basis of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets (HTCS business model) and whose contractual cash flows are represented solely by payments of principal and interest on the amount of capital to be repaid (passing the SPPI test) are classified in this category. Equity instruments not held for trading purposes are also included in the item, for which at the time of initial recognition the option envisaged by IFRS 9 was exercised for the measurement at fair value with impact on comprehensive income without reversal to income statement of any capital gain or loss realised in the event of a sale.

According to the provisions of IFRS 9, reclassifications are only permitted following a change in the business model. In such cases, which are expected to occur very rarely, financial assets may be reclassified from the category measured at fair value through comprehensive income into one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). In the event of reclassification from financial assets measured at fair value with an impact on comprehensive income to the amortised cost category, the accumulated profit (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. On the other hand, in the case of reclassification in the fair value category with impact on the income statement, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified to profit (loss) for the year.

Measurement and recognition of components affecting the income statement

Subsequent to initial recognition, the Financial assets measured at fair value with impact on comprehensive income, other than equities, are measured at fair value, with recognition in the income statement of the corresponding value at amortised cost, while gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised or an impairment loss is recognised. Upon disposal, the accumulated gains or losses are recognised in the income statement.

Derecognition

Financial assets are derecognised from the balance sheet if the contractual rights relating to the cash flows have expired, been extinguished or in the presence of transfer transactions which essentially transfer all the risks and benefits associated with ownership of the transferred asset to third parties. On the other hand, if a predominant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if legally ownership of the assets has been transferred.

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 not classified in the item "Cash and cash equivalents", 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 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 'measured at 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 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).

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 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 underlying item attributable to the hedged risk, 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 initial recognition date, the value of the right of use is determined equal to its fair value including any accessory charges. The corresponding financial liability is recognised at the current value of the payments due.

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 measured 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 concluded 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.

From an accounting point of view, in the absence of specific indications in the reference accounting standards regarding the case in point, the Group has defined its policy for recognising the interest accrued, considering the TLTRO III lines as a variable rate liability (IFRS 9, paragraph B5.4.5) for which the final rate (including the adjustment established by the ECB) can be predicted with high probability.

On 6 January 2021, ESMA published a document which, postponing the changes introduced by the ECB during 2020 in the face of the COVID-19 emergency with particular reference to the interest rates applicable to the third series of targeted long-term refinancing operations (TLTRO III), recommends an adequate level of transparency regarding the accounting recognition methods applied for the purposes of preparing the financial statements.

Subsequently, on 16 February 2021, ESMA confirmed that it had sent, on 9 February 2021, a letter to the IFRS Interpretation Committee (IFRIC) in order to request an official position on the accounting treatment of TLTRO III; in particular, ESMA invited the IFRIC to clarify aspects relating: (i) to the accounting of the benefits of transactions in application of the IFRS 9 or IAS 20 accounting standard, (ii) to how to calculate the effective interest rate at the time of initial recognition and, in particular, the circumstance that said rate must incorporate the expectations of obtaining future benefits in terms of lower cost of funding following the expected achievement of the "suitability" criteria envisaged by the law; and (iii) to the accounting treatment relating to changes in the estimates of future cash flows connected to the periodic assessment of the ability to achieve the benefits relating to a lower cost of funding where IFRS 9 is applicable.

In June 2021, the IFRIC reported the following observations on the issues raised by ESMA; in particular: (i) the arguments relating to the application of the IFRS 9 vs IAS 20 accounting standard are not of an accounting nature (for example, determining whether the ECB satisfies the definition of governance); (ii) with regard to the effective interest rate and the consequent change in the interest rate, the IFRIC has announced that these matters will be discussed during the "Post-implementation review of the classification and measurement requirements in IFRS 9" by the IASB.

The Group is carrying out in-depth analysis on the subject but to-date, in the absence of precise indications, the approach applied in the 2020 financial statements has been maintained, in line with that adopted by the Santander Group.

Classification

Deposits from banks, deposits from customers, and debt securities in issue include 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 and/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 measurement techniques used have been adapted to the specific characteristics of the assets and liabilities to be 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 for collection expenses were excluded from the calculation of the effective rate due to their compliance with the provisions of IFRS 15.

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.

Method of determining the impairment of financial assets

The 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, or rather 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 PD is calculated equal to 100%, 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 an indefinite 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 – Disclosure of transfer 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: measurement techniques and inputs used

The measurement techniques used have been adapted to the specific characteristics of the assets and liabilities to be 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

	12/31/2021			12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	5,835	-	-	2,976	-
a) financial assets held for trading	-	5,835	-	-	2,976	-
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	633,804	-	-	-	-	-
3. Cover derivatives	-	7,622	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	633,804	13,457	-	-	2,976	-
1. Financial liabilities held for trading	-	5,922	-	-	3,205	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Cover derivatives	-	3,031	-	-	11,908	-
Total	-	8,953	-	-	15,113	-

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	12/31/2021				12/31/2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortized cost	8,832,380	40,300	-	8,530,814	10,189,034	1,280,130	-	8,711,578
2. Available for sale financial assets	-	-	-	-	-	-	-	-
3. Non current assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**8,832,380**	**40,300**	**-**	**8,530,814**	**10,189,034**	**1,280,130**	**-**	**8,711,578**
1. Financial liabilities measured at amortized cost	9,091,455	-	3,902,152	5,190,450	9,498,992	-	3,351,110	6,118,210
2. Liabilites included in disposal group classified as hfs	-	-	-	-	-	-	-	-
Total	**9,091,455**	**-**	**3,902,152**	**5,190,450**	**9,498,992**	**-**	**3,351,110**	**6,118,210**

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
	12/31/2021	12/31/2020
a) Cash	16	5
b) Current account and demand deposits with Central banks	231,807	1,830
c) Current accounts and demand deposits with banks	512,148	474,670
Total	**743,971**	**476,505**

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

2.1 Financial assets held for trading: breakdown by type

Voci/Valori	Total 12/31/2021			Total 12/31/2020		
	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	-	5,835	-	-	2,976	-
1.1 trading	-	5,835	-	-	2,976	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	-	**5,835**	-	-	**2,976**	-
Total (A+B)	-	**5,835**	-	-	**2,976**	-

The financial derivatives item includes the positive fair values of the contracts relating to the securitisation transactions of the Santander Group companies.

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

Items/Values	Total 12/31/2021	Total 12/31/2020
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	5,835	2,976
Total (B)	**5,835**	**2,976**
Total (A+B)	**5,835**	**2,976**

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.

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

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Item/Values	Total 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	633,804	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	633,804	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**633,804**	**-**	**-**	**-**	**-**	**-**

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

During 2021, a new Business Model was adopted for the management of government securities, acquired after its adoption.

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by borrower/issuer

Items/Values	Total 12/31/2021	Total 12/31/2020
1. Debt securities	**633,804**	-
a) Central Banks	-	-
b) Public entities	633,804	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Equity securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non financial companies	-	-
- others	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**633,804**	**-**

3.3. Financial assets measured at fair value through other comprehensive income: gross value and total writedowns

		Gross amount					Writedowns				
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total
Debt securities		633,804	-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**633,804**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2020**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 12/31/2021						Total 12/31/2020					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Receivables to Central Banks	**13,478**	-	-	-	-	**13,478**	**1,362**	-	-	-	-	**1,362**
1. Deposits to Maturity	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	13,478	-	-	X	X	X	1,362	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables to banks	**98,786**	-	-	-	-	**98,637**	**11,100**	-	-	-	-	**11,100**
1. Loans	98,786	-	-	-	-	98,637	11,100	-	-	-	-	11,100
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	98,786	-	-	X	X	X	11,100	-	-	X	X	X
- Repos	93,518	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	5,268	-	-	X	X	X	11,100	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**112,264**	**-**	**-**	**-**	**-**	**112,115**	**12,463**	**-**	**-**	**-**	**-**	**12,463**

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

The item "other loans - other", mainly refers to the sums paid by way of guarantee deposit, linked to the negative fair value of derivative contracts.

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

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**8,615,001**	**64,834**	-	-	-	**8,418,699**	**8,858,695**	**40,707**	-	-	-	**8,699,116**
1.1.Deposits from customers	17,561	41	-	X	X	X	27,565	1,832	-	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 assignment losses	3,505,632	37,312	-	X	X	X	3,527,498	15,064	-	X	X	X
1.5 Lease loans	830,173	4,358	-	X	X	X	660,078	2,087	-	X	X	X
1.6. Factoring	144,907	195	-	X	X	X	294,933	-	-	X	X	X
1.7. Other loans	4,116,729	22,928	-	X	X	X	4,348,621	21,724	-	X	X	X
2. Debt securities	**40,281**	-	-	**40,300**	-	-	**1,277,170**	-	-	**1,280,130**	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	40,281	-	-	40,300	-	-	1,277,170	-	-	1,280,130	-	-
Total	**8,655,283**	**64,834**	-	**40,300**	-	**8,418,699**	**10,135,864**	**40,707**	-	**1,280,130**	-	**8,699,116**

Leasing loans underwent an increase mainly related to preferences of vehicle market consumers.

Loans for factoring decreased following the sale of the business unit by the Parent Company to Hyundai Capital Bank, which undertook the commercial relations with the related automotive companies.

The item Other loans includes car loans and special-purpose loans. In 2021, the Parent Company adopted a new business model for the management of government securities (see section 3, as well as the matters reported in the consolidated management report - Financial management of Santander Consumer Bank). For the residual securities present in 2020, their natural maturity is expected.

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

Type of transaction / Values	Total 12/31/2021			Total 12/31/2020		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**40,281**	-	-	**1,277,170**	-	-
a) Public Administration	40,281	-	-	1,277,170	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**8,615,001**	**64,834**	-	**8,858,695**	**40,707**	-
a) Public Administration	1,725	4,212	-	8,257	739	-
b) Other financial company	13,233	54	-	14,943	19	-
of which: insurance companies	46	-	-	2	5	-
c) Non financial companies	1,280,229	7,953	-	1,997,824	9,183	-
d) Households	7,319,815	52,615	-	6,837,670	30,765	-
Total	**8,655,283**	**64,834**	-	**10,135,864**	**40,707**	-

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

		Gross amount					Writedowns				Write off partial total
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		40,281	-	-	-	-	-	-	-	-	-
Loans		8,586,894	-	222,943	172,104	-	49,967	32,604	107,270	-	-
Total	**12/31/2021**	**8,627,175**	**-**	**222,943**	**172,104**	**-**	**49,967**	**32,604**	**107,270**	**-**	**-**
Total	**12/31/2020**	**10,011,143**	**-**	**227,563**	**158,411**	**-**	**56,232**	**34,146**	**117,704**	**-**	**-**

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	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted		-	-	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures		-	-	3,060	-	-	-	1,835	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**-**	**-**	**3,060**	**-**	**-**	**-**	**1,835**	**-**	**-**	**-**
Total	**12/31/2020**	**202,159**	**-**	**16,174**	**1,394**	**-**	**9,558**	**1,631**	**718**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	FV 12/31/2021			NV 12/31/2021	FV 12/31/2020			NV 12/31/2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair Value	-	7,622	-	1,405,301	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**7,622**	**-**	**1,405,301**	**-**	**-**	**-**	**-**

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

The following table gives details of hedging derivatives with positive fair values at 31 December 2021:

Notional	Start date	Settlement date	Counterparty	Fair value
86,932	05/29/2020	02/28/2031	Banco Santander	112
86,932	05/29/2020	03/31/2031	Banco Santander	153
89,529	05/29/2020	07/29/2031	Banco Santander	143
43,841	05/29/2020	05/29/2031	Banco Santander	62
43,466	05/29/2020	06/30/2031	Banco Santander	76
80,000	07/22/2021	01/22/2038	Banco Santander	890
150,000	07/22/2021	11/23/2037	Banco Santander	1,743
170,000	07/22/2021	12/22/2037	Banco Santander	2,060
147,398	12/27/2021	04/27/2038	Banco Santander	204
96,498	12/27/2021	05/27/2038	Banco Santander	143
73,708	12/27/2021	06/28/2038	Banco Santander	118
95,000	07/19/2021	05/31/2026	NATWESTLON	643
99,000	07/19/2021	06/30/2026	BSCHMAD	642
93,000	07/19/2021	04/30/2026	BSCHMAD	609
10,000	11/15/2021	03/31/2024	NATWESTLON	2
10,000	11/15/2021	01/31/2024	SGPAR	3
10,000	11/15/2021	04/30/2024	BSCHMAD	4
10,000	11/15/2021	03/31/2024	NATWESTLON	6
10,000	11/15/2021	02/29/2024	BSCHMAD	8
1,405,301				**7,622**

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

Transaction / Type of hedging	Fair Value						Cash-flow hedges		Net Investments on foreign subsidiaries
	Micro					Macro	Micro	Macro	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	commodities	others				
1. Available for sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Portfolio	X	X	X	X	X	7,622	X	-	X
4. Others	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**7,622**	**-**	**-**	**-**
1. Financial Liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Highly probable transactions (CFH)	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

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 12/31/2021	Total 12/31/2020
1. Positive adjustment	-	**9,468**
1.1 of specific portfolios:	-	9,468
a) financial assets at amortised cost	-	9,468
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(6,455)**	**(189)**
2.1 of specific portfolios:	(6,455)	(189)
a) financial assets at amortised cost	(6,455)	(189)
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**(6,455)**	**9,280**

Section 7 – Equity investments – Item 70

There are no equity investments recognised in the consolidated 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

Activities/Values	Total 12/31/2021	Total 12/31/2020
1. Owened assets	**5,959**	**5,015**
a) lands	-	-
b) buildings	-	-
c) furniture	827	842
d) electronic system	4,909	3,814
e) other	223	359
2. Leased assets	**18,885**	**16,523**
a) lands	-	-
b) buildings	16,001	16,346
c) furniture	-	-
d) electronic system	-	-
e) other	2,884	177
Total	**24,843**	**21,538**
of which: obtained by the enforcement of collateral	-	-

For property, plant and equipment purchased under finance leases, please refer to Part M Report on leases for further details.

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	Other	Total
A. Gross opening balance	**-**	**21,223**	**4,418**	**14,501**	**11,931**	**52,073**
A.1 Total net reduction value	-	(4,877)	(3,577)	(10,686)	(11,395)	(30,535)
A.2 Net opening balance	**-**	**16,346**	**842**	**3,814**	**536**	**21,538**
B. Increase:	**-**	**2,494**	**117**	**4,006**	**4,372**	**10,989**
B.1 Purchasing	-	-	117	3,550	46	3,713
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	452	-	452
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	-	2,494	-	4	4,326	6,824
C. Decrease:	**-**	**2,839**	**132**	**2,912**	**1,801**	**7,684**
C.1 Sales	-	-	-	1,780	10	1,791
- of which business combinations	-	-	-	-	-	-
C.2 Amorisation	-	2,570	131	1,132	1,740	5,573
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	-	269	-	-	50	320
D. Net closing balance	**-**	**16,001**	**827**	**4,909**	**3,107**	**24,843**
D.1 Total net write-down	-	5,755	3,534	11,359	9,801	30,449
D.2 Final gross balance	**-**	**21,755**	**4,361**	**16,268**	**12,908**	**55,292**
E. Carried 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 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	**-**	**21,223**	**-**	**-**	**3,439**	**21,397**
A.1 Total net reduction value	-	3,628	-	-	3,006	6,635
A.2 Opening net balance	**-**	**16,346**	**-**	**-**	**177**	**16,523**
B. Increase:	**-**	**2,494**	**-**	**-**	**4,326**	**6,820**
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	-	2,494	-	-	4,326	6,820
C. Decreases:	**-**	**2,839**	**-**	**-**	**1,619**	**4,458**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,570	-	-	1,573	4,143
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	-	269	-	-	46	316
D. Net final balance	**-**	**16,001**	**-**	**-**	**2,884**	**18,885**
D.1 Total net reduction in value	-	(5,043)	-	-	(1,573)	(6,616)
D.2 Gross closing balance	**-**	**21,755**	**-**	**-**	**4,457**	**26,212**
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

Activities/Values	Total 12/31/2021		Total 12/31/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.1.1 attributable to the group	X	-	X	-
A.1.2 attributable minorities	X	-	X	-
A.2 Other intangible asset	33,221	-	26,100	-
of which Software	33,221	-	26,100	-
A.2.1 Assets valued at cost:	33,221	-	26,100	-
a) intangible assets generated internally	-	-	-	-
b) other assets	33,221	-	26,100	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**33,221**	**-**	**26,100**	**-**

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	-	-	-	**114,139**	-	**114,139**
A.1 Reductions of total net value	-	-	-	(88,039)	-	(88,039)
A.2 Net opening balance	-	-	-	26,100	-	26,100
B. Increases	-	-	-	**16,705**	-	**16,705**
B.1 Purchases	-	-	-	16,705	-	16,705
- 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	-	-	-	**9,583**	-	**9,583**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	9,583	-	9,583
- Amortisations	X	-	-	9,583	-	9,583
- 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	-	-	-	**33,221**	-	**33,221**
D.1 Adjustment of net total values	-	-	-	97,622	-	97,622
E. Gross closing balance	-	-	-	**130,844**	-	**130,844**
F. Evaluation to cost	-	-	-	-	-	-

Key:
DEF: definite duration
INDEF: indefinite duration

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 70,341 thousand (Euro 73,058 thousand in 2020), while current liabilities recognised in liabilities and shareholders' equity line item 60 amount to Euro 59,816 thousand (Euro 34,910 thousand in 2020).

11.1 Deferred tax assets: breakdown

	12/31/2021	12/31/2020
- Balancing the income statement	157,880	185,971
- Balancing net equity	386	376
Total	**158,266**	**186,347**

The deferred tax assets in the income statement are mainly attributable to write-downs on receivables as per Italian Legislative Decree no. 214/2011 (see paragraph 11.4) and to temporary changes generated by provisions for risks.

Deferred tax assets through shareholders' equity mainly relate to the tax effect of actuarial gains and losses pertaining to provision for employee severance pay. With regard to the recoverability of deferred tax assets, in consideration of their nature and future development prospects in terms of the ability to generate taxable income, there are no particular aspects that could impact their recoverability.

11.2 Deferred tax liabilities: breakdown

	12/31/2021	12/31/2020
- Recognised to the income statement	972	591
- Recognised to the net equity	114	6
Total	**1,086**	**597**

Deferred tax liabilities offset in the Income Statement refer mainly to the tax effect deriving from the valuation at amortised cost of ABS securities at market.

Deferred taxes offset to shareholders' equity refer to the tax effect of the valuation gains inherent in financial assets measured at fair value with an impact on comprehensive income.

11.3 Changes in deferred tax assets (through income statement)

	Totale 12/31/2021	Totale 12/31/2020
1. Opening balance	**185,971**	**214,896**
2. Increase	**6,134**	**8,686**
2.1 Deferred tax assets of the year	6,134	8,686
a) related to previous fiscal year	331	569
b) due to changes in accountable parameters	-	-
c) write-backs	-	-
d) others	5,803	8,117
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**34,225**	**37,610**
3.1 Anticipated levies cancelled in fiscal year	33,662	37,610
a) reversals of temporary differences	33,655	37,342
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	7	268
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	563	-
a) conversion into tax credit under L. 214/2011	563	-
b) others	-	-
4. Closing balance	**157,880**	**185,971**

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

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**159,860**	**182,361**
2. Increases	**289**	**2,652**
3. Decreases	**28,095**	**25,153**
3.1 Reversals of temporary differences	27,532	25,153
3.2 Transformation into tax credits	563	-
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	563	-
3.3 Other decreases	-	-
4. Closing balance	**132,055**	**159,860**

With regard to deferred tax assets recorded in the financial statements, it should be stressed that they are fully convertible into tax credits as a result of the exercise of the option referred to in article 11 of Italian Decree Law no. 59/2016 and subsequent amendments.

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

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**591**	**680**
2. Increases	**382**	**52**
2.1 Defered levies observed in the fiscal year	382	52
a) related to precedent fiscal year	-	-
b) due to change in accountability parameters	-	-
c) others	382	52
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**142**
3.1 Defered levies cancelled in the fiscal year	-	142
a) reversals of temporary differences	-	142
b) due to changes in accountable parameters	-	-
c) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
4. Closing balance	**972**	**591**

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

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**376**	**349**
2. Increases	**10**	**27**
2.1 Deferred tax assets during the year	10	27
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	10	27
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
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:	-	-
4. Closing balance	**386**	**376**

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

	Total 12/31/2021	Total 12/31/2020
1. Initial amount	**6**	**6**
2. Increases	**107**	-
2.1 Defered levies observed in fiscal year	107	-
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) others	107	-
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
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. Final amount	**114**	**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

	12/31/2021	12/31/2020
Advances to suppliers	9,846	8,162
VAT receivables	66,600	34,917
Stamp duties	8,072	9,116
Withholding taxes	379	217
Other tax receivables	3,650	3,700
Due from dealers	9,279	3,730
Due from insurances	33,137	29,401
Accruals and prepaid expenses	45,629	39,518
Assets in transit	12,300	18,685
Frauds	1	-
Leasehold improvements	2,338	2,649
Other items	26,007	39,339
Total	**217,238**	**189,433**

The item “VAT credits” includes the excess that can be carried over, mainly deriving from the increase in the volumes of the leasing product.

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

The item "accrued income and prepaid expenses" mainly includes prepaid commission and the like on instalment products and financial leases accrued during the year that cannot be traced back to a specific item.

“Items in transit” include items being processed relating to instalment collection.

“Other items” consists mainly of ancillary services offered in the past by Banca PSA to customers in conjunction with financing. The decrease observed during the year is linked to the natural reduction of the related portfolio.

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

Type of transaction/Values	Total 12/31/2021				Total 12/31/2020			
	B V	Fair Value			B V	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**3,809,922**	X	X	X	**3,330,566**	X	X	X
2. Deposits from banks	**2,782,842**	X	X	X	**3,631,093**	X	X	X
2.1 Current accounts and demand deposits	47,112	X	X	X	32,900	X	X	X
2.2 Time deposits	575	X	X	X	-	X	X	X
2.3 Loans	2,734,741	X	X	X	3,597,697	X	X	X
2.3.1 Repos	93,685	X	X	X	50,088	X	X	X
2.3.2 Other	2,641,056	X	X	X	3,547,609	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	414	X	X	X	497	X	X	X
Total	**6,592,765**	**-**	**3,902,152**	**2,694,291**	**6,961,659**	**-**	**3,351,110**	**3,588,327**

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

"Due to central banks" includes loans received from the Bank of Italy in connection with TLTRO operations with the European Central Bank.

"Deposits from banks" consists of:

- Parent Company overnight financing transactions (Euro 40,000 thousand);
- a repo transaction with a third party (Euro 93,685 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon, loans granted by Santander Group companies as part of ordinary funding operations.

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

Type of transaction/Value	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	786,351	X	X	X	778,325	X	X	X
2. Time deposits	478,648	X	X	X	517,793	X	X	X
3. Loans	22,519	X	X	X	22,519	X	X	X
3.1 Reverse repos	-	X	X	X	-	X	X	X
3.2 Other	22,519	X	X	X	22,519	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	19,414	X	X	X	16,831	X	X	X
6. Other liabilities	2,786	X	X	X	2,381	X	X	X
Total	**1,309,717**	**-**	**-**	**1,300,947**	**1,337,849**	**-**	**-**	**1,327,021**

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

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

Type of securities/Values	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities								
1. bonds	1,188,973	-	-	1,195,212	1,199,483	-	-	1,202,861
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,188,973	-	-	1,195,212	1,199,483	-	-	1,202,861
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**1,188,973**	**-**	**-**	**1,195,212**	**1,199,483**	**-**	**-**	**1,202,861**

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

The balance of the item "Debt securities in issue" refers to securitisation transactions issues sold on the market and non-preferred senior bonds entirely subscribed by the Parent Company.

1.4 Details of subordinated securities/debts

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

Type	12/31/2021	12/31/2020
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2029	10,000	10,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2028	35,000	35,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2025	-	50,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2027	30,000	30,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2031	55,000	-
subordinated debt Tier II to PSA Finance Nederlands B.V. - maturing to 2027	22,500	22,500
subordinated debt Tier II to Banque PSA Finance S.A. - maturing to 2029	11,000	11,000
Total	**163,500**	**158,500**

1.5 Details of structured debts

The Group has no structured debts.

1.6 Finance lease payables

The composition of financial outflows for leases (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	3,988	445	738	5,171

	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	-	775	-	-	258	793	1,651	7,374	8,563	-

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2021					Total 12/31/2020				
	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	-	5,922	-	X	X	-	3,205	-	X
1.1 Trading	X	-	5,922	-	X	X	-	3,205	-	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**	**-**	**5,922**	**-**	**X**	**X**	**-**	**3,205**	**-**	**X**
Total (A+B)	**X**	**-**	**5,922**	**-**	**X**	**X**	**-**	**3,205**	**-**	**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 financial derivatives item includes the negative fair value of the derivatives entered into as part of the securitisation transactions.

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 measured at fair value.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and level

	NV	Fair value	12/31/2021		NV	Fair value	12/31/2020	
	12/31/2021	L1	L2	L3	12/31/2020	L1	L2	L3
A) Financial derivatives	**554,954**	-	**3,031**	-	**1,499,937**	-	**11,908**	-
1) Fair value	554,954	-	3,031	-	1,499,937	-	11,908	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**554,954**	-	**3,031**	-	**1,499,937**	-	**11,908**	-

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 the derivative contracts (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 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 the year end date:

Notional	Start date	Settlement date	Counterparty	Fair value
34,750	01/30/2017	10/31/2025	Banco Santander	174
28,444	04/26/2017	07/28/2025	Banco Santander	147
32,414	04/26/2017	08/26/2025	Banco Santander	172
32,110	04/26/2017	09/26/2025	Banco Santander	165
12,512	05/31/2017	06/30/2023	Banco Santander	46
17,432	05/31/2017	07/31/2023	Banco Santander	76
22,506	07/31/2017	11/29/2024	Banco Santander	136
23,349	07/31/2017	12/31/2024	Banco Santander	131
22,112	07/31/2017	01/31/2025	Banco Santander	146
8,598	09/29/2017	12/31/2025	Banco Santander	52
24,460	06/30/2020	12/31/2027	Banco Santander	410
30,452	06/29/2018	09/30/2024	Banco Santander	149
40,119	07/31/2018	07/31/2028	Banco Santander	320
31,949	08/31/2018	08/31/2028	Banco Santander	219
49,893	12/21/2018	12/21/2028	Banco Santander	313
44,857	05/31/2019	11/30/2027	Banco Santander	57
1,000	04/20/2017	02/28/2022	BNPPAR	1
6,000	04/20/2017	04/30/2022	BNPPAR	6
1,000	04/20/2017	03/31/2022	NATIXISPAR	1
13,000	07/31/2018	06/30/2023	BNPPAR	49
16,000	07/31/2018	05/31/2023	BSCHMAD	54
14,000	06/29/2018	06/30/2023	RBSCOTLAND	53
13,000	06/29/2018	04/30/2023	BNPPAR	33
12,000	06/29/2018	05/31/2023	HSBCPAR	36
23,000	07/31/2018	07/31/2023	BSCHMAD	84
554,954				**3,031**

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 rates	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	3,031	X	-	X
4. Other operations	-	-	-	-	-	-	X	-	X	-
Total assets	-	-	-	-	-	-	**3,031**	-	-	-
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	-	-

Section 5 – Fair value adjustment of financial liabilities covered by macrohedging – 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

	12/31/2021	12/31/2020
- Due to suppliers	77,584	75,734
- Due to dealers	33,108	28,641
- Payables to employees	7,757	5,521
- Due to Social Security institutions	3,457	3,267
- Tax payables	10,077	8,929
- Other amounts due to customers	20,581	19,107
- Due to insurances	28,238	28,875
- Factoring payables	-	17,241
- Accruals and deferred income	27,253	31,548
- Items in transit	44,670	43,769
- Other liabilities for commissions	2,478	2,984
- Other payables	10,578	9,990
Total	**265,782**	**275,607**

"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.

The item "Factoring payables" decreased following the sale of a business unit in favour of Hyundai Capital Bank, which undertook the commercial relations with the related automotive companies.

The item "accrued liabilities and deferred income" mainly includes prepayments on commission linked to accessory services offered in the past by the Company to customers in combination with loans not attributable to a specific item.

"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 12/31/2021	Total 12/31/2020
A. Opening balance	**4,426**	**4,246**
B. Increases	**124**	**254**
B.1 Provision of the year	28	34
B.2 Other increases	95	220
- of which business aggregation operations	-	-
C. Reductions	**437**	**74**
C.1 Severance payments	257	74
C.2 Other reductions	180	-
- of which business aggregation operations	-	-
D. Closing balance	**4,113**	**4,426**
Total	**4,113**	**4,426**

9.2 Other information

There is no further information to be provided in this section.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 12/31/2021	Total 12/31/2020
1. Provisions for credit risk on commitments and financial guarantees given	-	54
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	-	-
4. Other funds for risks and obligations	19,928	24,488
4.1 legal disputes	5,686	5,873
4.2 staff expenses	-	-
4.3 others	14,242	18,615
Total	**19,928**	**24,542**

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	-	-	**24,488**	**24,488**
B. Increases	-	-	**3,532**	**3,532**
B.1 Reserve of the fiscal year	-	-	3,532	3,532
B.2 Variation due to pass of time	-	-	-	-
B.3 Variation due to modifies of discount rate	-	-	-	-
B.4 Other variations	-	-	-	-
- of which business aggregation operations	-	-	-	-
C. Decreases	-	-	**8,092**	**8,092**
C.1 Use in the exercise	-	-	7,601	7,601
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	491	491
- of which business aggregation operations	-	-	-	-
D. Final surplus	-	-	**19,928**	**19,928**

The main increases in item "B.1 - Provisions for the year" relate to coverage of lawsuits with customers and dealers and other provisions set aside for disputes and litigation with local authorities.

Item C.1 "Use during the year" includes both the release of funds as a contra entry to item 200b) of the income statement, previously set aside for reimbursements linked to the products offered by the bank, and the uses of the provisions set aside in previous years to cover the disbursements made mainly attributable to the Lexitor event connected to the salary assignment product prior to the Italian Legislative Decree; for further clarification, please refer to the matters specified in the Management Report on this issue.

10.3 Provisions for credit risk on commitments and financial guarantees given

The bank has not established provisions for credit risk on commitments and financial guarantees given.

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 lawsuits with customers and dealers, as well as disputes with local authorities.

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

	Total	
	12/31/2021	12/31/2020
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		

The absence of treasury shares in the portfolio should be noted.

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:	-	-
- 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	-	-

13.3 Share capital: other information

Nothing to report.

13.4 Profit reserves: other information

The Group's profit reserves at 31 December 2021 consist mainly of the legal reserve (Euro 21,084 thousand), the extraordinary reserve (Euro 196,654 thousand), the capital reserve (Euro 39,913 thousand), the negative merger reserve (Euro -20 thousand), the IFRS 9 first-time adoption reserve, the reserve arising from the acquisition of the ISBAN business unit (Euro -6,435 thousand) and the consolidation reserve (Euro 98,240 thousand).

13.5 Equity instruments: breakdown and change in the year

The Group has not issued any equity instruments.

13.6 Other information

There is no other information to report.

Section 14 – Minority interests – Item 190

14.1 Details of item 190 "Minority interests"

Minority interests are made up as follows:

Company name	Total	
	12/31/2021	31/12/2020
Investments in consolidated companies with significant minority interests		
1. Banca PSA Italia S.p.A.	196,128	249,623
2. PSA Renting Italia S.p.A.	4,127	1,904
3. TIMFin S.p.A.	22,270	1,969
Total	**222,525**	**253,496**

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 on financial release obligations and guarantees				Total	Total
	First stage	Second stage	Third stage	Purchased or originated impaired	12/31/2021	12/31/2020
1. Commitment to supply funds	**217,620**	**55**	**4**	**-**	**217,678**	**590,740**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	214,053	54	2	-	214,108	586,916
f) Families	3,567	1	2	-	3,570	3,824
2. Financial guarantees issued	-	-	-	-	-	-
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Families	-	-	-	-	-	-

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. The decrease in the item is mainly attributable to the sale of a business unit carried out with HCBE.

2. Other commitments and other guarantees given

	Nominal value	
	Total	Total
	12/31/2021	12/31/2020
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	125	9
a) Central banks	-	-
b) Public Administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	23,605	18,608
f) Households	-	-

3. Assets used to guarantee own liabilities and commitments

Portfolios	Amounts 12/31/2021	Amounts 12/31/2020
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	513,188	-
3. Financial assets valued to amortised cost	4,893,424	4,940,709
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The item "Financial assets measured at fair value through other comprehensive income" includes Italian government securities.

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

- the pool of receivables (ABACO) and the assets underlying the securities provided as collateral for the loans received from the Bank of Italy in connection with TLTRO 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 assets underlying the securities involved in the repurchase agreement entered into with third party banks;
- the amounts paid by way of guarantee deposit 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)	12/31/2021	12/31/2020
1. Derivatives		6,065	-	6,065	-	6,413	(349)	(50)
2. Repo's		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**6,065**	**-**	**6,065**	**-**	**6,413**	**(349)**	**X**
Total	**12/31/2020**	**2,174**	**-**	**2,174**	**-**	**2,224**	**X**	**(50)**

As required by IFRS 7, it is hereby disclosed that the derivatives in place were entered into by Group companies 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.

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)	12/31/2021	12/31/2020
1. Derivatives		8,050	-	8,050	-	8,513	(463)	(237)
2. Repos		93,831	-	93,831	315	-	93,516	50,087
3. Securities lending		-	-	-	-	-	-	-
4. Other operations		-	-	-	-	-	-	-
Total	**12/31/2021**	**101,881**	**-**	**101,881**	**315**	**8,513**	**93,054**	**X**
Total	**12/31/2020**	**60,427**	**-**	**60,427**	**4**	**10,574**	**X**	**49,849**

The financial liabilities subject to offsetting have the following characteristics:

- Derivatives with negative fair value entered into by Group companies, 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.
- 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

Items/Technical forms	Debt securities	Loans	Other operations	Total 12/31/2021	Total 12/31/2020
1. Financial assets valued to fv with impact to Profit and Loss:	-	-	-	-	-
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 valued to fv with impact on overall profitability	**85**	-	**X**	**85**	-
3. Financial assets valued to amortize cost:	**633**	**357,486**	**X**	**358,119**	**352,527**
3.1 Credits to banks	-	3	X	3	10
3.2 Credits to clients	633	357,482	X	358,115	352,517
4. Hedging derivatives	**X**	**X**	-	-	**16**
5. Other assets	**X**	**X**	**4**	**4**	**292**
6. Financial liabilities	**X**	**X**	**X**	**35,800**	**17,423**
Total	**718**	**357,486**	**4**	**394,007**	**370,258**
of which: income interests on deteriorated financial assets	-	-	-	-	-
of which: interest income on financial lease	X	34,542	X	34,542	24,594

Against a background of negative rates, the item "Financial liabilities" mainly consists of interest income accrued on financing transactions through TLTRO with the European Central Bank. The item includes the interest deriving from the base rate (-0.5%) and the additional rate (-0.5%) as the loans suitable for obtaining the bonus rate are largely in excess of the required net lending benchmarks.

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 12/31/2021	Total 12/31/2020
1. Financial liabilities valued at amortized cost	23,053	5,771	X	28,825	37,282
1.1 Debts to central banks	57	X	X	57	27
1.2 Debts to banks	10,962	X	X	10,962	14,654
1.3 Debts to customers	12,035	X	X	12,035	15,535
1.4 Securities in circulation	X	5,771	X	5,771	7,065
2. Financial trading liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	1	1	-
5. Hedging derivatives	X	X	6,376	6,376	6,240
6. Financial assets	X	X	X	3,844	1,214
Total	**23,053**	**5,771**	**6,376**	**39,046**	**44,737**
of which: interest expense on lease payables	444	X	X	444	381

Interest expense on debts from banks mainly derives from loans granted by Santander Group companies as part of ordinary funding operations.

Interest expense on outstanding securities includes the cost of funding associated with EMTN programs, senior not preferred bonds and ABS securities placed on the market.

The interest expense generated by payables to customers shows a decrease connected to the funding strategies adopted, which led to a reduction in the cost of funding through the retail channel and at the same time to new securitisation transactions placed on the market at preferential rate conditions.

Interest expense on financial assets is mainly attributable to government security yields.

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	Totale 12/31/2021	Totale 12/31/2020
A. Positive differentials related to hedging operations:	-	16
B. Negative differentials related to hedging operations:	(6,376)	(6,240)
C. Balance (A-B)	**(6,376)**	**(6,224)**

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Values	Total 12/31/2021	Total 12/31/2020
a) Financial instruments	-	-
1. Securities placement		
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	-	-
2. Receipt and transmission of orders and execution for customers	-	-
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of customers	-	-
3. Other fees connected with activities related to financial instruments	-	-
of which: trading on own account	-	-
of which: management of individual portfolios	-	-
b) Corporate Finance	-	-
1. Merger and Acquisition Advice	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory activities	-	-
d) Clearing and settlement	-	-
e) Collective Portfolio Management	-	-
f) Custody and administration	-	-
1. Custodian bank	-	-
2. Other fees related to custody and administration	-	-
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	-
i) Payment services	77	130
1. Current accounts	-	-
2. Credit cards	77	130
3. Debit and other payment cards	-	-
4. Wire transfers and other payment orders	-	-
5. Other fees related to payment services	-	-
j) Distribution of third party services	98,072	88,496
1. Collective portfolio management	-	-
2. Insurance products	68,409	60,448
3. Other products	29,663	28,048
of which: individual portfolio management	-	-
k) Structured Finance	-	-
l) Servicing for securitization transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	-	-
of which: credit derivatives	-	-
o) Financing operations	25,355	24,514
of which: for factoring transactions	-	-
p) Currency trading	-	-
q) Goods	-	-
r) Other commission income	2,296	2,370
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
Total	**125,800**	**115,510**

The item "financing transactions" includes commission generated during the year from collection and payment services provided to customers on products provided.

Item “5.i) Distribution of third party services” mainly includes commission income for the placement of additional service packages offered under subscription to financed customers. The decrease is linked to the lower distribution volumes as an effect of the crisis that hit the Automotive sector.

The item “other commission” mainly contains the income recognised for compensation due to late payment.

2.2 Fee and commission expenses: breakdown

Services/Amounts	Total 12/31/2021	Total 12/31/2020
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Management of collective portfolios	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	59	88
e) Payment and collection services	4,033	3,348
of which: credit cards, debit cards and other payment cards	422	298
f) Servicing activities for securitization transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	26	30
of which: credit derivatives	-	-
i) Off-site offering of financial instruments, products and services	30,607	29,546
l) Currency trading	-	-
m) Other commission expenses	10,454	6,182
Total	**45,180**	**39,194**

The item Off-site distribution of financial instruments, products and services mainly includes commission paid for the placement of insurance products and the contributions and indemnities accrued by the network of agents.

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

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	(3)
4. Derivatives	**5,181**	**604**	**(5,372)**	**(642)**	**(229)**
4.1 Financial derivatives:	5,181	604	(5,372)	(642)	(229)
- On debt securities and interest rates	5,181	604	(5,372)	(642)	(229)
- 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	**5,181**	**604**	**(5,372)**	**(642)**	**(233)**

The item includes the net 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 gains (losses) on hedge accounting – Item 90

5.1 Net gains (losses) on hedge accounting: breakdown

P&L item/Values	Total 12/31/2021	Total 12/31/2020
A. Income from:		
A.1 Fair value hedging instruments	16,455	1,414
A.2 Financial assets hedged (fair value)	2,235	2,562
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)	**18,690**	**3,977**
B. Charges on		
B.1 Fair value hedging instruments	-	(2,423)
B.2 Financial assets hedged (fair value)	(17,969)	(1,827)
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)	**(17,969)**	**(4,249)**
C. Net hedging activity (A-B)	**721**	**(273)**
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 12/31/2021			Total 12/31/2020		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	3,417	(2,162)	1,255	3,755	(2,338)	1,417
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	3,417	(2,162)	1,255	3,755	(2,338)	1,417
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,417**	**(2,162)**	**1,255**	**3,755**	**(2,338)**	**1,417**
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 transfers of non-performing loans in the second half of 2021. The item also includes capital gains on securities (Euro 128 thousand).

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 measured 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

Transactions/Income	Adjustments (1)						Write - backs (2)				Total	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-off	Others	Write-off	Others					12/31/2021	12/31/2020
A. Credit to banks	-	-	-	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Credit to clients	**(34,597)**	**(26,518)**	**(1,920)**	**(40,990)**	-	-	**36,881**	**21,875**	**22,383**	-	**(22,885)**	**(63,060)**
- Loans	(34,597)	(26,518)	(1,920)	(40,990)	-	-	36,881	21,875	22,383	-	(22,885)	(63,060)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(34,597)**	**(26,518)**	**(1,920)**	**(40,990)**	**-**	**-**	**36,881**	**21,875**	**22,383**	**-**	**(22,885)**	**(63,060)**

The item decreased following a gradual reduction in the effects of the pandemic, which permitted significant recoveries in value. For more details, see part E.

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	Total
	First stage	Second stage	Third stage		Purchased or originated impaired			
			Write-off	Others	Write-off	Others	12/31/2021	12/31/2020
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	(10,726)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures	-	(1,623)	-	-	-	-	(1,623)	(171)
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-
Total 12/31/2021	**-**	**(1,623)**	**-**	**-**	**-**	**-**	**(1,623)**	**(10,897)**
Total 12/31/2020	**(8,955)**	**(1,438)**	**-**	**(503)**	**-**	**-**	**(10,897)**	**-**

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

There are no values attributable to these cases.

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

9.1 Gains/losses on contractual changes: breakdown

	Total 2021			Total 2020
	Gains	Losses	Total	Total
A. Financial assets valued at amortised cost				
A.1.Customer loans	(115)	210	94	(188)
Total	**(115)**	**210**	**94**	**(188)**

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

Type of expense/Amounts	Total 12/31/2021	Total 12/31/2020
1) Employees	**61,621**	**54,112**
a) wages and salaries	43,737	37,495
b) social obligation	12,095	11,374
c) Severance pay	309	326
d) Social security costs	-	-
e) reserve to staff severance indemnity	28	34
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	3,028	2,801
- defined contribution	3,028	2,801
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	2,423	2,082
2) Other staffs in activity	**2,775**	**2,141**
3) Managers and statutory auditors	**809**	**662**
4) Early retirement costs	-	-
Total	**65,205**	**56,914**

12.2 Average number of employees, by category

	12/31/2021	12/31/2020
Employees:		
a) Senior managers	23	21
b) Managers	235	218
of which 3rd and 4th level	*72*	*68*
c) Remaining employees staff	617	572
Total	**875**	**811**
Other personnel	**59**	**36**

12.3 Defined-benefit pension plans: costs and revenues

The Group has not allocated defined-benefit pension plans.

12.4 Other employee benefits

	12/31/2021	12/31/2020
Ancillary staff expenses (health insurance, luncheon vouchers and other minor benefits)	3,608	3,526
Incentive plan reserved for managers and middle managers		
Cost of allocation of share by the parent company to employees		
Total	**3,608**	**3,526**

12.5 Other administrative costs: breakdown

Type of service/Amounts	Total 12/31/2021	Total 12/31/2020
IT expenses	**12,606**	**11,899**
Hardware	5	32
Software	9,973	8,595
Outsourcing	1,313	2,009
Telephone and data transmission	1,314	1,263
Taxes and duties	**11,183**	**9,470**
Professional services	**30,891**	**31,453**
Legal and notary advice	2,746	2,551
Outsourcing	20,912	21,512
Other professional services	7,233	7,390
Advertising, marketing and communication	**3,458**	**3,333**
Expenses related to credit risk	**16,303**	**14,573**
Information and certificates	4,035	3,434
Credit recovery	12,268	11,139
Litigation expenses not covered by provisions	**1,076**	**1,241**
Real estate expenses	**1,288**	**1,321**
Passive rent	50	78
Other real estate expenses	1,239	1,243
Leasing expenses	**709**	**612**
Other admininstrative expenses	**15,644**	**12,594**
Postal and archiving	2,598	2,641
Other non-professional goods and services	2,357	2,648
Insurance premiums	1,432	113
Resolution Fund contribution	5,135	3,628
FITD contribution	1,704	1,369
Other expenses	2,418	2,196
Total	**93,158**	**86,495**

With regard to short-term and modest value leases, please refer to Part M - Report on leases.

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 12/31/2021	Net provision 12/31/2020
Net provision on commitment and financial guaranties		54	54	(8)

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 12/31/2021	Net provision 12/31/2020
Net personnel expense provision	-	-	-	-
Net provision for legal disputes	(2,720)	88	(2,632)	(2,534)
Other provisions	(331)	467	136	(475)
Totale	**(3,051)**	**555**	**(2,496)**	**(3,009)**

The item "Net provision for legal disputes" mainly include provisions made during the year for litigation with customers and dealers, as well as possible investigations of the local authorities.

The item "Other provisions and reallocations to provisions for risks and charges" mainly includes provisions set aside for possible refunds to customers.

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

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	(5,622)	(11)	452	(5,181)
- Owned	(1,480)	(11)	452	(1,038)
- Licenses acquired through lease	(4,143)	-	-	(4,143)
2 Held for investment	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3 Inventories	X	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(5,622)**	**(11)**	**452**	**(5,181)**

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

15.1 Net adjustments to intangible assets: breakdown

Asset/Income	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(9,583)	-	-	(9,583)
A.1 Owned	(9,583)	-	-	(9,583)
- Generated internally by the company	-	-	-	-
- Other	(9,583)	-	-	(9,583)
A.2 Licenses acquired through lease	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(9,583)**	**-**	**-**	**(9,583)**

Section 16 – Other operating expenses/income – Item 230

16.1 Other operating expenses: breakdown

	Total 12/31/2021	Total 12/31/2020
Amortization on improvements (not separable) on real estates owned by the Group	388	373
Rebates and discounts	195	100
Losses on disposal	743	618
Miscellaneous expenses	938	1,163
Expenses related to leasing activities	38,872	31,475
Other expenses	6,474	5,526
Total	**47,610**	**39,255**

The item "Other charges" mainly includes charges on transactions not covered by the provision for risks, the increase is attributable to complaints and appeals of high contractual seniority.

16.2 Other operating income: breakdown

	Total 12/31/2021	Total 12/31/2020
Recovery of taxes	8,993	7,397
Other income for services rendered to Group companies	1,346	-
Recovery of lease instalments	4,660	3,146
Recovery of other expenses	944	1,046
Rebates and discounts received	3	4
Gains on disposal	35	18
Income related to leasing transactions	25,201	23,710
Other income	10,666	9,433
Total	**51,850**	**44,753**

The item "other income" mainly includes the fees for the new services provided by Banca PSA.

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

Income components/Sectors	Total 12/31/2021	Total 12/31/2020
1. Current tax expense (-)	(55,425)	(30,871)
2. Change of current taxes of previous years (+/-)	21	703
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 (+/-)	(28,091)	(28,925)
5. Change of deferred tax liabilities (+/-)	(382)	89
6. Tax espense for the year (-)(-1+/-2+3+3bis+/-4+/-5)	**(83,876)**	**(59,003)**

The change in deferred tax assets is mainly due to the reversal during the year of the accounting changes inherent to the write-downs and other risk provisions.

21.2 Reconciliation between theoretical and effective tax charge

	12/31/2021	31/12/2020
Profit (loss) from continuing operations before tax	243,016	186,549
Profit before tax on discontinuing operations		
Theoretical taxable income	**243,016**	**186,549**
IRES - Theoretical tax charge	(91,965)	(52,730)
- effect of income and expenses that do not contribute to the tax base	27,686	4,172
- effect of expenses that are wholly or partially non-deductible	(1,892)	(257)
- Reduction in tax for the period	154	1,207
IRES - Effective tax burden	**(66,016)**	**(47,607)**
IRAP - Theoretical tax charge	(18,504)	(10,631)
- portion of non-deductible administrative expenses, depreciation and amortisation	(617)	(523)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	6,321	2,115
- effect of expenses that are wholly or partially non-deductible	(5,031)	(2,508)
- Reduction in tax for the period	(29)	151
IRAP - Effective tax burden	**(17,860)**	**(11,396)**
Effective tax burden as shown in the financial statements	**(83,876)**	**(59,003)**

Section 22 – Profit (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”

Company name	Total	
	12/31/2021	31/12/2020
Investments in consolidated companies with significant minority interests		
1. PSA Italia spa	33,713	27,339
2. PSA Renting Italia S.p.A.	4,467	2,244
3. TIMFin S.p.A.	(3,710)	(971)
Other investments	-	-
Total	**34,471**	**28,613**

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”)

Article 35 of Italian Decree Law no. 34/2019 ("Growth Decree"), converted by Italian Law no. 58/2019, introduced a reformulation of the rules on transparency of public disbursements contained in article 1, paragraphs 125-129 of Italian Law no. 124/2017. The reformulation indicated as the subject matter of the transparency obligations the information relating to grants, subsidies, benefits, contributions or aid, in cash or in kind, "not of a general nature and not representing consideration, remuneration or compensation", effectively disbursed by the public administration authorities as well as by the entities referred to in article 2 bis of Italian Legislative Decree no. 33/2013.

In light of this reformulation, further interpretative clarifications made with Assonime circular no. 32 of 23 December 2019 confirmed that the subject matter of the transparency obligation is the attribution of economic benefits deriving from a bilateral relationship between a public entity and a specific beneficiary. Sums received by the company by way of consideration for a service performed or by way of remuneration for an assignment received or due for compensation are expressly excluded. Economic benefits received in application of a general regime are also excluded, such as for example tax breaks or contributions accessible to all parties who meet certain conditions.

In consideration of the above, in 2021 there were no cases to report for the Group companies.

For completeness of information, please also refer to the National Register of State Aid, publicly available on the relevant website, in which the Aid measures and the related individual Aid granted and registered in the system by the Managers are published, even if for the Group companies the cases indicated therein for 2021 do not represent, in light of the above, the subject matter of the transparency obligations in the financial statements referred to in paragraphs 125 and 125 bis.

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	159,140
Basic earnings per share	0.24

Profit (loss) for the period pertaining to the Parent Company	124,669
Basic earnings per share	0.22

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	Totale	
		12/31/2021	12/31/2020
10.	**Net Profit (Loss) for the year**	**159,140**	**127,545**
	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	64	(144)
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	10	27
	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 differrences:	-	-
	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:	325	-
	a) changes in fair value	325	-
	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	(107)	-
190.	**Total of other comprehensive income after tax**	**292**	**(117)**
200.	**Comprehensive income (Items 10+190)**	**159,432**	**127,428**
210.	Minority consolidated other comprehensive income	34,519	28,581
220.	**Parent Company's consolidated other comprehensive income**	**124,913**	**98,847**

Part E – Information on risks and related hedging policies

Introduction

During 2021 the Governance of Risks in the Santander Consumer Bank Group (hereinafter the Group) had great importance, in accordance with both the continuation of 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 for all companies falling within the scope of control, which includes the JV with Banca PSA, PSA Renting and the JV TIMfin, 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;
- maintenance 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 - with a positive outcome - the development of the programme aimed at the on-going improvement of the Risk management (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 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 updates) 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 non-performing 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 has established 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 involved 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 provision that came into force also introduced:

- 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, the possibility 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.

The Group, through the units that make it up, in 2021 after completing the project to adapt the models for estimating the PD/LGD/EAD parameters to the new regulatory principles for all the products managed, continued to improve the same through the implementation of the improvement points identified during the validation activities carried out by the Spanish parent company. The monitoring and backtesting activities will be carried out starting from 2022, in conjunction with the availability of a series of observations of the new risk parameters as modified to take into account the new legislation.

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 Unit 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 to which each unit of the Group is subject;
- 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, applied according to a principle of proportionality to the individual Group units and shared also by the Cooperation[10], 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.

[10] 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”.

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		3,264	32,780	28,790	65,362	8,702,185	8,832,380
2. Financial assets at fair value through other comprehensive income		-	-	-	-	633,804	633,804
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	**12/31/2021**	**3,264**	**32,780**	**28,790**	**65,362**	**9,335,989**	**9,466,184**
Total	**12/31/2020**	**6,450**	**21,529**	**12,727**	**58,360**	**10,089,967**	**10,189,034**

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		Impaired				Not impaired			Total (net exposition)
		Gross exposure	Overall writedowns of value	Net exposure	Overall partial write-off*	Gross exposure	Overall writedowns of value	Net exposure	
1. Financial assets valued to amortized cost		172,104	(107,270)	64,834	-	8,850,118	(82,571)	8,767,546	8,832,380
2. Financial assets valued to fair value with impact on overall profitability		-	-	-	-	633,804	-	633,804	633,804
3. Financial assets designated to fair value		-	-	-	-	-	X	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	-	X	-	-
5. Financial assets as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2021**	**172,104**	**(107,270)**	**64,834**	**-**	**9,483,922**	**(82,571)**	**9,401,350**	**9,466,184**
Total	**12/31/2020**	**158,411**	**(117,704)**	**40,707**	**-**	**10,238,706**	**(90,379)**	**10,148,327**	**10,189,034**

Portfolio/quality		Assets of obvious poor credit quality		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	5,835
2. Hedging Derivatives		-	-	7,622
Total	**12/31/2021**	**-**	**-**	**13,457**
Total	**12/31/2020**	**-**	**-**	**2,976**

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

The Group's credit strategies and policies are linked to the specific nature of the type of business managed 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 individual companies belonging to the Group to possible future losses, or that they 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. The same perimeter includes the purchase without recourse by the TIMFin JV of TIM's trade receivables deriving from instalment sales, in particular of modems in the field of fixed telephony, on the basis of specific agreements between TIM and TIMFin.

- 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 and the subsidiary TimFin, the Head of Risk performs the role of CRO and is responsible for second-level risk controls. Care of the subsidiary PSA, the Head of Risk Management reports directly to the BoD.

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:

- acceptance of a loan application;
- monitoring and reporting;
- 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 loan 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 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 in the section "Assessment of the significant increase in credit risk (SICR)". 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 PD is calculated equal to 100%, 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 - only in the case of deteriorating overrides - 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.

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:

  - LGD Non-Defaulted portfolio;
  - LGD Reversible Defaulted portfolio;
  - 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%.

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.

The Group has adjusted its credit risk management policies in order to incorporate the changes introduced by the New Default Definition mainly in terms of updating the historical series, updating the macroeconomic scenarios, recalibrating risk parameters, and considering the thresholds for the reckoning of days late.

Changes due to COVID-19

Once again in 2021, the Group supported the legislative and non-legislative initiatives undertaken in Italy following the COVID-19 pandemic, activating 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 31 December 2021.

For the breakdown of the loans that at 31 December 2021 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".

During 2021, the Bank, in order to align itself with the EBA Guidelines "on legislative and non-legislative grace periods on loan payments applied in light of the COVID-19 crisis" (update of 2 December 2020), reclassified the exposures subject to grace periods with a suspension period of more than 9 months as Forborne Performing (performing exposures subject to concession, reclassified in Stage 2 IFRS 9).

As a consequence of the continuation of the COVID-19 pandemic and given the uncertainty about its future evolution and the potential impacts on the Italian economy, to cover the potential risks of impairment of the loan portfolio, the Bank has total provisions outside the IFRS9 model equal to Euro 12 million (of which Euro 2.2 MM in relation to the parent company).

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.

In response to the impacts of COVID-19, the bank classified the positions subject to a grace period lasting more than 9 months as forborne and therefore stage 2.

Measurement of expected losses

The Group has not changed the calculation methodology for the measurement of the expected loss, previously indicated. In 2021, the parameters were recalibrated using macroeconomic scenarios with indicators borrowed from the pre-pandemic period. This recalibration made it possible to reabsorb, at the level of IFRS9 parameters, part of the residual extra-provision with the exception of Euro 12 million, of which Euro 2.2 million in relation to the parent company aimed at covering any credit risks on loans that were still in the grace period in December 2021.

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, non-performing 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);
- "non-performing 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.

With regard to the method of determining the ECL, reference should be made to the matters indicated in paragraph 2.3 Methods for the measurement of expected losses.

3.1 Management strategies and policies

Non-performing exposures are monitored within the framework of the Risk Target defined for the Group and approved by the Board of Directors for each unit.

- **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;
- **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;
- **NPL Ratio**: this represents in percentage terms the weight of Non-Performing Loans on the total loan portfolio of the Group.

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 non-performing 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 organised according to procedures 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 results are significant and may lead to alternative strategies to those in the plan.

The specific control processes and activities are related to the business model adopted by each unit.

3.2 Write-off

The write-off constitutes an event that gives rise to an accounting derecognition, when there are no longer reasonable expectations of recovering the financial asset (see IFRS 9, point 5.4.4 and B3.2.16 r), and must be carried out in the year in which it occurs.

This event may occur before the legal action taken against the debtor for the recovery of the credit has been definitively concluded; in fact, the derecognition does not imply the renunciation of the legal right to recover the credit.

The accounting derecognition can concern the entire amount of a financial asset or a portion of it and corresponds to:

- the reversal of total value adjustments, as a contra entry to the gross value of the financial asset;
- for the part exceeding the total value adjustments, to the impairment of the financial asset recognised directly in the income statement (see IFRS 9, point B5.4.9).

Once the financial asset has been derecognised from the balance sheet, where cash flows or other assets are ultimately recovered, their value is recognised in the income statement as an income component.

In compliance with the guidelines on the management of non-performing loans, the entity identifies objective criteria for the derecognition of financial assets, in order to limit any valuation arbitrage.

To this end, the tax/civil implications in force were considered, basing their assumptions on the notions of "certain and precise elements of partial or total irrecoverability" and "evaluation of the anti-cost effectiveness of recovery action".

In this context and also in compliance with the provisions of IFRS 7 (par. 35F, letter e), the qualitative and quantitative rules on derecognitions adopted by the Bank are operationally confirmed, monthly, according to the following alternative logics:

- objective conditions of non-recoverability of the loan, assessed on a case-by-case basis regardless of the characteristics of the financial asset (technical form, credit quality, presence of guarantees, number of continuous overdue days, etc.), this condition must in any case be supported by a legal opinion.
- settlement agreement between the parties (balance/write-off) supported by documentary evidence and based on the levels of delegation governed by the credit settlement.

Finally, the write-off may be consequent to the assignment without recourse or securitisation of financial assets, authorised by the Board of Directors in the cases of application of article 58 of the Consolidated Banking Act and of Italian Law no. 130/1999, if both the risks relating to the financial assets being transferred, and the rights on future cash flows inherent to the same assets are essentially transferred.

3.3 Purchased or originated impaired financial assets

The group does not have any purchased or originated impaired financial assets.

3.4 Impact of New Default definition

In accordance with article 178 of EU Regulation no. 575/2013, Santander Consumer Bank adopted the calculation of the Default according to the New Default definition as from January 2021. The main changes in this regard were:

- Consideration of the days of delay and credit status according to the absolute and relative thresholds
- Consideration of the days of delay and of the credit status according to the days of delay of the positions according to the calendar
- Definition of risk status and related thresholds for economic groups.

The impact deriving from the adoption of the new legislation, on 1 January 2021, for the parent company was in terms of the increase in the gross value of non-performing exposures equal to Euro 18.4 million and in terms of higher value adjustments equal to Euro 2 million.

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 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 and the report on operations.

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 step			Second step			Third step			Purchased or originated impaired		
	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	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets valued at amortized cost	37,987	3,728	1,835	8,587	10,591	2,635	2,222	2,925	25,268	-	-	-
2. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**37,987**	**3,728**	**1,835**	**8,587**	**10,591**	**2,635**	**2,222**	**2,925**	**25,268**	**-**	**-**	**-**
Total 12/31/2020	**29,877**	**1,812**	**1,658**	**9,019**	**12,402**	**3,593**	**1,289**	**1,061**	**25,901**	**-**	**-**	**-**

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						Activities included in the third stage					
	Credit to banks and Central Banks on demands	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	Credit to banks and Central Banks on demands	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	Credit to banks and Central Banks on demands	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 opening adjustments	-	**56,232**	-	-	-	**56,232**	-	**34,146**	-	-	-	**34,146**	-	**117,704**	-	-	**15,148**	**102,556**
Changes in increase from financial assets acquired or originated	-	29,440	-	-	-	29,440	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	(3,879)	-	-	-	(3,879)	-	(6,453)	-	-	-	(6,453)	-	(34,864)	-	-	(948)	(33,915)
Net value adjustments / write-backs for credit risk	-	(31,766)	-	-	-	(31,766)	-	7,258	-	-	733	6,525	-	30,079	-	-	1,050	29,029
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(60)	-	-	-	(60)	-	(2,348)	-	-	-	(2,348)	-	(5,649)	-	-	(2,883)	(2,766)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	-	**49,967**	-	-	-	**49,967**	-	**32,604**	-	-	**733**	**31,871**	-	**107,270**	-	-	**12,367**	**94,903**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	1	2
Write-offs recorded directly in the income statement	-	(504)	-	-	-	(504)	-	(295)	-	-	-	(295)	-	(1,120)	-	-	(992)	(128)

Causal / risk stages	Total value adjustments					Total provisions on commitments to disburse funds and financial guarantees issued				Tot.
	Purchased or originated impaired financial assets									
	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	Commitments to provide funds and financial guarantees issued impaired acquired or originated	
Total opening adjustments	-	-	-	-	-	**54**	-	-	-	**208,137**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	-	-	-	-	**29,440**
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	**(45,196)**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	(54)	-	-	-	**5,517**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**(8,057)**
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	-	-	-	-	-	-	-	-	-	**189,841**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-

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 / Nominal 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 stage	From thirth to second stage	From first to thirth stage	From thirth to first stage
1. Financial assets valued at amortized cost	148,636	51,485	28,632	5,043	45,825	2,034
2. Financial assets valued at fair value with an impact on overall profitability	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to provide funds and financial guarantees issued	-	-	-	-	-	-
Total 12/31/2021	**148,636**	**51,485**	**28,632**	**5,043**	**45,825**	**2,034**
Total 12/31/2020	**95,700**	**35,333**	**19,764**	**5,198**	**40,905**	**4,049**

A.1.3a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolio/quality	Gross values / Nominal 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 stage	From thirth to second stage	From first to thirth stage	From thirth to first stage
A. Loans and advances measured at amortized cost	3,026	-	-	-	-	-
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
A.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
A.3 subject to COVID-19-related forbearance measures	3,026	-	-	-	-	-
A.4 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. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
Total 12/31/2021	**3,026**	**-**	**-**	**-**	**-**	**-**
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					otal value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	743,955	743,955	-	-	-	-	-	-	-	-	743,955	-
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	743,955	743,955	-	X	-	-	-	-	X	-	743,955	-
A.2 OTHERS	112,264	112,251	13	-	-	-	-	-	-	-	112,264	-
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non performing past due	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	3	-	2	X	-	-	-	-	X	-	3	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	112,261	112,250	11	X	-	-	-	-	X	-	112,261	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**856,219**	**856,206**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**856,219**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,056	2,056	-	X	-	-	-	-	X	-	2,056	-
TOTAL (B)	**2,056**	**2,056**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,056**	**-**
TOTAL (A+B)	**858,275**	**858,262**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**858,275**	**-**

A.1.5 Prudential consolidation – On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	40,009	X	-	40,009	-	36,746	X	-	36,746	-	3,264	-
- of which: forborne exposures	10,475	X	-	10,475	-	10,022	X	-	10,022	-	453	-
b) Unlikely to pay	56,988	X	-	56,817	-	24,208	X	-	24,208	-	32,780	-
- of which: forborne exposures	16,791	X	-	16,791	-	11,776	X	-	11,776	-	5,015	-
c) Non performing past due	75,107	X	-	75,107	-	46,317	X	-	46,317	-	28,790	-
- of which: forborne exposures	17,015	X	-	17,015	-	12,228	X	-	12,228	-	4,786	-
d) Performing past due exposures	79,341	48,656	30,685	X	-	13,982	5,107	8,875	X	-	65,359	-
- of which: forborne exposures	6,325	-	6,325	X	-	1,341	-	1,341	X	-	4,984	-
e) Other performing exposures	9,292,317	9,100,072	192,245	X	-	68,589	44,861	23,729	X	-	9,223,727	-
- of which: forborne exposures	115,098	301	114,797	X	-	19,847	3	19,844	X	-	95,251	-
TOTAL (A)	**9,543,762**	**9,148,728**	**222,930**	**171,933**	**-**	**189,841**	**49,967**	**32,604**	**107,270**	**-**	**9,353,920**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	129	X	-	129	-	-	X	-	-	-	129	-
b) Performing	241,154	241,099	55	X	-	-	-	-	X	-	241,154	-
TOTAL (B)	**241,283**	**241,099**	**55**	**129**	**-**	**-**	**-**	**-**	**-**	**-**	**241,283**	**-**
TOTAL (A+B)	**9,785,044**	**9,389,828**	**222,984**	**172,062**	**-**	**189,841**	**49,967**	**32,604**	**107,270**	**-**	**9,595,203**	**-**

The item "Off-balance sheet credit exposures" includes the amount relating to factoring transactions and the margins available on credit lines granted to customers.

A.1.5a Loans 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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. NON-PERFORMING LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY CREDIT LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
D. PERFORMING PAST DUE LOANS	**10**	**-**	**10**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**8**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	10	-	10	-	-	1	-	1	-	-	8	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**3,050**	**-**	**3,050**	**-**	**-**	**1,834**	**-**	**1,834**	**-**	**-**	**1,216**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	3,050	-	3,050	-	-	1,834	-	1,834	-	-	1,216	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**3,060**	**-**	**3,060**	**-**	**-**	**1,835**	**-**	**1,835**	**-**	**-**	**1,225**	**-**

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)	**48,275**	**70,801**	**39,334**
- of which sold non-cancelled exposures	3,216	10,929	11,724
B. Increases	**23,548**	**40,025**	**73,422**
B.1 transfers from performing loans	5,744	29,043	61,189
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	17,237	7,069	10,198
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	567	3,914	2,035
C. Decreases	**31,813**	**53,838**	**37,650**
C.1 transfers to perfomorming loans	169	6,011	950
C.2 write-offs	3,298	1,723	911
C.3 recoveries	2,716	13,148	10,466
C.4 sales proceeds	4,211	2,280	1,387
C.5 losses on disposals	19,706	8,562	3,085
C.6 transfers to other impaired exposures	18	17,070	17,416
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	1,695	5,044	3,436
D. Closing balance (gross amounts)	**40,009**	**56,988**	**75,107**
- Sold but not derecognised	6,971	12,439	22,554

A.1.7bis Prudential consolidation – Cash credit exposures to customers: dynamics of gross forborne exposures by credit quality

Description/Quality	Forborne exposures impaired	Forborne exposures not impaired
A. Opening balance (gross amount)	**24,021**	**15,702**
- Sold but not derecognised	1,366	3,513
B. Increases	**35,482**	**125,146**
B.1 Transfers from performing not forborne exposures	10,957	116,508
B.2. Transfers from performing forborne exposures	1,667	X
B.3. Transfers from impaired forborne exposures	X	2,497
B.4 Transfers from impaired not forborne exposure	559	17
B.5 other increases	22,298	6,124
C. Decreases	**15,222**	**19,424**
C.1 Transfers to performing not forborne exposures	X	2,162
C.2 Transfers to performing forborne exposures	2,497	X
C.3 transfers to impaired exposures not forborne	X	1,667
C.4 write-offs	374	851
C.5 recoveries	6,851	13,961
C.6 sales proceeds	1,073	-
C.7 losses on disposals	4,012	-
C.8 other decreases	416	783
D. Closing balance (gross amounts)	**44,281**	**121,423**
- Sold but not derecognised	5,832	10,095

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 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
B. Increases	**21,899**	**7,169**	**12,492**	**6,355**	**39,633**	**12,272**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	8,346	6,227	7,346	6,144	33,498	10,474
B.3 losses on disposal	992	25	716	47	178	-
B.4 transfer from other impaired exposure	12,322	887	4,322	84	5,875	1,788
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	239	30	108	80	83	10
C. Reductions	**26,978**	**3,502**	**37,557**	**7,684**	**19,923**	**178**
C.1 write-backs from assessments	229	31	11,445	2,590	1,880	-
C.2 write-backs from recoveries	1,710	674	3,017	996	1,101	2
C.3 gains on disposal	1,712	384	700	306	723	2
C.4 write-offs	3,212	155	1,690	216	831	-
C.5 transfers to other impaired exposures	16	2	10,838	2,595	11,665	162
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	20,100	2,256	9,867	982	3,723	13
D. Closing overall amount of writedowns	**36,746**	**10,022**	**24,208**	**11,776**	**46,317**	**12,228**
- Sold but not derecognised	6,382	881	4,049	1,154	13,262	2,732

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 amortized cost	-	-	-	-	-	-	**9,022,221**	**9,022,221**
- First stage	-	-	-	-	-	-	8,627,175	8,627,175
- Second stage	-	-	-	-	-	-	222,943	222,943
- Third stage	-	-	-	-	-	-	172,104	172,104
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-	**633,804**	**633,804**
- First stage	-	-	-	-	-	-	633,804	633,804
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	-	-	-	-	**9,656,025**	**9,656,025**
D. Commitments and financial guarantees given	-	-	-	-	-	-	**217,678**	**217,678**
- First stage	-	-	-	-	-	-	217,620	217,620
- Second stage	-	-	-	-	-	-	55	55
- Third stage	-	-	-	-	-	-	4	4
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	**217,678**	**217,678**
Total (A+B+C+D)	-	-	-	-	-	-	**9,873,704**	**9,873,704**

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

	Gross exposure	Net exposures	Collaterals (1)				Guarantees (2)	
							Credit derivatives	
			Property, Mortgages	Property - Lease loans	Securities	Other assets	CLN	Other derivatives
								Central counterparties
1. Guaranteed cash loans:	**1,108,783**	**1,083,642**	**239**	-	-	**662,358**	-	-
1.1 totally secured	915,148	891,190	239	-	-	660,053	-	-
- of which: impaired	16,391	5,959	239	-	-	3,794	-	-
1.2 partially secured	193,635	192,452	-	-	-	2,304	-	-
- of which: impaired	881	285	-	-	-	-	-	-
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

	Guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	public administrations	Banks	Other financial companies	Other entities	
1. Guaranteed cash loans:	-	-	-	**3,383**	**83,314**	**200**	**228,418**	**977,912**
1.1 totally secured	-	-	-	-	77,592	-	153,305	891,190
- of which: impaired	-	-	-	-	184	-	1,742	5,959
1.2 partially secured	-	-	-	3,383	5,722	200	75,113	86,722
- of which: impaired	-	-	-	-	175	-	58	233
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

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 companies)		Non-financial companies		Families	
	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	-	-	-	1	-	-	475	6,975	2,788	29,770
- of wich: forborne exposures	-	-	-	-	-	-	77	715	376	9,307
A.2 Unlikely to pay	964	162	-	1	-	-	3,845	3,033	27,971	21,012
- of wich: forborne exposures	-	-	-	-	-	-	972	643	4,043	11,134
A.3 Impaired past due exposures	3,247	642	54	123	-	-	3,633	4,297	21,855	41,255
- of wich: forborne exposures	-	-	38	113	-	-	944	1,463	3,805	10,652
A.4 Not impaired exposures	675,810	8	13,233	213	46	2	1,280,229	19,830	7,319,815	62,521
- of wich: forborne exposures	-	-	500	128	13	2	49,708	10,761	50,027	10,299
Total (A)	**680,022**	**812**	**13,287**	**338**	**46**	**2**	**1,288,182**	**34,134**	**7,372,430**	**154,558**
B. Off-balance sheet credit exposures										
B.1 Deteriorated exposures	-	-	-	-	-	-	127	-	2	-
B.2 Non-deteriored exposures	-	-	-	-	-	-	237,586	-	3,568	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**237,713**	**-**	**3,570**	**-**
Total (A+B) 12/31/2021	**680,022**	**812**	**13,287**	**338**	**46**	**2**	**1,525,895**	**34,134**	**7,375,999**	**154,558**
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**

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		812	8,034	310	3,638	596	7,734	1,545	17,338
A.2 Unlikely to pay		5,093	5,328	2,193	1,968	5,521	4,883	19,974	12,029
A.3 Impaired past due exposures		6,148	10,436	2,474	4,538	6,224	9,289	13,944	22,052
A.4 Not impaired exposures		2,551,009	22,272	1,522,631	12,900	2,415,350	16,087	2,800,045	31,312
Total (A)		**2,563,062**	**46,070**	**1,527,608**	**23,045**	**2,427,691**	**37,993**	**2,835,508**	**82,731**
B. Off-balance sheet credit exposures									
B. 1 Non-performing exposures		103	-	-	-	2	-	24	-
B. 2 Performing exposures		107,960	-	60,505	-	40,209	-	32,480	-
Total (B)		**108,063**	**-**	**60,505**	**-**	**40,211**	**-**	**32,504**	**-**
Total (A+B)	**12/31/2021**	**2,671,125**	**46,070**	**1,588,113**	**23,045**	**2,467,902**	**37,993**	**2,868,012**	**82,731**
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**

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 credit exposures											
A.1 Bad Exposures		-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-	-	-	-	-
A.4 Not impaired exposures		756,211	-	100,008	-	-	-	-	-	-	-
Total (A)		**756,211**	**-**	**100,008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures											
B.1 Deteriored exposures		-	-	-	-	-	-	-	-	-	-
B.2 Non-deteriored exposures		-	-	2,056	-	-	-	-	-	-	-
Total (B)		**-**	**-**	**2,056**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**756,211**	**-**	**102,064**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**130,727**	**-**	**358,235**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 the repurchase agreements entered into with third party banks.

B.4 Large exposures

	12/31/2021
Number	5
Weighted value	340,503
Book value	2,140,771

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., Banca d'Italia, Unicredit S.p.A. 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 usually have 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 2021 the Parent Company SCB finalised a new securitisation transaction, GB 2021-1. At the same time, no new securitisation transactions (so-called traditional) were finalised by the subsidiary Banca PSA.

The GB 2021-1 transaction, with a value of Euro 505.1 million and legal maturity in 2041, was concluded through the sale at par value of a portfolio of performing loans, made up of car loans, to the special purpose vehicle Golden Bar (Securitisation) S.r.l.

The purchase of the receivables by the vehicle company was financed through the issue of seven classes of securities, summarised below:

- Class A senior securities for Euro 451.5 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class B mezzanine securities for Euro 15 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class C mezzanine securities for Euro 10 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class D mezzanine securities for Euro 7.5 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class E mezzanine securities for Euro 16 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class F mezzanine securities of Euro 5 million, listed on the Luxembourg Stock Exchange, unrated and fully subscribed by institutional investors through a private placement;
- Class Z junior securities of Euro 100 thousands, unrated and fully subscribed by the originator.

The interest rate of the Senior securities was fixed at a level equal to the Euribor 3 month plus a spread of 30 bps (with a zero-coupon floor).

Within the scope of the same transaction, the special purpose vehicle concluded an Interest Cap Rate to hedge the interest rate risk of the Senior class and of the B, C and D classes.

The GB 2021-1 securitisation, which has a revolving 15-month structure, was structured in compliance with the requirements for STS securitisations on the basis of the provisions of the Securitisation Regulation which came into effect on 1 January 2019. Class A also obtained eligibility with the ECB.

A summary of the transactions outstanding at 31 December 2021 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	177,478	104,252	82,750	1,362		n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	287,738	329,276	12,000	5,434		n.a.	n.a.	n.a.	n.a.
Golden Bar 2021-1	487,783	504,500	100	5,000	8,720,116	n.a.	n.a.	n.a.	n.a.
Auto ABS Italian Loans 2018-1 S.r.L	149,865	94,597	66,780	2,525		Liquidity deposit	n.a	monthly	AA

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	Golden Bar 2018-1	Golden Bar 2019-1	Golden Bar 2021-1	Auto ABS Italian Loans 2018-1 S.r.L
Interest expense on securities issued	(11,578)	(24,676)	(1,788)	(13,615)
Commisions and fees for the operation	(388)	(608)	(224)	(226)
- for servicing	(367)	(586)	(189)	(206)
- for other services	(21)	(22)	(35)	(21)
Other charges	(2,480)	(2,515)	(2,883)	(908)
Interest generated by the securitised assets	13,587	23,481	9,338	12,354
Other revenues	3,033	2,142	3,205	3,372
Total	**2,174**	**(2,176)**	**7,648**	**977**

It should also be noted that during 2021, the amortisation of the Banca PSA Auto Abs Italian Loans 2018-1 transaction continued.

Synthetic securitisation transactions

The subsidiary Banca PSA carried out a synthetic securitisation transaction in 2021, completed in June 2021, the project of which was named “SRT Brera”.

The transaction has the main objective of optimising the use of capital by reducing the level of credit risk of the underlying portfolio and freeing up regulatory and economic capital, thanks to the transfer of part of the risk to a third party (Investor).

In particular, in the case of a so-called "synthetic" transaction, the purchase of protection of the credit risk underlying a loan portfolio does not entail the derecognition of the assets and, therefore, the assets are maintained in the balance sheet of the Originator.

The reference legislation for transactions for which the significant risk transfer (SRT) to third parties is satisfied by means of secured or unsecured credit protection is EU Regulation no. 575/2013, as amended by Regulation EU no. 2017/2401.

In particular, the Significant Risk transfer must be constantly monitored also during the duration of the transaction, in order to verify that the criteria envisaged by the regulations are observed, including the maintenance on a continuous basis of a significant net economic interest (risk retention) in the securitisation of no less than 5%. In the structure finalised by the bank, the risk retention obligation is satisfied by the originator by maintaining at least 5% of the nominal value of each of the securitised exposures pursuant to article 5 (1) (a) of EU Regulation no. 625/2014 and article 6 (3) (a) of EU Regulation no. 2402/2017 (Vertical slice or Vertical retention).

The transaction is structured with a tranching in three sections (junior, mezzanine and senior tranches) where the risk of the junior and mezzanine tranche has been totally transferred to international insurance companies via an insurance policy agreement. Since the protection provided by the insurance companies is not backed by any collateral (so-called unfunded unsecured guarantee), the insurance counterparties present a credit rating that complies with the requirements set out in the relevant legislation (article 249 (3) of EU Regulation no. 2402/2017). The risk of the senior tranche was maintained by the bank.

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	15,662	(80)			130,142	(185)												
Golden Bar 2018-1	15,662	(80)			74,874	(382)												
Auto ABS Italian Loans 2018-1 S.r.L					55,268	197												

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	177,478	-	12,083	104,252	-	82,750
Golden Bar 2019-1	Torino (TO)	NO	287,738	-	55,098	278,213	51,063	12,000
Golden Bar 2021-1	Torino (TO)	NO	487,783	-	30,137	451,500	53,000	100
Auto ABS Italian Loans 2018-1 S.r.L	Torino (TO)	NO	149,865	-	23,510	94,597	-	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	Golden Bar 2019-1	Golden Bar 2021-1	Auto ABS Italian Loans 2018-1 S.r.L
A. Securitized assets	**177,478**	**287,738**	**487,783**	**149,865**
A.1 Credits	177,478	287,738	487,783	149,865
A.2 Securities	-	-	-	-
A.3 Others	-	-	-	-
B. Investments of deriving from the credit management	**12,006**	**52,837**	**24,718**	**22,247**
B.1 Debt securities	-	-	-	-
B.2 Equity securities	-	-	-	-
B.3 Availability current account	12,006	52,837	24,718	22,247
C. Other assets	**77**	**2,261**	**5,419**	**1,263**
C.1 Transitory receipts	-	-	-	654
C.2 Other assets	77	2,261	5,419	609
D. Securities issued	**187,002**	**341,276**	**504,600**	**161,377**
D.1 Senior	104,252	278,213	451,500	94,597
D.2 Mezzanine	-	51,063	53,000	-
D.3 Junior	82,750	12,000	100	66,780
E. Loans received	**-**	**-**	**-**	**9,888**
F. Derivatives	**-**	**-**	**-**	**-**
G. Other liabilities	**2,559**	**1,560**	**13,320**	**2,110**
G.1 Accrued interest on securities	2,215	714	7,671	8
G.2 Other liabilities	344	846	5,650	2,101
H. Interest expenses on securities issued	**13,752**	**22,500**	**9,436**	**14,592**
I. Fees and commissions related to the transaction	**388**	**608**	**224**	**226**
I.1 Servicing Service	367	586	189	206
I.2 Other Servicing	21	22	35	21
L. Other charges	**2,480**	**2,515**	**2,883**	**908**
L.1 Other interest expenses	147	217	51	117
L.2 Other charges	2,333	1,664	38	257
L.3 Value adjustments on loans	-	634	2,794	533
M. Interest income on securitized assets	**13,587**	**23,481**	**9,338**	**12,354**
N. Other revenues	**3,033**	**2,142**	**3,205**	**3,372**
L.1 Additional returns	3,033	2,142	3,205	3,372

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	**1,224,263**	**1,102,441**	**121,822**	**3,219**	**1,107,613**	**1,013,928**	**93,685**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	1,224,263	1,102,441	121,822	3,219	1,107,613	1,013,928	93,685
Total 12/31/2021	**1,224,263**	**1,102,441**	**121,822**	**3,219**	**1,107,613**	**1,013,928**	**93,685**
Total 12/31/2020	**1,178,526**	**1,128,412**	**50,114**	**3,531**	**1,073,330**	**1,023,242**	**50,088**

The Bank has securitised exposures derecognised for prudential purposes but not derecognised for financial statements purposes totalling Euro 775,521 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

	Fully booked	Partially booked	Total	
			12/31/2021	12/31/2020
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)	**1,184,896**	-	**1,184,896**	**1,160,342**
1. Debt securities	-	-	-	50,098
2. Loans	1,184,896	-	1,184,896	1,110,244
Total financial assets	**1,184,896**	-	**1,184,896**	**1,160,342**
Total associated financial liabilities	**1,107,689**	-	**X**	**X**
Amount 12/31/2021	**77,207**	-	**77,207**	**X**
Amount 12/31/2020	**86,494**	-	**X**	**86,494**

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.

C. Financial assets sold and fully derecognised

The Group has not carried out any full derecognition transactions.

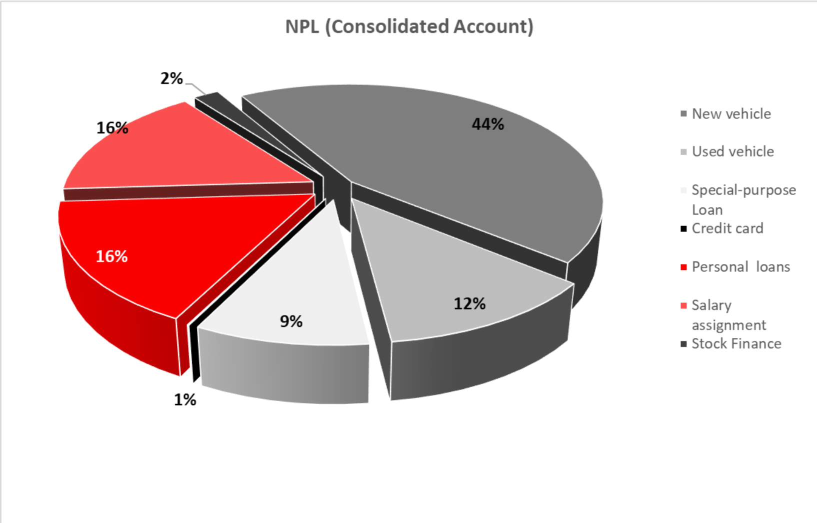
D. Covered bond transactions

The Group has not carried out any covered bond transactions.

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 2021.

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/R^2 ~ 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

Short-term interest rates showed a stable trend throughout the year while long-term interest rates rose during the last quarter due to the evolution of the pandemic situation and the consequent monetary policy choices implemented by the ECB. This trend did not have a significant impact on the Group’s financial statements thanks to the hedging strategy implemented 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 +25 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 2021, the consolidated MVE calculated with a shift of +25 basis points was Euro -5.53.

At 31 December 2021, the consolidated NIM with a shift of -25 basis points was +2.27.

+25 bps MM	MVE	NIM
December 2021	-5.53	-1.11
Limit	22.90	7.80

-25 bps MM	MVE	NIM
December 2021	8.37	2.27
Limit	22.90	11.50

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	Totale 31/12/2021				Totale 31/12/2020			
	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	-	-	2,140,448	-	-	-	2,610,667	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	2,140,448	-	-	-	2,610,667	-
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	**-**	**-**	**2,140,448**	**-**	**-**	**-**	**2,610,667**	**-**

A.2 Financial derivatives held for trading: positive and negative gross fair value – breakdown by product

Types of derivatives	Total 12/31/2021				Total 12/31/2020			
	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	-	-	5,835	-	-	-	2,976	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,835**	**-**	**-**	**-**	**2,976**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	5,922	-	-	-	3,205	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,922**	**-**	**-**	**-**	**3,205**	**-**

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	2,140,448	-	-
- positive fair value	X	5,835	-	-
- negative fair value	X	5,922	-	-
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		378,312	1,212,534	549,602	2,140,448
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	**12/31/2021**	**378,312**	**1,212,534**	**549,602**	**2,140,448**
Total	**12/31/2020**	**594,865**	**893,732**	**1,122,069**	**2,610,667**

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, EU Regulation 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", designated as a fair value hedging macro hedge on "Financial assets at amortised cost".

In relation to EU Regulation no. 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 request 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, as of 31 December 2021 the bank concluded 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 2021, 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 specifically11).

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.

[11] 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 31/12/2021				Total 31/12/2020			
	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	-	436,000	1,524,255	-	-	313,000	1,186,937	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	436,000	1,524,255	-	-	313,000	1,186,937	-
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	**-**	**436,000**	**1,524,255**	**-**	**-**	**313,000**	**1,186,937**	**-**

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 12/31/2021				Total 12/31/2020				Total	Total
	Over the counter				Over the counter				12/31/2021	12/31/2020
	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			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	1,917	5,705	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,917**	**5,705**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	317	2,714	-	-	1,572	10,337	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**317**	**2,714**	**-**	**-**	**1,572**	**10,337**	**-**	**-**	**-**

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	1,524,255	-	-
- positive fair value	X	5,705	-	-
- negative fair value	X	2,714	-	-
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	-	436,000	-	-
- positive fair value	-	1,917	-	-
- negative fair value	-	317	-	-
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		314,433	1,463,338	182,484	1,960,255
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	**12/31/2021**	**314,433**	**1,463,338**	**182,484**	**1,960,255**
Total	**12/31/2020**	**447,285**	**1,003,609**	**49,043**	**1,499,937**

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	-	4,100,703	-	-
- positive fair value	-	13,457	-	-
- negative fair value	-	8,953	-	-
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, during 2021, 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 during the year. On the other hand, the ECB continued to support Banks through TLTRO auctions, encouraging their use via:

i) the extension, until June 2022, of the period of application of the more favourable conditions,

ii) the addition of three transactions (auctions) between June and December 2021,

iii) the increase (from 50% to 55%) of the maximum obtainable loan based on the stock of eligible loans outstanding as of 28 February 2019.

During the year, the SCB Group increased its participation in TLTRO-III on the basis of point iii) above.

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	**770,383**	**13,340**	**119,422**	**120,260**	**749,553**	**1,300,560**	**1,660,860**	**5,130,347**	**553,209**	**13,769**
A.1 Government securities	-	-	-	-	129,500	441,734	101,375	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	770,383	13,340	119,422	120,260	620,053	858,826	1,559,485	5,130,347	553,209	13,769
- Banks	674,623	-	-	3,566	100,776	9,947	14,385	39,442	2	13,478
- Customers	95,760	13,340	119,422	116,695	519,277	848,878	1,545,100	5,090,905	553,208	291
B. On-balance sheet liabilities	**835,638**	**23,467**	**25,291**	**160,282**	**492,398**	**435,808**	**777,250**	**6,219,266**	**172,702**	**-**
B.1 Deposits and current accounts	828,952	7,582	5,790	14,972	78,017	94,739	144,072	132,298	51	-
- Banks	42,533	-	-	-	-	-	-	-	-	-
- Customers	786,419	7,582	5,790	14,972	78,017	94,739	144,072	132,298	51	-
B.2 Debt securities	-	-	-	52,782	43,364	86,910	142,227	869,111	-	-
B.3 Other liabilities	6,687	15,885	19,501	92,528	371,017	254,159	490,951	5,217,858	172,650	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	335	446	1,135	2,029	-	-	-
- Short positions	-	-	-	628	1,314	2,373	4,355	-	-	-
C.3 Deposit to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
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 2021, 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 2021 Banca PSA has two securitisation transactions of performing loans for which it subscribed all of the securities issued: Auto Abs Italian Balloon 2019-1 and Auto Abs Italian Rainbow Loans 2020-1.

During 2021, the rump-up clause contained in the contract of the Auto ABS Italian Rainbow Loans 2020-1 S.r.l. self-securitisation transaction was exercised, which led the initial loan portfolio of Euro 490 million to rise to its established limit of Euro 850 million. The transaction runs alongside the Auto ABS Italian Balloons 2019-1 self-securitisation transaction.

Again at 31 December 2021, the Group was involved in fours transactions subscribed by third-party investors, Golden Bar 2018-1, Golden Bar 2019-1 and Golden Bar 2021-1 via the special purpose vehicle Golden Bar (loans originated by SCB) and 2018-1 via the special purpose vehicle Auto ABS Italian Loans 2018-1 S.r.l. (loans originated by Banca PSA).

Below is a summary of the main features of the transactions originated by the Group in 2021, in which it subscribed all the securities issued:

Transaction	12/31/2021				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding al 31/12
Golden Bar 2016-1	A	IT0005210031	A1/AH	Salary assignment, retirement assignment and delegation of payment.	365,913,983
	B	IT0005210080	A3/A		27,500,000
	C	IT0005210098	A3/AL		38,500,000
	D	IT0005210106	A3/BBBH		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(sf)- / AAA(sf)	Car loan	554,400,000
	B	IT0005379471	NR / NR		105,600,000
Auto ABS Italian Rainbow Loans 2020-1	A	IT0005416174	AA(sf) / AAA (sf)	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 2021:

Transaction	Notional value			
	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2016-1	849,095,399	-	285,181,415	563,913,983
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 2016-1	49,530,000	-	-	-	-
Golden Bar 2020-1	8,530,000	-	-	-	-
Golden Bar 2020-2	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 2016-1	27,500,000	21,227,385	-	7,129,535	14,097,850
Golden Bar 2020-1	8,500,000	8,487,500			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 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	597,365	563,804	110	14,098		n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-1	722,517	679,000	67,498	8,488		n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-2 VFN	481,051	521,277	37,737	5,213		n.a.	n.a.	n.a.	n.a.
Auto ABS Italian Balloon 2019-1 S.r.L	546,154	460,756	105,600	26,189	8,720,116	Liquidity deposit	n.a	monthly	AA+
Auto ABS Italian Rainbow Loans 2020-1 S.r.L	527,090	752,250	97,750	26,107		Liquidity deposit	n.a	monthly	AA-

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 2021

	12/31/2021				
Breakdown of the excess spread accrued during the year	**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	(17,943)	(24,504)	(19,395)	(30,099)	(33,748)
Commisions and fees for the operation	(1,608)	(969)	(676)	(572)	(627)
- for servicing	(1,590)	(943)	(651)	(549)	(612)
- for other services	(18)	(26)	(25)	(23)	(15)
Other charges	(879)	(4,124)	(2,541)	(1,121)	(1,495)
Interest generated by the securitised assets	44,362	40,197	32,139	32,472	37,051
Other revenues	11	2,221	2,960	2,654	2,908
Total	**23,943**	**12,821**	**12,487**	**3,334**	**4,089**

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)	(1482)	(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**

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.

The Parent Company also carries out supervision for the subsidiary TIMfin, as the subsidiary has a specific operational risk governance structure, operating within the Risk Control unit, and therefore responsible for second-level control. In addition, the guidelines for management of the operational risk of TIMfin are set forth within the Local Policies and Procedures issued by the subsidiary under the supervision of the parent company and 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 reporting care of the TIMFin Risk Control Committee.

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 promptly adopted all the necessary measures to ensure sound operational continuity 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 the following 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 2021, by risk category, recorded by the companies of the Group:

Risk Type	Net Losses	Net provisions	Addition, uses and recoveries	Net Op Risk Impact
Internal Fraud				
External Fraud	743	588	(18)	1,313
Employment, practises & Workplace Safety				
Clients, Products & Business Practices	4,563	215	(1,164)	3,613
Damage to physical Assets				
Business Disruption & System Failures				
Execution, Delivery & Process Management	33	6	(13)	26
TOTAL	**5,339**	**809**	**(1,195)**	**4,952**

During 2021, no losses deriving from Operational Risks were recorded for the subsidiary TIMFin.

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 2021, 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). Subsequently, on 3 February 2022 the Council of State through sentence 753/2022, definitively annulled the provision of the AGCM made following the outcome of the I811 "Auto Financing" procedure, which had seen all the captives banks of automotive groups sentenced, including Banca PSA Italia Spa, as well as Banque PSA Finance SA for having established "an agreement restricting competition in violation of article 101 of the Treaty on the Functioning of the European Union (TFEU) aimed at coordinating the commercial strategies on the market for vehicle financing services". Banca PSA is immediately taking action against this ruling to see the reimbursement of the amount paid. The recognition of the related income at the reference date of the approval of the financial statements has not yet taken place.
- 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 2021 was 8,344, a decrease of 28% 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 62% of the total) and (ii) Reports made care of the loan databases (equal to 7% of the total). The rate of acceptance of disputes handled is 22%.

The aforesaid risk events are, at present, taken into consideration in assessments of losses and of provisions set aside in the consolidated financial statements.

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 and the profit for the year net of the envisaged dividends and any capital instruments of TIMFin S.p.A., qualifying for inclusion in consolidated capital. Intangible assets, the prudential filter relative to the prudent valuation of assets and liabilities measured at fair value, and the positions with regard to the STS securitisation finalised during 2019 and those relating to the STS securitisation finalised during 2021 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 and TIMFin S.p.A., 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.

In addition, in 2021, the repayment of a subordinated loan that no longer fully contributed to own equity was finalised, and at the same time the issue of a new subordinated loan to replace the previous one was completed.

With reference to the minority interests of the investee companies, these are allocated respectively on CET 1, TIER 1 and TIER 2.

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)[12], 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 also 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)[13];
- 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.

In capital planning, all components of regulatory[14] capital and the corresponding RWA are monitored constantly. The key indicators for monitoring purposes are:

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[12] Calculated as the ratio between Profit After Taxes and RWAs.

[13] Policy risk appetite framework.

[14] They are viewed monthly by the Management Committee and sent to the Parent Company by means of the MIS tool (Management Information System); then periodically, at least once a quarter, they are presented to the Board of Directors.

- CET 1 ratio
- Tier 1 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[15], and prospectively[16], 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 1 ratio;
- CET1 under stress;
- Leverage Ratio;
- Leverage Ratio under stress;
- 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 2021 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.

[15] Figures sent on a quarterly basis.

[16] 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	755,309	-	-	(92,555)	662,755
2. Emission Fees	24,177	-	-	(11,772)	12,405
3. Reserves	423,790	-	-	12,010	435,800
4. Capital Instruments	-	-	-	-	-
5. (Own shares)	-	-	-	-	-
6. Valuation reserves:	(164)	-	-	-	(164)
- 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	218	-	-	-	218
- 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	(382)	-	-	-	(382)
- Provisions for valuation reserves related to equity investments valued at shareholders' equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Net (Loss) (+/-) of Group and minorities	252,486	-	-	(93,346)	159,140
Shareholders' equity	**1,455,597**	**-**	**-**	**(185,663)**	**1,269,934**

B.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

Assets/values	Prudential consolidation		Insurance companies		Other companies		Consalidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	230	13	-	-	-	-	-	-	230	13
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**230**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**230**	**13**
Total 12/31/2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Valuation reserves for financial assets measured at fair value through comprehensive income: change in the year

	Debt securities	Equity securities	Loans
1. Opening balance	-	-	-
2. Positive changes	**230**	-	-
2.1 Fair value increases	230	-	-
2.2 Value adjustments for credit risk	-	X	-
2.3 Transfer to the income statement of negative reserves to be realized	-	X	-
2.4 Transfers to other equity (capital securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	**(13)**	-	-
3.1 Fair value reductions	(13)	-	-
3.2 Write-backs for credit risk	-	-	-
3.3 Reclassification throught profit or loss of positive reserves: - following disposal	-	X	-
3.4 Transfers to other equity (capital securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**218**	-	-

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 27 thousand, net of the corresponding tax effect.

Section 2 – Own funds and capital adequacy ratios

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.

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	
	12/31/2021	12/31/2020
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**1,008,520**	**990,826**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	**(201)**	**(8)**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**1,008,320**	**990,818**
D. Deductions from CET1	**6,058**	**12,448**
E. Transitional regime - Impact on CET1 (+/-)		-
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**1,002,262**	**978,370**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements	**17,113**	**21,489**
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)	**17,113**	**21,489**
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	**154,790**	**131,864**
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)	**154,790**	**131,864**
Q. Total own funds (F + L + P)	**1,174,165**	**1,131,722**

The table shows the amount of risk assets and prudent ratios, according to information reported in supervisory reports.

Categories/Value	Non weighted assets		Weighted assets	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
A. RISK ASSETS				
A.1 Credit and counterparty risk	9,998,785	10,769,688	5,818,017	6,451,017
1. Standardized approach	9,998,785	10,769,688	5,818,017	6,451,017
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			446,761	501,386
B.2 Risk valuation adjustment credit			21,844	15,973
B.3 Regulation Risk			-	-
B.4 Market Risk			-	-
1. Standardized approach			-	-
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			55,189	48,628
1. Basic indicator approach (BIA)			28,712	22,237
2. Traditional standardized approach (TSA)			26,476	26,391
3. Advanced measurement approach (AMA)			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			523,793	565,987
C. RISK ASSETS AND CAPITAL RATIOS				-
C.1 Weighted risk assets			6,547,414	7,074,843
C.2 Capital primary class1 / Risk			15.31%	13.83%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			15.57%	14.13%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			17.93%	16.00%

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 managers with strategic responsibilities

The following table shows the amounts of compensation paid in 2021 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of “related party”.

	12/31/2021
Short-term benefits	6,896
Post-employment benefits	-
Other long-term benefits	-
Termination indemnities	-
Share-based payments	309
Total	**7,205**

2. Related party disclosures

	Receivables	Payables	Derivatives	Expenses	Income
Banco Santander	354,289	182,844	2,172,286	10,920	14,660
Santander Consumer Finance	-	2,845,365	-	10,885	-
Peugeot SA Group Companies	14,641	58,263	-	12,150	17,367
Other Santander Group Companies	1,699	9,747	-	2,606	1,496
Tim S.p.A.	7,027	444	-	1,312	27,536

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;
- 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 funding arrangements. The charges mainly relate to costs for funding and for consultancy and services received from Group companies.

With regard to the positions with the companies of the Peugeot SA Group and Tim SpA, the amounts shown are mainly attributable to the commercial activities in progress carried out by the related business lines.

With regard to relations with related parties, it should be noted that there are amounts due of Euro 115 thousand and amounts payable of Euro 826 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 2021 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 S.p.A.	Parent Company	Audit services (annual report, consolidated financial statements, interim report, accounting checks)	169,400
	PricewaterhouseCoopers S.p.A.	Subsidiaries	Audit services (annual report, consolidated financial statements, interim report, accounting checks)	161,000
	PricewaterhouseCoopers S.p.A.	SPV	Audit services (annual report, accounting checks), including tax certificates and translation	90,000
Other services	PricewaterhouseCoopers S.p.A.	Parent Company	Verification SRF (AUP), Translation activity	16,000
	PricewaterhouseCoopers S.p.A.	Subsidiaries	Verification TLTRO, SRF (AUP), VAT endorsement of conformity	38,500
Total				**474,900**

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 relating to the rental of premises, the rental of cars for employees and hardware equipment.

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.

During 2021, the Parent Company entered into 5 new lease agreements, including the lease agreement relating to the Ex-Unifin branch of Castelmaggiore transferred to Bologna, 2 agreements aimed at changing the location of the branch while keeping the city unchanged and 2 agreements relating to the new framework agreement for the company fleet and the data centre. The Bank also renegotiated the contractual conditions relating to 2 branches. No impairment has been recorded in relation to current contracts.

At 31 December 2021, there were no renegotiations of the contractual conditions of the branches whose effects will come into force from the next year.

At 31 December 2021, 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	26,212	6,616	4,143	649	-	4
- of which real estate	21,755	5,043	2,570			
- of which vehicles	4,457	1,573	1,573			

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".

During 2021, the assets consisting of the right of use underwent a change net of the accumulated amortisation of Euro 2,750 thousand, mainly deriving from the signing of the new framework agreement for 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 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 quintals) 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 12/31/2021 Lease payments receivables	Total 12/31/2020 Lease payments receivables
Up to one year	296,030	226,642
Over one year up to 2 years	377,588	295,321
Over 2 years up to 3 years	137,232	131,526
Over 3 years up to 4 years	42,425	28,243
Over 4 years up to 5 years	17,775	10,466
For over 5 years	-	884
Amount of the lease payments receivables	**871,050**	**693,081**
Reconciliation of the undiscounted lease payments	(19,934)	(17,582)
Not accrued gains (-)	(19,934)	(17,582)
Not guarantee residual value (-)	-	-
Lease payments	**851,116**	**675,500**

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 2022

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, also in terms of sustainability, 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 non-performing 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 orientation, 2022 will see the main points of attention listed below:

- Total volumes disbursed by the Bank growing, creating new business opportunities, building customer loyalty.
- A gradual increase in the loan portfolio, with a relatively growing weight of durable loans thanks to the agreement with Poste Italiane SPA in order to cope with the portfolio exit deriving from the agreements with Kia and Hyundai.
- Evaluation of new business opportunities by observing global mobility also in terms of sustainability.
- 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 an increase in volumes compared to the previous year (+23.4%), thanks to the gradual stabilisation of the COVID-19 Health Emergency. Portfolios are gradually growing despite the operation for the creation of the HCBE Italy Branch, which channelled the production of the new Kia / Hyundai car outside the legal perimeter of SCB Italy.

In detail, the Automotive segment recorded an increase of 25.5%, with a significant impact on used cars (+34.6%); the new car, albeit increasing (+22.8%), despite the high demand was affected by the market's difficulty in obtaining the supply of electronic components (microchips).

In terms of special-purpose loans, the Bank closed the year with an increase of +4.8% less significant with respect to personal loans, which closed with +37.1% compared with the previous year.

In 2021, the sale of the salary assignment loan product recorded an increased result compared to the previous year (+23.9%), after a period of market difficulties exacerbated even more by the pandemic emergency.

Santander Consumer Bank	dec '21	dec '20	Δ	Δ %
(Million euros)				
New Business Total*	**2,110.4**	**1,710.5**	**399.9**	**23.4%**
Total Vehicle	1,432.5	1,141.6	291.0	25.5%
New Vehicle	*1,079.7*	*879.5*	*200.2*	22.8%
Used Vehicle	*352.8*	*262.0*	*90.8*	*34.6%*
Special Purpose Loan	258.4	246.5	11.9	*4.8%*
Credit Card	3.7	4.1	-0.4	-10.3%
Personal Loan	221.4	161.4	60.0	37.1%
Salary Assignment	194.4	156.9	37.5	23.9%

Marketing

In 2021, the Bank continued to enhance its digital channels with the launch, in July, of the Santander APP, a tool designed to provide customers with information and answers both in terms of requests for new products and assistance.

A particular focus was placed on the creation of new end-to-end processes to facilitate affiliated dealers and customers in the choice of a loan, as a support tool for the purchase of an asset. In addition, new methods of multichannel information were adopted vis-à-vis customers to constantly update them on the new functions and services made available by the Bank via the new digital touch points.

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).

With regard to insurance products, 2021 saw a drop relating to the combination indexes of insurance services combined with the loans disbursed with particular regard to those relating to Credit Protection (CPI). 2021 recorded insurance income of approximately Euro 32.0 million net of Hyundai Capital Bank, compared to the 2020 result (Euro 29.5 million) heavily influenced by financial volumes.

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 are checked, as is the network of financial intermediaries (e.g. car dealers).

The trend in “remote” channels has been very positive, with a proportion of overall insurance sales of around 20%. In addition, a completely digital channel for placing personal loans was introduced in 2021 with the possibility of taking out CPI.

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 the first 10 months of 2021, the performance of the Auto market was positive compared to the same period in 2020 (+12.70%), the "Two-wheeler" market recorded even greater growth (+23.8%) thanks to the improvement of the pandemic situation.

However, starting from the second half of the year, sales volumes were negatively and progressively affected by the lack of product resulting from the shortage of semiconductors which affected all markets.

In detail, the volumes financed up to September 2021 for Hyundai grew by 17.50% compared to the previous year, as well as for KIA which recorded even higher growth (+35.6%).

In October, the JV was created between Santander Consumer Finance and Hyundai Capital, which saw all the business on the Hyundai and KIA brands flow into the new company.

In addition, other new Agreements were also activated in 2021: Tesla, MG, Carnext. Among these, the one already fully operational and immediately with absolutely significant numbers is Tesla: from March to November over Euro 50 million was disbursed between Consumption and Leasing. The other two brands are in the start-up phase: MG, a historic British brand, now Chinese-owned (SAIC) specialising in the electric and hybrid car sector and Carnext, a company specialising in the online sale of used cars.

With regard the motorcycle sector, despite the difficulties encountered by some Partners on sales volumes, 2021 saw general growth in volumes financed of 14.17% Dec'21 YTD vs Dec'20 YTD, with different performances on the individual brands (Yamaha +15.60%, KTM +28.18%, Husqvarna +2.17%, Harley-Davidson -8.71%).

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 inline with the budget.

Salary assignment

The trend of the salary assignment market in 2021 recorded growth compared to 2020 but a decrease compared to 2019. This trend also occurred in the volumes of the salary assignment product generated by the bank.

The mix between the occupation sectors of customers mainly concentrates on pensioners, followed by 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 2021 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 articles 106 and 107 of the Consolidated Banking Act) for the purchase of receivables and contracts without recourse. The online channel was also activated, on an experimental basis, through comparison websites.

Personal Loans

During 2021 there was growth in the personal loans business compared to the previous year, with an increase in volumes. This increase is due both to the general economic recovery after the reopening of post lockdown activities and to the Bank's strategies.

The presence on the web channels, both institutional website and comparator, has expanded and digital campaigns on direct products have been strengthened, leading to a significant increase in volumes of this channel (approximately +50% compared to the previous year).

The direct marketing activities also contributed to the increase in volumes through a high level of customisation of the offer and customer segmentation as well as a constant updating of communications to customers.

The distribution model has consolidated with respect to 2020 in traditional channels and has seen an increase in remote and digital channels also thanks to new innovative solutions such as video recognition.

During 2021, an important PP product distribution agreement was signed with Poste Italiane.

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 once again in 2021 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 a balance of the portfolio of customers, which made it possible to stabilise the funding volume in line with the Group’s funding policies.

Set out below is a summary of the more quantitative aspects pertaining to 2021:

- time deposit funding amounted to Euro 469 million (-7.45% compared to the previous year);
- demand deposit funding amounted to Euro 708 million (+1.2% 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.

The anti-crisis measures adopted by the Italian government during the COVID-19 pandemic have limited the impact of non-performing loans on the balance sheet: the grace periods on existing loans, the freezing of layoffs and guaranteed loans have avoided a possible drop in credit supply and limited the growth of the NPL ratio.

In November and December 2021, two sales of non-performing loans were concluded, for an amount equal to 63% of the write-off stock.

With regard to the management of the salary assignment product, the recovery activities are always carried out by the Collection Business Unit, also in this case following the Group model. The activity is focused on the recovery processes of the quotas not paid by the third-party administrations sold, through the application of strategies prioritised according to the risk and the seniority of the outstanding payments. The CQS Collection also manages life and loss of employment insurance claims.
With regard to the impact of the COVID emergency, during 2021 there are no significant increases in the volumes managed and/or deterioration in performance.

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 2021 Santander Consumer Bank had net debt of Euro 5,925 million (-5.3% compared to the previous year). This reduction is mainly due to the reduction in the portfolio of government securities to be financed and used as HQLA for LCR purposes or pledged to guarantee TLTRO auctions.

This debt is mainly composed of structured funding (62.9%), Group funding (15.4%) and deposits from customers (20.1%).

Over the course of 2021, the amount deriving from participation in the ECB's TLTRO auctions rose to Euro 2,804 million compared to Euro 2,549 million at the end of December 2020.

The Bank also finalized a new STS securitisation transaction, pursuant to EU regulation no. 2402 of 2017, obtaining Euro 505 million from the sale of the Senior and Mezzanine class securities to institutional investors. This sale also allowed a benefit to be absorbed by the regulatory capital as it was recognised for prudent purposes as an operation with a significant transfer of risk.

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.

Customer deposits remained fairly stable at Euro 1,197 million at the end of 2021 compared to Euro 1,241 million at the end of 2020. Further details on funding results are provided in the Deposit accounts section of the separate financial statements.

The cost of funding decreased throughout 2021 thanks to greater participation in the TLTRO as well as 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 625 million at the end of 2021. In addition, a further 90 million government securities, not recorded in the financial statements, deriving from a reverse repo agreement are available at 31 December 2021.

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 Business & Governance Management**: as a Corporate Governance instrument it deals with the management of the IT budget and contractual, cost aspects: 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 also has the task of ensuring the monitoring and supervision in the management of the IT services that the Bank makes available to the business understood as internal customers, external customers, partnerships and servicing towards group companies, with the aim of guaranteeing and respecting the contractual service levels.
- **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, and 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.
- **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 Department

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**: 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 and legislative advice, verification of compliance with internal rules prior to their adoption and dissemination, ex-post checks on business processes and procedures via thematic reviews as well as 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 data protection, advice in relation to the obligations arising from the reference legislation. 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 certification 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 2021 consists of 697 persons (including 15 managers, 192 middle managers and 490 office workers). Employees account for 674 permanent contracts. At the end of the year, there are 25 employees on post-graduate internships.

The average age is 43 years, with female workers representing 46.2% of total employees.

The commercial area accounts for 179 resources, with the rest employed in various roles in General Management.

Personnel costs for the year amount to Euro 45.9 million.

A total of 70 resources were hired in 2021, of which 51% women and 49% men. In addition, more than 55 curricular and extra-curricular internships were activated, equally divided between men and women (50%-50%).

At the end of 2021, after 3 consecutive years certified as Top Employer Italy and Top Employer Europe, Santander Consumer Bank was certified as a Great Place to Work, for the excellent working conditions offered to employees and for its ability to continually improve the management of staff and the development of talents.

The Global Engagement Survey took place in May 2021 which, at Italian level, involved 595 colleagues, demonstrating their interest in contributing to the improvement of our Bank.

In the survey, 13 dimensions were analysed, many of which recorded more positive results than similar Italian companies. In particular, employee engagement was 81%, 10% more than the Italian average, psychological well-being was 81% and company leadership was 74%.

In September, following the sharing of the results, the action plans were defined; an important springboard that will provide, also in 2022, specific measures on our areas for improvement.

By means of various internal communication channels and initiative projects, ad hoc campaigns were conveyed to employees on important company issues, including internal culture, risk management, cybersecurity and corporate sustainability.

Over 420 news items were published on the company Intranet, the main internal communication tool. Over 20 internal events have been planned, mostly digitally.

Many communication activities focused on how to protect the health of employees and family members from COVID-19 and on how to join the company vaccination campaign. Particular attention was paid to updating the bank's vision and strategy, supporting engagement and productivity and promoting the correct use of smart-working.

As in the previous year, the information campaign focused on the prevention of the COVID-19 virus continued in order to protect the health of employees and family members. The bank joined the vaccination campaign at the CE.ME.DI. centre where about a hundred employees and some family members were vaccinated (first and second dose).

Particular attention was paid to the Diversity & Inclusion theme. All employees were offered the "Digital Talk on inclusion" path to promote the talent and creativity of each one and to enhance the wealth that each one, in their uniqueness, can bring to the company by generating innovation. Through four digital appointments and thanks to the intervention of internal and external speakers at the company, the differences in gender, age and all the distinctive elements of people, from geographical origin to role, were explored. In October this project was awarded the prestigious Award for innovation in the banking services sector at SMAU, the main Italian trade fair dedicated to innovation.

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), also continued.

In 2021, 547 students from high schools and institutes in Turin and its province were involved, who were able to learn about digital payments during the European Money Week in March, the circular economy during the Month of financial education in October and a professional orientation internship.

Overall, over 23,000 hours of training were provided, in a digital life-long learning logic.

Compulsory training was provided to all staff with over 11,300 hours.

Training on digital issues continued with the "The Digital Journey" app, via contents that can be used in 3/5 minutes. In 2021 it was used by around 300 colleagues, for over 3,200 hours.

Collaboration continued with the Parent Company and the Santander Consumer Finance Units on a group training ecosystem that will become the main tool for training and development courses on key skills for Santander with a view to up-skilling and re-skilling. This system will ensure a dynamic and uniform learning experience for all Santander employees worldwide. In June 2021 the 2nd wave for 50 new users of the IT Department began and as from October 2021 with the 3rd wave an additional 100 users belonging to the Bank's Control Units are exploring the platform which will be enhanced with numerous functions in the course of 2022.

The collaboration with Lifeed was renewed to develop the soft skills of 60 new parents, through interactive modules and dialogue in a dedicated community.

The training plan open to all employees for the development of English: English Fitness 2.0 achieved important results. Over 1,000 individual training calls, with mother tongue teachers, were provided to around 250 colleagues.

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. In December, the final training session of the Skill Your Pain program on Public Speaking was organised in person.

During 2021, numerous workshops were held on family caring and work-life balance in an extended community logic. Over 70 colleagues participated in these initiatives.

As part of the Global Scout corporate project to enhance the Bank's internal skills, local and corporate training sessions were provided by internal experts.

A great deal of attention was paid to product, sales and commercial procedures training by the Santander Academy, a structure dedicated to internal training with a team of professionals from within the Bank. Over 700 training sessions were provided which involved colleagues from all the Bank's sales networks among the participants for a total of 2,000 hours.

As part of the digitalization of HR processes, the new corporate tool Workday was implemented in our business unit in July 2021. The new tool for personnel management and talent development was adopted by the entire Santander Group in order to guarantee the same HR processes in all Business Units and was introduced according to a structured change management plan.

The implementation started with the mapping of over one hundred HR processes, from recruiting to talent development, from performance to compensation and internal mobility. Their transformation within the new platform was analysed; an intense phase of testing and training for HR on the processes followed.

Particular attention was paid to employee training and the adoption of the new tool through various internal communication initiatives, including news and a dedicated section on the company intranet and internal events.

The main players involved in the training were the managers, for whom several meetings were organised, on a weekly basis, in the months of May and June. Training days were also organised open to all employees to introduce the tool and the new features. The overall training provided exceeded 1,500 hours.

The training part was accompanied by the creation of training materials such as presentations, quick guides and video tutorials available for everyone on the company intranet.

Among the activities aimed at adoption, some colleagues were also involved in the role of influencer.

2021 also 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 for the health emergency still underway.

At the beginning of the year the Joint Commission for Equal Opportunities was established in order to give the greatest possible application to the principle of inclusion with the overcoming of any form of discrimination. The aim is to jointly assess the matter, i.e. the Bank and the trade unions, recommending good practices also to those who hold positions of responsibility, enhancing the diversity of human resources, promoting equal treatment in the workplace, preparing positive action programs by supervising the application of the agreements signed from time to time on the matter of "work-life balance" and monitoring the progress achieved. The intention is also to ensure that specialist training and professional growth is aimed at all Bank staff without any distinction in terms of gender, race, language, religion, political opinion, personal and social conditions.

In July, an agreement was signed relating to the transfer by Santander Consumer Bank of the Company Branch consisting of the commercial activities Hyundai and Kia and those of a banking nature supporting the business (Finance, Risk, IT & Operation), pursuant to article 47 of Italian Law no. 428 of 1990 (and subsequent amendments/additions).

With the sale of the business branch, twenty-nine employees of Santander Consumer Bank, nineteen of the Sales Network and ten of the Turin office, were transferred as of 1 October 2021 to HCBE Italy without interruption pursuant to article 2112 of the Italian Civil Code and without causing employment repercussions.

In the last half of the year, negotiations were underway aimed at renewing the company bargaining.

Although positions are distant from each other, the negotiation confirms that our system of trade union relations is based on the principles of fairness, good faith and transparency of conduct and oriented towards the prevention of any conflicts. Relations between the contracting parties were based on collaboration and mutual accountability. The areas dealt with concerned the Performance Bonus (PDR), Supplementary Pensions and Meal Vouchers.

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 Tax Group Policy in 2021. 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. The updated version of this model, in order to take into account regulatory developments and process evolutions impacting tax risk governance, was approved by the bank's Board of Directors on 15 December 2021.

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 7 May 2021, Santander Consumer Bank SpA received a questionnaire, issued by the Regional Directorate of Piedmont - Major Taxpayers Office of Turin, relating to the request for information and supporting documentation in relation to the calculation of taxes for 2017 and in particular regarding the calculation of the deduction for own invested capital (ACE), the determination of the value adjustments for impaired loans and the related tax treatment, as well as the deduction that took place during the year relating to the share of the write-downs and loan losses originating in previous years.

Santander Consumer Bank S.p.A. provided, within the terms set out in the questionnaire, the documentation and information requested by the Italian Tax Authorities office in question.

Following this inspection and the feedback provided, the company has not received any further requests made by the aforementioned office at the moment.

With reference to new tax changes envisaged by the 2021 Budget Law as well as the other period legislation, the following measures of greatest impact are mentioned in particular.

Article 1 paragraph 58 of the 2021 Budget Law extended for the whole of 2021 the IRPEF and IRES deductions envisaged, in particular, for interventions for the recovery of the building heritage, for the so-called furniture bonus and for interventions for the energy requalification of buildings.

Article 1, paragraphs 651 to 659, of the 2021 Budget Law envisages, for the year 2021, changes in relation to the regulations concerning the tax on the purchase of new high CO2 emission vehicles (so-called Ecotax) as well as the confirmation, with some changes, of the state contribution for the purchase of new vehicles with reduced CO2 emissions (so-called Ecobonus). In particular, with reference to the Ecotax, the Budget Law envisaged the elimination of its application for vehicles with emissions between 161 and 190 g/km and the reduction of the amounts for the other polluting bands. With reference to the Ecobonus, a new state contribution is also introduced for the purchase of new vehicles for freight transport (N1) and for special category M1 vehicles (paragraph 657).

Article 19, paragraph 2 et seq. of the Sostegni-bis Decree (Italian Legislative Decree no. 73 of 25 May 2021) introduces a measure aimed at supporting capital injections in Italian companies, applicable only for the 2021 tax period ("Super ACE"). The tax benefit is equal to 15% of the increase (up to a ceiling of Euro 5 million) of the share capital and of the profit reserves (e.g. shareholder contributions, retained earnings allocated to reserves, receivable waivers) recorded at the end 2021, compared to the existing capital at the end of 2020. The Super ACE can be deducted from the IRES tax base or converted into a tax credit that can be offset against other taxes without limitations, requested for reimbursement or transferred to third parties (e.g. banks). Beneficiaries wishing to be entitled to the conversion into a tax credit must submit a specific communication to the Revenue Agency.

Following the current period of international pandemic emergency in progress caused by the COVID-19 virus, similar to that which happened in 2020 with article 120 of the Italian Decree Law no. 34 dated 19 May 2020 and subsequent amendments, the legislator approved Article 32 of Italian Decree Law no. 73 of 25 May 2021, which recognises a tax credit in relation to the expenses incurred in the months of June, July and August 2021 for the sanitisation of the environments and tools used and for the purchase of personal protective equipment and other devices designed to guarantee the health of workers and users, including expenses for the administration of swabs for COVID-19, up to a maximum expense of Euro 60 thousand for each beneficiary.

It should also be noted that starting from the 2021 tax period, the companies Santander Consumer Bank Spa and TimFin Spa exercised the option to join the tax regime of the national tax consolidation system, pursuant to article 117 of Italian Presidential Decree no. 917/86, as a result of which the consolidating parent company Santander Consumer Bank SpA, for IRES purposes, determines the group's taxable income by means of the algebraic sum of the taxable results of the companies included in the scope of consolidation.

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. Once again in 2021 the Bank 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

A new anti-contagion protocol was drawn up in June.

In addition, employees were provided with PPE useful for working safely. In particular, 2,978 packs of masks were purchased.

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.

As in the previous year, the information campaign focused on the prevention of the COVID-19 virus on how to protect the health of employees and family members continued.

The bank joined the vaccination campaign in June care of the CE.ME.DI. centre at which about a hundred employees and some of their families have been vaccinated (first and second dose). Also in 2021, internal company communication focused on the importance of protecting the health of employees and their families, conveying safety protocols in detail, accompanying the phases of gradual return to the company through alternate team work, promptly updating government provisions in particular relating to the introduction of the green pass to enter workplaces.

Widespread communication was given to the company vaccination campaign, which was proposed to all SCB colleagues and their families. The news published on the Intranet regarding this initiative was the one most consulted in 2021 and with the highest number of "Likes", demonstrating the appreciation of the project.

Measures on processes to ensure business continuity

In relation to the phase of uncertainty that has also characterised 2021, the Bank has maintained many activities in order to ensure business continuity, both by preserving the safety of employees and adapting processes. In particular, in the periods most affected by the pandemic, smart working was encouraged, 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

The Italian government, to address the critical effects related to the pandemic, intervened with the following regulatory measures:

1. Italian Decree Law no. 18 dated 17 March 2020 “Cura Italia” containing measures with the aim of both protecting health and supporting the economic fabric. In particular, art. 56 established the possibility for companies and professionals to benefit from the prohibition of revocation, the extension and suspension on existing loans.
2. 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 was extended to 30 June 2021.
3. Budget Law 2021 no. 178 "Decreto Sostegni bis" allowed those who already benefited from the suspension pursuant to Italian Legislative Decree no. 18 of 17 March 2020 and subsequent amendments (micro-enterprises and SMEs including freelancers), to extend the suspension of the principal quota only of the instalments due from 1 July to 31 December 2021. The deadline for sending requests has been set until 15 June 2021 (pursuant to article 16 of the Decree Law Sostegni bis).

The national measures were also supported by measures issued by supranational and monetary authorities. In particular, following the EBA Guidelines "on legislative and non-legislative grace periods relating to loan payments applied in the light of the COVID-19 crisis" (update of 2 December 2020), the bank has reclassified the exposures subject to a grace period with a suspension of more than 9 months as Forborne Performing (performing exposures subject to concession, reclassified in Stage 2 IFRS 9).

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 the legislative measures mentioned above, the bank continued to activate measures to suspend payments for companies affected by COVID-19 that requested as such, with no amount limits. In particular, the suspension deadline was further extended on the basis of the provisions of the Sostegni bis Decree until 31 December 2021.

Following the support measures activated during 2020 and in compliance with EBA regulations, all the grace periods with a duration of more than 9 months have been, in a prudential context, classified as "Forborne Performing" with an additional provision or "Forborne non-performing" depending on the classification on the date of granting of the grace period.

During the observation period, given the evolution of the economic context and growth forecasts, checks continued on the documentation portfolios subject to support measures, as part of the monthly monitoring of closing activities without highlighting specific criticalities. The trend indicated was also confirmed by the monthly monitoring of the RAS (Risk Appetite Statement) of the Parent Company for which there were no overruns or critical situations attributable to the COVID-19 pandemic.

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:

- At 31 December 2021, the positions subject to suspension corresponding to 164 customers (26,568 customers at 31 December 2020), amounted to total gross receivables of Euro 3.1 million. The bank recorded deferred interest according to the amortised cost approach.
- For the purpose of determining the value adjustment on receivables, as a consequence of the continuation of the COVID-19 pandemic and given the uncertainty about its future evolution and the potential impacts on the Italian economy, to cover the potential risks of impairment of the loan portfolio, the Bank prudently maintained provisions outside the IFRS 9 model equal to Euro 2.2 million.
- For the purposes of the valuation of the equity investments in the subsidiaries Banca PSA and 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 2021, 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.

Following the well-known sentence C-383/18: Sentence of the European Court of Justice (First Section) of 11 September 2019 "Lexitor", the Bank of Italy, on 4 December 2019, had disseminated to the market "guidelines "aimed at promoting alignment with the framework outlined following the aforementioned ruling and at preserving the quality of customer relations, establishing that, in the event of early repayment of the credit, the consumer's right to reduce the total cost of credit should be considered inclusive of all costs charged to the consumer, excluding taxes, therefore not only the costs related to the duration of the credit relationship, but also the so-called "up front" costs, which do not depend on the duration of the loan.

Subsequently, Italian Law no. 106 of 23 July 2021 - conversion, with amendments, of Italian Decree Law no. 73 of 25 May 2021 (so-called Sostegni bis Decree) - introduced from 25 July 2021, with article 11 octies, a new formulation of article 125 sexies of the Consolidated Law on Banking, amending the regulations for early repayment of consumer credit agreements. In particular, the second paragraph of the aforementioned article envisages that the provisions of article 125 sexies of the Consolidated Law on Banking and secondary regulations continue to apply to the early terminations of contracts signed before the date of entry into force of the conversion law of the aforementioned decree, contained in the transparency and supervisory provisions of the Bank of Italy in force at the date of the signing of the contracts, while for contracts signed after 25 July 2021 the restitution, in proportion to the residual life of the contract, of interest and all the costs included in the total cost of the credit, excluding taxes, according to the criteria set out in these contracts.

Consequently, the Bank - in compliance with the changed regulatory framework - adjusted its extinguishing calculations by seeing to, in the event of early repayment, the reimbursement, in addition to the interest not accrued, of the additional charges (i) if envisaged in the loan agreement and (ii) based on the provisions of article 125 sexies of the consolidated law as per Italian Legislative Decree no. 385 of 1993 in force at the date of the signing of the loan agreement.

Following this intervention by the legislator, the ABF Coordination Board with decision no. 21676/2021 of 15 October 2021 took note of the differentiated regulatory regime introduced by the legislator for contracts entered into up to 25 July 2021 and for those entered into thereafter, recalling the not dissimilar position expressed by other countries of the European Union of prestigious legal tradition also to protect the lender's legitimate expectations, and therefore concluded that the "up front" costs for all contracts signed before 25 July 2021 are not reimbursed.

By order of 2 November 2021, the Court of Turin declared relevant and not manifestly unfounded the question of the constitutional legitimacy of article 11 octies, due to contrast with articles 3, 11 and 117, first paragraph, of the Constitution, with consequent transmission of the documents of the trial to the Constitutional Court, based on the twofold finding that it was impossible to interpret the provisions of the law in conformity with the "Lexitor" judgement and, at the same time, the absence of the conditions for the direct application of the EU rule by disapplying the rule of domestic law which is incompatible with the first.

Lastly, with reference to the aforementioned regulatory change, the Bank of Italy, with a press release dated 1 December 2021, considered that its "guidelines" of 4 December 2019 are to be considered superseded by the new regulatory provision. Pending the ruling of the Constitutional Court, therefore, the Bank of Italy has deemed it necessary to comply with the new law provision in carrying out its supervisory action and therefore to consider - in relation to the contracts falling within the scope of application of the aforementioned article 11 octies, second paragraph - the conditions for being able to follow up on one's own "guidelines" do not exist.

Considering the current situation of uncertainty, pending the ruling of the Constitutional Court, the bank deemed it appropriate not to proceed with the release of the residual risk provision not used at 31 December 2021 and equal to Euro 8.2 million.

In October 2021, the Italian branch of Hyundai Capital Bank, a company controlled 51% by SCB AG and the remaining 49% by Hyundai Capital Services, was launched through the sale of a business segment of SCB Italia relating to relations with dealers in the Hyundai network and the related sources of funding. The transfer, which took place at consistent values, consists of a total amount of assets equal to Euro 253 million, and a corresponding liability which has configured an imbalance of Euro 1, equal to the purchase price.

In addition, a servicing agreement was signed between Hyundai Capital Bank and SCB Italia relating to the main operating activities concerning Italy.

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.

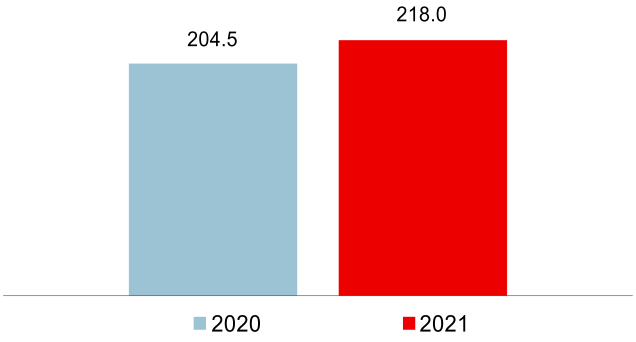
Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. Therefore, the draft financial statements reflect all events that affected the Bank’s operations in 2021.

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).

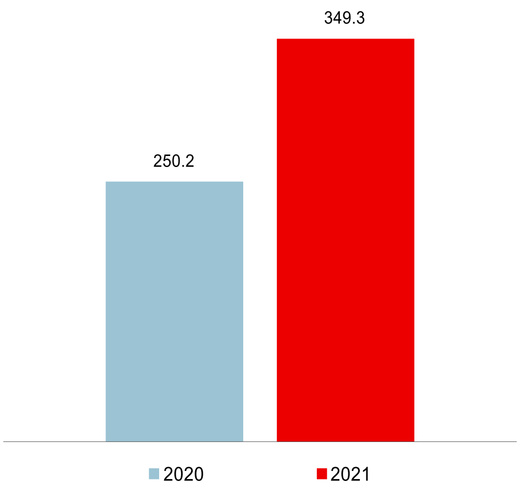
Amounts in millions of euro	2021	% TAA	2020	% TAA	Change	
					Amounts	%
Net investment margin	**218.0**	**3.0%**	**204.5**	**2.8%**	**13.5**	**6.6**
Net fee and commission	43.6	0.6%	42.2	0.6%	1.4	3.3
Commercial margin	**261.6**	**3.6%**	**246.7**	**3.3%**	**14.9**	**6.0**
Dividends	89.5	1.2%	0.0	0.0%	89.5	--
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	(3.0)	0.0%	2.1	0.0%	(5.1)	(242.9)
Gains and losses on disposal of financial assets and liabilities	1.3	0.0%	1.4	0.0%	(0.1)	(7.1)
Operating income	**349.3**	**4.8%**	**250.2**	**3.4%**	**99.1**	**39.6**
other operating income (charges)	14.0	0.2%	7.8	0.1%	6.2	79.5
Administrative costs:	(105.6)	-1.5%	(95.7)	-1.3%	(9.9)	10.3
payroll costs	(45.9)	-0.6%	(40.2)	-0.5%	(5.7)	14.2
other administrative costs	(59.6)	-0.8%	(55.5)	-0.8%	(4.1)	7.4
Depreciation	(14.2)	-0.2%	(11.8)	-0.2%	(2.4)	20.3
Net operating margin	**243.6**	**3.4%**	**150.6**	**2.0%**	**93.0**	**61.8**
Impairment losses on financial assets	(16.2)	-0.2%	(44.6)	-0.6%	28.4	(63.7)
Other provisions	0.1	0.1%	(2.2)	-3.0%	2.3	(104.5)
Total profit or loss before tax	**227.5**	**3.1%**	**103.7**	**1.4%**	**123.8**	**119.4**
Tax	(48.3)	-0.7%	(33.1)	-0.4%	(15.2)	45.9
Net profit or loss	**179.2**	**2.5%**	**70.6**	**1.0%**	**108.6**	**153.8**

Net interest margin



The reference year recorded an increase in net interest income compared to the previous year, equal to +13.5%, from Euro 204.5 to 218.0 million: interest and similar income was up (+2.0%) thanks to the increase in volumes and the reduction in interest expense (-22.9%) due in particular to the interest linked to the SRT securitisation.

Operating income



Net fee and commission increased from Euro 42.2 million to Euro 43.6 million. Commission income linked to insurance products placed with customers financed by the Bank increased (+8.0%). In addition, commission expense rose (+17.6%), mainly as a result of greater fee and commission paid.

Net trading income (loss) and the net hedging income represent the effect of the fair value of hedging derivatives on the loans portfolio and trading derivatives correlated to the securitisation transactions.

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 the months of November and December 2021.

The combination of the above mentioned effects led to an increase in the operating income (+39.6%), passing from Euro 250.2 to Euro 349.3 million.

The item Other operating income (expenses) shows an increase due to the increase in servicing fees deriving from the activities of the JointVentures.

Adjustments to loans and receivables disclosed a decrease (-63.8%), dropping from Euro 44.6 million to Euro 16.2 million. This change is due to the higher provisions made in 2020. For further information, please refer to the matters indicated in individual part E.

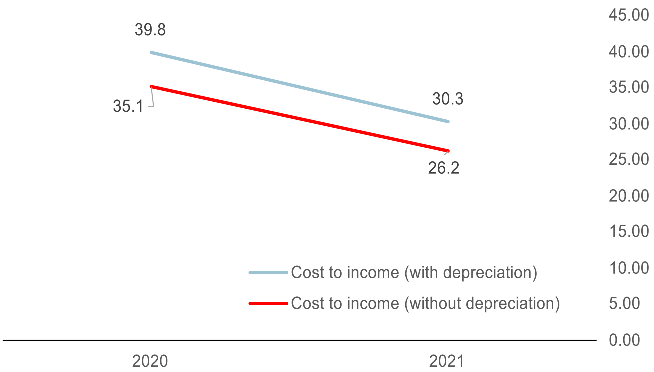
Administrative costs increased (+10.3%), from Euro 95.7 million to Euro 105.6 million, which include payroll costs (+14.4%) and overheads (+7.4%).

Net provisions for risks and charges recorded a use of 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 intangible assets, which increased by Euro 2.6 million by virtue of the software amortisation charges.

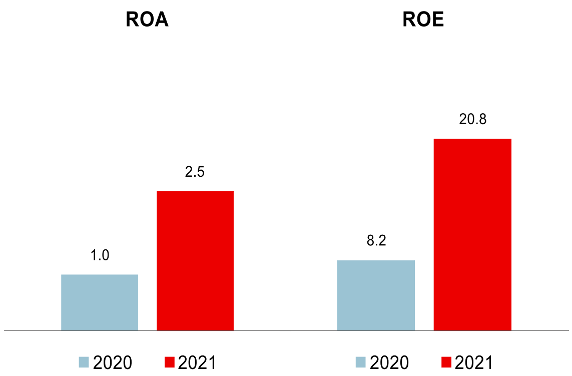
The above aspects led to a total profit or loss before tax of Euro 227.5 million and a net profit of Euro 179.2 million.

Cost to Income

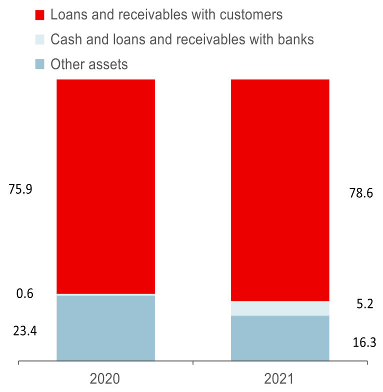


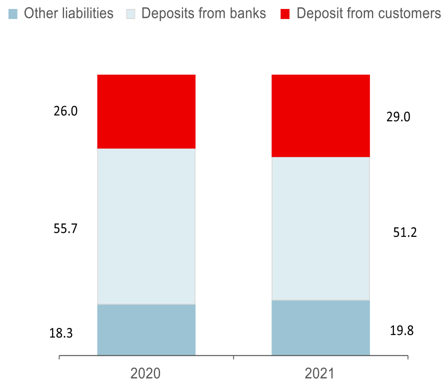
The cost-to-income ratio, calculated as the ratio between the sum of administrative costs and other net operating income records a reduction from 35.1% to 26.2 % excluding depreciation and amortisation expense, and from 39.8% to 30.3% including depreciation and amortisation.

Profitability indicators (ROA and ROE)



As a result of the above mentioned trends, the profitability indicators reported an increase with respect to the previous year: the ROA (Return on Asset) stood at 2.5%, while the ROE (Return on Equity) increases to 20.8% due to the effect of the increase in Equity aimed at enhancing capital strength.





in percentage value

With regard to the breakdown of assets, loans to customers increased (in relative terms) by +2.6%. Other assets decreased significantly (-7.1%). With regard to Government securities, compared to the previous year, there has been a different treatment of the Government securities purchased during the year, which were accounted for at fair value (therefore allocated in the charts shown above in other assets), while up to 31 December 2020 they were at amortised cost (in loans to customers). Loans to credit institutions increased in absolute value and as a percentage of assets, mainly due to new repurchase agreements (REPO).

Regarding the structure of sources of funds, on the other hand, amounts due to customers increased 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 decreased (-4.5%) due to the review of the other sources of funding of the Group and third parties, while the use of new TLTRO-III transactions increased.

Loans to customers net of Government securities decreased compared to the previous year (-1.3%); an analysis of the breakdown by product shows an increase in the Car loan (+6.5%), stability in terms of special-purpose loans (-0.2%) and a significant increase in lease products (+35.5%) thanks to the new agreement with Tesla. The salary assignment product was down (-7.4%) while personal loans were up (+4.0%) and stock financing is down (-76.6%) mainly due to the sale of company branch carried out with HCBE.

The "Other loans to customers" (net of the government securities classified at amortised cost) remained stable, while the “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**	
	2021	**2020**	**Absolute**	**(%)**
Car loan	3,042	2,857	185	6.5
Special-purpose loan	377	377	(1)	(0.2)
Personnel loan	617	594	24	4.0
Cards	4	4	(1)	(16.2)
Leasing	179	132	47	35.5
Salary assignment	1,105	1,193	(88)	(7.4)
Stock financing	81	348	(266)	(76.6)
Factoring				
Other loans to customers	195	193	2	0.8
Other components of amortised cost	93	88	5	5.8
Gross loans to customers	**5,693**	**5,785**	**(93)**	**(1.6)**
Provision for loan losses	(144)	(166)	22	(13.3)
Net loans to customers	**5,549**	**5,619**	**(71)**	**(1.3)**

Santander Consumer Bank

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2021

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2021

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 2021, 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 2021, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, Italian Legislative Decree no. 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 23 February 2022, relating to the year ended 31 December 2021:

- draft financial statements, including the notes to the financial statements 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 information, 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 no. 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 2021, 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.

During the supervisory activities, as described above, no other significant facts emerged, which would require mentioning in this report.

Annual financial statements

The Board examined the draft financial statements for the year ended on 31 December 2021 which were made available, following approval by the Board of Directors during the meeting held on 23 February 2022, within the terms set out in Article 2429 of Italian Civil Code, in relation to which we report the following.

The financial statements have been prepared in compliance with the international accounting standards (IAS and IFRS) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), implemented in Italy by Italian Legislative Decree no. 38/2005. Account was also taken of the instructions relating to financial statements of banks contained in Bank of Italy circular no. 262/2005, as subsequently updated and supplemented.

Since the official audit of the financial statements was not entrusted to the Board of Statutory Auditors, the Board oversaw the general approach given to the same, its general compliance with the law with regard to its formation and structure and in this regard there are no particular observations to report.

the Board checked compliance with the legal provisions pertaining to the preparation of the report on operations and we have no particular observations in this regard.

On 15 March 2022, the Board acquired the audit report prepared in accordance with Article 14 of Italian Legislative Decree no. 39/2010 from which the following emerges:

- in the opinion of the auditing firm, the financial statements "provide a true and fair view of the equity and financial position of the Company as at 31 December 2021, of the economic result and cash flows for the year ended on that date in accordance with International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 43 of Italian Legislative Decree no. 136/2015 ";
- that this opinion is based on the acquisition, by the same auditing firm, of sufficient and appropriate audit evidence;
- again in the opinion of the independent auditing firm, the Report on Operations is consistent with the Company's financial statements at 31 December 2021 and has been drawn up in compliance with the law.

Observations and proposals regarding the approval of the financial statements

Considering the results of the activities we have carried out and the opinion expressed in the audit report issued by the party in charge of the official audit, we invite the shareholders to approve the financial statements for the year ended 31 December 2021, as drawn up by the Directors. The Board of Statutory Auditors agrees with the proposal for the allocation of the result for the year formulated by the Directors.

Turin, Italy, 15 March 2022

The Board of Statutory Auditors

Walter Bruno

Maurizio Giorgi

Franco Riccomagno

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 30 March 2022 at 9:30 a.m. in Turin, Corso Massimo D'Azeglio no. 33/E, and, if necessary, on second call, for 1 April 2022, 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 2021 Statutory Auditors' Report and Independent Auditors' Report; inherent and consequent resolutions;
2. Information on the 2021 remuneration and incentives system;
3. Appointment of a Director and determination of the related remuneration; inherent and consequent resolutions;
4. 2022 remuneration and incentive policies; related resolutions.
5. One-off supplement to the fee for the official audit activities relating to the entry into force of the new default definition; inherent and consequent resolutions.

Proposals to the Shareholders' Meeting

Proposals 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 179,206,328.

We propose that profit be allocated as follows:

	euro
Net profit for the period	179,206,328
Legal reserve	8,960,316
Previous losses coverage	16,481
Extraordinary reserve	229,530
Dividends	170,000,000

Independent Auditors' Report on the financial statements at 31 December 2021

Independent Auditors' Report on the financial statements at 31 December 2021

pwc

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 2021, 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 2021 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

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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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* *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 2021 represented the total amount of item 40 b) "*Financial assets measured at amortised cost – Loans and advances to customers*", show a balance of Euro 5,549 million, accounting for about 78 per cent of total assets in the financial statements. The net losses on credit risk relating to loans and advances to customers for loans, recognised during the year, amount to Euro 16 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 that, starting from 1 January 2021, also include the effects of applying the new default definition. Such 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	In performing our audit, we took into consideration the internal control system relevant to the preparation of the financial statements; in order to design appropriate audit procedures in the circumstances, we also took into account the application, starting from 1 January 2021, of the new default definition, as well as the adjustments necessary as a result of the continuing uncertain macroeconomic scenario linked to the Covid-19 pandemic. 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 reviewing the operational effectiveness of the relevant controls overseeing the IT systems and applications used by the Company; • 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. Special attention was paid to the behaviour of counterparties who, during the year, continued to benefit from economy support measures, as well as those who resumed payments according to the amortisation schedule; • Understanding and verifying the methods to determine and estimate the main risk parameters used as part of these models; in particular, attention was paid on checking the reasonableness of the recalibration of the PD (Probability of Default) and LGD (Loss Given Default) risk parameters, in order to reflect the application of the new default definition and the update of the historical series, as well as the estimates made in defining the expected macroeconomic scenarios used; • Verifying the reasonableness of the

underlying the ECL calculation, which also incorporate the use of macroeconomic scenarios and prospective information, as well as the identification of objective evidence of impairment. In the reporting period, these estimation processes were far more complex also in relation to the need to consider the uncertainties linked to the persistent macroeconomic scenario related to the Covid-19 pandemic, as well as the continuation of the resulting economic support measures, including moratoria. These circumstances required an update of the processes and methods of evaluation of loans with particular reference to the calculation of the SICR and the recalibration of the main risk parameters underlying the determination of the ECL, including the update of the historical series and macroeconomic scenarios (both "frozen" from the beginning of the pandemic), as well as the management of adjustments to the ECL calculation model (overlay) to incorporate the uncertainties related to the evolution of the pandemic context.	methods to manage the adjustments applied to theECL calculation model (overlay), also through examination of the sensitivity analyses performed by the Company; • 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.

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 2021, 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 2021 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 2021 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, 15 March 2022

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.

Financial Statements

Balance Sheet

In Euro

	Voci dell'attivo	12/31/2021	12/31/2020
10.	Cash and cash balances	221,570,365	3,836,152
20.	Financial assets designated at fair value through profit or loss	359,981	2,174,022
	a) Financial assets held for trading	359,981	2,174,022
30.	Financial assets at FV with effects on P&L	633,804,158	-
40.	Financial assets measured at amortised cost	5,690,870,857	6,893,796,611
	a) Loans and advances to banks	142,268,016	42,990,708
	b) Loans and advances to customers	5,548,602,841	6,850,805,903
50.	Hedging derivatives	5,704,594	-
60.	Changes in fair value of portfolio hedged items (+/-)	(3,478,474)	9,468,226
70.	Equity investments	180,989,712	155,999,712
80.	Property, plant and equipment	22,324,741	20,361,098
90.	Intangible assets	33,117,570	25,992,720
100.	Tax assets	195,103,856	227,310,814
	a) current	42,858,673	45,693,279
	b) deferred	152,245,183	181,617,535
120.	Other assets	81,739,458	60,428,702
	Total Assets	**7,062,106,818**	**7,399,368,057**

	Liabilities and Shareholders' equity	12/31/2021	12/31/2020
10.	Financial liabilities valued at amortised cost	5,838,910,286	6,219,596,229
	a) Deposits from banks	3,613,173,776	4,118,444,254
	b) Deposits from customers	2,050,691,584	1,924,910,609
	c) Debt securities in issue	175,044,926	176,241,366
20.	Financial liabilities held for trading	5,336,192	-
40.	Hedging derivatives	2,714,235	10,336,754
60.	Tax liabilities	20,500,146	7,216,057
	a) current	20,392,650	7,216,057
	b) deferred	107,496	-
80.	Other liabilities	174,996,419	170,493,568
90.	Provision for employee severance pay	2,961,561	3,238,279
100.	Provisions for risks and charges	13,142,748	20,254,361
	a) commitments and guarantees given	-	54,348
	c) other	13,142,748	20,200,013
110.	Valuation reserves	(489,476)	(686,327)
140.	Reserves	251,195,793	324,640,203
150.	Share premium	632,586	632,586
160.	Share capital	573,000,000	573,000,000
180.	Net Profit (Loss) for the year (+/-)	179,206,328	70,646,347
	Total liabilities and Shareholders' Equity	**7,062,106,818**	**7,399,368,057**

In light of the changes made following the 7th update of 29 October 2021 of the Bank of Italy circular no. 262, some items of the 2020 financial statements have been restated. Please refer to the Notes - Part A Accounting policies - Section 5 “Other aspects”.

Income Statement

In Euro

	Items	12/31/2021	12/31/2020
10.	Interest and similar income	247,246,579	242,479,608
	of which: interest income calculated using the effective interest method	222,658,108	228,822,622
20.	Interest expenses and similar charges	(29,244,922)	(37,938,288)
30.	**Net interest margin**	**218,001,657**	**204,541,320**
40.	Fee and commission income	68,104,299	63,059,633
50.	Fee and commission expenses	(24,528,604)	(20,851,986)
60.	**Net fee and commission**	**43,575,695**	**42,207,647**
70.	Dividends and similar revenues	89,500,000	-
80.	Net income financial assets and liabilities held for trading	(3,341,859)	2,094,316
90.	Net hedging gains (losses) on hedge accounting	336,139	(12,194)
100.	Gains and losses on disposal of:	1,254,996	1,416,658
	a) financial assets at amortised cost	1,254,996	1,416,658
120.	**Operating income**	**349,326,628**	**250,247,747**
130.	Net losses / recoveries on credit risk relating to	(16,154,321)	(44,612,481)
	a) financial assets at amortised cost	(16,154,321)	(44,612,481)
150.	**Net profit from financial activities**	**333,172,307**	**205,635,266**
160.	Administrative costs:	(105,570,647)	(95,669,876)
	a) payroll costs	(45,941,278)	(40,169,229)
	b) other administrative costs	(59,629,369)	(55,500,647)
170.	Net provisions for risks and charges	65,778	(2,210,286)
	a) commitments and financial guarantees given	54,348	(8,125)
	b) other net provisions	11,430	(2,202,161)
180.	Net adjustments / writebacks on property, plant and equipment	(4,656,162)	(4,852,759)
190.	Net adjustments / writebacks on intangible assets	(9,538,580)	(6,962,045)
200.	Other operating income/expenses	14,035,550	7,791,164
210.	**Operating costs**	**(105,664,061)**	**(101,903,802)**
260.	**Total profit or loss before tax from continuing operations**	**227,508,246**	**103,731,464**
270.	Tax income of the year from continuing operations	(48,301,918)	(33,085,117)
280.	**Total profit or loss after tax from continuing operation**	**179,206,328**	**70,646,347**
300.	**Profit or loss for the year**	**179,206,328**	**70,646,347**

Statement of comprehensive income

In Euro

	Items	12/31/2021	12/31/2020
10.	**Net Profit (Loss) for the year**	**179,206,328**	**70,646,347**
70.	Defined benefit plans	(20,709)	(53,934)
140.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	217,560	-
170.	**Total other income components after tax**	**196,851**	**(53,934)**
180.	**Overall profitability (Item 10 + 170)**	**179,403,179**	**70,592,413**

Statement of changes in shareholders’ equity

In Euro

Financial year 2021

				Allocation of prior year results		Changes during the year								
							Transactions on shareholders' equity							
	Balance at 12.31.2020	Changes in opening balances	Balance at 1.1.2021	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 2021	Group shareholders' equity at 12.31.2021
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:	**324,640,203**		**324,640,203**	**3,646,347**					**(77,090,757)**					**251,195,793**
a) retained earnings	284,727,516		284,727,516	3,646,347					(77,090,757)					211,283,106
b) other	39,912,687		39,912,687											39,912,687
Valuation reserves	**(686,327)**		**(686,327)**										**196,851**	**(489,476)**
Equity instruments														
Treasury shares														
Net profit (loss) for the period	**70,646,347**		**70,646,347**	**(3,646,347)**	**(67,000,000)**								**179,206,328**	**179,206,328**
Shareholders’ equity	**968,232,809**		**968,232,809**		**(67,000,000)**				**(77,090,757)**				**179,403,179**	**1,003,545,230**

Financial year 2020

				Allocation of prior year results		Changes during the year								
							Transactions on shareholders' equity							
	Balance at 12.31.2019	Changes in opening balances	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	Comprehensive income for 2020	Group shareholders' equity at 12.31.2020
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**

Cash flow statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount	
	31/12/2021	31/12/2020
1. Liquidity generated from operations	**115,810,860**	**61,213,819**
- net profit for the year (+/-)	179,206,328	70,646,347
- net gains/losses on financial assets held for trading and financial assets designated at fair value through profit or loss (+/-)	4,714,135	(676,225)
- gains (losses) from hedging activities (+/-)	(336,139)	12,194
- net adjustments for credit risk (+/-)	(22,041,827)	44,612,481
- impairment/recoveries to property and equipment and intangible assets (+/-)	8,536,527	11,811,782
- net provisions for risks and charges and other costs/income (+/-)	3,952,522	(19,834,853)
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	42,559,177	7,730,444
- impairment/recoveries to disposal groups net of tax effect (-/+)		13,482
- other adjustments (+/-)	(100,779,863)	(53,101,833)
2. Liquidity generated/absorbed by financial assets	**661,759,394**	**(658,726,371)**
- financial assets held for trading		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	(637,875,026)	
- financial assets measured at amortized cost	1,313,275,760	(663,601,904)
- other assets	(13,641,341)	4,195,014
3. Liquidity generated/absorbed by financial liabilities	**(374,319,614)**	**613,064,989**
- financial liabilities measured at amortized cost	(366,308,462)	678,756,452
- financial liabilities held for trading	2,381,500	(680,519)
- financial liabilities designated at fair value through profit and loss		
- other liabilities	(10,392,651)	(65,010,944)
Net Liquidity generated/absorbed by operating activities	**403,250,640**	**15,552,437**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**2,025,359**	
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment	2,025,358	
- sale of intangible assets		
- sale of lines of business	1	
2. Liquidity absorbed by	**(43,451,029)**	**(22,382,372)**
- purchase of equity investments	(24,990,000)	(3,060,000)
- purchase of property and equipment	(1,797,598)	(2,742,115)
- purchase of intangible assets	(16,663,431)	(16,580,257)
- purchase of lines of business		
Net Liquidity generated/absorbed by investing activities	**(41,425,670)**	**(22,382,372)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations	(144,090,757)	
Net Liquidity generated/absorbed by financing activities	**(144,090,757)**	
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**217,734,213**	**(6,829,935)**

Key:
(+) generated
(-) absorbed

Reconciliation

Items	Amount	
	12/31/2021	31/12/2020
Cash and cash equivalents at beginning of year	3,836,152	10,666,087
Net increase (decrease) in cash and cash equivalents	217,734,213	(6,829,935)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	221,570,365	3,836,152

In light of the changes made following the 7th update of 29 October 2021 of the Bank of Italy circular no. 262, some items of the 2020 financial statements have been restated. Please refer to the Notes - Part A Accounting policies - Section 5 “Other aspects”.

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 2021 have been prepared in accordance with Circular no. 262/05 (hereinafter also the Circular) as subsequently amended by the 7th update of 29 October 2021 "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 21 December 2021, the Bank of Italy published the Communication "Amendment of the 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.

In preparing the financial statements the IAS/IFRS in force at 31 December 2021 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 2020.

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 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 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 2020 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 2020, 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 was carried out so that the loans, which had not previously benefited from payment grace periods, can benefit from them.

The ESMA intervened with the following communications:

- 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. While these measures may take on different forms, their impact on financial information, in particular the requirements of IFRS 9, should be carefully considered. ESMA believes that the impacts of the measures implemented on financial instruments should be assessed and whether such measures involve a change in financial assets.
- communication dated 28 October 2020 "European common enforcement priorities for 2020 annual financial report";
- communication dated 29 October 2021 "European common enforcement priorities for 2021 annual financial reports". The authority calls for a careful assessment of the long-term impacts of COVID-19 on issuers' activities, financial performance, financial position and cash flows. In this regard, ESMA reiterates the recommendations included in its 2020 Communication, in particular those relating to business continuity assumptions, significant judgments, uncertainty in estimates, presentation of financial data and deterioration of assets. ESMA also underlines that the twelve months from the end of the reference period referred to in paragraph 26 of IAS 1 are a minimum period, therefore, as required by paragraph 25 of IAS 1, issuers must assess and indicate whether there are significant uncertainties relating to events or conditions that may give rise to significant doubts on the issuer's ability to continue to operate beyond the twelve-month period after the reference period. The Authority expects issuers to disclose, with an appropriate level of detail of information the impact of any material adjustment on the ECL estimate. The Entity reminds issuers to indicate the basis of the inputs and the assumptions and estimation techniques used to determine the significant increase in credit risk (SICR) and encourages credit institutions to explain how the Forward-looking aspect has been incorporated into the determination of the ECL as well as providing specific information on the main opinions and estimates relating to the uncertainties that have been considered for the definition of the scenarios and their weight. ESMA emphasises that the tabular reconciliation of the bad debt provision from the opening balance to the closing balance should be disaggregated by class of financial instrument and should separately provide information on changes resulting from losses for off-balance sheet commitments. ESMA reminds issuers to provide adequate qualitative and quantitative information on liquidity risk, as well as to include in the financial statements a description of the nature and extent of any significant public support measures received by category (e.g. loans, tax relief, compensation schemes). Finally, ESMA stresses that issuers must consider climate risks when preparing and reviewing financial statements to the extent that the effects of such risks are significant and must provide adequate disclosure of them.

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 informational 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 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 - Subsequent events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 23 February 2022.

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 2021. For further details on the events that took place after 31 December 2021, please refer to the matters described in the Management Report - Other facts worth mentioning.

Section 4 - Other aspects

Complete copies of the last financial statements with the reports on operations of the companies that at 31 December 2021 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2022, 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 2021 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 held in 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 2021:

- Reform of the benchmarks of interest rates, phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 adopted with Commission Regulation (EU) no. 2021/25 of 13 January 2021 published in the Official Journal L 11 of 14 January 2021.
- Amendments to IFRS 16 - Concessions on fees related to COVID-19 after 30 June 2021 (EU Reg. no. 2021/1421).

Listed below are the relevant amendments issued by the IASB that will become effective after the balance sheet date:

- Amendments to IAS 1: requires companies to provide information on the relevant accounting standards rather than on the significant accounting standards;
- Amendments to IAS 8: clarifies how companies should distinguish changes in accounting standards from changes in accounting estimates.
- IFRS Practice Statement 2: Making Materiality Judgements (Practice Statement): provides guidance on how to apply the concept of materiality to disclosure of accounting standards.
- The IFRS Interpretations Committee published in June 2021 an attempt to decide on the accounting methodology of the TLTROs issued by the European Central Bank, analysing in particular whether they should be accounted for in accordance with IFRS 9 or IAS 20. In February 2022, the IFRS Interpretations Committee did not give indications on the treatment reserved for the case, considering the matter too specific with respect to the general rule.

In compliance with the provisions of Bank of Italy Circular 262, current accounts and unrestricted deposits with banks and central banks have been reclassified from the item Financial assets at amortised cost to the item Cash and cash equivalents. Furthermore, the related comparatives have been adjusted to provide transparent disclosure. In order to allow the reconciliation of the comparatives with the data resulting from the approved 2020 financial statements, the details of the reclassification carried out are shown in the table below:

Balance sheets - Assets	Financial Statements 2020 approved	Financial Statements 2021 reclassified
10. Cash and cash balances	4,185	3,836,152
40. Financial assets measured at amortised cost a) Loans and advances to banks	46,822,675	42,990,708
Total	**46,826,860**	**46,826,860**

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 current levels may continue also in 2022.

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 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) Amendments to the accounting standard IFRS 16

Regulation no. 2021/1421 of the Commission dated 30 August 2021 was published In the European Official Gazette dated 31 August 2021, which amended the accounting standard IFRS 16 Leasing. Companies must apply the new amendment starting from 1 April 2021 for financial years starting at the latest on 1 January 2021 or later. Article 1 of the regulation envisages amendments to paragraph 46B of the standard, whereby the practical expedient referred to in paragraph 46A applies only to concessions on fees that are a direct consequence of the COVID-19 pandemic and only if certain conditions are met. The bank has not detected any such cases.

A.2 – Main items in the financial statements

This section explains the accounting policies used to prepare the 2021 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.

Cash and cash equivalents

Recognition and classification

The following items are included in this item:

- legal tender currencies, including foreign banknotes and divisional coins;
- current accounts and "on demand" deposits with central banks, with the exception of the compulsory reserve, as well as "on demand" receivables (current accounts and on demand deposits) vis-à-vis banks. Cash receivables that can be withdrawn by the creditor at any time without notice or with 24 hours or one business day's notice are considered "on demand" receivables. Receivables with a contractual obligation of expiry equal to 24 hours or one working day are also included among the "on demand" receivables.

Measurement

Cash and cash equivalents are valued according to the following criteria:

- current accounts and "on demand" deposits with Central Banks, with the exception of the compulsory reserve, as well as "on demand" credits (current accounts and on demand deposits) from banks and checks (current account, circular and similar), constituting receivables, are valued according to the general principle of the estimated realizable value. This value normally coincides with the nominal value, while in situations of difficult collectability the nominal value must be reduced by the bad debt provision, which expresses the risk of bad debt due from banks;
- cash and revenue stamps on hand are valued at nominal value;
- cash and cash equivalents in foreign currencies are valued at the exchange rate in effect on the closing date of the financial year.

Derecognition

These assets are derecognised from the financial statements at the natural end of the contractual rights on the related cash flows.

1 – Financial assets measured 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 measured 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 'measured 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 measured at fair value through comprehensive income

Recognition

The initial recognition of financial assets measured at fair value through comprehensive income takes place as of the settlement date. Upon initial recognition, financial assets are measured at fair value which normally corresponds to the consideration for the transactions inclusive of the transaction costs and income directly attributable to the instrument.

Classification

Financial assets held on the basis of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets (HTCS business model) and whose contractual cash flows are represented solely by payments of principal and interest on the amount of capital to be repaid (passing the SPPI test) are classified in this category. Equity instruments not held for trading purposes are also included in the item, for which at the time of initial recognition the option envisaged by IFRS 9 was exercised for the measurement at fair value with impact on comprehensive income without reversal to income statement of any capital gain or loss realised in the event of a sale.

According to the provisions of IFRS 9, reclassifications are only permitted following a change in the business model. In such cases, which are expected to occur very rarely, financial assets may be reclassified from the category measured at fair value through comprehensive income into one of the other two categories under IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). In the event of reclassification from financial assets measured at fair value with an impact on comprehensive income to the amortised cost category, the accumulated profit (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. On the other hand, in the case of reclassification in the fair value category with impact on the income statement, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified to profit (loss) for the year.

Measurement and recognition of components affecting the income statement

Subsequent to initial recognition, the Financial assets measured at fair value with impact on comprehensive income, other than equities, are measured at fair value, with recognition in the income statement of the corresponding value at amortised cost, while gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised or an impairment loss is recognised. Upon disposal, the accumulated gains or losses are recognised in the income statement.

Derecognition

Financial assets are derecognised from the balance sheet if the contractual rights relating to the cash flows have expired, been extinguished or in the presence of transfer transactions which essentially transfer all the risks and benefits associated with ownership of the transferred asset to third parties. On the other hand, if a predominant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if legally ownership of the assets has been transferred.

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 not classified in the item "Cash and cash equivalents", 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 'measured at 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 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 underlying item attributable to the hedged risk, 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 initial recognition date, the value of the right of use is determined equal to its fair value including any accessory charges. The corresponding financial liability is recognised at the current value of the payments due.

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 measured 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 concluded 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 and/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 measurement techniques used have been adapted to the specific characteristics of the assets and liabilities to be 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 for collection expenses were excluded from the calculation of the effective rate due to their compliance with the provisions of IFRS 15.

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.

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, or rather 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 PD is calculated equal to 100%, 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: measurement techniques and inputs used

The measurement techniques used have been adapted to the specific characteristics of the assets and liabilities to be 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 its 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

	12/31/2021			12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	360	-	-	2,174	-
a) financial assets held for trading	-	360	-	-	2,174	-
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	633,804	-	-	-	-	-
3. Cover derivatives	-	5,705	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	633,804	6,065	-	-	2,174	-
1. Financial liabilities held for trading	-	5,336	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Cover derivatives	-	2,714	-	-	10,337	-
Total	-	8,050	-	-	10,337	-

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 liabilities 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	12/31/2021				12/31/2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortized cost	5,690,871			5,520,141	6,893,797	1,234,372		5,530,270
2. Available for sale financial assets								
3. Non current assets classified as held for sale								
Total	5,690,871	-	-	5,520,141	6,893,797	1,234,372	-	5,530,270
1. Financial liabilities measured at amortized cost	5,838,910		2,870,739	2,968,055	6,219,596		2,556,146	3,632,616
2. Liabilites included in disposal group classified as hfs								
Total	5,838,910	-	2,870,739	2,968,055	6,219,596	-	2,556,146	3,632,616

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 12/31/2021	Total 12/31/2020
a) Cash	15	4
b) Current account and demand deposits with Central banks	218,268	-
c) Current accounts and demand deposits with banks	3,287	3,832
Total	**221,570**	**3,836**

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

2.1 Financial assets held for trading: breakdown by type

Items/Values	Total 12/31/2021			Total 12/31/2020		
	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	-	360	-	-	2,174	-
1.1 trading	-	360	-	-	2,174	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	-	**360**	-	-	**2,174**	-
Total (A+B)	-	**360**	-	-	**2,174**	-

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

The financial derivatives item includes the positive fair values of the derivatives entered into as part of the securitisation transactions with Santander Group companies.

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

Items/Values	Total 12/31/2021	Total 12/31/2020
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	360	2,174
Total (B)	**360**	**2,174**
Total (A+B)	**360**	**2,174**

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 measured at fair value through comprehensive income – Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Item/Values	Total 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	633,804	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	633,804	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**633,804**	**-**	**-**	**-**	**-**	**-**

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

During 2021, a new Business Model was adopted for the management of government securities, acquired after its adoption.

3.2. Financial assets measured at fair value through other comprehensive income: breakdown by borrower/issuer

Items/Values	Total 12/31/2021	Total 12/31/2020
1. Debt securities	**633,804**	**-**
a) Central Banks	-	-
b) Public entities	633,804	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
2. Equity securities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non financial companies	-	-
- others	-	-
3. Loans	-	-
a) Central Banks	-	-
b) Public entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**633,804**	**-**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total writedowns

	Gross amount					Writedowns				
	First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total
Debt securities	633,804	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**633,804**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 12/31/2021						Total 12/31/2020					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Receivables to Central Banks	**13,088**	-	-	-	-	**13,088**	**1,076**	-	-	-	-	**1,076**
1. Deposits to Maturity	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	13,088	-	-	X	X	X	1,076	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables to banks	**129,180**	-	-	-	-	**129,101**	**41,915**	-	-	-	-	**42,002**
1. Loans	129,180	-	-	-	-	129,101	41,915	-	-	-	-	42,002
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	129,180	-	-	X	X	X	41,915	-	-	X	X	X
- Repos	93,518	-	-	X	X	X	-	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	35,662	-	-	X	X	X	41,915	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**142,268**	**-**	**-**	**-**	**-**	**142,189**	**42,991**	**-**	**-**	**-**	**-**	**43,077**

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

The item other loans - other relates mainly to the 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 linked to the negative fair value of the derivative contracts entered into with Banco Santander, for Euro 2,100 thousand (Euro 8,350 thousand at 31 December 2020).

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

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Balance value			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**5,493,359**	**55,243**	-	-	-	**5,377,952**	**5,586,537**	**32,843**	-	-	-	**5,487,193**
1.1.Deposits from customers	5,505	-	-	X	X	X	8,023	2	-	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 assignment losses	1,783,098	33,991	-	X	X	X	1,862,192	13,881	-	X	X	X
1.5 Lease loans	174,064	564	-	X	X	X	127,732	448	-	X	X	X
1.6. Factoring	51,590	-	-	X	X	X	294,933	-	-	X	X	X
1.7. Other loans	3,479,103	20,688	-	X	X	X	3,293,656	18,513	-	X	X	X
2. Debt securities	-	-	-	-	-	-	**1,231,426**	-	-	**1,234,372**	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	1,231,426	-	-	1,234,372	-	-
Total	**5,493,359**	**55,243**	-	-	-	**5,377,952**	**6,817,963**	**32,843**	-	**1,234,372**	-	**5,487,193**

Loans for factoring were taken out following the sale of a business unit in favour of Hyundai Capital Bank, which undertook the commercial relations with the related automotive companies.

The item Other loans includes car loans and special-purpose loans. This item includes the amount due from the SPV for the proceeds arising from the portfolio involved in the self-securitisation.

In 2021, a new business model was adopted for the management of government securities (see section 3 as well as the matters indicated in the management report). For the residual securities present in 2020, their natural maturity is expected.

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

Type of transaction / Values	Total 12/31/2021			Total 12/31/2020		
	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**	-	-
a) Public Administration	-	-	-	1,231,426	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**5,493,359**	**55,243**	-	**5,586,537**	**32,843**	-
a) Public Administration	1,582	4,212	-	8,124	739	-
b) Other financial company	203,310	44	-	201,990	18	-
of which: insurance companies	-	-	-	2	5	-
c) Non financial companies	334,968	3,101	-	558,790	2,871	-
d) Households	4,953,500	47,887	-	4,817,633	29,215	-
Total	**5,493,359**	**55,243**	-	**6,817,963**	**32,843**	-

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

		Gross amount					Writedowns				Write off partial total
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		-	-	-	-	-	-	-	-	-	-
Loans		5,619,689	-	73,753	141,428	-	39,779	18,035	86,185	-	-
Total	**12/31/2021**	**5,619,689**	**-**	**73,753**	**141,428**	**-**	**39,779**	**18,035**	**86,185**	**-**	**-**
Total	**12/31/2020**	**6,827,932**	**-**	**99,707**	**132,199**	**-**	**40,910**	**25,776**	**99,355**	**-**	**-**

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	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-	-	-	-	-
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted		-	-	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures		-	-	3,060	-	-	-	1,835	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**-**	**-**	**3,060**	**-**	**-**	**-**	**1,835**	**-**	**-**	**-**
Total	**12/31/2020**	**64,369**	**-**	**1,068**	**100**	**-**	**2,651**	**268**	**27**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and level

	FV 12/31/2021			NV 12/31/2021	FV 12/31/2020			NV 12/31/2020
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair Value	-	5,705	-	1,068,301	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair Value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**5,705**	**-**	**1,068,301**	**-**	**-**	**-**	**-**

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

The following table gives details of hedging derivatives with positive fair values at 31 December 2021:

Notional	Start date	Settlement date	Counterparty	Fair value
86.932	29/05/2020	28/02/2031	Banco Santander	112
86.932	29/05/2020	31/03/2031	Banco Santander	153
89.529	29/05/2020	29/07/2031	Banco Santander	143
43.841	29/05/2020	29/05/2031	Banco Santander	62
43.466	29/05/2020	30/06/2031	Banco Santander	76
80.000	22/07/2021	22/01/2038	Banco Santander	890
150.000	22/07/2021	23/11/2037	Banco Santander	1.743
170.000	22/07/2021	22/12/2037	Banco Santander	2.060
147.398	27/12/2021	27/04/2038	Banco Santander	204
96.498	27/12/2021	27/05/2038	Banco Santander	143
73.708	27/12/2021	28/06/2038	Banco Santander	118
1.068.301				**5.705**

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

Transaction / Type of hedging	Fair Value						Cash-flow hedges		Net Investments on foreign subsidiaries
	Micro					Macro	Micro	Macro	
	debt securities and interest rates	equity securities and stock indexes	currencies and gold	commodities	others				
1. Available for sale financial assets	-	-	-	-	-	X	-	X	X
2. Loans and receivables	-	-	-	X	-	X	-	X	X
3. Portfolio	X	X	X	X	X	5,705	X	-	X
5. Others	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**5,705**	**-**	**-**	**-**
Financial Liabilities	-	-	-	X	-	X	-	X	X
Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**X**
1. Highly probable transactions (CFH)	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-

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 12/31/2021	Total 12/31/2020
1. Positive adjustment	-	**9,468**
1.1 of specific portfolios:	-	9,468
a) financial assets at amortised cost	-	9,468
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(3,478)**	-
2.1 of specific portfolios:	(3,478)	-
a) financial assets at amortised cost	(3,478)	-
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**(3,478)**	**9,468**

Section 7 – Equity investments – Item 70

7.1 Equity investments: disclosures

The Bank's equity investments at 31 December 2021 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

	Total 31/12/2021	Total 31/12/2020
A. Opening balance	**156,000**	**152,940**
B. Increases	**24,990**	**3,060**
B.1 Purchases	24,990	3,060
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	180,990	156,000
E. Total revaluations		
F. Total adjustments		

The purchases refer to the increase in the investment in the subsidiary TIMFin S.p.A., which took place in January and October 2021.

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

Activities/Values	Total 12/31/2021	Total 12/31/2020
1. Owened assets	**3,792**	**4,579**
a) lands	-	-
b) buildings	-	-
c) furniture	712	805
d) electronic system	2,893	3,438
e) other	187	336
2. Leased assets	**18,533**	**15,782**
a) lands	-	-
b) buildings	15,649	15,652
c) furniture	-	-
d) electronic system	-	-
e) other	2,884	131
Total	**22,325**	**20,361**
of which: obtained by the enforcement of collateral	-	-

For property, plant and equipment purchased under finance leases, please refer to Part M Report on leases for further details.

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	**-**	**19,904**	**4,090**	**14,043**	**11,838**	**49,875**
A.1 Total net reduction value	-	(4,253)	(3,284)	(10,605)	(11,372)	(29,514)
A.2 Net opening balance	**-**	**15,652**	**805**	**3,438**	**466**	**20,361**
B. Increase:	**-**	**2,494**	**26**	**2,205**	**4,345**	**9,070**
B.1 Purchasing	-	-	26	1,753	19	1,798
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	452	-	452
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	-	2,494	-	-	4,326	6,820
C. Decrease:	**-**	**2,497**	**119**	**2,750**	**1,740**	**7,106**
C.1 Sales	-	-	-	1,780	10	1,791
- of which business combinations	-	-	-	-	-	-
C.2 Amorisation	-	2,230	119	970	1,730	5,048
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	-	267	-	-	-	267
D. Net closing balance	**-**	**15,649**	**712**	**2,893**	**3,071**	**22,325**
D.1 Total net write-down	-	5,399	3,357	11,122	9,780	29,658
D.2 Final gross balance	**-**	**21,048**	**4,069**	**14,015**	**12,851**	**51,983**
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.

Item B.7 "Other increases" includes the increases in the value of the ROUs subject to IFRS16.

The table below reports the annual changes in 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	-	**19,904**	-	-	**3,265**	**23,169**
A.1 Total net reduction value	-	4,253	-	-	3,134	7,387
A.2 Opening net balance	-	**15,652**	-	-	**131**	**15,782**
B. Increase:	-	**2,494**	-	-	**4,326**	**6,820**
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	-	2,494	-	-	4,326	6,820
C. Decreases:	-	**2,497**	-	-	**1,573**	**4,070**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,230	-	-	1,573	3,803
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	-	267	-	-	-	267
D. Net final balance	-	**15,649**	-	-	**2,884**	**18,533**
D.1 Total net reduction in value	-	(5,399)	-	-	(1,573)	(6,972)
D.2 Gross closing balance	-	**21,048**	-	-	**4,457**	**25,505**
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

Activities/Values	Total 12/31/2021		Total 12/31/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible asset	33,118	-	25,993	-
of which Software	33,118	-	25,993	-
A.2.1 Assets valued at cost:	33,118	-	25,993	-
a) intangible assets generated internally	-	-	-	-
b) other assets	33,118	-	25,993	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**33,118**	**-**	**25,993**	**-**

The software has an amortisation period of 3 years, with the exception of the basic software used for services provided to the JVs which are between 5 and 7 years.

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	-	-	-	**113,922**	-	**113,922**
A.1 Reductions of total net value	-	-	-	(87,929)	-	(87,929)
A.2 Net opening balance	-	-	-	25,993	-	25,993
B. Increases	-	-	-	**16,663**	-	**16,663**
B.1 Purchases	-	-	-	16,663	-	16,663
- 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	-	-	-	**9,539**	-	**9,539**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	9,539	-	9,539
- Amortisations	X	-	-	9,539	-	9,539
- 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	-	-	-	**33,118**	-	**33,118**
D.1 Adjustment of net total values	-	-	-	97,468	-	97,468
E. Gross closing balance	-	-	-	**130,586**	-	**130,586**
F. Evaluation to cost	-	-	-	-	-	-

Key:
DEF: definite duration
INDEF: indefinite duration

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.

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 – Asset item 100 and Liabilities and Shareholders' equity item 60

Current tax assets recognised in asset line item 100 amount to Euro 42,859 thousand (Euro 45,693 thousand in 2020), while current liabilities recognised in liabilities and shareholders' equity line item 60 amount to Euro 20,393 thousand (Euro 7,216 thousand in 2020).

10.1 Deferred tax assets: breakdown

	12/31/2021	12/31/2020
- Balancing the income statement	151,896	181,278
- Balancing net equity	349	339
Total	**152,245**	**181,618**

The deferred tax assets in the income statement are mainly attributable to write-downs on receivables as per Italian Legislative Decree no. 214/2011 (see paragraph 11.4) and to temporary changes generated by provisions for risks.

Deferred tax assets through shareholders' equity of Euro 349 thousand relate to the tax effect of actuarial gains and losses pertaining to provision for employee severance pay.

10.2 Deferred tax liabilities: breakdown

	12/31/2021	12/31/2020
- Recognised to the income statement	-	-
- Recognised to the net equity	107	-
Total	**107**	**-**

Deferred taxes offset to shareholders' equity refer to the tax effect of the valuation gains inherent in financial assets measured at fair value with an impact on comprehensive income.

10.3 Changes in deferred tax assets (through income statement)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**181,278**	**211,101**
2. Increase	**4,842**	**6,180**
2.1 Deferred tax assets of the year	4,842	6,180
a) related to previous fiscal year	289	-
b) due to changes in accountable parameters	-	-
c) write-backs	-	-
d) others	4,553	6,180
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**34,225**	**36,003**
3.1 Anticipated levies cancelled in fiscal year	33,662	36,003
a) reversals of temporary differences	33,655	35,740
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	7	263
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	563	-
a) conversion into tax credit under L. 214/2011	563	-
b) others	-	-
4. Closing balance	**151,896**	**181,278**

10.3bis Changes in deferred tax assets as per Italian Law no. 214/2011

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**159,860**	**182,361**
2. Increases	**289**	**2,652**
3. Decreases	**28,095**	**25,153**
3.1 Reversals of temporary differences	27,532	25,153
3.2 Transformation into tax credits	563	-
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	563	-
3.3 Other decreases	-	-
4. Closing balance	**132,055**	**159,860**

With regard to deferred tax assets recorded in the financial statements, it should be stressed that they are fully convertible into tax credits as a result of the exercise of the option referred to in article 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 12/31/2021	Total 12/31/2020
1. Opening balance	**339**	**312**
2. Increases	**10**	**27**
2.1 Deferred tax assets during the year	10	27
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	10	27
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	**349**	**339**

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

	Total 12/31/2021	Total 12/31/2020
1. Initial amount	-	-
2. Increases	**107**	-
2.1 Defered levies observed in fiscal year	107	-
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) others	107	-
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
- di cui operazioni di aggregazione aziendale	-	-
3. Decreases	-	-
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:	-	-
- di cui operazioni di aggregazione aziendale	-	-
4. Final amount	**107**	-

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

	12/31/2021	12/31/2020
Tax consolidation	1	-
Advances to suppliers	1,368	502
VAT receivables	16,352	7,131
Stamp duties	7,517	8,497
Withholding taxes	211	39
Other tax receivables	1,025	1,025
Due from dealers	2,252	3,730
Due from insurances	31,605	28,092
Accruals and prepaid expenses	1,213	175
Assets in transit	1,773	3,907
Frauds	1	-
Leasehold improvements	2,338	2,649
Other items	10,900	2,712
Other intercompany assets	5,184	1,969
Total	**81,739**	**60,429**

The item "receivables from the tax authorities" includes items of a different fiscal nature consisting mainly of withholding tax and VAT credits. The latter increased compared to the volumes of the leasing product.

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

"Items in transit" include items being processed relating to instalment collection.

The items "Other items" and "Receivables from group companies" increased following the start of the servicing activities carried out for Hyundai Capital Bank and TimFin respectively.

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

Type of transaction/Values	Total 12/31/2021				Total 12/31/2020			
	B V	Fair Value			B V	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**2,778,509**	X	X	X	**2,535,602**	X	X	X
2. Deposits from banks	**834,664**	X	X	X	**1,582,843**	X	X	X
2.1 Current accounts and demand deposits	40,000	X	X	X	32,000	X	X	X
2.2 Time deposits	575	X	X	X	-	X	X	X
2.3 Loans	793,819	X	X	X	1,550,526	X	X	X
2.3.1 Repos	93,685	X	X	X	50,088	X	X	X
2.3.2 Other	700,134	X	X	X	1,500,438	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	270	X	X	X	316	X	X	X
Total	**3,613,174**	**-**	**2,870,739**	**744,850**	**4,118,444**	**-**	**2,556,146**	**1,540,077**

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

"Due to central banks" includes loans received from the Bank of Italy in connection with TLTRO operations with the European Central Bank.

"Deposits from banks" consists of:

- Parent Company overnight financing transactions (Euro 40,000 thousand);
- a repo transaction with a third party (Euro 93,685 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon (Euro 130,084 thousand), loans granted by Santander Group companies as part of ordinary funding operations (Euro 570,050 thousand);
- accrued amounts due to banks (Euro 270 thousand).

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

Type of transaction/Value	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	721,969	X	X	X	734,475	X	X	X
2. Time deposits	477,460	X	X	X	516,225	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	18,885	X	X	X	16,033	X	X	X
6. Other liabilities	832,378	X	X	X	658,178	X	X	X
Total	**2,050,692**	**-**	**-**	**2,041,921**	**1,924,911**	**-**	**-**	**1,914,082**

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

The item Current accounts and demand deposits mainly includes demand deposits from customers (Euro 710,108 thousand), the current account held by the Group company Santander Private Banking (Euro 8,801 thousand) and the ordinary current accounts to affiliates (Euro 1,942 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”.

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

Tipologia titoli / Valori	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities								
1. bonds	175,045	-	-	181,284	176,241	-	-	178,457
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	175,045	-	-	181,284	176,241	-	-	178,457
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**175,045**	**-**	**-**	**181,284**	**176,241**	**-**	**-**	**178,457**

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

The balance of the item “Debt securities issued” relates to non-preferred senior bonds entirely subscribed by the Parent Company. This item also includes the relative accrued interest expense.

1.4 Details of subordinated debts/securities

Type	12/31/2021	12/31/2020
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2029	10,000	10,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2028	35,000	35,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2025		50,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2027	30,000	30,000
subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2031	55,000	
Total	**130,000**	**125,000**

The item in question includes loans granted by companies belonging to the Santander Group.

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 2021 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	3,703	442	738	4,883

	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	-	775	-	-	258	793	1,595	6,901	8,563	-

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2021					Total 12/31/2020				
	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	-	5,336	-	X	X	-	-	-	X
1.1 Trading	X	-	5,336	-	X	X	-	-	-	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**	**-**	**5,336**	**-**	**X**	**X**	**-**	**-**	**-**	**X**
Total (A+B)	**X**	**-**	**5,336**	**-**	**X**	**X**	**-**	**-**	**-**	**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

This item includes the negative fair value of derivatives entered into in connection with securitisation transactions with companies of the Santander Group.

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	12/31/2021		NV	Fair value	12/31/2020	
	12/31/2021	L1	L2	L3	12/31/2020	L1	L2	L3
A) Financial derivatives	**455,954**	-	**2,714**	-	**1,186,937**	-	**10,337**	-
1) Fair value	455,954	-	2,714	-	1,186,937	-	10,337	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**455,954**	-	**2,714**	-	**1,186,937**	-	**10,337**	-

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 value at 31 December 2021:

Notional	Start date	Settlement date	Counterparty	Fair value
34,750	01/30/2017	10/31/2025	Banco Santander	174
28,444	04/26/2017	07/28/2025	Banco Santander	147
32,414	04/26/2017	08/26/2025	Banco Santander	172
32,110	04/26/2017	09/26/2025	Banco Santander	165
12,512	05/31/2017	06/30/2023	Banco Santander	46
17,432	05/31/2017	07/31/2023	Banco Santander	76
22,506	07/31/2017	11/29/2024	Banco Santander	136
23,349	07/31/2017	12/31/2024	Banco Santander	131
22,112	07/31/2017	01/31/2025	Banco Santander	146
8,598	09/29/2017	12/31/2025	Banco Santander	52
24,460	06/30/2020	12/31/2027	Banco Santander	410
30,452	06/29/2018	09/30/2024	Banco Santander	149
40,119	07/31/2018	07/31/2028	Banco Santander	320
31,949	08/31/2018	08/31/2028	Banco Santander	219
49,893	12/21/2018	12/21/2028	Banco Santander	313
44,857	05/31/2019	11/30/2027	Banco Santander	57
455,954				**2,714**

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 rates	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	2,714	X	-	X
4. Other operations	-	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**2,714**	**-**	**-**	**-**
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 – Fair value adjustment of financial liabilities covered by macrohedging – 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

	12/31/2021	12/31/2020
Tax consolidation	2,906	-
Due to suppliers	31,153	19,249
Due to dealers	33,099	28,641
Payables to employees	7,729	5,519
Due to Social Security institutions	2,772	2,628
Tax payables	7,308	6,872
Other amounts due to customers	15,927	15,048
Due to insurances	26,612	27,374
Factoring payables	-	17,241
Accruals and deferred income	128	128
Items in transit	36,028	36,195
Other liabilities for commissions	1,714	2,348
Other payables	9,621	9,251
Total	**174,996**	**170,494**

"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.

The item "Factoring payables" decreased following the sale of a business unit in favour of Hyundai Capital Bank, which undertook the commercial relations with the related automotive companies.

"Items in transit" mainly include items being processed 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 12/31/2021	Total 12/31/2020
A. Opening balance	**3,238**	**3,181**
B. Increases	**43**	**102**
B.1 Provision of the year	12	21
B.2 Other increases	31	81
- of which business aggregation operations	-	-
C. Reductions	**320**	**44**
C.1 Severance payments	241	44
C.2 C.2 Other reductions	79	-
- of which business aggregation operations	-	-
D. Closing balance	**2,962**	**3,238**
Total	**2,962**	**3,238**

With the introduction of the reform envisaged by Italian Law no. 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 actuarial assumptions adopted for the valuation of the provision at the reporting date are the following:

- discount rate: 0.70%;
- expected inflation rate: 1.70%;
- 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 no. 214/2011.

As regards the application of the amendments made to IAS 19 by EU Regulation no. 475/2012, set out below is a sensitivity analysis for changes in the discount rate.

Sensitivity analysis	12/31/2021	12/31/2020
Sensitivity to the discount rate		
a. Assumption (+50 bps)	1.20%	0.90%
b. DBO	2,862	3,133
c. Assumption (-50 bps)	0.20%	-0.10%
d. DBO	3,068	3,355

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	Total 12/31/2021	Total 12/31/2020
1. Provisions for credit risk on commitments and financial guarantees given	-	54
2. Provisions for other commitments and other guarantees given	-	-
3. Pensions and other post-retirement benefit obligations	-	-
4. Other funds for risks and obligations	13,143	20,200
4.1 legal disputes	4,073	4,776
4.2 staff expenses	-	-
4.3 others	9,070	15,424
Total	**13,143**	**20,254**

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	-	-	**20,200**	**20,200**
B. Increases	-	-	**534**	**534**
B.1 Reserve of the fiscal year	-	-	534	534
B.2 Variation due to pass of time	-	-	-	-
B.3 Variation due to modifies of discount rate	-	-	-	-
B.4 Other variations	-	-	-	-
- of which business aggregation operations	-	-	-	-
C. Decreases	-	-	**7,592**	**7,592**
C.1 Use in the exercise	-	-	7,592	7,592
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	-	-
- of which business aggregation operations	-	-	-	-
D. Final surplus	-	-	**13,143**	**13,143**

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 "Utilisation during the year" includes both the release of funds as a contra entry to item 170b) of the income statement, previously set aside for reimbursements linked to the products offered by the bank for Euro 467 thousand, and the uses of the provisions set aside in previous years to cover the disbursements made for Euro 7,125 thousand (mainly attributable to the Lexitor event connected to the salary assignment product prior to the Italian Legislative Decree; for further clarification, please refer to the matters specified in the Management Report on this issue).

10.3 Provisions for credit risk on commitments and financial guarantees given

The bank has not established provisions for credit risk on commitments and financial guarantees given.

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

	Total	
	12/31/2021	12/31/2020
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		

Si segnala l'assenza di azioni proprie in portafoglio.

The absence of treasury shares in the portfolio should be noted.

12.4 Profit reserves: other information

The Bank's profit reserves at 31 December 2021 consist mainly of the legal reserve (Euro 21,084 thousand), the extraordinary reserve (Euro 196,654 thousand), the capital reserve (Euro 39,913 thousand), the negative merger reserve (Euro -20 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 proposed allocation of the result for the year is indicated in the paragraph "Proposals to the shareholders' meeting" in the management report.

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	**251,196**			-	
Legal reserve	21,084	A(1), B		-	
Extraordinary reserve	196,654	A, B, C	196,654	-	
FTA reserve	(6,081)			-	
Incorporation reserve	(355)				
Changes in previus period earning		(2)		-	
Reserve earning	(20)			-	
Capital reserve		A, B		-	
Merger reserve				-	
Other reserve	39,913			-	
Revaluation reserves	**(489)**			-	
Revaluation reserves FVOCI	218	(2)		-	
Actuarial gains(losses) on defined benefit plans	(707)	(2)		-	
Net income (loss)	**179,206**			**404**	
Total	**1,003,545**			**404**	

(*) 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

OTHER INFORMATION

1. Commitments and financial guarantees given (other than those designated at fair value)

	Nominal value on financial release obligations and guarantees				Total	Total
	First stage	Second stage	Third stage	Purchased or originated impaired	12/31/2021	12/31/2020
1. Commitment to supply funds	**217,620**	**55**	**4**	**-**	**217,678**	**590,740**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	214,053	54	2	-	214,108	586,916
f) Families	3,567	1	2	-	3,570	3,824
2. Financial guarantees issued	-	-	-	-	-	-
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Families	-	-	-	-	-	-

The item “Loan commitments given” includes the amount of the margins available on credit lines granted to customers. The decrease in the item is mainly attributable to the sale of a business unit carried out with HCBE.

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 12/31/2021	Amounts 12/31/2020
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	513,188	-
3. Financial assets valued to amortised cost	3,885,339	3,687,069
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The item "Financial assets measured at fair value through other comprehensive income" includes Italian Government securities.

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

1. the pool of receivables (ABACO) and the assets underlying the securities provided as collateral for the loans received from the Bank of Italy in connection with TLTRO operations with the European Central Bank;
2. the portfolio of loans subject to securitisation, referred to below in Part E, Section C.1 of the Notes to the Financial Statements;
3. the assets underlying the securities involved in the repurchase agreement entered into with third party banks;
4. 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)	12/31/2021	12/31/2020
1. Derivatives		6,065	-	6,065	-	6,413	(349)	(50)
2. Repo's		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**6,065**	**-**	**6,065**	**-**	**6,413**	**(349)**	**X**
Total	**12/31/2020**	**2,174**	**-**	**2,174**	**-**	**2,224**	**X**	**(50)**

As required by IFRS 7, it is hereby disclosed that the derivatives in place at 31 December 2021 are derivative instruments with Banco Santander with a positive fair value equal to Euro 6,065 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)	12/31/2021	12/31/2020
1. Derivatives		8,050	-	8,050	-	8,513	(463)	(237)
2. Repos		93,831	-	93,831	315	-	93,516	50,087
3. Securities lending		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**101,881**	**-**	**101,881**	**315**	**8,513**	**93,054**	**X**
Total	**12/31/2020**	**60,427**	**-**	**60,427**	**4**	**10,574**	**X**	**49,849**

The financial liabilities subject to offsetting have the following characteristics:

- Derivatives with Banco Santander with negative fair value, equal to Euro 8,050 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

Items/Technical forms	Debt securities	Loans	Other operations	Total 12/31/2021	Total 12/31/2020
0	0	0	0		
1. Financial assets valued to fv with impact to Profit and Loss:	-	-	-	-	-
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 valued to fv with impact on overall profitability	**85**	-	**X**	**85**	-
3. Financial assets valued to amortize cost:	-	**220,994**	**X**	**220,994**	**228,670**
3.1 Credits to banks	-	600	X	600	642
3.2 Credits to clients	-	220,395	X	220,395	228,028
4. Hedging derivatives	**X**	**X**	-	-	**16**
5. Other assets	**X**	**X**	-	-	**265**
6. Financial liabilities	**X**	**X**	**X**	**26,168**	**13,529**
Total	**85**	**220,994**	-	**247,247**	**242,480**
of which: income interests on deteriorated financial assets	-	-	-	-	-
of which: interest income on financial lease	X	6,273	X	6,273	3,903

Against a background of negative rates, the item "Financial liabilities" mainly consists of interest income accrued on financing transactions through TLTRO with the European Central Bank. The item includes the interest deriving from the base rate (-0.5%) and the additional rate (-0.5%) as the loans suitable for obtaining the bonus rate are largely in excess of the required net lending benchmarks.

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

Items/Technical forms	Debts	Securities	Other operations	Total 12/31/2021	Total 12/31/2020
1. Financial liabilities valued at amortized cost	19,616	1,572	X	21,188	32,262
1.1 Debts to central banks	-	X	X	-	-
1.2 Debts to banks	5,943	X	X	5,943	8,074
1.3 Debts to customers	13,673	X	X	13,673	22,975
1.4 Securities in circulation	X	1,572	X	1,572	1,212
2. Financial trading liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	1	1	-
5. Hedging derivatives	X	X	5,044	5,044	4,791
6. Financial assets	X	X	X	3,013	885
Total	**19,616**	**1,572**	**5,044**	**29,245**	**37,938**
of which: interest expense on lease payables	442	X	X	442	380

Interest expense on debts from banks mainly derives from loans granted by Santander Group companies as part of ordinary financial funding operations.

The interest expense generated by payables to customers shows a decrease connected to the funding strategies adopted, which led to a reduction in the cost of funding through the retail channel and at the same time to new securitisation transactions placed on the market at preferential rate conditions.

Interest expense on financial assets is mainly attributable to government security yields.

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	Totale 12/31/2021	Totale 12/31/2020
A. Positive differentials related to hedging operations:	-	16
B. Negative differentials related to hedging operations:	(5,044)	(4,791)
C. Balance (A-B)	**(5,044)**	**(4,775)**

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Values	Total 12/31/2021	Total 12/31/2020
a) Financial instruments	-	-
1. Securities placement	-	-
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	-	-
2. Receipt and transmission of orders and execution for customers	-	-
2.1 Receipt and transmission of orders for one or more financial instruments	-	-
2.2 Execution of orders on behalf of customers	-	-
3. Other fees connected with activities related to financial instruments	-	-
of which: trading on own account	-	-
of which: management of individual portfolios	-	-
b) Corporate Finance	-	-
1. Merger and Acquisition Advice	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory activities	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Custodian bank	-	-
2. Other fees related to custody and administration	-	-
f) Central administrative services for collective portfolio management	-	-
g) Trust business	-	-
h) Payment services	77	130
1. Current account	-	-
2. Credit cards	77	130
3. Debit and other payment cards	-	-
4. Wire transfers and other payment orders	-	-
5. Other fees related to payment services	-	-
i) Distribution of third party services	50,422	45,762
1. Collective portfolio management	-	-
2. Insurance products	50,399	45,762
3. Other products	23	-
of which: individual portfolio management	-	-
j) Structured Finance	-	-
k) Servicing for securitization transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	1	-
of which: credit derivatives	-	-
n) Financing operations	15,758	15,247
of which: for factoring transactions	-	-
o) Currency trading	-	-
p) Goods	-	-
q) Other commission income	1,846	1,921
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
Total	**68,104**	**63,060**

The item "financing transactions" includes commission generated during the year from collection and payment services provided to customers on products provided.

The item “other commission” mainly contains the income recognised for compensation due to late payment.

2.2 Fee and commission income: distribution channels for products and services

Channels/Values	Total 12/31/2021	Total 12/31/2020
a) at own branches:	**50,422**	**45,762**
1. portfolio management	-	-
2. securities placement	-	-
3. services and products of third parties	50,422	45,762
b) out of office offer:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. services and products of third parties	-	-
c) other distributive channels:	-	-
1. portfolio management	-	-
2. securities placement	-	-
3. services and products of third parties	-	-

The amount indicated in the table mainly corresponds to the revenues for insurance products placed with customers.

2.3 Fee and commission expenses: breakdown

Services/Amounts	Total 12/31/2021	Total 12/31/2020
a) Financial instruments	-	-
of which: trading of financial instruments	-	-
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	-	-
c) Custody and administration	59	88
d) Payment and collection services	3,252	2,569
of which: credit cards, debit cards and other payment cards	422	298
e) Servicing activities for securitization transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	26	30
of which: credit derivatives	-	-
h) Off-site offering of financial instruments, products and services	21,191	18,165
i) Currency trading	-	-
j) Other commission expenses	-	-
Total	**24,529**	**20,852**

The item Off-site distribution of financial instruments, products and services mainly includes commission paid for the placement of insurance products and the contributions and indemnities accrued by the network of agents.

Section 3 – Dividends and similar revenues – Item 70

3.1 Dividends and similar revenues: breakdown

Items/Incomes	Total 12/31/2021		Total 12/31/2020	
	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	89,500	-	-	-
Total	**89,500**	**-**	**-**	**-**

The item includes the extraordinary dividends of Banca PSA Italia S.p.A.

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	(3)
4. Derivatives	**1,376**	-	**(4,714)**	-	**(3,338)**
4.1 Financial derivatives:	1,376	-	(4,714)	-	(3,338)
- On debt securities and interest rates	1,376	-	(4,714)	-	(3,338)
- 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	**1,376**	**-**	**(4,714)**	**-**	**(3,342)**

The item includes the net 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

P&L item/Values	Total 12/31/2021	Total 12/31/2020
A. Income from:		
A.1 Fair value hedging instruments	13,283	820
A.2 Financial assets hedged (fair value)	-	1,590
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)	**13,283**	**2,411**
B. Charges on		
B.1 Fair value hedging instruments	-	(2,423)
B.2 Financial assets hedged (fair value)	(12,947)	-
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)	**(12,947)**	**(2,423)**
C. C. Net hedging activity (A-B)	**336**	**(12)**
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 12/31/2021			Total 12/31/2020		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	3,417	(2,162)	1,255	3,755	(2,338)	1,417
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	3,417	(2,162)	1,255	3,755	(2,338)	1,417
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**3,417**	**(2,162)**	**1,255**	**3,755**	**(2,338)**	**1,417**
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 transfers of non-performing loans in the second half of 2021. The item also includes capital gains on securities (Euro 128 thousand).

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

Transactions/Income	Adjustments (1)						Write - backs (2)				Total	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	12/31/2021	12/31/2020
			Write-off	Others	Write-off	Others						
A. Credit to banks	-	-	-	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Credit to clients	(27,363)	(13,239)	(840)	(32,667)	-	-	24,633	14,887	18,436	-	(16,154)	(44,612)
- Loans	(27,363)	(13,239)	(840)	(32,667)	-	-	24,633	14,887	18,436	-	(16,154)	(44,612)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	(27,363)	(13,239)	(840)	(32,667)	-	-	24,633	14,887	18,436	-	(16,154)	(44,612)

The item decreased following a gradual reduction in the effects of the pandemic, which permitted recoveries in value on the third stage. For more details, see part E.

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	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		12/31/2021	12/31/2020
			Write-off	Others	Write-off	Others		
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	(2,348)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures	-	(1,623)	-	-	-	-	(1,623)	(171)
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-
Total 12/31/2021	-	(1,623)	-	-	-	-	(1,623)	(2,519)
Total 12/31/2020	(2,282)	(229)	-	(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 value adjustments of financial assets at fair value through comprehensive income deriving from credit risk.

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

Type of expense/Amounts	Total 12/31/2021	Total 12/31/2020
1) Employees	**47,625**	**40,807**
a) wages and salaries	33,798	27,926
b) social obligation	9,144	8,610
c) Severance pay	1	-
d) Social security costs	-	-
e) reserve to staff severance indemnity	12	21
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	2,690	2,490
- defined contribution	2,690	2,490
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	1,979	1,760
2) Other staffs in activity	**467**	**327**
3) Managers and statutory auditors	**463**	**358**
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	**(2,734)**	**(1,427)**
6) Refunds of expenses for third party employees seconded to the company	**120**	**105**
Total	**45,941**	**40,169**

The recovery of expenses for seconded employees increased in relation to the development and creation of the JVs achieved during the year (HCBE and TimFin).

10.2 Average number of employees, by category

	12/31/2021	12/31/2020
Employees:		
a) Senior managers	14	11
b) Managers	194	182
of which 3rd and 4th level	*72*	*68*
c) Remaining employees staff	484	446
Total	**692**	**639**
Other personnel	**8**	**8**

10.3 Defined-benefit pension plans: costs and revenues

The Bank has not allocated defined-benefit pension plans.

10.4 Other personnel benefits

	31/12/2021	31/12/2020
Oneri accessori del personale (contributo polizza sanitaria, ticket restaurant, altri benefici minori)	1.979	1.760
Totale	**1.979**	**1.760**

10.5 Other administrative costs: breakdown

Type of service/Amounts	Total 12/31/2021	Total 12/31/2020
IT expenses	**11,803**	**11,163**
Software	9,326	8,258
Outsourcing	1,235	1,642
Telephone and data transmission	1,242	1,263
Taxes and duties	**10,485**	**9,172**
Professional services	**10,745**	**9,377**
Legal and notary advice	2,321	1,392
Outsourcing	2,942	3,836
Other professional services	5,482	4,148
Advertising, marketing and communication	**2,227**	**2,133**
Expenses related to credit risk	**11,835**	**12,608**
Information and certificates	1,460	3,186
Credit recovery	10,374	9,422
Litigation expenses not covered by provisions	**1,076**	**1,241**
Real estate expenses	**972**	**908**
Passive rent	17	-
Other real estate expenses	954	908
Leasing expenses	**649**	**612**
Other admininstrative expenses	**9,837**	**8,286**
Postal and archiving	1,951	1,969
Other non-professional goods and services	2,438	2,619
Insurance premiums	66	67
Resolution Fund contribution	3,316	2,260
FITD contribution	1,704	1,369
Other expenses	363	3
Total	**59,629**	**55,501**

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 12/31/2021	Net provision 12/31/2020
Net provision on commitment and financial guaranties	-	54	54	(8)

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 12/31/2021	Net provision 12/31/2020
Net provision for legal disputes	(221)	78	(142)	(2,202)
Other provisions	(313)	467	154	
Totale	**(534)**	**546**	**11**	**(2,202)**

The item "Net provision for legal disputes" mainly include provisions made during the year for litigation with customers and dealers.

The item "Other provisions and reallocations to provisions for risks and charges" mainly includes provisions set aside for possible refunds to customers.

Section 12 – Net adjustments/writebacks on property, plant and equipment – Item 180

12.1 Net adjustments to property, plant and equipment: breakdown

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	(5,097)	(11)	452	(4,656)
- Owned	(1,295)	(11)	452	(853)
- Licenses acquired through lease	(3,803)	-	-	(3,803)
2 Held for investment	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3 Inventories	X	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(5,097)**	**(11)**	**452**	**(4,656)**

Section 13 – Net adjustments/writebacks on intangible assets – Item 190

13.1 Net adjustments to intangible assets: breakdown

Asset/Income	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets				
of which: software	(9,539)	-	-	(9,539)
A.1 Owned	(9,539)	-	-	(9,539)
- Generated internally by the company	-	-	-	-
- Other	(9,539)	-	-	(9,539)
A.2 Licenses acquired through lease	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(9,539)**	**-**	**-**	**(9,539)**

Section 14 – Other operating expenses/income – Item 200

14.1 Other operating expenses: breakdown

	Total 12/31/2021	Total 12/31/2020
Amortization on improvements (not separable) on real estates owned by the Group	388	373
Rebates and discounts	191	97
Losses on disposal	7	8
Miscellaneous expenses	938	1,116
Expenses related to leasing activities	311	280
Other expenses	3,830	1,063
Total	**5,665**	**2,938**

The item “Other charges” mainly includes charges on transactions not covered by the provision for risks, the increase is attributable to complaints and appeals of high contractual seniority.

14.2 Other operating income: breakdown

	Total 12/31/2021	Total 12/31/2020
Recovery of taxes	8,488	7,391
Other income for services rendered to Group companies	8,848	1,185
Recovery of lease instalments	20	4
Recovery of other expenses	1,450	1,110
Rebates and discounts received	2	2
Gains on disposal	35	18
Income related to leasing transactions	579	494
Other income	278	525
Total	**19,700**	**10,729**

The increase in the item "Services rendered to group companies" is attributable to servicing fees and reimbursements of expenses made on the TimFin and HCBE JVs (Euro 1,090 thousand at 31 December 2020).

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 – Income taxes on continuing operations – Item 270

19.1 Tax income of the year from continuing operations: breakdown

Income/Value	Total 12/31/2021	Total 12/31/2020
1. Current tax expense (-)	(18,919)	(3,263)
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 (+/-)	(29,383)	(29,822)
5. Change of deferred tax liabilities (+/-)	-	-
6. Tax espense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(48,302)**	**(33,085)**

The change in deferred tax assets is mainly due to the reversal during the year of the accounting changes inherent to the write-downs and other risk provisions.

For further details, see Section 10 of Part B - Information on the balance sheet.

19.2 Reconciliation between theoretical and effective tax charge

	12/31/2021	31/12/2020
Profit (loss) from continuing operations before tax	227,508	103,731
Profit before tax on discontinuing operations		
Theoretical taxable income	**227,508**	**103,731**
IRES - Theoretical tax charge	(62,565)	(28,526)
- effect of income and expenses that do not contribute to the tax base	25,480	2,379
- effect of expenses that are wholly or partially non-deductible	(433)	(812)
IRES - Effective tax burden	**(37,518)**	**(26,959)**
IRAP - Theoretical tax charge	(12,672)	(5,778)
- portion of non-deductible administrative expenses, depreciation and amortisation	(411)	(367)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	4,813	2,029
- effect of income and expenses that are wholly or partially non-deductible	(2,514)	(2,010)
IRAP - Effective tax burden	**(10,784)**	**(6,126)**
Effective tax burden as shown in the financial statements	**(48,302)**	**(33,085)**

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	Totale	
		12/31/2021	12/31/2020
10.	**Net Profit (Loss) for the year**	**179,206**	**70,646**
	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	(31)	(81)
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	10	27
	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 differrences:	-	-
	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:	325	-
	a) changes in fair value	325	-
	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	(107)	-
190.	**Total of other comprehensive income after tax**	**197**	**(54)**
200.	**Comprehensive income (Items 10+190)**	**179,403**	**70,592**

Part E – Information on risks and related hedging policies

Introduction

During 2021, Risk Governance in Santander Consumer Bank (hereinafter the Bank) played a central role, as it did in previous years, in accordance with both the continuation of 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 is formulated having a complete and consistent view of the risks, considering both the macroeconomic scenarios in which the bank operates, and the specific risk profile that emerges from the internal risk assessment analyses. In this context all the action undertaken is focused on 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"). The Director of the unit is also a member of the Board of Directors.

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 Unit 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 co-ordinated 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 and monitor the level of such risks that it is willing to assume under normal and stressed conditions.

The document therefore outlines and applies the risk target framework defined for the Bank and integrates with the strategic processes of the bank, with the organisation of the internal control system and with the business model adopted.

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 (risk appetite);
- 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.

The close monthly monitoring carried out by means of this tool did not reveal any particular critical issues despite the persistence of the COVID crisis. The overruns recorded and correctly reported to the Competent Bodies have been adequately motivated and their resolution completed with the related remedial and monitoring plans.

Risk culture

Despite the presence of objective limitations linked to the pandemic crisis, the bank continued and intensified its programme of transmission and sharing of a risk culture, by means of regular updates to relevant documents and by initiatives implemented, also in collaboration with the Spanish parent company, to address specific issues as they arise. In this regard, the programme for the development of Advanced Risk Management (ARM) continued also in 2021, 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.

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 concepts underlying the training action are aimed at understanding the concept that each employee is responsible for the risk and therefore is called upon to identify, assess and manage the risk within their assigned area of responsibility. Each employee is required to act with seriousness and awareness in the fulfilment of their duties and responsibilities.

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 been consolidated and modified following the introduction of the IFRS 9 accounting standard and further enhanced by the entry into force of the New Default Definition pursuant to art. 178 of EU Regulation no. 575/2013 which updated the definitions of non-performing 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 has established 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, which applies to both individuals and companies who have access to credit, 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).
- 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 2021, after completing the project to adapt the models for estimating the PD/LGD/EAD parameters to the new regulatory principles for all the products managed, the bank continued to improve them through the implementation of improvement points identified during the validation activity. This activity was developed both with the support of the parent company's methodological study team and with the help of specific external consultancy provided by a leading company also operating within the parent company. The updated and validated models in use starting from 2021 will be subjected to monitoring and backtesting activities starting as from 2022 in conjunction with the availability of a series of observations of the new risk parameters as modified to take into account the new legislation.

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 for the year highlighted an improvement in the risk profile which returned to the Average-Low range. As a consequence of this result, the Bank therefore continued to oversee all the development plans formalised and already in place to ensure the maintenance of the risk profile within the expected thresholds.

Section 1 – Credit risk

Qualitative information

1. General aspects

The bank's credit strategies and policies are linked to the specific nature of the type of business managed in which credit risk, as previously indicated, is the main component to which the Bank is exposed. This risk is 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 and prudent counterparty selection based on a thorough analysis of creditworthiness aimed at minimising the risk of insolvency;
- continuous trend 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 this 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

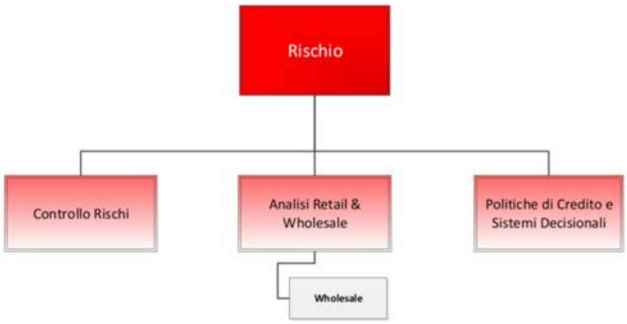
2.1. Organisational aspects

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 three departments 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 Unit 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 Unit must 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 Service, coordinated by the Chief Risk Officer (CRO), are carried out through the coordination of three teams whose main activities are listed below (Financial Risk, Non Financial Risk and Capital - Cross Risks).

Financial 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 Loan Loss Reserves (LLR) as well as calculation of budget and three-year plan forecasts.

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.

Within the Financial Risk Function sphere, the 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.

Non Financial 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.

Capital – Cross Risk

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).

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 **Retail and Wholesale Analysis Department's** mission is the assessment and approval of *retail and wholesale* transactions that fall within its sphere of competence. Furthermore, the following activities are carried out for the wholesale product:

- 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.

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 also makes it 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 loan 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 PD is calculated at 100%, 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 - only in the event of pejorative overrides - 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. The model was revised in light of the introduction of the NDD. In order to make this update operational, the historical depth of 10 years was maintained unchanged, recalculating the exposure according to the new rules, with 12 monthly intervals per year.

Furthermore, all the logics followed the counterparty and relevance threshold calibrations, assuming however some simplifications for that which concerns the CQS sector affected by a regulatory subdivision during calibration.

As regards the calculation of the Loss Given Default (LGD), the following elements are taken into consideration:

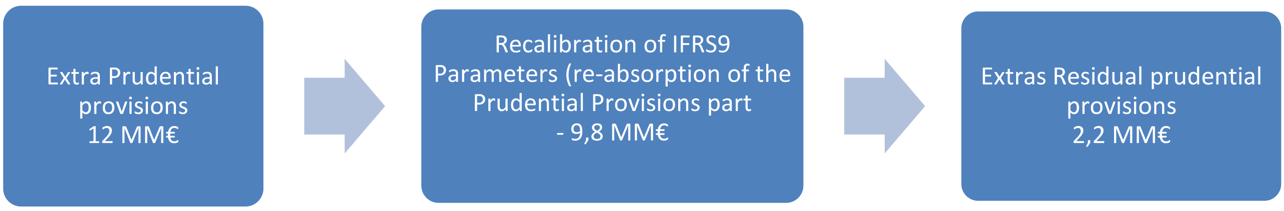
- Maximum time in default (TID): the bank assesses the maximum time horizon within which a loan is managed by collection processes and defines the maximum time in default (TID) to be considered in the calculation of the LGD on the basis of collection progress for the entire duration of the default and 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.

In order to neutralise the fluctuations resulting from the pandemic period, macroeconomic scenarios were considered in which GDP growth is forecast at pre-pandemic levels. The same assumption was also made for the default rate.

The assumptions thus adopted made it possible to reabsorb at parameters level the extra prudential provisions allocated to face the pandemic period.

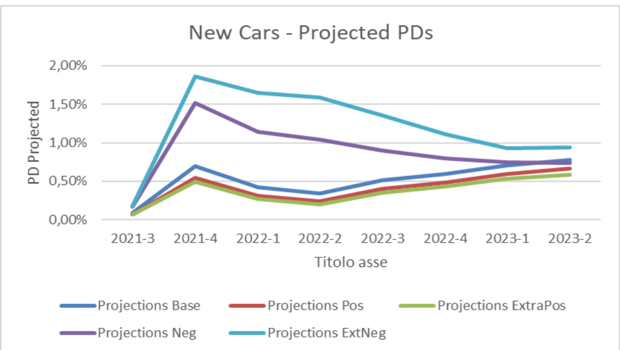


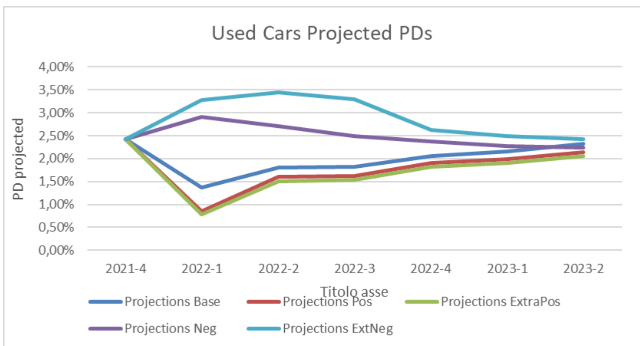
The extra residual provisions are intended to cover the credit risk of the residual grace periods at the end of the year for which there is still no evidence of the performances.

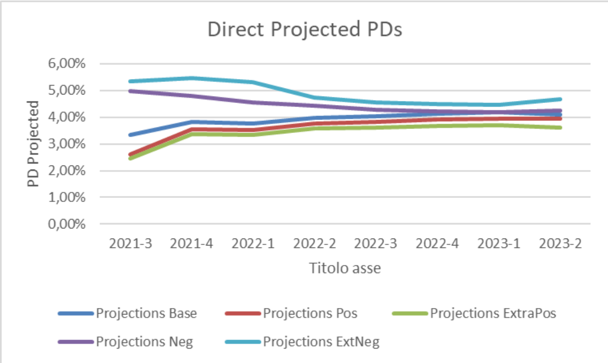
In order to take into account the forecast information in relation to macroeconomic variables ("Forward-looking information" - "FLI"), the Forward-Looking factors have been included within the PD (probability of Default) and LGD (Loss Given Default) risk parameters.

This assignment occurs for each of the plausible scenarios (Extra positive/positive/neutral/negative/extra negative).

Their calculation is derived from prospective macroeconomic scenarios directly defined by the research department and applied to risk parameters (PD/LGD).







Changes due to COVID-19

Once again in 2021, the Bank supported the legislative and non-legislative initiatives undertaken in Italy, activating all 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 31 December 2021.

For the breakdown of the loans that at 31 December 2021 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".

During 2021, the Bank, in order to align itself with the EBA Guidelines "on legislative and non-legislative grace periods on loan payments applied in light of the COVID-19 crisis" (update of 2 December 2020), reclassified the exposures subject to grace periods with a suspension period of more than 9 months as Forborne Performing (performing exposures subject to concession, reclassified in Stage 2 IFRS 9).

As a consequence of the continuation of the COVID-19 pandemic and given the uncertainty about its future evolution and the potential impacts on the Italian economy, to cover the potential risks of impairment of the loan portfolio, the Bank has total provisions outside the IFRS 9 model equal to Euro 2.2 million.

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 retail customers, the classification as "positions under monitoring" for wholesale products and the past due status.

In response to the impacts of COVID-19, the bank classified the positions subject to a grace period lasting more than 9 months as forborne and therefore stage 2.

Measurement of expected losses

The bank has not changed the calculation methodology for the measurement of the expected loss, previously indicated. In 2021, the parameters were recalibrated using macroeconomic scenarios with indicators borrowed from the pre-pandemic period. This recalibration made it possible to reabsorb, at the level of IFRS9 parameters, part of the residual extra-provision with the exception of Euro 2.2 million aimed at covering any credit risks on loans that were still in the grace period in December 2021.

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, non-performing 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);
- "non-performing 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).

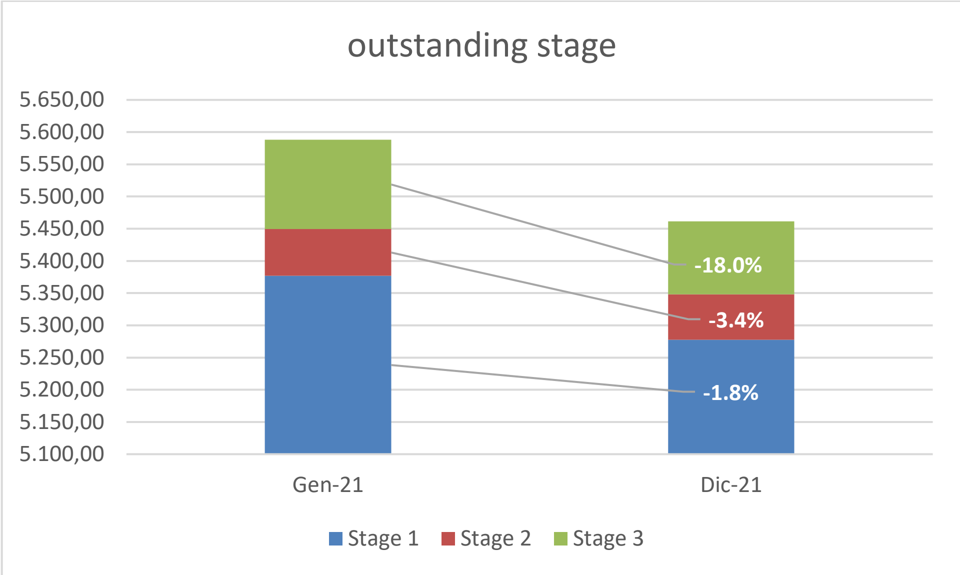
The aim is that a subjective assessment will be performed on homogeneous portfolios in order to ensure reliability and consistency with regard to the assessments provided. In order to obtain an overall assessment on customers' ability to meet contractual obligations, information has been integrated on 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 non-performing 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 organised according to procedures 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 position becomes completely adjusted 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

The write-off constitutes an event that gives rise to an accounting derecognition, when there are no longer reasonable expectations of recovering the financial asset (see IFRS 9, point 5.4.4 and B3.2.16 r), and must be carried out in the year in which it occurs.

This event may occur before the legal action taken against the debtor for the recovery of the credit has been definitively concluded; in fact, the derecognition does not imply the renunciation of the legal right to recover the credit.

The accounting derecognition can concern the entire amount of a financial asset or a portion of it and corresponds to:

- the reversal of total value adjustments, as a contra entry to the gross value of the financial asset;

- for the part exceeding the total value adjustments, to the impairment of the financial asset recognised directly in the income statement (see IFRS 9, point B5.4.9).

Once the financial asset has been derecognised from the balance sheet, where cash flows or other assets are ultimately recovered, their value is recognised in the income statement as an income component.

In compliance with the guidelines on the management of non-performing loans, the entity identifies objective criteria for the derecognition of financial assets, in order to limit any valuation arbitrage.

To this end, the tax/civil implications in force were considered, basing their assumptions on the notions of "certain and precise elements of partial or total irrecoverability" and "evaluation of the anti-cost effectiveness of recovery action".

In this context and also in compliance with the provisions of IFRS 7 (par. 35F, letter e), the qualitative and quantitative rules on derecognitions adopted by the Bank are operationally confirmed, monthly, according to the following alternative logics:

a) objective conditions of non-recoverability of the loan, assessed on a case-by-case basis regardless of the characteristics of the financial asset (technical form, credit quality, presence of guarantees, number of continuous overdue days, etc.), this condition must in any case be supported by a legal opinion.

b) settlement agreement between the parties (balance/write-off) supported by documentary evidence and based on the levels of delegation governed by the credit settlement.

Finally, the write-off may be consequent to the assignment without recourse or securitisation of financial assets, authorised by the Board of Directors in the cases of application of article 58 of the Consolidated Banking Act and of Italian Law no. 130/1999, if both the risks relating to the financial assets being transferred, and the rights on future cash flows inherent to the same assets are essentially transferred.

3.3 Purchased or originated impaired financial assets

The Bank does not have any purchased or originated impaired financial assets.

3.4 Impact of New Default definition

In accordance with article 178 of EU Regulation no. 575/2013, Santander Consumer Bank adopted the calculation of the Default according to the New Default definition as from January 2021. The main changes in this regard were:

- Consideration of the days of delay and credit status according to the absolute and relative thresholds
- Consideration of the days of delay and of the credit status according to the days of delay of the positions according to the calendar
- Definition of risk status and related thresholds for economic groups.

The impact deriving from the adoption of the new legislation, on 1 January 2021, was in terms of the increase in the gross value of non-performing exposures equal to Euro 18.4 million and in terms of higher value adjustments equal to Euro 2 million.

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 non-performing 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 and the report on operations.

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		2,535	30,079	22,629	34,811	5,600,816	5,690,871
2. Financial assets at fair value through other comprehensive income		-	-	-	-	633,804	633,804
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	**12/31/2021**	**2,535**	**30,079**	**22,629**	**34,811**	**6,234,621**	**6,324,675**
Total	**12/31/2020**	**4,807**	**17,152**	**10,885**	**42,411**	**6,818,542**	**6,893,797**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/quality		Impaired				Not impaired			
		Gross exposure	Overall writedowns of value	Net exposure	Overall partial write-off*	Gross exposure	Overall writedowns of value	Net exposure	Total (net exposition)
1. Financial assets valued to amortized cost		141,428	(86,185)	55,243	-	5,693,442	(57,814)	5,635,627	5,690,871
2. Financial assets valued to fair value with impact on overall profitability		-	-	-	-	633,804	-	633,804	633,804
3. Financial assets designated to fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	X	X	-	-
5. Financial assets as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2021**	**141,428**	**(86,185)**	**55,243**	**-**	**6,327,246**	**(57,814)**	**6,269,432**	**6,324,675**
Total	**12/31/2020**	**132,199**	**(99,355)**	**32,843**	**-**	**6,927,639**	**(66,686)**	**6,860,953**	**6,893,797**

Portfolio/quality		Assets of obvious poor credit quality		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	360
2. Hedging Derivatives		-	-	5,705
Total	**12/31/2021**	**-**	**-**	**6,065**
Total	**12/31/2020**	**-**	**-**	**2,174**

A.1.3 Distribution of financial assets by past due time bands (book values)

Portfolios / stages of risk		First step			Second step			Third step			Purchased or originated impaired		
		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	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets valued at amortized cost		20,676	3,237	1,833	3,284	3,179	2,602	1,713	2,192	20,700	-	-	-
2. Financial assets valued at fair value with impact on overall profitability		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**20,676**	**3,237**	**1,833**	**3,284**	**3,179**	**2,602**	**1,713**	**2,192**	**20,700**	**-**	**-**	**-**
Total	**12/31/2020**	**25,767**	**1,556**	**1,375**	**2,214**	**8,163**	**3,337**	**843**	**932**	**22,235**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and guarantees given: dynamics of total writedowns and total provisions

Causal / risk stages	Total value adjustments																	
	First stage activities						Second stage activities						Activities included in the third stage					
	Credit to banks and Central Banks on demands	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	Credit to banks and Central Banks on demands	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	Credit to banks and Central Banks on demands	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 opening adjustments	-	**40,910**	-	-	-	**40,910**	-	**25,776**	-	-	-	**25,776**	-	**99,355**	-	-	**230**	**99,125**
Changes in increase from financial assets acquired or originated	-	21,045	-	-	-	21,045	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	(2,684)	-	-	-	(2,684)	-	(3,989)	-	-	-	(3,989)	-	(33,758)	-	-	-	(33,758)
Net value adjustments / write-backs for credit risk (+/-)	-	(19,432)	-	-	-	(19,432)	-	(1,404)	-	-	-	(1,404)	-	22,912	-	-	272	22,640
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(60)	-	-	-	(60)	-	(2,348)	-	-	-	(2,348)	-	(2,325)	-	-	-	(2,325)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	-	**39,779**	-	-	-	**39,779**	-	**18,035**	-	-	-	**18,035**	-	**86,185**	-	-	**502**	**85,683**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	(504)	-	-	-	(504)	-	(295)	-	-	-	(295)	-	(41)	-	-	-	(41)

Causal / risk stages	Total value adjustments: Purchased or originated impaired financial assets: 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	Accantonamenti complessivi su impegni a erogare fondi e garanzie finanziarie rilasciate: First stage	Second stage	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	Tot.
Total opening adjustments	-	-	-	-	-	**54**	-	-	-	**166,095**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	-	-	-	-	**21,045**
Cancellations other than write-offs	-	-	-	-	-	-	-	-	-	**(40,431)**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	(54)	-	-	-	**2,022**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**(4,733)**
Other variations	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	-	-	-	-	-	-	-	-	-	**143,999**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-

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 / Nominal 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 stage	From thirth to second stage	From first to thirth stage	From thirth to first stage
1. Financial assets valued at amortized cost		57,052	38,093	23,626	4,817	37,916	1,870
2. Financial assets valued at fair value with an impact on overall profitability		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to provide funds and financial guarantees issued		-	-	-	-	-	-
Total	**12/31/2021**	**57,052**	**38,093**	**23,626**	**4,817**	**37,916**	**1,870**
Total	**12/31/2020**	**56,194**	**25,072**	**16,827**	**4,473**	**36,509**	**3,965**

A.1.5a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolio/quality		Gross values / Nominal 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 stage	From thirth to second stage	From first to thirth stage	From thirth to first stage
A. Loans and advances measured at amortized cost		**3,026**	-	-	-	-	-
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)		-	-	-	-	-	-
A.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted		-	-	-	-	-	-
A.3 subject to COVID-19-related forbearance measures		3,026	-	-	-	-	-
A.4 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. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted		-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures		-	-	-	-	-	-
B.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-
Total	**12/31/2021**	**3,026**	**-**	**-**	**-**	**-**	**-**
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					otal value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	221,555	221,555	-	-	-	-	-	-	-	-	221,555	-
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	221,555	221,555	-	X	-	-	-	-	X	-	221,555	-
A.2 OTHERS	142,268	142,255	13	-	-	-	-	-	-	-	142,268	-
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non performing past due	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	3	-	2	X	-	-	-	-	X	-	3	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	142,266	142,255	11	X	-	-	-	-	X	-	142,266	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**363,823**	**363,810**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**363,823**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES						-	-	-	-	-		
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B)	**363,823**	**363,810**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**363,823**	**-**

A.1.7 On- and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	28,596	X	-	28,596	-	26,061	X	-	26,061	-	2,535	-
- of which: forborne exposures	9,707	X	-	9,707	-	9,350	X	-	9,350	-	358	-
b) Unlikely to pay	49,627	X	-	49,627	-	19,549	X	-	19,549	-	30,079	-
- of which: forborne exposures	15,203	X	-	15,203	-	11,089	X	-	11,089	-	4,113	-
c) Non performing past due	63,205	X	-	63,205	-	40,576	X	-	40,576	-	22,629	-
- of which: forborne exposures	14,698	X	-	14,698	-	11,146	X	-	11,146	-	3,553	-
d) Performing past due exposures	45,829	30,299	15,530	X	-	11,021	4,554	6,467	X	-	34,809	-
- of which: forborne exposures	3,875	-	3,875	X	-	732	-	732	X	-	3,143	-
e) Other performing exposures	6,139,149	6,080,939	58,210	X	-	46,794	35,225	11,568	X	-	6,092,355	-
- of which: forborne exposures	52,776	-	52,776	X	-	11,104	-	11,104	X	-	41,672	-
TOTAL (A)	**6,326,406**	**6,111,238**	**73,740**	**141,428**	**-**	**143,999**	**39,779**	**18,035**	**86,185**	**-**	**6,182,407**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	4	X	-	4	-	-	X	-	-	-	4	-
b) Performing	217,674	217,620	55	X	-	-	-	-	X	-	217,674	-
TOTAL (B)	**217,678**	**217,620**	**55**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**217,678**	**-**
TOTAL (A+B)	**6,544,084**	**6,328,858**	**73,795**	**141,432**	**-**	**143,999**	**39,779**	**18,035**	**86,185**	**-**	**6,400,085**	**-**

A.1.7a Loans 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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. NON-PERFORMING LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY CREDIT LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT LOANS	-	-	-	-	-	-	-	-	-	-	-	-
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
D. PERFORMING PAST DUE LOANS	**10**	**-**	**10**	**-**	**-**	**1**	**-**	**1**	**-**	**-**	**8**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	10	-	10	-	-	1	-	1	-	-	8	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**3,050**	**-**	**3,050**	**-**	**-**	**1,834**	**-**	**1,834**	**-**	**-**	**1,216**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	3,050	-	3,050	-	-	1,834	-	1,834	-	-	1,216	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**3,060**	**-**	**3,060**	**-**	**-**	**1,835**	**-**	**1,835**	**-**	**-**	**1,225**	**-**

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)	**37,904**	**62,660**	**31,635**
- of which sold non-cancelled exposures	1,926	10,217	9,093
B. Increases	**18,182**	**34,586**	**61,998**
B.1 transfers from performing loans	3,882	25,678	49,802
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	13,734	5,005	10,168
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	565	3,903	2,029
C. Decreases	**27,490**	**47,618**	**30,427**
C.1 transfers to perfomorming loans	165	5,996	466
C.2 write-offs	612	1,401	431
C.3 recoveries	2,342	9,284	9,884
C.4 sales proceeds	4,211	2,280	1,387
C.5 losses on disposals	19,706	8,562	3,085
C.6 transfers to other impaired exposures	1	16,128	12,778
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	454	3,968	2,398
D. Closing balance (gross amounts)	**28,596**	**49,627**	**63,205**
- Sold but not derecognised	4,997	11,191	21,778

A.1.9bis Cash credit exposures to customers: dynamics of gross forborne exposures by credit quality

Description/Quality	Forborne exposures impaired	Forborne exposures not impaired
A. Opening balance (gross amount)	**22,912**	**15,213**
- Sold but not derecognised	1,359	3,513
B. Increases	**31,248**	**60,622**
B.1 Transfers from performing not forborne exposures	7,909	52,421
B.2. Transfers from performing forborne exposures	1,638	X
B.3. Transfers from impaired forborne exposures	X	2,497
B.4 Transfers from impaired not forborne exposure	-	-
B.5 other increases	21,701	5,704
C. Decreases	**14,552**	**19,184**
C.1 Transfers to performing not forborne exposures	X	2,113
C.2 Transfers to performing forborne exposures	2,497	X
C.3 transfers to impaired exposures not forborne	X	1,638
C.4 write-offs	243	849
C.5 recoveries	6,413	13,942
C.6 sales proceeds	1,073	-
C.7 losses on disposals	4,012	-
C.8 other decreases	313	642
D. Closing balance (gross amounts)	**39,609**	**56,651**
- Sold but not derecognised	5,832	10,095

A.1.10 Cash non-performing credit exposures to banks: dynamics of total writedowns

Exposures to banks are not subject to write-downs.

A.1.11 Cash non-performing credit exposures to customers: dynamics of total writedowns

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 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
B. Increases	**16,693**	**6,609**	**9,257**	**5,641**	**34,308**	**11,117**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	6,690	5,966	6,069	5,495	28,283	9,331
B.3 losses on disposal	992	25	716	47	178	-
B.4 transfer from other impaired exposure	8,991	596	2,387	19	5,847	1,787
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	21	21	85	80	-	-
C. Reductions	**23,730**	**3,367**	**35,216**	**7,247**	**14,482**	**46**
C.1 write-backs from assessments	228	31	11,443	2,590	1,732	-
C.2 write-backs from recoveries	1,350	661	2,429	890	943	1
C.3 gains on disposal	1,712	384	700	306	723	2
C.4 write-offs	607	42	1,398	201	430	-
C.5 transfers to other impaired exposures	-	-	9,925	2,368	7,300	35
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	19,832	2,248	9,322	892	3,353	8
D. Closing overall amount of writedowns	**26,061**	**9,350**	**19,549**	**11,089**	**40,576**	**11,146**
- Sold but not derecognised	4,482	842	2,879	1,136	12,798	2,551

A.2 Classification of exposures based on external and internal ratings

The bank does not adopt rating approach methodologies for the purpose of measuring credit risk. Nevertheless, it provides the related disclosure required by Circular 262 of the Bank of Italy.

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 amortized cost	-	-	-	-	-	-	**5,834,870**	**5,834,870**
- First stage	-	-	-	-	-	-	5,619,689	5,619,689
- Second stage	-	-	-	-	-	-	73,753	73,753
- Third stage	-	-	-	-	-	-	141,428	141,428
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-	**633,804**	**633,804**
- First stage	-	-	-	-	-	-	633,804	633,804
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	-	-	-	-	-	-	-	-
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	-	-	-	-	-	-	**6,468,674**	**6,468,674**
D. Commitments and financial guarantees given	-	-	-	-	-	-	**217,678**	**217,678**
- First stage	-	-	-	-	-	-	217,620	217,620
- Second stage	-	-	-	-	-	-	55	55
- Third stage	-	-	-	-	-	-	4	4
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	**217,678**	**217,678**
Total (A+B+C+D)	-	-	-	-	-	-	**6,686,352**	**6,686,352**

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)	
							Credit derivatives	
			Property, Mortgages	Property - Lease loans	Securities	Other assets	CLN	Other derivatives
								Central counterparties
1. Guaranteed cash loans:	**116,483**	**110,241**	-	-	-	**2,294**	-	-
1.1 totally secured	113,908	108,007	-	-	-	-	-	-
- of which: impaired	5,119	886	-	-	-	-	-	-
1.2 partially secured	2,575	2,233	-	-	-	2,294	-	-
- of which: impaired	365	30	-	-	-	-	-	-
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

	Guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature loans				
	Other derivatives							
	Banks	Other financial companies	Other entities	public administrations	Banks	Other financial companies	Other entities	
1. Guaranteed cash loans:	-	-	-	-	**2,212**	**200**	**108,335**	**113,042**
1.1 totally secured	-	-	-	-	1,527	-	106,480	108,007
- of which: impaired	-	-	-	-	-	-	886	886
1.2 partially secured	-	-	-	-	685	200	1,855	5,035
- of which: impaired	-	-	-	-	-	-	28	28
2. Off-balance-sheet credit exposures guaranteed:	-	-	-	-	-	-	-	-
2.1 totally secured	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-
- of which: impaired	-	-	-	-	-	-	-	-

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 companies)		Non-financial companies		Families	
	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	-	-	-	1	-	-	65	1,994	2,470	24,066
- of wich: forborne exposures	-	-	-	-	-	-	5	318	353	9,032
A.2 Unlikely to pay	964	162	-	-	-	-	1,582	1,700	27,533	17,687
- of wich: forborne exposures	-	-	-	-	-	-	166	173	3,947	10,917
A.3 Impaired past due exposures	3,247	642	44	122	-	-	1,455	2,519	17,884	37,293
- of wich: forborne exposures	-	-	38	113	-	-	341	927	3,174	10,106
A.4 Not impaired exposures	635,386	7	203,310	187	6	-	334,968	7,625	4,953,500	49,995
- of wich: forborne exposures	-	-	458	121	-	-	14,893	4,921	29,464	6,794
Total (A)	**639,598**	**812**	**203,353**	**311**	**6**	**-**	**338,069**	**13,837**	**5,001,387**	**129,040**
B. Off-balance sheet credit exposures										
B.1 Deteriorated exposures	-	-	-	-	-	-	2	-	2	-
B.2 Non-deteriored exposures	-	-	-	-	-	-	214,106	-	3,568	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**214,108**	**-**	**3,570**	**-**
Total (A+B) 12/31/2021	**639,598**	**812**	**203,353**	**311**	**6**	**-**	**552,178**	**13,837**	**5,004,956**	**129,040**
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**

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		490	5,347	252	2,494	490	5,221	1,303	12,998
A.2 Unlikely to pay		4,673	4,207	2,127	1,490	5,276	4,214	18,002	9,637
A.3 Impaired past due exposures		4,753	9,039	1,804	3,876	4,921	8,009	11,152	19,650
A.4 Not impaired exposures		1,753,774	15,834	825,682	8,176	1,738,602	11,722	1,809,079	22,081
Total (A)		**1,763,690**	**34,427**	**829,865**	**16,037**	**1,749,289**	**29,166**	**1,839,536**	**64,367**
B. Off-balance sheet credit exposures									
B. 1 Non-performing exposures		2	-	-	-	2	-	-	-
B. 2 Performing exposures		98,307	-	55,166	-	36,668	-	27,533	-
Total (B)		**98,309**	**-**	**55,166**	**-**	**36,670**	**-**	**27,533**	**-**
Total (A+B)	**12/31/2021**	**1,861,999**	**34,427**	**885,031**	**16,037**	**1,785,959**	**29,166**	**1,867,070**	**64,367**
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**

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 Bad Exposures		-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-	-	-	-	-
A.4 Not impaired exposures		268,205	-	95,618	-	-	-	-	-	-	-
Total (A)		**268,205**	**-**	**95,618**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures											
B.1 Deteriored exposures		-	-	-	-	-	-	-	-	-	-
B.2 Non-deteriored exposures		-	-	-	-	-	-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**268,205**	**-**	**95,618**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2020**	**38,472**	**-**	**8,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 the repurchase agreements entered into with third party banks.

B.4 Large exposures

	12/31/2021
Number	5
Weighted value	489,143
Book value	1,977,354

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., Bank of Italy, Unicredit S.p.A. 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 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 usually have 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 2021 the Company finalised a new securitisation transaction, GB 2021-1.

The transaction in question, with a value of Euro 505.1 million and legal maturity in 2041, was concluded through the sale at par value of a portfolio of performing loans, made up of car loans, to the special purpose vehicle Golden Bar (Securitisation) S.r.l.

The purchase of the receivables by the vehicle company was financed through the issue of seven classes of securities, summarised below:

- Class A senior securities for Euro 451.5 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class B mezzanine securities for Euro 15 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class C mezzanine securities for Euro 10 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class D mezzanine securities for Euro 7.5 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class E mezzanine securities for Euro 16 million, listed on the Luxembourg Stock Exchange and fully subscribed by institutional investors through a private placement;
- Class F mezzanine securities of Euro 5 million, listed on the Luxembourg Stock Exchange, unrated and fully subscribed by institutional investors through a private placement;
- Class Z junior securities of Euro 100 thousands, unrated and fully subscribed by the originator.

The interest rate of the Senior securities was fixed at a level equal to the Euribor 3 month plus a spread of 30 bps (with a zero-coupon floor).

Within the scope of the same transaction, the special purpose vehicle concluded an Interest Cap Rate to hedge the interest rate risk of the Senior class and of the B, C and D classes.

The GB 2021-1 securitisation, which has a revolving 15-month structure, was structured in compliance with the requirements for STS securitisations on the basis of the provisions of the Securitisation Regulation which came into effect on 1 January 2019. Class A also obtained eligibility with the ECB.

Both of the transactions issued in previous years and intended for investors, Golden Bar 2018-1 and Golden Bar 2019-1, continued to repay non-Junior classes in 2021.

	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	177,478	104,252	82,750	1,362		n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	287,738	329,276	12,000	5,434	5,548,603	n.a.	n.a.	n.a.	n.a.
Golden Bar 2021-1	487,783	504,500	100	5,000		n.a.	n.a.	n.a.	n.a.

Breakdown of the excess spread accrued during the year	Golden Bar 2018-1	Golden Bar 2019-1	Golden Bar 2021-1
Interest expense on securities issued	(11,578)	(24,676)	(1,788)
Commisions and fees for the operation	(388)	(608)	(224)
- for servicing	(367)	(586)	(189)
- for other services	(21)	(22)	(35)
Other charges	(2,480)	(2,515)	(2,883)
Interest generated by the securitised assets	13,587	23,481	9,338
Other revenues	3,033	2,142	3,205
Total	**2,174**	**(2,176)**	**7,648**

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	15,662	(80)			74,874	(382)												
Golden Bar 2018-1	15,662	(80)			74,874	(382)												

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	177,478	-	12,083	104,252	-	82,750
Golden Bar 2019-1	Torino (TO)	NO	287,738	-	55,098	278,213	51,063	12,000
Golden Bar 2021-1	Torino (TO)	NO	487,783	-	30,137	451,500	53,000	100

C.4 Non-consolidated special purpose vehicles (SPVs) created for securitisation

The information provided in this section is not provided by the banks preparing the consolidated accounts.

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

With regard to the description of the transactions of tables E.1, E.2 and E.3, please refer to the matters reported at the bottom of the tables themselves.

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	**1,074,820**	**952,999**	**121,822**	**2,756**	**1,015,140**	**921,455**	**93,685**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	1,074,820	952,999	121,822	2,756	1,015,140	921,455	93,685
Total 12/31/2021	**1,074,820**	**952,999**	**121,822**	**2,756**	**1,015,140**	**921,455**	**93,685**
Total 12/31/2020	**849,980**	**799,866**	**50,114**	**3,208**	**793,975**	**743,887**	**50,088**

The sales aggregates with repurchase agreement refer to the repurchase agreements entered into by the bank in relation to assets disposed of and not derecognised; by contrast, the associated financial liabilities do not include repurchase agreements carried out on the securities received in reverse repurchase agreements.

The aggregates of securitisation transactions refer to the associated assets and liabilities recognised for the Golden Bar 2019-1 and 2021-1 securitisation transactions (transactions derecognised for prudential purposes but not for financial statements purposes).

E.2 Financial assets sold partially booked and associated financial liabilities: book values

This is not applicable to the bank.

E.3 Transfers with liabilities that have recourse only against the assets sold and not fully derecognised: fair value

	Fully booked	Partially booked	Total	
			12/31/2021	12/31/2020
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)	**1,041,711**	-	**1,041,711**	**831,795**
1. Debt securities	-	-	-	50,098
2. Loans	1,041,711	-	1,041,711	781,697
Total financial assets	**1,041,711**	-	**1,041,711**	**831,795**
Total associated financial liabilities	**1,015,116**	-	**X**	**X**
Amount 12/31/2021	**26,596**	-	**26,596**	**X**
Amount 12/31/2020	**37,828**	-	**X**	**37,828**

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.

C. Financial assets sold and fully derecognised

The Group has not carried out any full derecognition transactions.

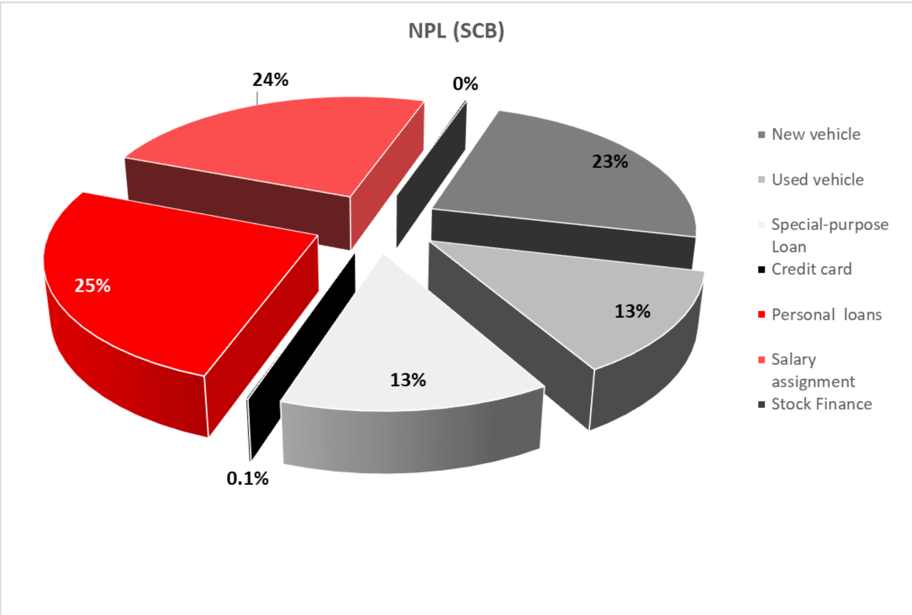
D. Covered bond transactions

The Group has not carried out any covered bond transactions.

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 2021.

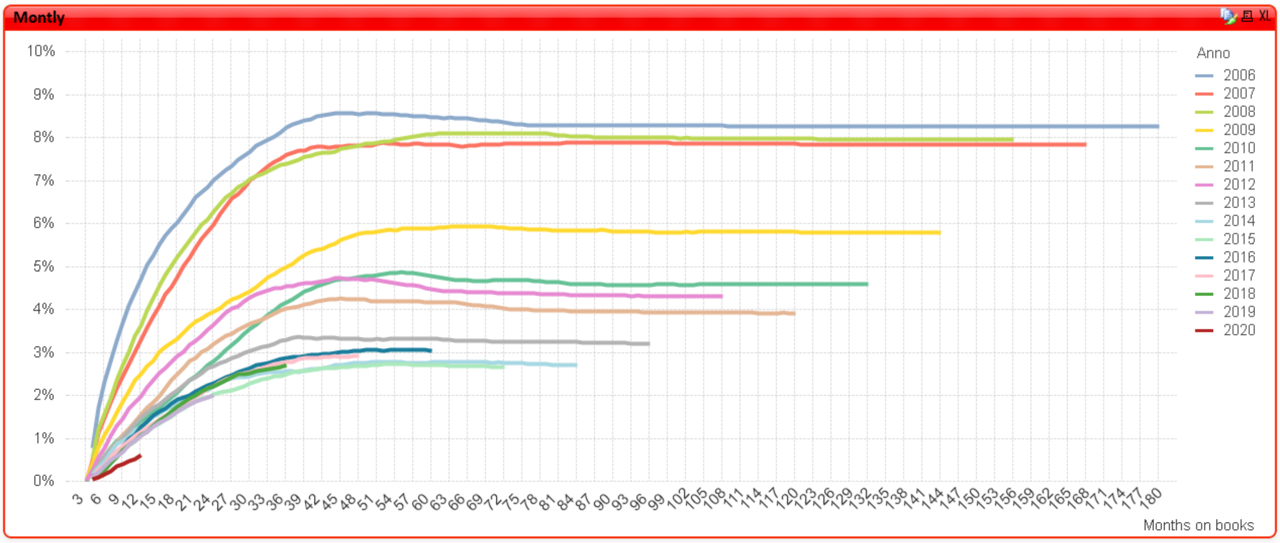
NPL (SCB)



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:

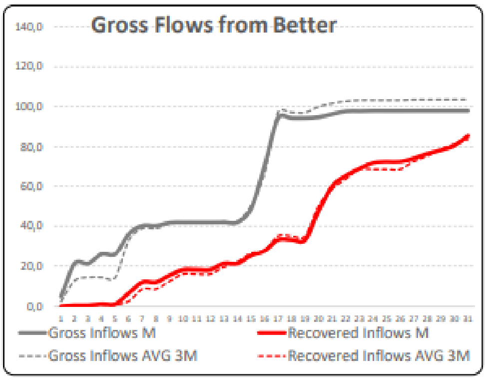
- *Vintage analysis*. This indicator is the ratio of a generation of loans that in any month have been classified as bad to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to 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;



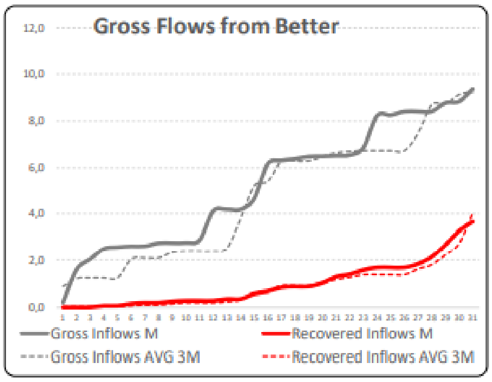
- *Roll rate* (trend analysis). It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio.

SC Italia – Management stages

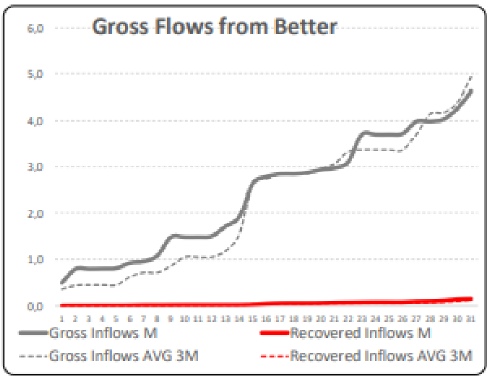
Stage1



Stage2



Stage3



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 following the pandemic, despite rising inflationary effects, remained constant. In this context, the Bank pays maximum attention to future expectations connected with the variability of macroeconomic trends, continuing a hedging strategy commensurate with an adequate mix of 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 +25 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 2021, the MVE calculated with a parallel and immediate shift of +25 basis points was Euro -3.81 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 2021, the NIM was Euro -1.07 million (with a parallel and immediate shift of +25 basis points).

+25 bps MM	MVE	NIM
December 2021	-3.81	-1.07
Limit	16.80	7.80

-25 bps MM	MVE	NIM
December 2021	6.62	2.52
Limit	16.80	7.80

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	Totale 31/12/2021				Totale 31/12/2020			
	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	-	-	881,031	-	-	-	744,299	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	881,031	-	-	-	744,299	-
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	**-**	**-**	**881,031**	**-**	**-**	**-**	**744,299**	**-**

A.2 Financial derivatives held for trading: positive and negative gross fair value – breakdown by product

Types of derivatives	Total 12/31/2021				Total 12/31/2020			
	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. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	360	-	-	-	2,174	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**360**	**-**	**-**	**-**	**2,174**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	5,336	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,336**	**-**	**-**	**-**	**-**	**-**

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	881,031	-	-
- positive fair value	X	360	-	-
- negative fair value	X	5,336	-	-
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		189,156	606,267	85,608	881,031
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	**12/31/2021**	**189,156**	**606,267**	**85,608**	**881,031**
Total	**12/31/2020**	**297,433**	**446,866**	**-**	**744,299**

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, EU Regulation 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 1,524,255 thousand, designated as a macro-fair value hedging hedge on “Financial assets at amortised cost”.

In relation to EU Regulation no. 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 request 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, as of 31 December 2021 the bank concluded 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 the one provided 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 2021, 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 Bank's 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 31/12/2021				Total 31/12/2020			
	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	-	-	1,524,255	-	-	-	1,186,937	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	1,524,255	-	-	-	1,186,937	-
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	**-**	**-**	**1,524,255**	**-**	**-**	**-**	**1,186,937**	**-**

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 12/31/2021				Total 12/31/2020					
	Over the counter				Over the counter				Total	Total
	Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements	Organized markets	Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements	Organized markets	12/31/2021	12/31/2020
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	5,705	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**5,705**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	2,714	-	-	-	10,337	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**2,714**	**-**	**-**	**-**	**10,337**	**-**	**-**	**-**

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	1,524,255	-	-
- positive fair value	X	5,705	-	-
- negative fair value	X	2,714	-	-
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		306,433	1,035,338	182,484	1,524,255
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	**12/31/2021**	**306,433**	**1,035,338**	**182,484**	**1,524,255**
Total	**12/31/2020**	**380,285**	**757,609**	**49,043**	**1,186,937**

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	-	2,405,286	-	-
- positive fair value	-	6,065	-	-
- negative fair value	-	8,050	-	-
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 no. 575/2013 and by Directive no. 2013/36/EU and subsequent amendments to the Delegated Regulation. The limit as from 2018 was set at 100%. Santander Consumer Bank's liquidity ratio meets with the above requirement and is continually maintained. At 31 December 2021, the LCR was 247.5%.

Finally, the Bank manages also liquidity through medium- to long-term indicators, such as the Net Stable Funding Ratio and Group indicators.

The NSFR officially entered into force on 30 June 2021. As of 31 December 2021, the NSFR was 104.4%

Each month an ALCO (Asset Liability Committee) meeting is held, attended by Chief Executive Officer and the representatives from the Bank’s Risk Division, Finance and Administration and Control Divisions, and Marketing. 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 Parent Company diversifies its forms of funding through recourse to financing transactions with the Spanish Parent Company, funding from customers, repurchase agreements, secured funding transactions through the sale of ABS securities and loans collateralised by ABS securities or Additional Credit Clamis (ABACO) care of the European Central Bank

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 2021 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. 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	**479,124**	**956**	**83,866**	**27,877**	**537,277**	**853,824**	**974,437**	**3,130,945**	**561,836**	**13,088**
A.1 Government securities	-	-	-	-	129,500	401,613	101,375	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	479,124	956	83,866	27,877	407,777	452,212	873,062	3,130,945	561,836	13,088
- Banks	223,657	-	-	16	93,665	146	296	-	33,500	13,088
- Customers	255,467	956	83,866	27,861	314,111	452,066	872,766	3,130,945	528,336	-
B. On-balance sheet liabilities	**768,113**	**8,460**	**5,790**	**64,994**	**322,655**	**176,766**	**149,392**	**4,241,014**	**138,613**	-
B.1 Deposits and current accounts	761,426	7,582	5,790	14,972	78,017	94,739	144,072	964,675	51	-
- Banks	40,575	-	-	-	-	-	-	-	-	-
- Customers	720,851	7,582	5,790	14,972	78,017	94,739	144,072	964,675	51	-
B.2 Debt securities	-	-	-	-	-	-	1,574	175,000	-	-
B.3 Other liabilities	6,687	878	-	50,021	244,638	82,027	3,746	3,101,338	138,561	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	146	89	89	107	-	-	-
- Short positions	-	-	-	382	1,033	1,982	3,565	-	-	-
C.3 Deposit to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
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 2021, 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 securitisations are stand-alone.

Again at 31 December 2021, Golden Bar 2018-1, Golden Bar 2019-1 and Golden Bar 2021-1 are all partially subscribed by third party investors.

Below is a summary of the main features of the transactions originated by Santander Consumer Bank in 2021:

Transaction	12/31/2021				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding al 31/12
Golden Bar 2016-1	A	IT0005210031	A1/AH	Salary assignment, retirement assignment and delegation of payment.	365,913,983
	B	IT0005210080	A3/A		27,500,000
	C	IT0005210098	A3/AL		38,500,000
	D	IT0005210106	A3/BBBH		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 2021:

Transaction	Notional value			
	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2016-1	849,095,399	-	285,181,415	563,913,983
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 2016-1	49,530,000	-	-	-	-
Golden Bar 2020-1	8,530,000	-	-	-	-
Golden Bar 2020-2	5,242,800	-	-	-	-

Transaction	Cash Reserve				
	Composed	Opening balance	Increases	Expenses	Closing balance
Golden Bar 2016-1	27,500,000	21,227,385	-	7,129,535	14,097,850
Golden Bar 2020-1	8,500,000	8,487,500			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 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	597,365	563,804	110	14,098		n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-1	722,517	679,000	67,498	8,488	5,548,603	n.a.	n.a.	n.a.	n.a.
Golden Bar 2020-2 VFN	481,051	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 2021

Breakdown of the excess spread accrued during the year	12/31/2021		
	Golden Bar 2016-1 VFN	Golden Bar 2020-1	Golden Bar 2020-2 VFN
Interest expense on securities issued	(17,943)	(24,504)	(19,395)
Commisions and fees for the operation	(1,608)	(969)	(676)
- for servicing	(1,590)	(943)	(651)
- for other services	(18)	(26)	(25)
Other charges	(879)	(4,124)	(2,541)
Interest generated by the securitised assets	44,362	40,197	32,139
Other revenues	11	2,221	2,960
Total	**23,943**	**12,821**	**12,487**

Financial year 2020

Breakdown of the excess spread accrued during the year	31/12/2020			
	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**

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, operational risk includes the category of IT and cyber risks defined as "the overall level of risk to which the Company's processes and assets are subject in relation to the use of a given IT system" and the risk of outsourcing, deriving from the choice to outsource one or more company activities to third party suppliers.

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 connected to support processes, such as:

- 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

During 2021, the bank maintained all operational controls aimed at monitoring any situations that could have generated critical situations in its operations. With reference to the Business Continuity Plan (BCP), 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 continued to develop all actions to prevent any critical issues and spread of the virus among bank employees, ensuring the continuity of all services during the shutdown periods imposed by the Public Administration that did not affect the financial services. As last year, the bank continued to implement all protective and preventive measures in terms of people, processes, and critical suppliers.

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 2021 by risk category:

Risk Type	Net Losses	Net provisions	Addition, uses and recoveries	Net Op Risk Impact
Internal Fraud				
External Fraud	43	588		631
Employment, practises & Workplace Safety				
Clients, Products & Business Practices	4,557	215	(1,164)	3,608
Damage to physical Assets				
Business Disruption & System Failures				
Execution, Delivery & Process Management	33	6	(13)	26
TOTAL	**4,633**	**809**	**(1,177)**	**4,264**

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

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 12/31/2021	Amount 12/31/2020
1. Share capital	573,000	573,000
2. Share premium reserve	633	633
3. Reserves	251,196	324,640
- useful	211,283	284,728
a) legal	21,084	17,552
b) statutory	-	-
c) treasury shares	-	-
d) other	190,199	267,175
- other	39,913	39,913
4. Equity Instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(489)	(686)
- 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	218	-
- 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	(707)	(686)
- Units of valuation reserves of investments valued at equity	-	-
- Special revaluation laws	-	-
7. Profit (loss) for the year	179,206	70,646
Total	**1,003,545**	**968,233**

B.2 Valuation reserves for financial assets measured at fair value through comprehensive income: breakdown

Assets/values	Total 12/31/2021		Total 12/31/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	230	13	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Total	**230**	**13**	**-**	**-**

B.3 Valuation reserves for financial assets measured at fair value through comprehensive income: change in the year

	Debt securities	Equity securities	Loans
1. Opening balance	-	-	-
2. Positive changes	**230**	-	-
2.1 Fair value increases	230	-	-
2.2 Value adjustments for credit risk	-	X	-
2.3 Transfer to the income statement of negative reserves to be realized	-	X	-
2.4 Transfers to other equity (capital securities)	-	-	-
2.5 Other changes	-	-	-
3. Negative changes	**(13)**	-	-
3.1 Fair value reductions	(13)	-	-
3.2 Write-backs for credit risk	-	-	-
3.3 Reclassification throught profit or loss of positive reserves: - following disposal	-	X	-
3.4 Transfers to other equity (capital securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**218**	-	-

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 21 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.

Santander Consumer Bank Own Funds	Total	
	12/31/2021	12/31/2020
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	824,300	820,454
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	(201)	(12)
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	824,099	820,442
D. Deductions from CET1	6,005	12,442
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	818,094	808,000
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	130,000	119,962
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)	130,000	119,962
Q. Total own funds (F + L + P)	**948,094**	**927,961**

The table shows the amount of risk assets and prudent ratios, according to information reported in supervisory reports.

Value	Non weighted assets		Weighted assets	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,423,191	6,985,142	3,599,417	3,868,578
1. Standardized approach	6,423,191	6,985,142	3,599,417	3,868,578
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			287,953	309,486
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			23,038	20,480
1. Basic indicator approach (BIA)			-	-
2. Traditional standardized approach (TSA)			23,038	20,480
3. Advanced measurement approach (AMA)			-	-
B.6 Other calculation elements			-	-
B.7 Total capital requirements			310,992	329,966
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			3,887,398	4,124,575
C.2 Capital primary class1 / Risk			21.04%	19.59%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			21.04%	19.59%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			24.39%	22.50%

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, auditors and managers

The following table shows the amounts of compensation paid in 2021 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of "related party".

		12/31/2021
Short-term benefits		3,011
Post-employment benefits		-
Other long-term benefits		-
Termination indemnities		-
Share-based payments		309
	Total	**3,320**

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	8,250	8,050	1,921,286	11,972	14,659
Santander Consumer Finance	-	915,179		7,170	-
Banca PSA Italia SpA	33,988	-		-	92,037
TIMFin S.p.A.	4,740	2,906		-	9,262
Other Santander Group Companies	1,649	9,384		2,521	1,496

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 445 thousand) and by the subordinated loan (Euro 33,543 thousand);
- the ordinary income relates to interest income on the subordinated loan (Euro 600 thousand), to services arising from servicing activities (Euro 144 thousand), revenues relating to the issue of the Non-preferred Senior notes (Euro 712 thousand) and the recovery of expenses in relation to seconded staff (Euro 1,081 thousand).

- Extraordinary income refers to dividends collected equal to Euro 89,500 thousand.

In respect of the investee company TimFin SpA:

- receivables relate mainly to fees for servicing activities provided (Euro 4,039 thousand);
- payables refer to TimFin's participation in the tax consolidation scheme (Euro 2,906 thousand);
- the ordinary income relates to services arising from servicing activities (Euro 7,357 thousand), revenues relating to the issue of the Non-preferred Senior notes (Euro 324 thousand) and the recovery of expenses in relation to seconded staff (Euro 1,580 thousand).

Relationships are also maintained with other companies of the Santander Group.

Receivables relate mainly to servicing activities provided in Italy (Euro 1,647 thousand).

Payables are determined by current accounts opened by Group companies (Euro 9,376 thousand), whereas the expenses mainly consist of consulting and services received (Euro 2,380 thousand). Income relates mainly to servicing activities provided (Euro 1,496 thousand).

Finally, it should be noted that there are amounts due of Euro 113 thousand and amount payables of Euro 826 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 relating to the rental of premises and the rental of cars for 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. During 2021, the Bank entered into 5 new lease agreements, including the lease agreement relating to the Ex-Unifin branch of Castelmaggiore transferred to Bologna, 2 agreements aimed at changing the location of the branch while keeping the city unchanged and 2 agreements relating to the new framework agreement for the company fleet and the data centre. The Bank also renegotiated the contractual conditions relating to 2 branches. No impairment has been recorded in relation to current contracts.

At 31 December 2021, there were no renegotiations of the contractual conditions of the branches whose effects will come into force from the next year.

At 31 December 2021, 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	**25,505**	**6,972**	**3,803**	**649**		**4**
- of which real estate	21,048	5,399	2,230			
- of which vehicles	4,457	1,573	1,573			

During 2021, the assets consisting of the right of use underwent a change net of the accumulated amortisation of Euro 2,750 thousand, mainly deriving from the signing of the new framework agreement for 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 quintals) 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 12/31/2021 Lease payments receivables	Total 12/31/2020 Lease payments receivables
Up to one year	46,349	31,691
Over one year up to 2 years	49,018	34,683
Over 2 years up to 3 years	46,714	36,881
Over 3 years up to 4 years	33,749	28,129
Over 4 years up to 5 years	17,775	10,466
For over 5 years	-	884
Amount of the lease payments receivables	**193,604**	**142,733**
Reconciliation of the undiscounted lease payments	(16,827)	(14,312)
Not accrued gains (-)	(16,827)	(14,312)
Not guarantee residual value (-)	-	-
Lease payments	**176,777**	**128,421**

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 2020 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 SHEETS AS OF 31 DECEMBER 2020 AND 2019

(EUR Thousands)

ASSETS	2020	2019	LIABILITIES AND EQUITY	2020	2019
Cash and balances at central banks	1,115,068	595,137	LIABILITIES		
Financial assets held for trading	3,929	—			
Financial assets through other comprehensive income	2,038,525	3,423,139	Financial liabilities held for trading	6,497	202
Financial assets at amortised cost	25,769,106	25,034,238	Financial liabilities at amortised cost	30,517,685	30,984,771
Derivatives – hedge accounting	25,327	45,639	Derivatives – hedge accounting	154,011	54,634
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	1,274	—	Provisions	87,726	41,450
Investments in subsidiaries, joint ventures and associates	12,130,945	12 083 573	Tax liabilities	304,285	281,520
Tangible assets	2,216	48	Other liabilities	111,751	49,540
Intangible assets	44,474	18,322			
Tax assets	211,269	138,372	**TOTAL LIABILITIES**	**31,181.955**	**31,412,117**
Other assets	23,735	2,896			
Assets included in disposal groups classified as held for sale	2,717	2.649	Equity	10,204,994	9,937,352
			Other comprehensive income	(18,364)	(5,456)
TOTAL ASSETS	**41,368.585**	**41,344,013**			
			TOTAL EQUITY	**10,186.63**	**9,931,896**
Memorandum items: off balance sheet items			**TOTAL LIABILITIES AND EQUITY**	**41,368.585**	**41,344,013**
Loans commitment granted	803,025	966,404			
Financial guarantees granted	4,682,762	3,939,106			

SANTANDER CONSUMER FINANCE, S.A.
CONDENSED INCOME STATEMENTS AS AT 31 DECEMBER 2020 AND 2019
(EUR Thousands)

	2020	2019
Interest income	537,278	288,506
Interest expenses	(157,734)	(148,303)
NET INTEREST INCOME	**379,544**	**140,203**
Dividend income	277,940	572,785
Income from companies accounted for using the equity method	—	—
Commissions income	55,374	32,817
Commissions expense	(54,763)	(57,807)
Gains or losses on financial instruments not at fair value through profit or loss, net	454	(249)
Gains or losses on financial instruments held for trading, net	—	—
Gains or losses from hedge accounting, net	—	—
Currency translation differences, net	(3,178)	(5,225)
Other operating income	2,862	155
Other operating expenses	(18,252)	(11,682)
OPERATING INCOME	**639,981**	**670,997**
Administration and general expenses	(214,389)	(75,860)
Depreciation and amortisation cost	(12,091)	(4,047)
Provisions or reversal from provisions, net	(18,402)	(2,410)
Impairment charges and reversals from financial assets not at fair value through profit or loss	(191,138)	(44,489)
NET OPERATING PROFIT	**203,961**	**544,191**
Impairment charges or reversals on investments in joint ventures and associates	—	—
Impairment charges or reversals on non-financial assets	(1,431)	—
Gains or losses on assets and liabilities included in disposal groups classified as held for sale from discontinued operations	(2,405)	(1,271)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS	**200,125**	**542,920**
Taxation	(72,217)	(34,708)
Gains or losses after tax in respect of continuing operations	127,908	508,212
PROFIT/(LOSS) AFTER TAX	**127,908**	**508,212**

Annexes

Annex 1 – Country-by-country reporting at 31 December 2021

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 no. 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	349,758	659	227,508	(48,302)	
Banca PSA Italia S.p.a.	Italy	Banking	140,784	184	106,646	(34,731)	
PSA Renting Italia S.p.a.	Italy	Rental business and operating lease	35,326	3	12,797	(3,862)	
TimFin S.p.a.	Italy	Credit business	5,290	5	(10,907)	3,336	

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