Financial Statements at 31 December 2022

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

Santander Consumer Bank

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 Bank S.p.A. is wholly owned by Santander Consumer Finance S.A.

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
	Silvia Fidanza

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

November 1988

Santander Consumer Bank S.p.A. is established under the name of Finconsumo S.p.A.

2001

Finconsumo S.p.A. became Finconsumo Banca S.p.A.

2004-2006

Santander Consumer Finance S.p.A. becomes 100% shareholder of Finconsumo Banca S.p.A. In 2006, the latter was renamed Santander Consumer Bank S.p.A.

2013-2015

- Santander Consumer Bank S.p.A. acquires 100% of Santander Consumer Unifin S.p.A. (formerly Unifin S.p.A.)
- Merger by incorporation of Santander Consumer Unifin S.p.A. in the parent company Santander Consumer Bank

2015

Establishment of the JV Banca PSA Italia S.p.A. following an agreement between Santander Consumer Bank S.p.A. and Banque PSA Finance (50% - 50%)

2018

Banca PSA Italia S.p.A. acquires PSA Renting S.p.A. (100%)

2020

Establishment of the JV TIMFin S.p.A. following an agreement between Santander Consumer Bank S.p.A. and TIM S.p.A. (51% - 50%)

2022

Santander Consumer Bank S.p.A. comprises:

- Santander Consumer Renting S.r.l. (wholly owned)
- Drive S.r.l. (wholly owned)

Consolidated Financial Statements of the Santander Consumer Bank Group

Santander Consumer Bank

Report on Group Operations

Report on Group operations

A - The reference market

A.1 - The macroeconomic scenario

The global economy

The global macroeconomic scenario deteriorated compared to the previous year due to the repercussions deriving from the war in Ukraine that began in February 2022, the political tensions regarding Taiwan and the prolonged effects of COVID-19. The combination of these events led to high inflation and drops in the real economy (such as the slowdown of the Chinese economy).

The GDP of the Eurozone in 2022 recorded an increase of 3.5% compared to 2021, presenting a slowdown in the last quarter of 2022.

However, global demand contributed towards moderating oil prices; in Europe, natural gas prices fell sharply, albeit remaining at historically high levels. The price of Gas reached record levels in August, breaking the threshold of 300 €/MWh and then falling back towards 80 €/MWh at the end of the year. In addition, the tensions that began in 2021 on microchips eased, however remaining a constant element in 2022.

In order to reduce energy dependence on Russia and accelerate green transition (REPowerEU), the European Parliament allocated new funds to support national recovery and resilience plans.

In this context, inflation recorded a 9.2% increase, affected by the difficulties connected with the procurement of raw materials and by the increase in the prices of energy sources. In the face of stagnant labour productivity, government measures contributed to containing requests for wage increases.

During 2022, the Central Banks pursued a restrictive monetary policy by progressively increasing the reference interest rates as a consequence of their budget reduction programs. The different central banks pursue the same objectives, but have different intervention timescales depending on the objectives set by their programs.

The Governing Council of the ECB increased the official reference rates, 250 basis points in 2022, and announced that they will still have to increase them significantly and at a constant pace to favour a timely return of inflation to the medium-term objective. The Council also decided to make the conditions applied to targeted longer-term refinancing operations (TLTRO3) less advantageous and in December announced the criteria on the basis of which it will normalise the amounts of securities held by the Eurosystem for monetary policy purposes. The portfolio of the financial asset purchase program (APP) will be reduced at a measured and predictable rate, equal to an average of Euro 15 billion per month from the beginning of March until the end of the second quarter of 2023. The reinvestment of maturing securities as part of the pandemic emergency purchase program (PEPP) will instead continue at least until the end of 2024 and will be carried out in a flexible manner.

International institutions expect a slowdown in global growth for 2023 (also for the Eurozone), mainly due to the still high energy prices, the weakness of household disposable income and less favourable financial conditions.

The Italian economy

In Italy, economic activity recorded a positive trend, despite the weakening recorded in the last quarter of the year. These changes are mainly attributable to the recovery of the added value of services, which returned to pre-pandemic values, and to the trend of industrial production. Household spending slowed down, despite measures to support disposable income in a context of high inflation.

In the October-November two-month period, exports of goods remained stable, while imports decreased also as a result of the EUR/USD exchange rate, which during the year disclosed weakness in the currency of the old continent. The EUR/USD ratio, after falling to break the psychological threshold of parity in September, partially recovered, settling at around 1.06 at the end of December.

The number of people in employment increased slightly, supported by the permanent component due to the transformations of temporary positions initiated in 2021. The unemployment rate stood at 7.8%. The wage trend remained subdued, also due to the continuation of the negotiation processes in services, where the portion of employees awaiting renewal of the collective labour agreement is still high.

In line with the inflation recorded at European level, at domestic level there was an increase in this component mainly due to the cost of energy sources (70%) despite the government measures introduced to mitigate the trend in consumer prices.

As part of the National Recovery and Resilience Plan (PNRR), the Italian Government also collected the second tranche from the European funds, pursuing policies and strategies in line with the principles agreed on at European level.

The reduction in demand led to a decrease in bank loans. At the same time, the increase in official rates was passed on to the cost of bank lending, to an extent essentially in line with the average increase in the Eurozone. The conditions of the financial markets as a whole were affected by the political elections in 2022 and the manoeuvres carried out by the Central Banks. The yield spread of

Italian Government securities with respect to the corresponding German securities stood at around 185 basis points in mid-January 2023, well below the maximum values reached during the previous year.

The Bank of Italy projections are affected by the current context of high uncertainty connected especially with the evolution of the conflict in Ukraine. In the base scenario indicated by the aforementioned Authority, it is assumed that the tensions associated with the war will continue to be high in the first few months of 2023 and will gradually reduce over the forecast horizon. After an increase of almost 4% in 2022, GDP is expected to slow this year to 0.6%. Growth is expected to strengthen again in the following two years, thanks to the acceleration of both exports and domestic demand. Inflation, which rose to almost 9% last year, should drop to 6.5% in 2023 and more markedly thereafter, reaching 2.0% in 2025. In a scenario in which the permanent suspension of the supplies of energy raw materials from Russia to Europe is hypothesised, GDP would decrease in 2023 and 2024 and grow moderately in the following year; inflation should rise further this year, and then fall considerably in the next two years. The scenario does not take into account new measures introduced to mitigate the effects of these more unfavourable developments; it also does not consider the possibility that the strong weakening of economic activity reflects, more than that which is suggested by historical regularities, on inflation, determining a lower value at the end of the forecast period.

A.2 - Industry trends

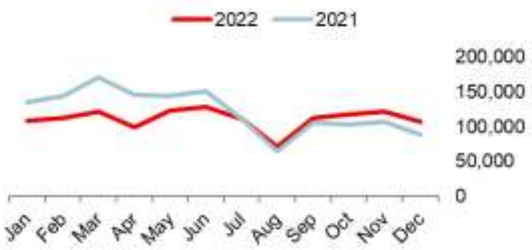
Consumer credit

2022 saw recovery in consumer credit with an overall increase in requests of +18.9% compared to 2021, recovering the climate of confidence after the pandemic shock of the last two years (source: EURISC, the Credit Information System managed by CRIF). In particular, in 2022 applications for personal loans increased by 22.9% and applications for loans for the purchase of goods and services increased by +16.7% (with the exception of the car, motorcycle and mobile phone sectors, still affected by the semiconductor crisis). At the same time, requests for salary assignment loans recorded a slight increase.

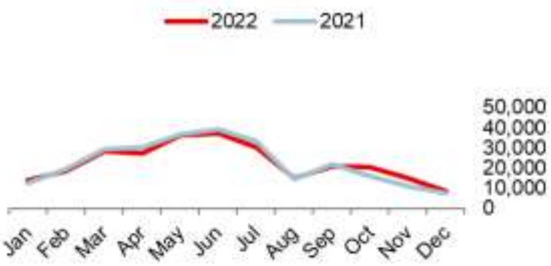
For the third consecutive year, the average amount of loans requested fell by 3.9% and amounted to Euro 8,106 (compared to Euro 8,434 in 2021 and Euro 8,895 in 2020). The trend involving a decrease in the amount requested concerns both personal loans with a value of Euro 12,223 (-1.4% compared to 2021) and special-purpose loans which stopped at Euro 5,717 (-8.5% compared to 2021). Demand, albeit divided into contained amounts, is still spread over a period of more than 5 years for 22.7% of Italians, in order to weigh as little as possible on the family budget. 75.1% of the applications for special-purpose loans involved a repayment of the debt not exceeding 3 years; while personal loans tend to be concentrated in a period range of more than five years, 43% of the total.

Considering the current competitive positioning of the Group, the performance of the automotive sector is significant. In particular, new vehicle registrations in 2022 recorded a decrease of -9.5%, with 1,335,487 cars, mainly due to the shortage of semiconductors recorded in the first period of the year[1]. There was a slight increase by contrast in registrations of two-wheel vehicles, which reached 270,416 units (+0.09%),[2], while changes of ownership of vehicles net of transfers to dealers decreased (-10.18%)[3].

Motor vehicle registrations



Motorcycle registrations



[1] UNRAE data as at 31/12/2022

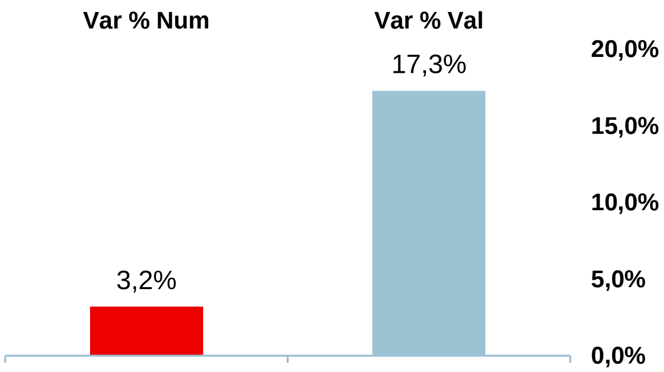
[2] ANCMA data as at 31/12/2022 for vehicles over 50 cc

[3] ACI data as at 31/12/2022

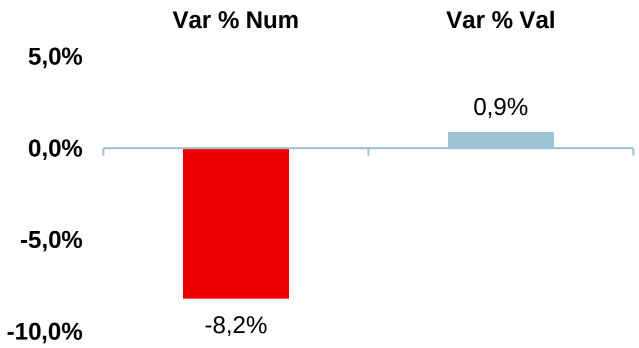
Leases

With regard to the car leasing market, there was an increase compared to the previous year (+13.7%), with a total of around Euro 15.9 billion of new loans[4]. The trend for motor vehicles indicates a rise (+3.2%), while for commercial vehicles it shows a drop (-8.2%)[5].

Motor vehicle lease (Jan-Dec 2022 vs 2021)



Commercial vehicle lease (Jan-Dec 2022 vs 2021)



Rental

The end of the year saw an excellent result for the rental business as a whole: more than 400,000 registrations, representing just over one third of the total PC + LCV (Passenger Cars + Light Commercial Vehicles) automotive market.

The data of the individual segments show a different growth trend between long-term and short-term rental: the long-term component capitalises a constant growth in volumes in 2022, closing with +19% compared to 2021 (and in contrast with the rest of the overall market) while the short-term component recorded a loss of around 30% in volumes.

In the long-term rental segment, the approximately 340 thousand PCs + LCVs registered (excluding rent to rent volumes) represent the best result for the last 7 years and confirm the definitive exit from the crisis experienced in the last three years. Moreover, considering the current uncertainty with regard to the technological evolution of the automotive sector, which is pushing a growing number of motorists, including private ones, towards this mobility formula, estimates envisage further growth in the sector in 2023.

Analysing the different segments, Passenger Cars closed the year with 294,198 vehicles, up 22.4% and with a share of 22.3%, up 6 points compared to 2021. The performance of the LCVs was less brilliant, closing at the same levels of 2021 with 46,184 registrations. Despite the lack of products and the sector's difficulty in transitioning to electric, long-term rented light commercial vehicles still account for one third of the total LCV market, with a 6% increase in market share.

Market prospects

The forecasts for the years to come[6] show that the growth in loans to households as a whole will be consolidated at around 3% on average per year in the two-year period 2023-2024 (in terms of amounts).

[4] Assilea data as at 31/12/2022

[5] Ibidem

[6] Observatory on retail credit (https://www.prometeia.it/news/osservatorio-credito-dettaglio-52-edizione)

New tensions are added to the legacies of the pandemic, maintaining the focus on credit quality high. The pressures on household budgets deriving from the sharp increase in inflation, the deterioration of disposable income and the faster normalisation of credit quality are added to those of the COVID-19 crisis. Therefore, an increase in default rates is confirmed for 2022, with carry-over effects also in 2023.

In general, the uncertainty of the forecast scenario is very high and linked to the duration of the conflict and the economic policies that will be adopted to counter its negative consequences, as well as the possible deterioration of the health situation in the autumn.

The integration of ESG criteria in the supply strategies and the assessment of climate risks remain one of the main challenges that the industry will have to face. Looking ahead, the incentive for the energy efficiency of retail activities will become increasingly important for the financial system, which will have to be ready when in 2024 operators will have to meet the new compliance obligations and provide guidance on which assets in their portfolios are considered environmentally sustainable.

In addition, investments in technology and training must continue to be encouraged to complete the digitalisation process, also through the development of online platforms for the granting of loans, and compete in a context made more complex also by the presence of non-traditional operators.

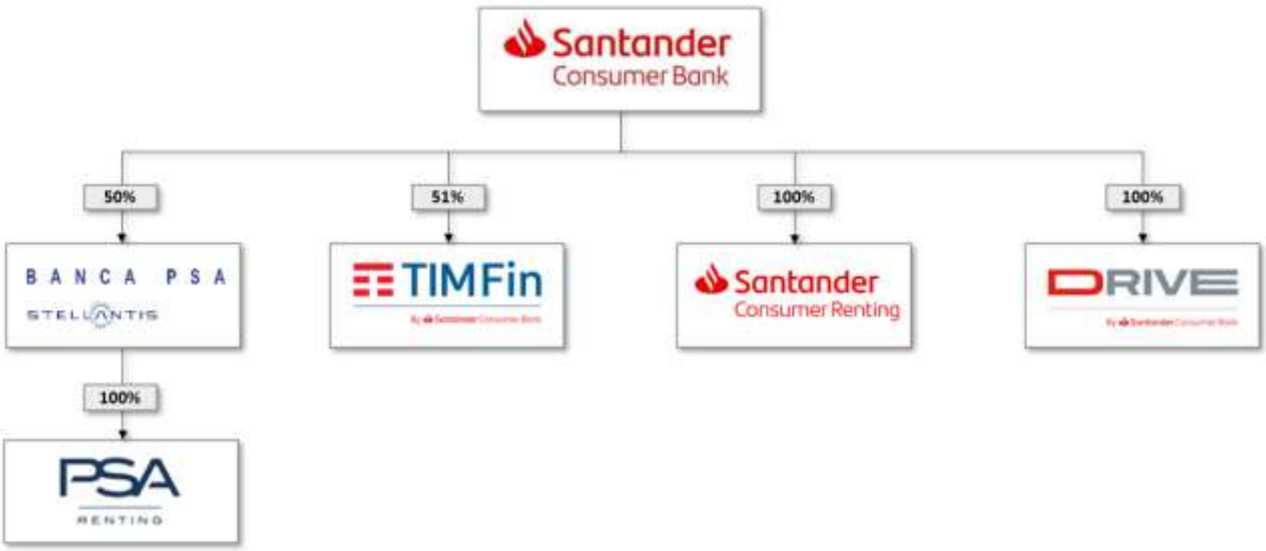
B – The Santander Consumer Bank S.p.A. Group

B.1 – Management and coordination by Santander Consumer Finance S.A.

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.

The Notes to the Financial Statements are accompanied by a statement summarising the essential data of the last set of approved financial statements (those for the year ended 31 December 2021) of the entity that carries out management and coordination.

B.2 – Le società del Gruppo



The prudent scope of consolidation does not correspond to that of the financial statements, as the companies that exercise operating leasing (Santander Consumer Renting S.r.l. and Drive S.r.l.) are to be considered as non-financial and non-instrumental companies pursuant to the current prudent legislation.

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 2022, the Bank disbursed loans for Euro 813.4 million, with a decrease of 14.3% compared to the volumes produced during the previous year.

Loans granted by Banca PSA and intended for the purchase of new vehicles represented 31.4% (29.9% in 2021) of the vehicles registered by Peugeot, Citroen and DS (former PSA Group with the exclusion of Opel) in 2022.

In terms of breakdown by product type, 69.6% of the year's lending relates to financing for the purchase of new vehicles, 12.5% to finance lease transactions, 17.3% to financing for the purchase of second-hand vehicles and the remaining 0.7% for transactions linked to the new AMI product (Car totally full electric manufactured by Citroen).

The loan portfolio for Car Loans, Leases and Corporate Dealers, gross of adjustment provisions, in 2022 reported a situation similar to that of the previous year, with a slight drop of 0.4%, and stood at a value of Euro 2,776 million (Euro 2,788 million in 2021). The portfolio is broken down as follows: Car Loans 72.7%, Leases 11.3%, loans to Corporate Dealers for Stock Financing transactions 16%.

Despite the macroeconomic context described above, the Company, in this sixth year of activity, saw the positive maintenance of all the economic and financial indicators, albeit down with respect to the previous year, due to the profitability of new production of the existing portfolio and the margins, which are still positive, good credit quality, optimisation of the sources of financing and the containment of costs.

2022 closed with a net profit of Euro 68.6 million, down with respect to 2021 by 5% (2021 net profit of Euro 71.9 million). This result was generated by the average net loan portfolio of Euro 3,047 million.

With regard to the reorganisation related to the strategic initiatives deriving from the agreements with Stellantis, please refer to section D "Facts worth mentioning".

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 a subsidiary of Banca PSA Italia S.p.A., which as from 13 June 2019 also carries out management and coordination activities.

In 2022, PSA Renting's business trend was down 41.8% compared to 2021 The trend regarded all distribution channels and in particular rentals to employees and their families (-93.9%) due to the suspension of marketing until November due to strategic Group decisions. The relaunch of the related product in the last two months of the year was well received and will show initial results in the first few months of next year.

In 2022, lease agreements relating to electric vehicles and new generation plug-in hybrids represented 17% of total production, unlike in 2021, when they represented 42%.

The average price of the managed PSA range in 2022 was Euro 21.6 thousand (+1.1% compared to 2021), while the average duration reached 34.4 months compared to 29.2 months in 2021.

The fleet in circulation as at 31 December 2022 recorded an increase of 11.7% compared to 2021 and consists of 22,085 vehicles with a distribution among the commercial brands in which the preponderance of the vehicles of the Peugeot brand, which represent approximately 67% of the total vehicle fleet on the road, is confirmed.

Revenues from production amounted to Euro 113,548 thousand in total and are essentially made up of lease payments received from customers for Euro 73,445 thousand, recoveries of expenses on insurance contracts for Euro 19,793 thousand and revenues linked to maintenance and guarantee extension services for Euro 15,567 thousand.

The costs for services amounted to a total of Euro 40,669 thousand and are mainly represented by costs incurred for the acquisition of services provided to customers (insurance costs for Euro 19,295 and maintenance costs for Euro 7,874 thousand, registration costs for Euro 2,020 thousand and vehicle related taxes for Euro 4,075 thousand).

The Budget for the coming year, following the agreements signed by the Stellantis Group and its financial partners in the first part of 2022 and the authorisation by the European Commission dated December 2022 on their execution, envisages the realisation in the first half of 2023 of the reorganisation of the financing, finance lease and operating lease activities of the Stellantis Group at European level.

TIMFin S.p.A

The mission of TIMFin S.p.A., created as a result of the partnership between Santander Consumer Bank S.p.A. and TIM S.p.A. and operational since 1 February 2021, is to provide retail loans mainly for the purchase of devices (handsets or smartphones) and connected services with the affiliated TIM network, as well as the purchase via factoring of payment plans on TIM modems.

During 2022, the company finalised loans for 337 million, up by 17.5% compared to 2021, spread over 730 thousand contracts. Production focused mainly on the device financing product (71.5% of the total financed, up 40%) and on modems (24% of the total financed, down by 28%). The residual phase regarding direct loans not linked to TIM products (up by 6%) is still in the development phase.

With reference to insurance distribution activities, together with the consolidation of "TIMFin Assicura Prestito" and "TIMFin Assicura Spesa", in March, in collaboration with Assurant, "TIMFin Assicura Smartphone" was launched, insurance coverage that covers the repair or replacement of the smartphone, in the event of accidental damage and/or in the case of theft.

The assets are made up entirely of loans to customers, while the liabilities are largely made up of intercompany loans. The overall exposure increased significantly in relation to the development phase. These changes affected the performance of the items in the income statement.

Interest and similar income, for a total of Euro 18,6 million, mainly consists of financial contributions paid by TIM relating to the interest-free loan and income from factoring activities.

Value adjustments for credit risk, for a total of Euro 8.6 million, are mainly determined on the basis of volumes and for the calibration of IFRS 9 parameters.

31 December 2022 closed with a net loss for the year of Euro 3.5 million, a clear improvement compared to the previous year (Euro 7.6 million) but which is still affected by the short disbursement period (as indicated above, the company started to disburse in 2021).

Santander Consumer Renting S.r.l. e Drive S.r.l.

The companies were established in May 2022, and are currently in the development phase, for which the systemic and organisational processes are being determined and fine-tuned. The volumes managed in 2022 are the expression of operational tests aimed at preparing a genuine launch towards the reference market expected by mid-2023.

For greater details on the establishment of the companies, please refer to the matters illustrated in the "Other facts worth mentioning" section of the report on operations.

In the first months of existence, the maximum focus was dedicated to the development of the organisation and information systems. The latter envisage a management system dedicated to rental management that interfaces with a back end for everything related to accounting and financial management. In view of the above, the companies mainly incurred set-up costs, without having significant forms of revenue.

Accordingly, as per internal planning, in December 2022 payments were made for future capital increases in both companies to support the structure in this initial phase. Santander Consumer Renting S.r.l. closed the year with a loss of Euro 854 thousand, and Drive S.r.l. with a loss of Euro 782 thousand.

C – Performance of interest-bearing assets and liabilities

C.1 – New business

In the context of consumer credit, the Santander Consumer Bank Group recorded an increase in volumes compared to the previous year (+2,60%), despite the prolongation of the difficulties in the automotive sphere in finding raw electronics materials (microchips) for new vehicles. The performances of the Automotive sector are in general down (-21.49%), in particular new vehicles by -33.12% offset by second-hand cars which recorded an increase of 43.11%.

Non-automotive consumer loans, bucking the trend, recorded growth thanks to the contribution of TIMFin volumes (+13.76%) and personal loans (+250.96%) deriving from the agreement with Poste Italiane, entered into by the Parent Company. Lastly, salary assignment loans recorded a general decrease of -6.22%.

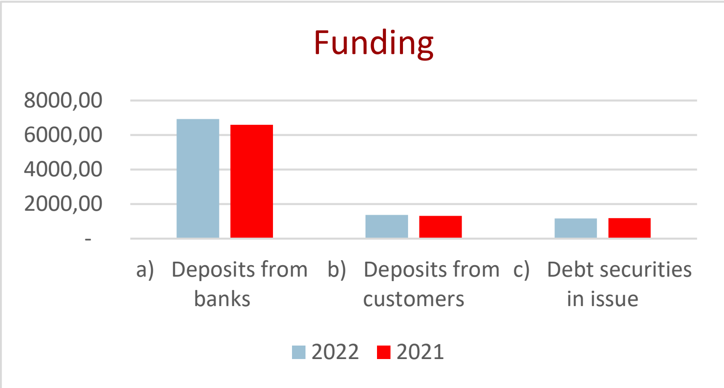
The following table shows the new business (excluding stock finance) of the Group as at 31 December 2022 compared with the previous year.

Group Santander Consumer Bank	dec '22	dec '21	% 22/21
(Milion euros)			
New Business Total*	3,606.18	3,514.69	2.60%
Total Vehicle	*2,028.85*	*2,558.86*	*-20.71%*
New Vehicle	*1,433.01*	*2,142.51*	*-33.12%*
Used Vehicle	*595.84*	*416.35*	*43.11%*
Special Purpose Loan	608.6	535.0	13.76%
Credit Card	3.7	3.4	8.77%
Personal Loan	*782.7*	*223.0*	250.96%
Salary Assignment	*182.3*	*194.4*	-6.22%

* Excluding Top Up and Refinancing

C.2 - Funding

The financial management of the Santander Consumer Bank Group is based on the sharing of guidelines and objectives that reflect the strategy of the Santander Consumer Finance S.A. Group. Each entity belonging to the Santander Consumer Bank Group enjoys decision-making and operational autonomy within the limits assigned.



Deposits from banks mainly consist of TLTRO loans, which are stable except for natural maturities, and loans obtained by the Spanish Parent Company Santander Consumer Finance S.A., which rose so as to offset lending requirements.

Payables to customers are mainly represented by deposit accounts and technical accounts with dealers.

The remainder of the structured funding consists of ABS securities sold to private investors and bonds subscribed by the Spanish Parent Company Santander Consumer Finance S.A.

D – Other facts worth mentioning

New Stellantis agreements

In December 2022, the EU Commission approved the reorganisation of the financing activities of Stellantis with its financial partners, with the objective of simplifying the captive banks of Stellantis. This involved four transactions:

- the Spanish Banco Santander, through Santander Consumer Finance, and Stellantis will manage a joint venture that will provide financing activities for all Stellantis brands in Belgium, France, Italy, Luxembourg, the Netherlands, Poland, Spain and Portugal;
- the French BNP Paribas and Stellantis will then manage a joint venture that will provide financing activities for all the Stellantis brands in Germany, Austria and the United Kingdom;
- in conclusion, Crédit Agricole Consumer Finance and Stellantis will manage a joint venture mainly dedicated to business-to-business operating leases for all Stellantis brands in all countries affected by the reorganisation;
- Crédit Agricole will instead become the sole shareholder of the current Fca Bank Italia, which will exit from the Stellantis group.

In order to achieve the creation of the Italian captive bank of Stellantis in 2023, several strategic initiatives were undertaken in 2022 to unify under a single company (the current Banca PSA) the management of the disbursement of loans on Stellantis products marketed in Italy. In this context, top management and all the structures of Banca PSA have undertaken the following projects:

- Omega: integration of human resources, structures, processes and procedures of the three joint ventures of the Stellantis group, currently active, in a single new captive bank that will provide financial services, on an exclusive basis, to all the Group's brands;
- Orion: implementation and adjustment of the current information system of Banca PSA in order to improve the existing commercial range and supplement the new brands served;
- Libra: acquisition of portfolios from joint ventures of the Stellantis group for around Euro 1.0 billion.

Establishment of Santander Consumer Renting and Drive

In order to develop a new business segment in line with the strategies outlined by Santander Consumer Finance S.A., two rental companies were established in May 2022, with headquarters in Bolzano, Santander Consumer Renting S.r.l. and Drive S.r.l. The creation of dedicated business lines should facilitate any future commercial agreements and at the same time will allow the Group to enter a strategic sector in consideration of the development of the automotive sector.

The contributions made by Santander Consumer Bank S.p.A. during 2022 amounted to Euro 4 million in Santander Consumer Renting S.r.l. and Euro 5 million in Drive S.r.l.

The two companies have no agreements with manufacturers, but will exploit the synergies deriving from the Santander Consumer Bank sales network and the experience deriving from resources hired specifically for the purpose.

These companies signed up to the regulations concerning the national tax consolidation and the VAT Group scheme, which in 2021 included the Parent Company and TIMFin. It is also specified that the extension of the national tax consolidation scheme is directly effective from 2022, while the expansion of the VAT Group scheme is effective from 2023. For further details, please refer to the Notes to the financial statements A. Accounting policies.

Disposal of NPLs

In July 2022, Santander Consumer Bank disposed of a portfolio of non-performing loans amounting to Euro 17.5 million, guaranteed by promissory notes. These transactions, of a routine nature for the Parent Company, generated a positive impact of Euro 8.2 million.

Securitisation transactions

In May 2022, the Parent Company Santander Consumer Bank completed a self-securitisation transaction with underlying salary assignment loans, contributing Euro 656 million. The transaction entailed the issue of notes for Euro 800 million, envisaging the possibility of further revolving acquisitions of performing loans in the following 24 periods up to a total amount of Euro 800 million.

In April 2022, the subsidiary Banca PSA completed a self-securitisation transaction with an underlying car loan portfolio, contributing Euro 320 million. The transaction entailed the issue of notes for Euro 800 million, envisaging the possibility of further revolving acquisitions of performing loans in the following 24 periods up to a total amount of Euro 800 million.

AGCM ruling

In February 2022, the Council of State issued with final ruling no. 753/2022, the dismissal of the appeal filed by the Antitrust Authority (AGCM) concerning the late start of the preliminary investigation, confirming the relevant part of the first instance Judgement. The rejection of this plea was deemed sufficient on its own to determine the annulment of the AGCM Decision made at the end of the proceedings and therefore to define the return of the sum paid by Banca PSA in December 2018 amounting to Euro 6.07 million.

Lexitor ruling

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.

As from the date of the issue by the Bank of Italy of its guidelines in question (4 December 2019), the Parent Company adjusted, for cases settled after that date, the settlement calculations with respect to the notion of the cost of credit set out by these standards, taking steps, in the event of early termination, to reimburse the full cost of the credit. In addition, a provision for risks and charges for Euro 26.9 million was set aside to cover these liabilities (detailed below). In conclusion, in this context, starting from the beginning of 2020, in order to comply with the aforementioned guidelines of the Bank of Italy, the Parent Company changed its contractual standards.

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 - Support 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.

The Bank has aligned itself with the provisions of the Decree described by applying, as from July 2021, at the time of early termination, (i) the provisions of the loan agreement and (ii) the provisions of article 125-sexies of the Consolidated Law on Banking pursuant to Legislative Decree no. 385 of 1993 in force on the date of 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 to be 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.

By means of Ruling no. 263 of 22 December 2022, the Constitutional Court ruled on the reduction of the total cost of credit to consumers in the event of early repayment of the loan and declared the new article of the Sostegni-bis Decree unconstitutional, limited to the following sentence "and the secondary rules contained in the transparency and supervisory provisions of the Bank of Italy ". The Court held, in particular, that the reference made by the legislator, in the inter-temporal regulation, to the secondary regulations of the Bank of Italy, was in conflict with the principle of the primacy of European Union law, since in fact it prevented the application of article 16, paragraph 1 of the Consumer Credit Directive, as interpreted by the Court of Justice.

Although apparently it might seem that the Judge has definitively resolved all interpretative issues with reference to the application of article 125 sexies of the Consolidated Law on Banking in the version prior to the reform, on the contrary, several doubts remain regarding the effective scope of application of the principles established by the same.

Lastly, by means of ruling dated 9 February 2023, the Court of Justice of the European Union in case C-555/21 - questioned by the Austrian Supreme Court about whether Directive 2014/17 (Directive on credit agreements with consumers relating to residential properties) precludes a national regulation that envisages that the right of the consumer to reduce the total cost of the credit, in the event of early repayment of the same, includes only interest and costs that depend on the duration of the credit - expressed itself by asserting that the right to the reduction in question seeks to adjust the loan agreement according to the circumstances of the early repayment.

Therefore, this right does not include costs that, regardless of the duration of the contract, are borne by the consumer in favour of both the creditor and third parties for services that have already been fully performed at the time of early repayment.

In light of the foregoing and considering that, with reference to the aforementioned ruling of the Court of Justice of the European Union in case C-555/21, the principle that the lender may reimburse a portion of all costs, without distinction, is controversial, in addition to the fact that certain cases have been referred by the Constitutional Court itself to the interpreters and that we are awaiting, inter alia, forthcoming developments in the European sphere (such as the enactment of the Consumer Credit Directive 2), scenarios and potential impacts are being analysed on the basis of the information that is becoming available.

In this context, the Parent Company therefore deemed it appropriate and reasonable to maintain the residual allocations for Euro 10.6 million. This amount is equal to Euro 8.2 million, equal to the residual value of the provisions made in 2019 (originally Euro 26.9 million) statistically estimated to cover the repayment of the up-front components for cases outstanding as at 31 December 2019. This provision was used up until July 2021 (so-called Sostegni-bis Decree previously mentioned) and maintained unchanged from that date until today. For the remaining Euro 2.4 million, the provision relates to contracts already terminated as at 31 December 2019 and not yet claimed, for which provisions were made in 2015 and 2016 to cover the risk inherent in determining the components of the settlement calculation at the time in force. As at 31 December 2022, this provision was not increased in consideration of the intervening period, the statistical trend of claims already received on this sphere and the related payments, the uncertainty of consumer behaviour and measures by the legislator.

Bank of Italy inspection with regard to transparency

In December 2022 and January 2023, the Turin Bank of Italy branch ordered an ordinary inspection regarding the regulations on the Transparency of banking and financial services for some branches of the Bank.

The Bank is expecting the results of the inspection within the first quarter of 2023. Based on its performance, the Bank believes that there are no significant elements to report.

Handling of the COVID-19 health emergency

After the end of the state of emergency on 31 March 2022, the Group in 2022, on a parallel with the removal of obligations by the Government, started a gradual process of easing the restriction and containment measures relating to the COVID-19 pandemic, however, continuing to support multiple activities aimed at ensuring the operational continuity of processes and services by means of the safety and the management of human resources.

Company regulations have been aligned with legislative developments which in 2022 concerned, in particular:

- the Circular of the Ministry of Health of 31 August 2022, which envisaged the reduction of mandatory isolation for people testing positive for COVID-19, regardless of their vaccination status;
- Italian Law no. 142 of 21 September 2022 converting the "Aiuti bis" (Aid bis) Decree, which introduced the extension of the smart working method until 31 December 2022 for fragile workers. The bank has granted the possibility to request smart working based on their needs, for employees who are parents of children under 14 years of age, and for employees who fall within the definition of "fragile".

Moreover, 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.

During 2022, no new grace period action manifested as a result of COVID-19. With regard to the Parent Company alone, the residual overlay adjustment relating to COVID-19 is equal to Euro 1.7 million by virtue of the regulations issued in previous years.

The concessions for which the natural expiry has already accrued did not generate situations of tension except for some cases handled according to the normal credit assessment rules defined by the Group.

In consideration of the above and the changes in the healthcare context, the Group continues to monitor this risk, considering however that the impact is now marginal compared to previous years.

For further information, please refer to the Notes to the financial statements "Part A Accounting policies" and "Part E Risks and related hedging policies".

Request for regularisation with regard to VAT

During 2022, Banca PSA received a request from the Italian Revenue Agency for regularisation with regard to the value added tax of certain transactions carried out in the past with dealers. On the basis of the analyses carried out, also with the support of consultants, the Bank deems the requests unfounded and is in contact with the dealers in order to constantly monitor and manage the situation.

E – Result for the year

The Group has the reasonable expectation that it will continue to operate in the foreseeable future and has, therefore, prepared its consolidated financial statements on a going concern basis, 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.

E.1 – Economic performance

€/milion	Total		Change	
	2022	**2021**	**Absolute**	**(%)**
Net investment margin	**350.0**	**355.0**	**(5.0)**	**(1.4)**
Net fee and commission	77.5	80.6	(3.1)	(3.8)
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	11.2	0.5	10.7	2,140.0
Gains and losses on disposal of financial assets and liabilities	8.2	1.3	6.9	530.8
Operating income	**447.0**	**437.3**	**9.7**	**2.2**
Administrative costs:	(165.7)	(158.4)	(7.3)	4.6
payroll costs	(67.7)	(65.2)	(2.5)	3.8
other administrative costs	(97.9)	(93.2)	(4.7)	5.0
Depreciation	(16.4)	(14.8)	(1.6)	10.8
other operating income (charges)	16.0	4.2	11.8	281.0
Net operating margin	**280.9**	**268.4**	**12.5**	**4.7**
Impairment losses on financial assets	(46.7)	(22.9)	(23.8)	103.9
Profit/loss from contract changes without cancellation	0.0	(0.1)	0.1	(100.0)
Other provisions	0.0	(2.4)	2.4	(100.0)
Total profit or loss before tax	**234.2**	**243.0**	**(8.8)**	**(3.6)**
Tax	(74.4)	(83.9)	9.5	(11.3)
Net profit or loss	**159.8**	**159.1**	**0.7**	**0.4**
Minority profit (loss) of the year	**(34.9)**	**(34.5)**	**(0.4)**	**1.2**
Holdings income (loss) of the period	**124.9**	**124.7**	**0.2**	**0.2**

The year under review recorded a decreasing interest margin for the Group (-1.4%) characterised by the increase in interest income (+11.5%) mainly related to the rise in portfolio rates, despite the decrease in the TLTRO benefit, and also an increase in interest expense (-16.5%) mainly due to the increase in interest on intra-group funding.

Net fee and commission decreased (-3.8%), as a result of the reduction in fee and commission income (-0.8%) related to the placement of insurance products and the simultaneous increase in fee and commission expense (+4.5%).

Net trading income (loss) and net hedging income (loss) respectively represent the effect of the fair value of hedging derivatives on the loans portfolio and of structured derivatives for securitisation transactions which in 2022 were significantly affected by the change in the interest rates.

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 made in 2022 by the Parent Company.

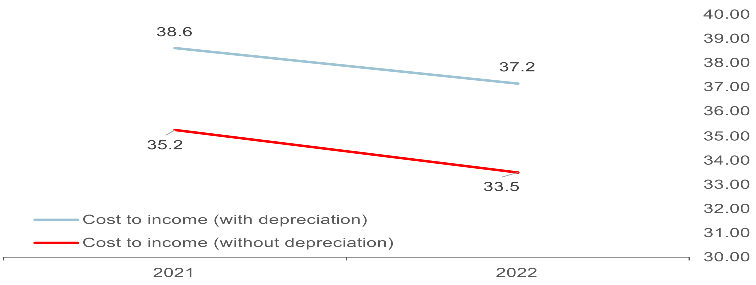
The combination of the above mentioned effects led to an increase in the operating income (+2.2%), which went from Euro 437.3 million to Euro 447.0 million.

Adjustments to loans and receivables disclosed a significant increase (+103.9%), from Euro 22.9 million to Euro 46.7 million. This change is due to the significant increase in provisions as a result of the combined effect of the rise in volumes and the diversification of Santander Consumer Bank's and TIMFin's portfolios towards non-motor loans. For the details, please refer to the report on operations and the Notes to the financial statements - Part E, which illustrate the method for determining expected losses for Group companies.

Administrative costs increased (+4.6%) mainly due to an increase in overheads compared to the assets under management of the entire group and the new initiatives put in place for the future agreements with Stellantis.

The item Other operating income (charges) shows a significant increase of +281.0%. This item includes the recovery of servicing fees vis-à-vis Hyundai Capital Bank and the AGCM ruling.

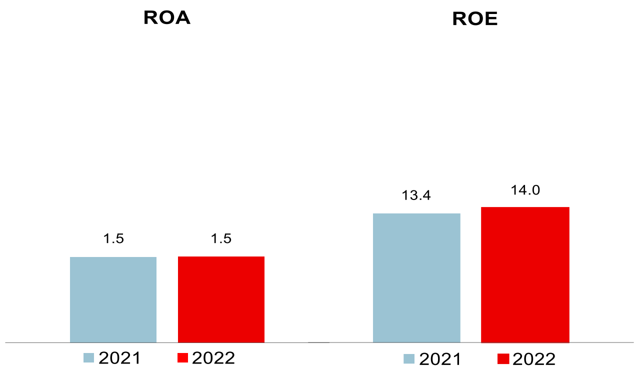
Cost to income



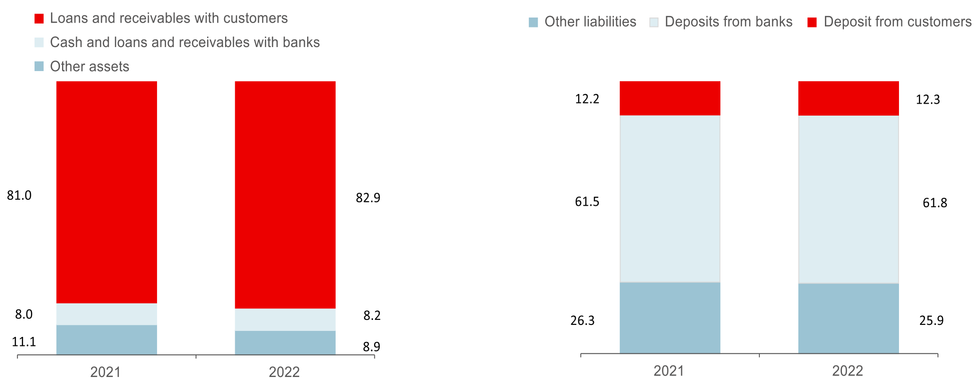
Net provisions for risks and charges recorded a significant decrease in that during 2021 provisions were recorded for approximately Euro 2 million made in relation to the company PSA Renting.

The above aspects led to a total result before tax of Euro 234.2 million and a net profit of Euro 159.8 million, of which Euro 124.9 million attributable to the Parent Company.

Profitability ratios (ROA - Return On Asset and ROE - Return On Equity)



E.2 – Main balance sheet aggregates



in percentage value

With regard to the breakdown of assets, loans to customers - a predominant item - increased (in relative terms) by +1.9%.

With regard to the evolution of the item loans to customers, there was a significant increase compared to the previous year of the entire portfolio. Analysing the details by product, there was an increase in special-purpose loans (+33.4%), and leases (+2.1%), while there was a decrease in car loans (-4.9%), salary assignment loans (-6.2%) and credit cards (-9.1%).

€/milion	Total		Change	
	2022	2021	Absolute	(%)
Car loan	4,889	5,141	(252)	(4.9)
Special-purpose loan	692	519	173	33.4
Personnel loan	1,149	620	530	85.4
Cards	3	4	0	(9.1)
Leasing	870	852	18	2.1
Salary assignment	1,037	1,105	(68)	(6.2)
Stock financing	521	405	117	28.8
Factoring	133	95	39	40.9
Other loans to customers	1	2	(1)	(25.4)
Other components of amortised cost	205	127	78	61.3
Gross loans to customers	**9,502**	**8,870**	**633**	**7.1**
Provision for loan losses	(216)	(190)	(26)	13.6
Net loans to customers	**9,287**	**8,680**	**607**	**7.0**

With regard to other assets, they mainly consist of Government securities. Receivables due from banks increased in absolute value and as a percentage of assets, mainly due to an Overnight loan negotiated by Santander Consumer Bank S.p.A. with the Spanish Parent Company at the end of 2022 for reasons linked to liquidity ratios.

Payables due to banks are in line with the previous year and mainly include TLTRO loans and funding from the Spanish parent company. Deposits from customers, consisting mainly of demand and time deposit accounts and marketable ABS securities remained essentially in line with the previous year.

E.3 - Statement of reconciliation of Consolidated and Individual Shareholders’ Equity and Net Profit

	Shareholders’ equity	of which: Result at 31/12/2022
Balances of the Parent Company at 31/12/2022	**924,374**	**91,680**
Effect of consolidation of subsidiaries	75,787	33,192
Minority interests	257,574	
Consolidated balances at 31/12/2022	**1,257,735**	**124,872**

F – Subsequent significant events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 22 February 2023.

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 significant events or transactions that could have a significant impact on the results explained in this report. The draft financial statements therefore reflect in detail all events that affected the Group’s operations in 2022.

2023 Italian Revenue Agency Inspection

On 31 January 2023, the Italian Revenue Agency launched a general inspection on the Parent Company Santander Consumer Bank S.p.A. on direct and indirect taxes relating to the 2017 tax year, possibly extendable to subsequent years. The inspection underway is at the stage involving the request for information and documentation; therefore, there are currently no impacts on the consolidated financial statements as at 31 December 2022.

Tax audits care of PSA Renting

At the beginning of February 2023, PSA Renting received an audit from the Metropolitan City of Milan for the 2018 tax period on provincial registration tax, that the Company will appeal care of the Tax Tribunal. On the same issue, the Tax Police also concluded at the beginning of February 2023 a formal report on findings also for the following years, referring everything to the Province of Milan. In consideration of the above, having made the necessary assessments, there are currently no impacts on the consolidated financial statements as at 31 December 2022.

G – Strategic and forward-looking management

Management operations are geared towards 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;
- **Active management of the funding and the 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, as well as improve the Group's visibility and customer experience;
- **Effective risk management**: constantly monitor the quality of the portfolio managed and the level of litigation, through an effective strategy of acceptance and recovery, and evaluating new strategies to keep the quality of the impaired portfolio stable by evaluating new market developments.
- **Internal culture:** update, develop and optimise corporate professionals, promote talent and encourage internal mobility.
- **Community and environment**: support the communities in which the Group operates with experience/internship programmes, financial education and active participation in academic events; support voluntary associations and sustain eco-sustainability initiatives.

As part of this mission and strategic orientation, 2023 will see the main points of attention listed below:

- Maintenance of adequate levels of profitability;
- Continuation of a policy that places the customer first, allowing the development of volumes and creating new business opportunities;
- Gradual increase in the loan portfolio, supported by a policy of maintaining existing agreements and developing new agreements;
- Evaluation of new business opportunities by observing new trends in mobility, distribution channels also in terms of sustainability;
- Growth and consolidation of existing joint ventures with an eye open to potential new joint ventures

The above-mentioned strategies will take into consideration the macroeconomic context described in this report both in terms of inflationary effects and the increase in the cost of money. These cases will not compromise business continuity but will play an important role in the policies that the Group will have to adopt. For more details on the impact on credit risk and liquidity risk, please refer to the relevant sections of the Notes to the Financial Statements for information on risks.

H – ESG

Pursuant to article 6, paragraph 2 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 above-mentioned article. Non-financial information is therefore not reported since it is prepared by the parent company Banco Santander, subject to the same regulatory obligations.

ESG (*Environmental, Social* and *Governance*) criteria increasingly characterise and impact the strategies and communication of companies and organisations in various sectors. Specifically, they are a series of criteria that take on the form of a set of operating standards that must inspire the *operations* of a company to ensure the achievement of certain environmental, social and governance results.

The reference points for the ESG logic can be identified in the 2030 Agenda for Sustainable Development, a programme endorsed in 2015 by the UN General Assembly. The Agenda concerns commitments for people, for prosperity and for the protection of the planet and is reflected in the 17 Sustainable Development Goals.

The Group is aware of the value of its business over time and the impact it can generate on the entire community. The Bank undertakes certain ethical, social and environmental commitments to comply with the SDGs (Sustainable Development Goals). It also defines a reliable financial system that seeks consumer confidence, respect for human rights, the fight against climate change, transparency and prevention of money laundering. It is also oriented towards the creation of long-term value and the management of social and environmental risks, defining roles and responsibilities in the development of processes, in its strategy.

H.1 – Environment

- **NET 0**: Il Gruppo ha un importante ruolo da svolgere nella transizione verso economia green: ridurre a zero le emissioni di carbonio entro il 2050;
- **CHOOOSE**: partnership to offset the co2 emissions that we produce every day with our commutes;
- **CERTIFICAZIONI**: 100% Dolomiti Energia clean energy (GBC Italia);

The objective: to guarantee universal access to energy services at affordable, reliable and modern prices; considerably increase the share of renewable energies; improving international cooperation to facilitate access to energy research and technology, promoting investments in energy infrastructures and clean energy technologies.

For example, the Parent Company Santander Consumer Bank uses 100% of energy from renewable sources for the Santander Building and for the branches; in addition, it uses a geothermal plant for the building.

The objective: to guarantee sustainable consumption and production models, substantially reduce waste production through prevention, reduction, recycling and re-use; encourage businesses to adopt sustainable policies.

For example, Santander Consumer Bank has reduced the use of plastic by making water dispensers available and distributing water bottles to employees. Lastly, in addition to the use of recycled paper, separate waste collection is observed in the Building, encouraging the re-use of waste.

FROM PLASTIC 80% ORGANIC:

ENERGY FROM RENEWABLE SOURCES: 100%

The objective: to adopt measures to combat climate change and its consequences, including them in company policies, strategies and plans.

The Group is committed to various initiatives such as: partnerships to support projects for offsetting carbon emissions, incentivising green mobility by sponsoring zero-emission mobility with concessions for annual subscriptions to public transport, replacing company fleets with hybrid vehicles and disseminating practical advice in-house to reduce the impact on the environment.

H.2 – Social

Donations and contributions for social purposes made by Santander Consumer Bank:

- **H4O**: improvement of health conditions and hygiene by promoting the creation of social enterprises managed by women.
- **My Future Buddy***:* equal gender opportunities, social inclusion, enhancement of diversity, reduction of territorial gaps, new stimuli and perspectives for female students from the South.
- **Tutti Connessi (All Connected)***:* right to education exercised through digital inclusion, recovering and regenerating discarded digital devices.
- **OneOcean Foundation***:* project in collaboration with Yamaha aimed at the collection of microplastics in the sea with the aim of making the waters of Liguria and Sardinia cleaner.
- **Feduf***:* financial education courses for high school students to bring out business ideas starting from basic financial concepts, increasing responsible and sustainable actions.

The objective: to end poverty in all its forms by implementing social protection initiatives and measures to guarantee equal rights.

The Group collaborates with various associations such as Casa Santa Luisa supporting homeless people, Centro di aiuto alla vita supporting families with young children in difficulty, UGI - Unione Genitori Italiani helping children with tumours, and Comunità di Sant'Egidio supporting people in difficulty through donations, gift collection and voluntary work, Sermig participating in the food and basic goods collection to support the reception centres in Baia Mare, Romania, where refugees arriving from Ukraine are welcomed.

The objective: to ensure a healthy life by promoting well-being for all at all ages. Ensure universal access to assistance services and essential quality healthcare services.

The Group furthers action to ensure company welfare by providing the opportunity to take advantage of free health policies for employees and their depending family members, guaranteeing free health check-ups for employees. In addition, special attention is paid to the work-life balance in the company, guaranteeing Smart working and promoting a balance between work and private life. In addition, the Parent Company organises a Be Healthy program every year, to raise the awareness of colleagues on the attention to be paid to staying healthy, with a focus on 4 cornerstones: balance, exercise, nutrition and prevention. In addition, it offers an anonymous and free psychological listening tool to deal with moments of personal or professional difficulty with the help of a professional "life coach".

The objective: to ensure inclusive and equal quality education by promoting learning opportunities for all.

The Group has taken it upon itself to organise meetings to bring young people closer to the financial sector by designing courses for high school children and the children of employees so as to approach the university sphere. In particular, in October of each year, it puts in place initiatives for young people during the month of financial education. In addition, it organises with Feduf (Foundation for Financial Education and Savings) "Che impresa, ragazzi!", the financial education course to provide high school students with tools and skills to bring out and develop an innovative and sustainable business idea.

Santander Open Week is also aimed at young people, an orientation week in which Palazzo Santander opens its doors to the children of employees in the 3rd and 4th year of high school and the first 2 years of university.

Lastly, it provides employees with specific training tools, including a digital platform with numerous courses to cultivate and develop hard and soft skills and a digital language training project with one-to-one lessons.

H.3 – Governance

The objective: to achieve gender equality and the empowerment of all women and girls. As at 31 December 2022, 45.77% of the shareholding structure was made up of women.

The Parent Company constantly analyses and monitors *the Equal Pay Gap* and *Gender Pay Gap* in-house, defining *Policies and Guidelines on equality*. It also organises awareness-raising initiatives, including digital talks on inclusion, a cultural innovation path to enhance and include diversity, learning about and overcoming cognitive biases and stereotypes.

The objective: to promote lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all.

EMPLOYEE TRAINING IN 2022 **99%** COMPLETED

The Group is committed to guaranteeing a wide range of physical goods, personal services, education and supplementary pensions; it offers deposit account products and personal loans for employees at favourable conditions..

The Group promotes an *ethical and transparent corporate culture* by encouraging the use of *whistleblowing channels* for reporting offences.

The Parent Company is committed to making the workplace even better, a commitment that in the last two years has been acknowledged by obtaining the Great Place to Work certification.

It furthers the professional development of employees through dedicated initiatives: it plans with them individual professional and training development plans based on an assessment of skills and supports those who are going through a career transition by means of Peer - Peer Master coaching.

The objective: to promote peaceful and inclusive societies for sustainable development by providing access to justice for all and building effective, responsible and inclusive institutions at all levels.

The Group ensures constant updating of the management, organisation and control model and the code of ethics; in addition, it defines and publishes *internal Policies and Guidelines to combat corruption and money laundering* and *Antitrust Internal Policies and Guidelines.*

I – Compulsory disclosure

Research and development

During 2022, no activities were performed that qualified as research and development at the time of drafting these consolidated financial statements.

Risks and related hedging policies

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 previously.

With regard to the information required by the Italian Civil Code on the Group's objectives and policies on financial risk management, as per paragraph 6-bis of article 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.

Treasury shares

The Bank does not possess any treasury shares (or those of its parent companies), either through a trust company or a third party..

Related parties

Related party disclosures are provided in the Notes to the Financial Statements 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

Independent Auditor's Report on the consolidated financial statements at 31 December 2022

Independent Auditors' Report on the consolidated financial statements as at 31 December 2022

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

Santander Consumer Bank SpA

Consolidated financial statements as of 31 December 2022

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 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 2022, 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.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022 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.

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 *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 2022 represented a considerable share of item 40 b) "*Financial assets measured at amortised cost – Loans and advances to customers*", showed a balance of Euro 9,287 million, accounting for about 83 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, amounted to Euro 47 million and represented the best estimate made by the directors in order to adjust the expected credit losses (ECL) on the loan portfolio at the balance sheet date. We focused our attention on the evaluation of these loans as part of our audit work, considering the significance of their book value, as well as the complexity of the evaluation processes and methods. Estimation processes require the use of significant assumptions for the review of the significant increase in credit risk (SICR), for the allocation of the portfolio to the various risk stages (Staging), as well as for the elaboration and determination of the risk parameters underlying the ECL calculation, which also incorporate the use of macroeconomic scenarios and prospective information. In relation to the loans subject to an individual evaluation, significant assumptions are used in particular to estimate the expected future cash flows, related timing of recovery and value of realisation of the guarantees, if any.	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 adjustments necessary as a result of the uncertainties linked to the development of the relevant macroeconomic context, mainly characterised by a rising inflation. 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; • 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 consider the update of the historical 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 *(post model adjustments/overlays)*, 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;

In the reporting period, the estimation processes were far more complex also in relation to the need to consider the uncertainties linked to the development of the relevant macroeconomic context, mainly characterised by a rising inflation. These circumstances required an update of the processes and methods of evaluation of loans with particular reference to the recalibration of the main risk parameters underlying the determination of the ECL, including the update of the historical series and macroeconomic scenarios, as well as the management of adjustments to the ECL calculation model *(post model adjustments/overlays).*	• 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 and non-performing loans (Staging), 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, actions taken to eliminate the related risks, or safeguards applied.

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 Bank Group as of 31 December 2022, 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 2022 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 2022 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 the preparation of the non-financial statement

As illustrated in the report on operations, the directors of Santander Consumer Bank SpA have opted to use the exemption from the preparation of the non-financial statement allowed by article 6, paragraph 2, of Legislative Decree No. 254 of 30 December 2016.

Rome, 14 March 2023

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	12/31/2022	12/31/2021
10.	Cash and cash balances	895,734,688	743,971,269
20.	Financial assets designated at fair value through profit or loss	41,063,475	5,835,076
	a) Financial assets held for trading	41,059,677	5,835,076
	c) Financial assets mandator designed at fair value	3,798	-
30.	Financial assets at FV with effects on P&L	301,372,528	633,804,158
40.	Financial assets measured at amortised cost	9,457,370,379	8,832,379,904
	a) Loans and advances to banks	21,210,236	112,263,758
	b) Loans and advances to customers	9,436,160,143	8,720,116,146
50.	Hedging derivatives	191,979,158	7,621,892
60.	Changes in fair value of portfolio hedged items (+/-)	(179,460,597)	(6,454,592)
90.	Property, plant and equipment	37,400,028	24,843,136
100.	Intangible assets	31,813,108	33,221,385
110.	Tax assets	223,271,534	228,607,599
	a) current	81,671,584	70,341,151
	b) deferred	141,599,950	158,266,448
130.	Other assets	203,173,621	217,237,759
	Total Assets	**11,203,717,922**	**10,721,067,586**

	Liabilities and Shareholders' equity	12/31/2022	12/31/2021
10.	Financial liabilities valued at amortised cost	9,475,287,112	9,091,455,311
	a) Deposits from banks	6,927,232,264	6,592,764,743
	b) Deposits from customers	1,377,207,072	1,309,717,371
	c) Debt securities in issue	1,170,847,776	1,188,973,197
20.	Financial liabilities held for trading	41,082,927	5,921,893
40.	Hedging derivatives	-	3,030,834
60.	Tax liabilities	61,836,498	60,901,873
	a) current	61,405,179	59,815,801
	b) deferred	431,319	1,086,072
80.	Other liabilities	345,159,934	265,782,051
90.	Provision for employee severance pay	3,237,728	4,113,181
100.	Provisions for risks and charges	19,378,956	19,927,983
	c) other	19,378,956	19,927,983
120.	Valuation reserves	(1,027,872)	(326,983)
150.	Reserves	302,684,192	349,435,583
160.	Share premium	632,586	632,586
170.	Share capital	573,000,000	573,000,000
190.	Minorities shareholders' equity (+/-)	257,574,253	222,524,579
200.	Net Profit (Loss) for the year (+/-)	124,871,608	124,668,695
	Total liabilities and Shareholders' Equity	**11,203,717,922**	**10,721,067,586**

Consolidated Income Statement

In Euro

	Items	12/31/2022	12/31/2021
10.	Interest and similar income	405,502,188	394,007,206
	of which: interest income calculated using the effective interest method	379,422,003	360,392,074
20.	Interest expenses and similar charges	(55,507,722)	(39,045,514)
30.	**Net interest margin**	**349,994,466**	**354,961,692**
40.	Fee and commission income	124,742,125	125,800,402
50.	Fee and commission expenses	(47,207,244)	(45,180,286)
60.	**Net fee and commission**	**77,534,881**	**80,620,116**
80.	Net income financial assets and liabilities held for trading	6,452	(232,894)
90.	Net hedging gains (losses) on hedge accounting	11,221,720	721,048
100.	Gains and losses on disposal of:	8,196,966	1,254,996
	a) financial assets at amortised cost	8,196,966	1,254,996
120.	**Operating income**	**446,954,485**	**437,324,958**
130.	Net losses / recoveries on credit risk relating to	(46,708,969)	(22,884,903)
	a) financial assets at amortised cost	(46,708,969)	(22,884,903)
140.	Profit/loss from contract changes without cancellation	-	(94,222)
150.	**Net profit from financial activities**	**400,245,516**	**414,345,833**
180.	**Net profit from financial and insurance activities**	**400,245,516**	**414,345,833**
190.	Administrative costs:	(165,670,514)	(158,363,628)
	a) payroll costs	(67,723,125)	(65,205,162)
	b) other administrative costs	(97,947,389)	(93,158,466)
200.	Net provisions for risks and charges	6,758	(2,441,725)
	a) commitments and financial guarantees given	-	54,348
	b) other net provisions	6,758	(2,496,073)
210.	Net adjustments / writebacks on property, plant and equipment	(5,747,369)	(5,181,190)
220.	Net adjustments / writebacks on intangible assets	(10,639,998)	(9,583,495)
230.	Other operating income/expenses	15,992,149	4,240,206
240.	**Operating costs**	**(166,058,974)**	**(171,329,832)**
290.	**Total profit or loss before tax from continuing operations**	**234,186,542**	**243,016,001**
300.	Tax income of the year from continuing operations	(74,416,149)	(83,876,111)
310.	**Total profit or loss after tax from continuing operation**	**159,770,393**	**159,139,890**
330.	**Profit or loss for the year**	**159,770,393**	**159,139,890**
340.	Minority profit (loss) of the year	34,898,785	34,471,195
350.	**Parent Company's profit (loss) of the year**	**124,871,608**	**124,668,695**

Statement of Consolidated Comprehensive Income

In Euro

	Items	12/31/2022	12/31/2021
10.	**Net Profit (Loss) for the year**	**159,770,393**	**159,139,890**
70.	Defined benefit plans	562,562	74,357
140.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	(1,113,262)	217,560
170.	**Total other income components after tax**	**(550,700)**	**291,917**
180.	**Overall profitability (Item 10 + 170)**	**159,219,693**	**159,431,807**
190.	**Minority consolidated other comprehensive income**	35,048,974	34,518,728
200.	**Parent Company's consolidated other comprehensive income**	**124,170,719**	**124,913,079**

Statement of changes in Consolidated Shareholders' Equity

In Euro

Financial year 2022

	Balance at 12.31.2021	Changes in opening balances	Balance at 1.1.2022	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 2022	Group shareholders' equity at 12.31.2022	Minority interests at 12.31.2022
Share capital:	**662,754,500**		**662,754,500**												**573,000,000**	**89,754,500**
a) ordinary shares	662,754,500		662,754,500												573,000,000	89,754,500
b) other shares																
Share premium reserve	**12,404,771**		**12,404,771**												**632,586**	**11,772,185**
Reserves:	**435,799,788**		**435,799,788**	**(10,860,110)**		**(1,419,385)**									**302,684,192**	**120,836,101**
a) retained earnings	316,479,522		316,479,522	(10,860,110)		(1,419,385)									262,771,505	41,428,522
b) other	119,320,266		119,320,266												39,912,687	79,407,579
Valuation reserves	**(164,490)**		**(164,490)**											**(550,699)**	**(1,027,872)**	**312,682**
Equity instruments																
Treasury shares																
Net profit (loss) for the period	**159,139,890**		**159,139,890**	**10,860,110**	**(170,000,000)**									**159,770,393**	**124,871,608**	**34,898,785**
Shareholders' equity	**1,047,409,882**		**1,047,409,882**		**(170,000,000)**	**(1,420,086)**								**124,170,718**	**1,000,160,514**	
Minorities interests	**222,524,577**		**222,524,577**			**701**								**35,048,975**		**257,574,253**

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**		**222,524,577**

Consolidated Cash Flow Statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount 12/31/2022	Amount 31/12/2021
1. Liquidity generated from operations	**108,248,052**	**122,330,891**
- net profit for the year (+/-)	159,770,395	159,139,890
- net gains/losses on financial assets held for trading and financial assets designated at fair value through profit or loss (+/-)	(40,620)	4,672,153
- gains (losses) from hedging activities (+/-)	(909,866)	(721,048)
- net adjustments for credit risk (+/-)	27,856,173	(16,399,180)
- impairment/recoveries to property and equipment and intangible assets (+/-)	16,612,631	9,106,469
- net provisions for risks and charges and other costs/income (+/-)	(2,179,694)	5,075,629
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	15,527,464	41,889,838
- impairment/recoveries to disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(108,388,430)	(80,432,859)
2. Liquidity generated/absorbed by financial assets	**(193,022,184)**	**784,612,443**
- financial assets held for trading	8,035	37,775
- financial assets designated at fair value through profit and loss	(3,798)	
- financial assets mandatorily designated at fair value		
- financial assets measured at fair value with an impact on total profitability	332,449,066	(637,875,026)
- financial assets measured at amortized cost	(532,491,387)	1,429,985,507
- other assets	7,015,900	(7,535,813)
3. Liquidity generated/absorbed by financial liabilities	**432,582,750**	**(411,628,664)**
- financial liabilities measured at amortized cost	350,018,232	(381,901,427)
- financial liabilities held for trading		1,681,387
- financial liabilities designated at fair value through profit and loss		
- other liabilities	82,564,518	(31,408,624)
Net Liquidity generated/absorbed by operating activities	**347,808,618**	**495,314,670**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	7,665	1
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment	7,665	
- sale of intangible assets		
- sale of lines of business		
2. Liquidity absorbed by	**(26,052,864)**	**(18,267,429)**
- purchase of equity investments		
- purchase of property and equipment	(17,098,364)	(1,562,518)
- purchase of intangible assets	(8,954,500)	(16,704,911)
- purchase of lines of business		
Net Liquidity generated/absorbed by investing activities	**(26,045,199)**	**(18,267,428)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		24,010,000
- issue/purchase of equity instruments		
- dividends distributed and other allocations	(170,000,000)	(233,590,757)
- sale/purchase of minority control		
Net cash generated/absorbed by financing activities	**(170,000,000)**	**(209,580,757)**
NET CASH GENERATED/ABSORBED IN THE YEAR	**151,763,418**	**267,466,486**

Key:
(+) generated
(-) absorbed

Reconciliation

Items	Amount	
	12/31/2022	12/31/2021
Cash and cash equivalents at beginning of year	**743,971,269**	**476,504,783**
Net increase (decrease) in cash and cash equivalents	**151,763,418**	**267,466,486**
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	**895,734,687**	**743,971,269**

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 financial statements have been prepared in compliance with the IAS/IFRS issued by the IASB (*International Accounting Standards Board)* and the interpretations of the IFRIC (*International Financial Reporting Interpretations Committee*), endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.

The financial statements 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: layout 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 to the Financial Statements.

On 21 December 2021, the Bank of Italy published the Communication "Amendment of the additions to the provisions of Circular no. 262, "Banks' financial statements: layout and preparation" concerning the impacts of COVID-19 and measures to support the economy", still in force today.

In preparing the financial statements the IAS/IFRS in force as at 31 December 2022 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Listed below are changes to international accounting standards or related interpretations, approved by the European Commission, in force as of the balance sheet date:

- provisions of Regulation no. 1080/2021 dated 28 June 2021, which acknowledges some minor amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, plant and equipment, IAS 37 Provisions, contingent liabilities and contingent assets and IFRS 3 Business combinations;
- by means of the Regulation in question the usual annual improvements that clarify the wording or correct errors, oversights or conflicts between the requirements of the standards are also acknowledged. Among these minor amendments, changes were made:
  - to IFRS 9 "Financial Instruments" with some clarifications regarding the commission and fees to be included in the 10% test for the derecognition of financial liabilities; in this regard, it is specified that only commission and fees paid or collected between the parties must be included and not also commission and fees directly attributable to third parties;
  - to IFRS 1: "First-time Adoption of the International Financial Reporting Standards" with some simplifications regarding the first-time adoption of the IFRS by a subsidiary/associate/joint venture that becomes first time adopter after its parent/investing company in relation to the measurement of the translation reserve as at the date of transition to the IFRS;
  - to IAS 41 with the elimination of the obligation to exclude from the fair value measurement of biological assets the cash flows linked to taxes, thus aligning the fair value measurement requirements of IAS 41 to those of the other IFRS standards;
  - to IFRS 16 "Leases" with reference to the illustrative example 13 of IFRS 16 in which a potential erroneous interpretation of lease incentives was eliminated. It should be noted that this amendment, referring to an illustrative example of IFRS 16 which is not an integral part of the standard, was not approved by the European Union.

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

- the new accounting standard IFRS 17 "Insurance contracts" published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020, was endorsed by means of EU Regulation no. 2036/2021 of 19 November 2021 and will enter into force on a mandatory basis as from 1 January 2023. On a mandatory basis, the standard requires the presentation of the comparative period, i.e. the year 2022, restated;
- amendments to IAS 8 "Accounting standards, changes in accounting estimates and errors" published by the IASB in February 2021, which were endorsed by means of EU Regulation no. 357/2022 of 2 March 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments are intended to resolve the interpretation difficulties, encountered in practice, relating to the distinction between a change in accounting estimates and a change in accounting standards;

- amendments to IAS 1 “Presentation of the financial statements” published by the IASB in February 2021, which were endorsed by means of EU Regulation no. 357/2022 of 2 March 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments aim to improve disclosure on accounting standards in order to provide more useful information to investors and other primary users of financial statements;
- amendments to IAS 12 “Income taxes” published by the IASB in May 2021, which were endorsed by means of EU Regulation no. 1392/2022 of 12 August 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments are intended to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

Considering the scope of the amendments in question, there are no significant impacts for the Group. By virtue of the new international accounting standard IFRS 17, the Bank of Italy amended update no. 8 of Circular no. 262 “Banks' financial statements: layout and preparation”, which consists of a full review of the Circular, with application to start from the financial statements closed or in progress as at 31 December 2023.

Section 2 – Basis of preparation

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

In accordance with the provisions of article 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 to the financial statements 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 to the financial statements, as well as in compliance with the general assumptions envisaged in the Framework for the preparation and presentation of financial statements as prepared by the IASB.

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

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 Group’s situation. Account was also taken of the 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 illustrated below in greater detail in Section 5 - Other aspects, still in force today.

In addition to the figures for the reporting period, the financial statements and notes to the financial statements also provide comparative figures referring to the previous year..

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 disclosure details (the "of which" of the items and sub-items).

For the sake of completeness, you are hereby informed that with reference to the formats laid down by the Bank of Italy, the items which do not present amounts both for the year under review and for the previous one are not shown. In the income statement, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of comprehensive income

The statement of comprehensive income, starting from the profit (loss) for the year, shows the income components recognised against the valuation reserves, net of the related tax effect, in compliance with international accounting standards.

Comprehensive income is represented by providing separate evidence of the income components that will not be reversed to the income statement in the future and those that, by contrast, may be subsequently reclassified under profit (loss) for the year if certain conditions are met.

As with the balance sheet and income statement, with respect to the formats laid down by the Bank of Italy, the items which do not present amounts both for the year under review and for the previous one are not shown. In the statement of comprehensive income, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of changes in shareholders' equity

The statement of changes in shareholders' equity shows the composition and changes in shareholders' equity accounts during the year under review and the previous one, divided into share capital, capital reserves, profit reserves and reserves from the measurement of balance sheet assets and liabilities and the result for the year.

Cash flow statement

The cash flow statement for the current year under review and the previous year has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for effects of 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.

Notes to the Financial Statements

The Notes to the financial statements include the information envisaged by the international accounting standards and Circular no. 262 of the Bank of Italy issued on 22 December 2005 and subsequent amendments applicable to the preparation of these financial statements.

To reflect in full the formats laid down by the Bank of Italy, we also show the headings of sections on financial statements items with zero balances in the year of reference and in the previous one.

Section 3 – Scope of consolidation and consolidation method

1. Equity investments in subsidiaries

	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%	
4. Santander Consumer Renting S.r.l.	Torino	Bolzano	1	Santander Consumer Bank S.p.A.	100%	
5. Drive S.r.l	Torino	Bolzano	1	Santander Consumer Bank S.p.A.	100%	

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. 26, paragraph 1, of Legislative Decree 87/92

6 = joint management pursuant to art. 26, paragraph 2, of Legislative Decree 87/92

(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 it directly or indirectly controls.

Companies in which Santander Consumer Bank is exposed to variable returns, or holds rights to these returns, deriving from its relationship with them and at the same time has the ability to affect returns by exercising its power over said entities are considered subsidiaries.

Control can only take place with the simultaneous presence of the following elements:

- the power to direct the significant activities of the investee;

- exposure or rights to variable returns deriving from the relationship with the investee;
- the ability to exercise its power over the investee to affect the amount of its returns.

Specifically, the Group considers the following factors in order to assess the existence of control:

- the purpose and structure of the investee, in order to identify the entity's objectives, its significant activities, or those that most affect its returns, and how these activities are governed;
- the power, in order to understand whether the Group has contractual rights that grant the ability to direct the significant activities;
- exposure to the variability of returns of the investee, in order to assess whether the return received by the Group may vary depending on the results achieved by the investee.

Furthermore, in order to assess the existence of control, potential principal-agent relationships are taken into consideration; to assess whether it operates as a principal or as an agent, the Group takes into consideration the following factors:

- decision-making power over the significant activities of the investee;
- rights held by other parties;
- the remuneration to which the Group is entitled;
- the exposure of the Group to the variability of returns deriving from any investment held in the investee.

L'IFRS 10 identifies as "significant activities" only those activities that significantly affect the returns of the investee.

In general terms, when the significant activities are managed through voting rights, the following factors provide evidence of control:

- ownership, directly or indirectly through its subsidiaries, of more than half of the voting rights of an entity unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control;
- ownership of half, or less, of the votes that can be exercised at the shareholders' meeting and practical ability to unilaterally govern the significant activities through:
  - control of more than half of the voting rights by virtue of an agreement with other investors;
  - the power to determine the financial and operating policies of the entity by virtue of statutory clauses or a contract;
  - the power to appoint or remove the majority of the members of the board of directors or of the equivalent corporate governance body;
  - the power to exercise the majority of voting rights at meetings of the board of directors or the equivalent corporate governance body.

In order to exercise power, the Group's rights over the investee must be substantial; to be substantive, these rights must be practically enforceable when decisions on the significant activities must be made. The existence and effect of potential voting rights, where substantial, are taken into consideration when assessing whether or not there is the power to direct the financial and operating policies of another entity.

It may sometimes happen that the Group exercises "de facto control" over certain entities when, even in the absence of the majority of voting rights, it possesses rights that allow it to direct the significant activities of the investee in a unidirectional manner.

The changes in the scope of consolidation with respect to the previous year concern the inclusion in the scope of line-by-line consolidation of:

- Santander Consumer Ranting S.r.l;
- Drive S.r.l.

Subsidiaries may also include any "structured entities" in which the voting rights do not represent the decisive elements for the assessment of control, including SPEs/SPVs and investment funds. Structured entities are considered subsidiaries when:

- the Group has power through contractual rights that allow the governance of the significant activities;
- the Group is exposed to variable returns from these activities.

It should be noted that, for the year under review, there is control over the segregated funds underlying the securitisation transactions issued, but not for the associated special purpose vehicles.

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%	-
PSA Renting Italia S.p.A.	50%	50%	3,390
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.	3,065,692	142,840	2,799,640	173	2,443,813	461,176	101,445	130,171	-30,797	97,403	68,622		68,622	298	68,920
PSA Renting S.r.l	410,341	6,811	360,496	20	356,845	18,980	19,328	40,938	-22,460	15,820	11,412		11,412		11,412
TIMFin S.p.a	439,639	3,119	422,954	1,601	388,395	41,922	17,306	17,513	-13,924	-5,044	-3,528		-3,528	3	-3,525

4. Significant restrictions

There are no legal, contractual or regulatory restrictions that can significantly limit the ability of the Parent Company to access or use assets and settle liabilities of the Group.

5. Other information

There are no financial statements of subsidiaries referring to a date other than that of the Parent Company.

Consolidation method

Full consolidation method

Full consolidation involves "line-by-line" inclusion of the subsidiaries' 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 equity investment is eliminated against the residual value of the subsidiary's shareholders' equity. The differences resulting from this transaction, if positive, are recognised, after possible allocation to elements of the assets or liabilities of the subsidiary, in the item Intangible assets such as goodwill or other intangible assets. Negative differences are booked to the income statement.

Assets, liabilities, income and charges between consolidated companies are eliminated in full.

Where necessary, the financial statements of consolidated companies, prepared on the basis of different accounting criteria, are brought into line with the Group's standards.

Section 4 - Subsequent events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 22 February 2023.

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 significant events or transactions that could have a significant impact on the results explained in this report. The draft financial statements therefore reflect in detail all events that affected the Group's operations in 2022.

Italian Revenue Agency Inspection

On 31 January 2023, the Italian Revenue Agency launched a general inspection on the Parent Company Santander Consumer Bank S.p.A. on direct and indirect taxes relating to the 2017 tax year, possibly extendable to subsequent years. The inspection underway is at the stage involving the request for information and documentation; therefore, there are currently no impacts on the consolidated financial statements as at 31 December 2022.

Tax audits care of PSA Renting

At the beginning of February 2023, PSA Renting received an audit from the Metropolitan City of Milan for the 2018 tax period on provincial registration tax, that the Company will appeal care of the Tax Tribunal. On the same issue, the Tax Police also concluded at the beginning of February 2023 a formal report on findings also for the following years, referring everything to the Province of Milan. In consideration of the above, having made the necessary assessments, there are currently no impacts on the consolidated financial statements as at 31 December 2022.

Business continuity disclosure

With regard to the information 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, the Company has the reasonable expectation that it will continue to operate in the foreseeable future, and, therefore, has prepared the report on a going concern basis.

More detailed information regarding the main issues and variables existing on the market is contained in the Report on Operations.

Section 5 - Other aspects

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.

Risks, uncertainties and impacts of the COVID-19 epidemic

By means of the communication dated 15 December 2020 concerning the "impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS" (subject to a subsequent limited update on 21 December 2021 as of today's date still applicable), the Bank of Italy supplemented the provisions governing the financial statements of banks contained in "Circular no. 262 - Banks' financial statements: layout and preparation" in order to provide the market with information on the effects that COVID-19 and the measures to support the economy have had on risk management strategies, objectives and policies, as well as on the economic and financial situation of intermediaries.

In defining the additions, the Bank of Italy took into account, where applicable, the documents published essentially during 2020 and to a lesser extent in 2021 by the European regulatory and supervisory bodies and by the standard setters aimed at clarifying the methods of application of IAS/IFRS in the pandemic context, with particular reference to IFRS 9, as well as the required disclosure for the amendment to IFRS 16 on lease payment concessions related to COVID-19.

The following table shows the most significant regulatory measures occurred, also indicating the scope of application.

			Topic		
Issuing	**Date**	**Title**	**Classification**	**Measurement**	**Financial reporting**
EBA	03/25/2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures	X		
ESMA	03/25/2020	Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9		X	

IFRS Foundation	03/27/2020	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		X	
BCE	04/01/2020	IFRS 9 in the context of the coronavirus (COVID-19) pandemic		X	
EBA	04/02/2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis	X		
ESMA	05/20/2020	Implications of the COVID-19 outbreak on the half-yearly financial reports			X
EBA	06/02/2020	Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis	X		X
ESMA	10/28/2020	European common enforcement priorities for 2020 annual financial reports			X
EBA	12/02/2020	Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis	X		
BCE	12/04/2020	Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic	X	X	
ESMA	10/29/2021	European common enforcement priorities for 2021 annual financial reports	X	X	X
ESMA	12/16/2021	Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECL)	X	X	X

The measures of the regulators have gradually strengthened and adapted the regulatory framework to the evolution of the pandemic situation. The ESMA documents issued in 2021 did not introduce new substantial changes, but rather an overview of the various requests, clarifying their purposes and application methods.

On 16 December 2022, the European Banking Authority (EBA) repealed the guidelines relating to the obligations concerning reporting and disclosure to the public on loans subject to support measures applied in light of the COVID-19 crisis, contained in the EBA/gl/2020/07 and endorsed with the communication of the Bank of Italy dated 30 June 2020. This decision, which takes effect on 1 January 2023, is due to the changed pandemic scenario. By means of communication dated 7 February 2023 "Update of COVID-19 reports on grace periods and public guarantees", the Bank of Italy aligned itself with the EBA provisions mentioned above, repealing the aforementioned communication of 30 June 2020 and requires that for the whole of 2023 the Less Significant Institutions report loans backed by public guarantees, using the reporting formats used for EBA reports (F 90.03 and F91.05 present in the COV survey). In addition, for the LSI banks, starting from the survey of 31 March 2023, the "Data collection on loans subject to COVID-19 grace period measures" is no longer applied.

In consideration of the above and the changes in the healthcare context, the Group continues to monitor this risk, considering however that the impact is now marginal compared to previous years.

Contractual amendments deriving from COVID-19

Contractual amendments and derecognition (IFRS 9)

During 2022, no new grace period action manifested as a result of COVID-19. With regard to the management of the overlay adjustment, please refer to the matters described in Part E, section 2.3 "Methods and measurement of Expected losses".

The concessions for which the natural expiry has already accrued did not generate situations of tension except for some cases handled according to the normal credit assessment rules defined by the Group.

Amendments to the accounting standard IFRS 16

Although the case is not relevant for the Group, it is specified that with reference to lease agreements, having assessed the nature of the existing agreements, it decided not to apply the "*practical expedient*" introduced under IFRS 16 - *Leases* regarding discounts and payment extensions on existing lease agreements.

A.2 – Main items in the financial statements

In order to ensure the uniformity of the criteria for the preparation of the financial statements, the Group has adopted an internal set of rules and policies relating to the various operating and organisational areas.

1 – Financial assets measured at fair value through profit and loss

Classification

The financial assets other than those classified under financial assets measured at fair value through other comprehensive income and under financial assets measured at amortised cost are classified in this category.

In particular, this item includes: the positive value of derivative contracts held for trading purposes and equity instruments.

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 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 other 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 for the purposes of the *impairment test*.

Recognition

The initial recognition of financial assets takes place on the subscription date for derivative contracts and on the settlement date for equity instruments. Upon initial recognition, financial assets measured at *fair value* through profit and loss are recognised at *fair value*, without considering the transaction costs and income directly attributable to said instrument.

Measurement

Subsequent to initial recognition, financial assets measured at fair value through profit and loss are measured at fair value. The effects of the application of this measurement approach are recognised in the income statement. In the absence of an active market, to determine the fair value, commonly adopted estimation methods and measurement models are used, which take into account all the risk factors related to the instruments and which are based on data which can be taken from the market.

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

2 - Financial assets measured at fair value through other comprehensive income

Classification

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractually envisaged cash flows and through sale ("*Hold to Collect and Sell*" business model), and

- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as the so-called “SPPI test” passed).

In particular, this item includes debt securities that are attributable to a *Hold to Collect and Sell* business model and that have passed the SPPI test.

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 fair value through other comprehensive income" category to one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost 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. In the event of reclassification from the category in question to the amortised cost category, the accumulated profit (loss) recognised in the valuation reserve adjusts 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 through profit and loss, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities. Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument.

Measurement

Subsequent to initial recognition, the Assets classified at fair value through other comprehensive income, are measured at *fair value*, with recognition in the income statement of the impacts deriving from the application of the amortised cost, of the effects of the *impairment* and any exchange effect, while other gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised. Upon disposal, total or partial, the gain or loss accumulated in the valuation reserve is reversed, in full or in part, to the income statement.

The fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value through profit and loss.

Financial assets measured at fair value through other comprehensive income are subject to the verification of the significant increase in credit risk (impairment) envisaged by IFRS 9, in the same way as assets measured at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses. More specifically, on instruments classified in *stage* 1 (i.e. on financial assets at the time of *origination*, if not impaired, and on instruments for which there has not been a significant increase in credit risk compared to the initial recognition date) as at the initial recognition date and as at each subsequent reporting date, an expected loss for one year is recognised. On the other hand, for instruments classified in *stage* 2 (performing for which there was a significant increase in credit risk compared to the initial recognition date) and in *stage* 3 (non-performing exposures), an expected loss is recorded for the entire residual life of the financial instrument. It is specified that the debt securities issued by the government are not subject to the *impairment* process.

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

3 - Financial assets measured at amortised cost

Classification

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows ("*Hold to Collect*" business model), and
- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as the so-called "SPPI test" passed).

More specifically, this item includes:

- loans with banks (not classified under "Cash and cash equivalents") in the various technical forms that meet the above requirements;
- loans to customers in the various technical forms that meet the above requirements;
- debt securities that meet the above requirements.

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 envisaged by IFRS 9 (Financial assets measured at fair value through other 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 the income statement 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 other comprehensive income.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities, and on the payout date for loans. Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument.

In particular, with regard to loans, the payout date normally coincides with the date of signing of the contract. Loans are recognised with reference to the fair value of the same. This is represented by the amount disbursed or the subscription cost, including costs/revenues that are both directly attributable to the individual loan and identifiable from the start of the transaction, even if they are settled at a later time. Costs which, despite having the above characteristics, are subject to reimbursement by the debtor counterparty are excluded.

Repurchase agreements with forward repurchase or resale obligation are recognised in the financial statements as funding or lending transactions. In particular, spot sales and forward repurchases are recognised in the financial statements as payables for the spot amount received, while spot purchases and forward resales are recognised as receivables for the amount paid forward.

Measurement

After initial recognition, the financial assets under review are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements for an amount equal to the initial recognition value less capital repayments, plus or minus the accumulated amortisation (calculated using the effective interest rate method) of the difference between said initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset) and adjusted by any provision to cover losses. The effective interest rate is calculated as the rate that equates the current value of the future cash flows of the asset, for principal and interest, to the amount disbursed, including costs/income attributable to the same financial asset. This accounting method, using a financial logic, makes it possible to distribute the economic effect of costs/income directly attributable to a financial asset over its estimated residual life.

The amortised cost method is not used for assets - valued at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity and for the measurement criteria, they are strictly related to the inclusion of the instruments in question in one of the three stages (credit risk stages) envisaged by IFRS 9, the last of which (stage 3) includes impaired financial assets and the remaining ones (stages 1 and 2) include performing financial assets. With reference to the accounting representation of the aforementioned measurement effects, the value adjustments referring to this type of assets are recognised in the income statement:

- upon initial recognition, for an amount equal to the expected loss at twelve months;
- at the time of the subsequent measurement of the asset, if the credit risk has not increased significantly compared to the initial recognition, in relation to the changes in the amount of value adjustments for expected losses for the following twelve months;
- at the time of the subsequent measurement of the asset, if the credit risk has increased significantly compared to the initial recognition, in relation to the recognition of value adjustments for expected losses referring to the entire residual life envisaged contractually for the asset;

- at the time of the subsequent measurement of the asset, if - after a significant increase in credit risk with respect to the initial recognition - the "significance" of this increase is then no longer valid, in relation to the adjustment of the cumulative value adjustments so as to take into account the transition from an expected loss over the entire residual life of the instrument ("lifetime") to a twelve month one.

The financial assets in question, if they are performing, are subject to measurement, aimed at defining the value adjustments to be recognised in the financial statements, at individual credit relationship level, based on the risk parameters represented by *probability of default* (PD), *loss given default* (LGD) and *exposure at default* (EAD) envisaged by IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment loss, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", on a par with all the other relationships with the same counterparty - and the current value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recognised in the income statement, is defined on the basis of an analytical measurement process or determined by standard categories and, therefore, assigned to each position and takes into account forward-looking information and possible alternative recovery scenarios. The category of impaired assets includes financial instruments that have been assigned the status of non-performing, unlikely to pay or past due/past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European supervisory regulations. Expected cash flows take account of the likely recovery period and the estimated realisable value of any guarantees. The original effective rate of each asset remains unchanged over time even if a restructuring of the relationship has taken place, which has led to a change in the contractual rate and even if the relationship becomes, in practice, contractually interest-free.

If the reasons for impairment loss cease to exist due to an event occurring after recognition of the impairment, write-backs are made and booked to the income statement. The write-back cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments. Write-backs associated with the passing of time are recognised in the interest margin.

In some cases, during the life of the financial assets in question and, in particular, of the loans, the original contractual conditions are subsequently modified by will of the parties to the contract. When, during the life of an instrument, the contractual clauses are subject to change, it is necessary to verify whether the original asset must continue to be recognised in the financial statements or if, on the contrary, the original instrument must be derecognised from the financial statements and a new financial instrument must be recognised. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are "substantial". The assessment of the "substantiality" of the change must be carried out considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analysis, that the changes introduced substantially change the characteristics and/or contractual flows of a given asset while, in other cases, further analysis (including quantitative) will have to be carried out to appreciate the effects of the same and check the need to proceed or otherwise with the derecognition of the asset and the recognition of a new financial instrument. The (quali-quantitative) analysis aimed at defining the "substantiality" of the contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a borrower who is not in a situation of financial difficulty. This case includes all the renegotiation transactions aimed at adjusting the debt burden to market conditions. These transactions involve a change in the original conditions of the agreement, usually requested by the borrower, which concerns aspects related to the debt burden, with a consequent economic benefit for the same borrower. In general, it is believed that, whenever the bank carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered substantial since, if it were not carried out, the customer could obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;
  - the latter, carried out for "credit risk reasons" (*forbearance* measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and benefits, subsequent to the amendments, are not generally essentially transferred and, consequently, the accounting representation that offers the most relevant information for the reader of the financial statements (except for that which will be indicated later on objective elements), is that carried out through "*modification accounting*", which implies the recognition in the income statement of the difference between the book value and the current value of the modified cash flows discounted at the original interest rate and not through *derecognition*;
- the presence of specific objective elements that affect the characteristics and/or contractual flows of the financial instrument that are considered to involve *derecognition* in consideration of their impact (expected as significant) on the original contractual flows.

For greater details on the methods for determining expected losses, in application of IFRS 9, as well as the determination and management of overlay adjustments to the model, please refer to the Notes to the consolidated financial statements, Part E Credit risk..

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

4 – Hedging transactions

The Group avails itself of the possibility, envisaged at the time of introduction of IFRS 9, to continue to fully apply the provisions of IAS 39 on *hedge accounting*.

Classification

Risk hedging transactions are arranged to neutralise potential losses, attributable to a determinate risk, and detectable on a particular element or group of elements, should that particular risk actually arise.

The types of hedges used are attributable to fair value hedging, which aims to hedge the exposure to changes in the fair value (attributable to different types of risk) of assets and liabilities recognised in the financial statements or portions of them, of groups of assets/liabilities, as permitted by IAS 39 endorsed by the European Commission. Macro hedges aim to reduce fluctuations in fair value, attributable to interest rate risk, of a monetary amount deriving from a portfolio of financial assets or liabilities.

Recognition

Derivative hedging instruments, like all derivatives, are initially recognised and subsequently measured at *fair value*.

A relationship qualifies as a hedge, and is consistently represented in the accounts, only if all the following conditions are met:

- at the start of the hedge, there is formal designation and documentation of the hedging relationship, the company's risk management objectives and the hedging strategy. This documentation includes the identification of the hedging instrument, the element or transaction hedged, the nature of the risk hedged and how the company assesses the effectiveness of the hedging instrument in offsetting the exposure to changes in the *fair value* of the element hedged or of the cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective;
- the planned transaction subject to hedging, for cash flow hedges, is highly probable and presents an exposure to changes in cash flows that could affect the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on the basis of a continuity criterion and is considered highly effective for all the reference years for which the hedge was designated.

Measurement

Hedging derivatives are measured at their *fair value*.

In the case of macro hedges, fair value changes with reference to the hedged risk of the assets and liabilities subject to hedging are recognised in the balance sheet, respectively, under item 60. "Value adjustment of financial assets subject to macro hedge" or 50. "Value adjustment of financial liabilities subject to macro hedge";

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appreciated by comparing the aforementioned changes, taking into account the intent pursued by the company at the time the hedge was put in place. Effectiveness is achieved when the changes in fair value (or cash flows) of the hedging financial instrument neutralise almost entirely, i.e. within the limits established by the 80-125% range, the changes in the hedged instrument, for the risk element subject to hedging.

The assessment of effectiveness is carried out at the end of each financial year or interim period using:

- prospective tests, that justify the application of hedge accounting, by demonstrating its expected effectiveness;
- retrospective tests, which highlight the degree of effectiveness of the hedge reached in the period to which they refer, or measure the extent to which the actual results differed from the perfect hedge.

Derecognition

The recognition of fair value hedges is discontinued prospectively in the following cases:

- the hedging instrument expires, is sold, disposed of or exercised;
- the hedge no longer meets the hedge accounting criteria referred to above;
- the company revokes the designation.

If the tests do not confirm the effectiveness of the hedge, from that moment the recognition of the hedging transactions, according to the above, is interrupted, the hedging derivative contract is reclassified among the trading instruments and the hedged financial instrument reacquires the measurement criterion corresponding to its classification in the financial statements. In the event of termination of a fair value macro hedge, the accumulated revaluations/write-downs recorded in item 60. "Value adjustment of financial assets subject to macro hedge" or 50. "Value adjustment of financial liabilities subject to macro hedge" are recognised in the income statement under interest income or expense over the residual duration of the original hedging relationships, without prejudice to verification that the conditions are met.

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

Classification

Property, plant and equipment include properties used for business purposes, technical systems, furniture and fixtures as well as equipment of any type that is expected to be used for more than one period. Property, plant and equipment held for use in the production or supply of goods and services are classified as "assets used for business purposes" in accordance with IAS 16.

The item also includes property, plant and equipment classified according to IAS 2 - Inventories, which refer both to assets deriving from the enforcement of guarantees or from the conclusion of operating leases disbursed, which the company intends to sell in the near future, without carrying out significant restructuring work, and which do not have the prerequisites to be classified in other categories.

Rights of use acquired through the lease and relating to the use of property, plant and equipment (for the lessee companies) and assets granted under operating leases (for the lessor companies) are included.

Recognition

Property, plant and equipment are initially recognised at purchase price, including any ancillary costs directly attributable to the purchase and commissioning of the asset.

Extraordinary maintenance costs that involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

Measurement

Property, plant and equipment are measured at cost less depreciation and any impairment losses.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life. The depreciable value is represented by the cost of the assets net of the residual value at the end of the depreciation process, if significant.

If there is any indication that property, plant and equipment measured at cost may have suffered an impairment loss, a comparison is made between the book value of the asset and its recoverable value. Any adjustments are recorded in the income statement. If the reasons that led to the recognition of the loss no longer apply, a write-back is recorded, which cannot exceed the value that the asset would have had, net of the calculated depreciation, in the absence of previous impairment losses.

With regard to property, plant and equipment recognised pursuant to IAS 2, they are measured at cost or net realisable value, whichever is the lower, it being understood that the book value of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment loss. Any adjustments are recorded in the income statement.

Property, plant and equipment represented by the right of use of assets under lease agreements

Pursuant to IFRS 16, a "lease" is a contract, or part of a contract, which, in exchange for a consideration, transfers the right of use of an asset (the underlying asset) for a period of time. According to IFRS 16, leases are accounted for on the basis of the right-of-use model, for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease period. When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

In particular, the right of use acquired through the lease is recognised as the sum of the current value of the future instalments to be paid for the contractual duration modified by the estimate of the renewal and termination options, the payments for leases paid on or before the date of commencement of the lease, any incentives received, the initial direct costs and any estimated costs for the decommissioning or restoration of the asset underlying the lease.

The financial liability recognised corresponds to the current value of the lease payments due.

With regard to the discount rate, on the basis of IFRS 16 requirements, the Group uses the implicit interest rate for each lease agreement, where available. With regard to lease agreements from the lessee's point of view, in some cases, for example with reference to rental agreements, the implicit interest rate cannot always be readily determined without recourse to estimates and assumptions (the lessee does not have enough information on the unsecured residual value of the leased asset). In such cases, the Group has developed a method to define the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the internal funding transfer rate. This is an unsecured and *amortising* rate curve, as the lease agreement provides for equal lease payments typically fixed for the duration of the contract, and not a single payment on maturity. This rate takes into account the duration of the lease, as well as the economic environment in which the transaction takes place and therefore is in line with the requirements of the standard.

The lease term is determined taking into account:

- periods covered by an option to extend the lease, if the exercise of said option is reasonably certain;
- periods covered by an option to terminate the lease, if the exercise of said option is reasonably certain.

During the term of the lease agreement, the lessee must:

- measure the right of use at cost, net of accumulated amortisation and cumulative value adjustments determined and accounted for on the basis of the provisions of IAS 36 "Impairment of assets", adjusted to take into account any restatements of lease liabilities;
- increase the liability deriving from the lease transaction as a result of the accrual of interest expense calculated at the implicit interest rate of the lease, or, alternatively, at the marginal borrowing rate and reduce it for payments of principal and interest.

In the event of changes in the payments due for the lease, the liability must be restated; the impact of the restatement of the liability is recognised against the asset consisting of the right of use.

Lastly, note that the Group avails itself of the exemptions permitted by IFRS 16 for short-term leases (i.e. duration of less than or equal to 12 months) or leases of modest value assets (i.e. value less than or equal to Euro 5,000).

Derecognition

Property, plant and equipment are derecognised from the balance sheet on disposal, or when the asset concerned is permanently taken out of use and no further economic benefits are expected from its disposal.

7 - Intangible assets

Classification

Intangible assets include other intangible assets, consisting in particular of software.

Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Recognition

Intangible assets are recognised 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 when the cost is incurred.

Derecognition

Intangible assets are derecognised from the balance sheet on disposal and when no more further economic benefits are expected.

8 – Non-current assets held for sale and discontinued operations

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

9 – Current and deferred taxes

Income taxes, calculated in accordance with national tax legislation, are accounted for as a cost on an accrual basis, consistent with the methods under which the costs and revenues that generated them are recognised in the financial statements. Therefore, they represent the balance of current and deferred taxes relating to the income for the year.

Current tax assets and liabilities include the net balance of the positions of the Group companies vis-à-vis the Italian tax authorities attributable to direct taxes. In particular, these items include the net balance between the tax liabilities of previous years and current ones for the year, calculated on the basis of a prudent forecast of the tax liability due for the year, determined on the basis of the tax regulations in force, and the current tax assets represented by payments on account, withholding taxes or other tax credits. The risk inherent in such procedures - in the same way as the risks inherent in procedures that did not require interim payments - is assessed according to the logic of IAS 37, in relation to the likelihood of using economic resources for their fulfilment.

Taking into account the adoption of the national tax consolidation scheme by the Group, the tax positions referable to the Group companies are managed separately from an administrative point of view.

Deferred taxes are determined on the basis of the so-called balance sheet liability method, taking into account the tax effect associated with the timing differences between the book value of assets and liabilities and their tax value, which will determine taxable or deductible amounts in future periods. For such purposes, “taxable timing differences” are those that in future periods will determine taxable amounts and “deductible timing differences” are those that in future years will determine deductible amounts.

Deferred taxes are calculated by applying the tax rates established by the legal provisions in force to the taxable timing differences for which there is the probability of an actual incurring of taxes and to the deductible timing differences for which there is reasonable certainty that there will be future taxable amounts at the moment in which the related tax deductibility will occur (probability test). Deferred tax assets and liabilities relating to the same tax and falling due in the same period are offset.

If deferred tax assets and liabilities refer to items which have affected the income statement, they are booked against income taxes.

In cases where the deferred tax assets and liabilities relate to transactions that were booked directly to equity without affecting the income statement (such as adjustment on first time application of the IAS/IFRS, the valuations of financial instruments recognised at fair value through other comprehensive income), they too are booked through shareholders' equity, affecting the specific reserves when this is foreseen (e.g. valuation reserves). Deferred taxes referring to companies included in the tax consolidation scheme are recognised in their financial statements, in application of the accruals criterion and in consideration of the value of the tax consolidation limited to the settlement obligations of current tax positions. Latent taxes on the shareholders’ equity components of the consolidated companies is not recognised in the financial statements if it is not considered probable that the conditions for the related taxes will occur, and thus also in relation to the long-term nature of the investment.

10 – Provisions for risks and charges

Provisions for risks and charges in the presence of commitments and guarantees given

The sub-item of provisions for risks and charges in question includes provisions for credit risk recognised in the presence of commitments to disburse funds and guarantees given that fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, in principle, the same methods are adopted for allocation between the three stages (credit risk stages) and calculation of the expected loss shown with reference to financial assets measured at amortised cost or fair value through other comprehensive income.

Other provisions

The other provisions for risks and charges include the provisions relating to legal obligations or associated with employment relationships or disputes, including tax-related, originating from a past event for which it is probable that economic resources will be disbursed to fulfil said obligations, provided that a reliable estimate of the related amount can be made.

Consequently, a provision is recognised if and only if:

- there is a pending obligation (legal or implicit) as a result of a past event;
- it is probable that the use of resources suitable for producing economic benefits will be necessary to fulfil the obligation; and

- a reliable estimate can be made of the amount deriving from the fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expense required to fulfil the obligation existing at the reporting date and reflects risks and uncertainties that inevitably characterise a number of facts and circumstances.

Provisions are charged to the income statement. The provision is reversed when the use of resources suitable for producing economic benefits to fulfil the obligation becomes unlikely or when the obligation is extinguished.

11 - Financial liabilities measured at amortised cost

Classification

Deposits from banks, Deposits from customers and Debt securities issued represent the various forms of interbank and customer funding. Also included are payables recognised by the company as lessee in the context of lease operations.

Recognition

The initial recognition of these financial liabilities takes place on the date the agreement is signed, which normally coincides with the moment of 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 or issue transaction. Internal administrative costs are excluded.

Lease payables are recognised at the current value of future lease payments, discounted using the rate mentioned in the related section on leases.

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 restated when there is a lease modification (e.g. a change in the agreement that is not accounted for/considered as a separate contract); the effect of the restatement will be recorded through the right-of-use asset.

Derecognition

Financial liabilities are derecognised when they expire or are settled.

12 - Financial liabilities held for trading

Recognition

The financial instruments in question are recognised on the subscription date or the issue date at a value equal to the fair value of the instrument, without considering possible transaction costs or income directly attributable to the instrument concerned.

This category of liabilities includes, in particular, trading derivative contracts with negative fair value.

Measurement

All liabilities held for trading are measured at fair value with the result of the measurement 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 does not have any transactions in foreign currency.

15 – Insurance assets and liabilities

The Group does not have any insurance assets and liabilities.

16 - Other information

Cash and cash equivalents

The item "Cash and cash equivalents" includes the recognition mainly of 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 working 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. These components are valued according to the general principle of the estimated realisable value, which normally coincides with the nominal value. These assets are derecognised from the financial statements at the natural end of the contractual rights, if any, on the related cash flows.

Treasury shares

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

Share-based payments

The Group has no share-based payments.

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

Accruals and deferrals

Accruals and deferrals that include charges and income pertaining to the period accrued on assets and liabilities are recognised in the financial statements as an adjustment to the assets and liabilities to which they refer.

Leasehold improvement expenditure

The restructuring costs for properties not owned are capitalised in consideration of the fact that for the duration of the lease agreement the user company has control of the assets and can derive future economic benefits from them. The aforementioned costs, classified under Other assets and under property, plant and equipment (if the regulatory requirements are met), are depreciated for a period not exceeding the duration of the lease agreement.

Provision for employee severance pay

Employee severance pay is considered a "post-employment benefit" and was limited by the entry into force of the reform envisaged by Italian Law no. 296/2006 (2007 Finance Act) on supplementary pensions.

For discounting purposes, the rate used is determined with reference to the market return taking into account the average residual duration of the liability, weighted on the basis of the percentage of the amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the final settlement of the entire obligation. Costs for the service of the plan are accounted for under personnel costs, while actuarial gains and losses are recognised in the statement of comprehensive income.

Revenue and cost recognition

Revenues are gross flows of economic benefits arising in the ordinary course of business and are recognised at the time control of the goods or services is transferred to the customer, at an amount representing the amount of consideration to which one is deemed to be entitled. In particular, revenue is recognised by means of the application of a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
- allocation of the transaction price to each "performance obligation", based on the sale prices of the individual obligation;
- recognition of revenues when (or gradually as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

The transaction price represents the amount of consideration to which the entity deems it is entitled to in exchange for transferring the promised goods and services to the customer. It may include fixed or variable amounts or both. Revenues configured as variable consideration are recognised in the income statement if they can be reliably estimated and only if it is highly probable that this consideration will not be reversed from the income statement in subsequent periods, in full or to a significant extent. In the event of a high prevalence of factors of uncertainty linked to the nature of the consideration, the same will be recognised only when said uncertainty is resolved.

Revenues can be recognised:

- at a precise moment, when the entity fulfils the performance obligation transferring the promised good or service to the customer, or
- over time, as the entity gradually fulfils the performance obligation transferring the promised good or service to the customer.

The asset is transferred when, or during the period in which, the customer acquires control of it.

Specifically:

- interest is recognised on a pro-rata basis with regard to the contractual interest rate or the effective interest rate if the amortised cost is applied. Interest income (or interest expense) also includes positive (or negative) spreads or margins accrued up to the reporting date, relating to financial derivative contracts:
  - hedging assets and liabilities that generate interest;
  - operationally related to assets and liabilities classified in the trading book and which envisage the settlement of spreads or margins with multiple maturities;
- interest on arrears, possibly envisaged contractually, is recorded in the income statement only at the time of its actual collection;
- dividends are recognised in the income statement at the time their distribution is resolved, unless this date is unknown or the information is not immediately available, in which case recognition at the time of collection is permitted;
- commission for revenues from services are recognised, on the basis of the existence of contractual agreements, in the period in which the services were provided. Commission considered in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- gains and losses deriving from the trading of financial instruments are recognised in the income statement at the time of finalisation of the sale, on the basis of the difference between the amount paid or collected and the book value of the instruments themselves;
- revenues from the sale of non-financial assets are recognised at the time the sale is completed, or when the performance obligation vis-à-vis the customer is fulfilled

Costs are recognised in the income statement on an accruals basis; the costs relating to obtaining and fulfilling contracts with customers are recognised in the income statement in the periods in which the related revenues are recorded.

Method of determining the amortised cost

The amortised cost of a financial asset or liability 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 or liability to the contractual flow of future cash payments, either received up to the expected maturity or to the next date when 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 review 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. The calculation of the amortised cost differs depending on whether the financial assets/liabilities subject to valuation are at a fixed or variable rate and - in the latter case - depending on whether the variability of the rate is known or not in advance. For instruments with a fixed rate or fixed rate by time brackets, future cash flows are quantified on the basis of the known interest rate (single or floating) during the life of the loan. For financial assets/liabilities with a floating rate, whose variability is not known in advance (for example because it is linked to an index), the calculation of the cash flows is carried out on the basis of the last known rate. At each rate review date, the amortisation plan and the effective rate of return are recalculated over the entire useful life of the instrument, i.e. until the maturity date. The adjustment is recognised as a cost or income in the income statement.

The measurement at amortised cost is carried out for financial assets measured at amortised cost and for those measured at fair value through other comprehensive income, as well as for financial liabilities measured at amortised cost.

Financial assets and liabilities traded under market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and commission that is directly attributable. Transaction costs include internal or external marginal costs and income attributable to the issue, acquisition or disposal of a financial instrument that cannot be recharged to the customer. These fees, which must be directly attributable to the individual financial asset or liability, affect the original effective return and make the effective interest rate associated with the transaction different from the contractual interest rate. Costs/income relating to several transactions without distinction and components related to events that may occur during the life of the financial instrument, but which are not certain at the time of the initial definition, are excluded, such as for example: commission for retrocession, for failure to use, for early repayment. In addition, the amortised cost calculation does not include the costs that the company should incur regardless of the transaction, those which, although specifically attributable to the transaction, fall within the normal practice of managing the loan. With particular reference to receivables, commission paid to distribution channels and direct insurance policies are considered costs attributable to the financial instrument; while the revenues considered in the calculation of the amortised cost are the up-front commission.

For the securities issued, the placement commission of the bond loans paid to third parties and the structuring activities are considered in the calculation of the amortised cost, while the recurring maintenance activities are not considered in the amortised cost.

TLTRO III financing transactions

TLTRO III (*Targeted Longer Term Refinancing Operations*) aim to preserve favourable conditions of bank credit and to support the accommodating stance of monetary policy. Some of the parameters defined by the ECB on 6 June 2019 were subsequently revised for the purpose of improvement, most recently on 10 December 2020, in light of the economic repercussions deriving from the continuation of the COVID-19 emergency. The funding that can be obtained from each banking institution depends on the amount of loans granted to non-financial companies and households (eligible loans) on certain recognition dates. The transactions are carried out on a quarterly basis, starting from September 2019 and each transaction has a duration of three years.

The interest rate for each transaction is set at a level equal to the average level of the main refinancing operations of the Eurosystem (MRO), with the exception of:

- for the period between 24 June 2020 and 23 June 2022 ("*special interest rate period*"), in which a lower rate of 50 basis points will be applied. Banks that grant net eligible loans above a reference value ("*benchmark net lending*") may benefit from a reduction in the interest rate. In detail, the preferential rate applied will be equal to the average rate on deposits at the central bank (*Deposit Facility*), currently equal to -0.5%, for the entire duration of the respective transaction, with the exception of the "*special interest rate period*", in addition to a further reduction of 50 basis points (and in any case no higher than 1%);
- for the period from 23 November 2022, the interest rate on TLTRO-III transactions still outstanding is index-linked to the reference interest rate applicable during this period.

In this context, the rate applied at Group level followed the following method:

- for the period between 24 June 2020 and 23 June 2022, -1% was applied;
- for the period between 24 June 2022 and 22 November 2022, the average rate (*Deposit Facility*) was applied, calculated as the average from the granting of the loan until 22 November 2022;
- for the period from 23 November 2022, the interest rate on TLTRO-III transactions still outstanding is index-linked to the reference interest rate applicable during this period.

With regard to the accounting at amortised cost, note the application of the standard taking into account the variable cost described above and the expected early repayments.

Use of estimates and assumptions in preparing financial information

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

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

- the quantification of impairment losses on receivables, equity investments and, in general, other financial assets;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- assessing whether the value of other intangible assets is fair;
- quantifying personnel provisions and provisions for risks and charges;
- making estimates and assumptions regarding the recoverability of deferred tax assets.

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

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

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

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

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

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

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

A.4 – Information on fair value

Qualitative information

The Group regulates and formalises the measurement of fair value through internal policies, overseen by the Market Risk unit.

IFRS 13 defines fair value 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.

Underlying the definition of fair value is the presumption that the Group finds itself in the normal course of business with no intention of liquidating its assets, of significantly reducing the level of its assets or of proceeding with the definition of transactions at unfavourable conditions. For this reason, the fair value of an asset or liability is based on the assumption that participants act to best satisfy their economic interests, consequently favouring the main active markets, or in the absence thereof, the most advantageous secondary active market.

The Group can therefore use the following valuation models:

- market valuation method (use of market prices of assets, liabilities or similar equity instruments held as assets by other market participants);
- cost method (i.e. the replacement cost that would be required at the time to replace the service capacity of an asset);
- income method (discounted value technique based on expected future cash flows from a market counterparty that holds a liability or an equity instrument as an asset).

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

The measurement techniques adopted by the Group are as follows:

Items	Assessment	Level *
ASSETS		
Debs securities	**Market price**	**1**
Equities	**Cost**	**3**
Loans**		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3
- impaired	Discounted valute at tax risk free + risk spread according to historical recovery curves	3
LIABILITIES		
Debt securities issued	Discounted valute at tax risk free + risk spread	**2-3**
Deposit **		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3
OTHER ASSETS AND LIABILITIES**		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3

Key:
* For further clarifications on fair value levels, please refer to "A.4.3 Fair value hierarchy".
** Relationships are generally classified as level 3, except for central banks and credit institutions classified as level 2.

The inputs used are the assumptions that market participants would use in determining the price of the asset or liability and can be classified as:

- observable inputs: processed using market data, such as publicly available information on actual transactions or events, and which reflect the assumptions that market participants would use in determining the price of the asset or liability.
- non-observable inputs: no market information is available and they are processed using the best information available regarding assumptions that market participants would use in determining the price of the asset or liability. The majority of these inputs come from sources within the Santander Group.

A volatility corrective factor known as FVA - fair value adjustment (divided into CVA - Credit Value Adjustment and DVA - Debit Value Adjustment respectively for assets and liabilities) is also used. The main aggregates affected by the FVA are the loan portfolio, for which the corrective factor is included in the impairment, while for derivative contracts, the daily settlements of the positions allow an implicit reabsorption of the corrective element.

A.4.2 Valuation processes and sensitivity

The risk-free and risk-spread parameters are updated on a quarterly basis and are intended to incorporate fluctuations deriving from market risk. These values are periodically monitored by the Market Risk unit in order to continuously assess the adequacy of the models used, subject to review at least once a year.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure the fair value into three levels. This hierarchy assigns the highest priority to (unadjusted) listed prices in active markets for identical assets or liabilities (Level 1) and minimum priority to non-observable inputs (Level 3).

Specifically:

- Level 1: when the measurement of the instrument is obtained directly from (unadjusted) listed prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: if an active market price has not been found and the measurement is carried out using a valuation technique, on the basis of parameters observable on the market, or on the use of parameters that are not observable but supported and confirmed by market evidence, such as prices, spreads or other inputs;

- Level 3: when the measurements are carried out using different inputs, not all derived directly from parameters observable on the market and therefore involve estimates and assumptions by the appraiser.

During the year, no transfers were made between fair value levels.

A.4.4 Other Information

There are no cases referred to in IFRS 13, paragraphs 48, 93 letter (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 fair value levels

	12/31/2022			12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	41,060	4	-	5,835	-
a) financial assets held for trading	-	41,060	-	-	5,835	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) o+ther financial assets compulsorily assessed at fair value	-	-	4	-	-	-
2. Financial assets valued at fair value with impact on overall profitability	301,373	-	-	633,804	-	-
3. Cover derivatives	-	191,979	-	-	7,622	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**301,373**	**233,039**	**4**	**633,804**	**13,457**	**-**
1. Financial liabilities held for trading	-	41,083	-	-	5,922	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Cover derivatives	-	-	-	-	3,031	-
Total	**-**	**41,083**	**-**	**-**	**8,953**	**-**

Legenda:
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 assets measured at fair value on a recurring basis (level 3)

	Financial assets measured at fair value with impact on the income statement: Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets that are necessarily measured at fair value	Financial assets measured at fair value with an impact on total profitability	Hedging derivatives	Tangible assets	Intangible assets
1. Initial Existences	-	-	-	-	-	-	-	-
2. Increases	4	-	-	4	-	-	-	-
2.1. Purchases	4	-	-	4	-	-	-	-
2.2. Profits charged to:	-	-	-	-	-	-	-	-
2.2.1. Income statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Net assets	-	X	X	-	-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increasing variations	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses charged to:	-	-	-	-	-	-	-	-
3.3.1. Income statement	-	-	-	-	-	-	-	-
- of which capital losses	-	-	-	-	-	-	-	-
3.3.2. Net assets	-	X	X	-	-	-	-	-
3.4. Transfers from other levels	-	-	-	-	-	-	-	-
3.5. Other decreasing variations	-	-	-	-	-	-	-	-
4. Final stocks	4	-	-	4	-	-	-	-

A.4.5.2 Annual changes in assets 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 a non-recurring basis: distribution by fair value levels

Assets / Liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2022				12/31/2021			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortized cost	9,457,370	147,472	-	8,791,267	8,832,380	40,300	-	8,530,814
2. Available for sale financial assets	-	-	-	-	-	-	-	-
3. Non current assets classified as held for sale	-	-	-	-	-	-	-	-
Total	**9,457,370**	**147,472**	**-**	**8,791,267**	**8,832,380**	**40,300**	**-**	**8,530,814**
1. Financial liabilities measured at amortized cost	9,475,287	-	3,666,657	5,799,646	9,091,455	-	3,902,152	5,190,450
2. Liabilites included in disposal group classified as hfs	-	-	-	-	-	-	-	-
Total	**9,475,287**	**-**	**3,666,657**	**5,799,646**	**9,091,455**	**-**	**3,902,152**	**5,190,450**

Legenda:
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

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 12/31/2022	Total 12/31/2021
a) Cash	7	16
b) Current account and demand deposits with Central banks	49,889	231,807
c) Current accounts and demand deposits with banks	845,839	512,148
Total	**895,735**	**743,971**

The item “Current accounts and on demand deposits with banks” in 2022 was affected by the presence of an overnight position with Santander Consumer Finance for Euro 472,052 thousand.

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

2.1 Financial assets held for trading: breakdown by type

	Total 12/31/2022			Total 12/31/2021		
	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	-	41,060	-	-	5,835	-
1.1 trading	-	41,060	-	-	5,835	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	-	**41,060**	-	-	**5,835**	-
Total (A+B)	-	**41,060**	-	-	**5,835**	-

The financial derivatives item includes the positive fair values of the contracts relating to the proprietary securitisation transactions, without cancellation.

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

Items/Values	Total 12/31/2022	Total 12/31/2021
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 finanzial 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) Families	-	-
Total (A)	-	-
B. Derivative instruments		
a) Central Counterparties	-	-
b) Others	41,060	5,835
Total (B)	**41,060**	**5,835**
Total (A+B)	**41,060**	**5,835**

2.3 Financial assets designated at fair value: breakdown by type

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

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

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

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

Items/Values	Total 12/31/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Others	-	-	-	-	-	-
2. Equity instruments	-	-	4	-	-	-
3. Units investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 REPO	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	-	-	4	-	-	-

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

	Total 12/31/2022	Total 12/31/2021
1. Equity instruments	**4**	**-**
of which: banks	-	-
of which: other financial companies	-	-
of which: other non financial companies	4	-
2. Debts securities	-	-
a) Central Banks	-	-
b) Public sector entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
3. Units investment funds	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public sector entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non financial companies	-	-
f) Households	-	-
Total	**4**	**-**

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

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

Item/Values	Total 12/31/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Debts securities	301,373	-	-	633,804	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	301,373	-	-	633,804	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**301,373**	**-**	**-**	**633,804**	**-**	**-**

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

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

Items/Values	Total 12/31/2022	Total 12/31/2021
1. Debt securities	**301,373**	**633,804**
a) Central Banks	-	-
b) Public entities	301,373	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	**301,373**	**633,804**

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

		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 parziali complessivi
Debt securities		301,373	-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**301,373**	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**633,804**	-	-	-	-	-	-	-	-	-

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

4.1 Financial assets measured at amortised cost: loans to banks, breakdown by type

Type of transaction/Values	Total 12/31/2022						Total 12/31/2021					
	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	**12,374**	**-**	**-**	**-**	**-**	**12,374**	**13,478**	**-**	**-**	**-**	**-**	**13,478**
1. Deposits to Maturity	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	12,374	-	-	X	X	X	13,478	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables to banks	**8,836**	**-**	**-**	**-**	**-**	**8,836**	**98,786**	**-**	**-**	**-**	**-**	**98,637**
1. Loans	8,836	-	-	-	-	8,836	98,786	-	-	-	-	98,637
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	8,836	-	-	X	X	X	98,786	-	-	X	X	X
- Repos	-	-	-	X	X	X	93,518	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	8,836	-	-	X	X	X	5,268	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**21,210**	**-**	**-**	**-**	**-**	**21,210**	**112,264**	**-**	**-**	**-**	**-**	**112,115**

Legenda:
L1= level 1
L2= level 2
L3= level 3

The item "Other loans - Other", mainly refers to the guarantee deposit, linked to the derivative contracts.

4.2 Financial assets measured at amortised cost: loans to customers, breakdown by type

Type of transaction/Values	Total 12/31/2022 Balance value First and second stage	Third stage	Purchased or originated impaired	Fair value L1	L2	L3	Total 12/31/2021 Balance value First and second stage	Third stage	Purchased or originated impaired	Fair value L1	L2	L3
1. Loans	**9,227,464**	**59,317**	**-**	**-**	**-**	**8,770,057**	**8,615,001**	**64,834**	**-**	**-**	**-**	**8,418,699**
1. Deposits from customers	20,572	323	-	X	X	X	17,561	41	-	X	X	X
2. REPOs	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans and wage assignment losses	3,981,678	28,666	-	X	X	X	3,505,632	37,312	-	X	X	X
5. Lease loans	847,826	4,380	-	X	X	X	830,173	4,358	-	X	X	X
6. Factoring	187,931	1,551	-	X	X	X	144,907	195	-	X	X	X
7. Other loans	4,189,457	24,398	-	X	X	X	4,116,729	22,928	-	X	X	X
2. Debt securities	**149,378**	**-**	**-**	**147,472**	**-**	**-**	**40,281**	**-**	**-**	**40,300**	**-**	**-**
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	149,378	-	-	147,472	-	-	40,281	-	-	40,300	-	-
Total	**9,376,843**	**59,317**	**-**	**147,472**	**-**	**8,770,057**	**8,655,283**	**64,834**	**-**	**40,300**	**-**	**8,418,699**

The item “Credit cards, personal loans and salary assignment loans” was affected by the personal loan distribution agreement with Poste Italiane.

The item "Other loans" includes car loans and special-purpose loans.

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

Type of transaction / Values	Total 12/31/2022 First and second stage	Third stage	Purchased or originated impaired assets	Total 12/31/2021 First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**149,378**	**-**	**-**	**40,281**	**-**	**-**
a) Public Administration	149,378	-	-	40,281	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**9,227,464**	**59,317**	**-**	**8,615,001**	**64,834**	**-**
a) Public Administration	1,659	4,095	-	1,725	4,212	-
b) Other financial company	12,434	113	-	13,233	54	-
of which: insurance companies	30	3	-	46	-	-
c) Non financial companies	1,412,288	8,934	-	1,280,229	7,953	-
d) Households	7,801,085	46,175	-	7,319,815	52,615	-
Total	**9,376,843**	**59,317**	**-**	**8,655,283**	**64,834**	**-**

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

		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 parziali complessivi
Debt securities		149,378	-	-	-	-	-	-	-	-	-
Loans		9,120,639	-	206,447	196,527	-	53,460	24,952	137,210	-	-
Total	**12/31/2022**	**9,270,018**	**-**	**206,447**	**196,527**	**-**	**53,460**	**24,952**	**137,210**	**-**	**-**
Total	**12/31/2021**	**8,627,175**	**-**	**222,943**	**172,104**	**-**	**49,967**	**32,604**	**107,270**	**-**	**-**

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

		Gross value					Writedown				
		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		-	-	-	-	-	-	-	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2021**	**-**	**-**	**3,060**	**-**	**-**	**-**	**1,835**	**-**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and levels

	Fair Value			NV	Fair Value			NV
	12/31/2022				12/31/2021			
	L1	L2	L3	12/31/2022	L1	L2	L3	12/31/2021
A. Financial derivatives								
1) Fair value	-	191,979	-	4,100,074	-	7,622	-	1,405,301
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**191,979**	**-**	**4,100,074**	**-**	**7,622**	**-**	**1,405,301**

Legenda:
NV= Notional value
L1= Level 1
L2= Level 2
L3= Level 3

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 positive fair value:

Notional	Start date	Settlement date	Counterparty	Fair value
80,000	07/22/2021	01/22/2038	Banco Santander	8,084
150,000	07/22/2021	11/23/2037	Banco Santander	15,439
170,000	07/22/2021	12/22/2037	Banco Santander	17,608
18,750	01/30/2017	10/31/2025	Banco Santander	659
15,144	04/26/2017	07/28/2025	Banco Santander	494
17,204	04/26/2017	08/26/2025	Banco Santander	585
17,001	04/26/2017	09/26/2025	Banco Santander	593
3,247	05/31/2017	06/30/2023	Banco Santander	30
5,747	05/31/2017	07/31/2023	Banco Santander	59
12,435	07/31/2017	11/29/2024	Banco Santander	382
11,639	07/31/2017	12/31/2024	Banco Santander	331
12,023	07/31/2017	01/31/2025	Banco Santander	357
5,227	09/29/2017	12/31/2025	Banco Santander	215
15,603	06/30/2020	12/31/2027	Banco Santander	646
14,475	06/29/2018	09/30/2024	Banco Santander	394
24,066	07/31/2018	07/31/2028	Banco Santander	1,146
17,933	08/31/2018	08/31/2028	Banco Santander	817
29,747	12/21/2018	12/21/2028	Banco Santander	1,540
24,617	05/31/2019	11/30/2027	Banco Santander	1,223
60,212	05/29/2020	02/28/2031	Banco Santander	2,997
60,212	05/29/2020	03/31/2031	Banco Santander	3,063
73,591	05/29/2020	07/29/2031	Banco Santander	3,547
31,245	05/29/2020	05/29/2031	Banco Santander	1,569
30,106	05/29/2020	06/30/2031	Banco Santander	1,531
147,398	12/27/2021	04/27/2038	Banco Santander	15,776
96,498	12/27/2021	05/27/2038	Banco Santander	10,496
73,708	12/27/2021	06/28/2038	Banco Santander	8,082
55,302	03/02/2022	06/30/2032	Banco Santander	2,057
49,058	03/02/2022	07/30/2032	Banco Santander	1,859
31,999	03/02/2022	08/31/2032	Banco Santander	1,197
100,000	04/05/2022	03/29/2029	Banco Santander	3,938
100,000	04/05/2022	04/30/2029	Banco Santander	4,294
100,000	04/05/2022	05/31/2029	Banco Santander	4,411
100,000	04/20/2022	12/29/2028	Banco Santander	3,601
100,000	04/20/2022	01/31/2029	Banco Santander	3,920
100,000	04/20/2022	02/28/2029	Banco Santander	3,979
100,000	05/16/2022	08/31/2028	Banco Santander	3,933
100,000	05/16/2022	09/29/2028	Banco Santander	3,842
100,000	05/16/2022	10/31/2028	Banco Santander	3,829
75,500	06/20/2022	08/31/2032	Banco Santander	1,597
81,000	06/20/2022	09/30/2032	Banco Santander	1,712
85,000	06/20/2022	10/29/2032	Banco Santander	1,626
44,588	07/22/2022	07/30/2032	Banco Santander	1,303
44,675	07/22/2022	05/31/2032	Banco Santander	1,418
44,129	07/22/2022	06/30/2032	Banco Santander	1,344
30,000	09/15/2022	12/31/2030	Banco Santander	733
30,000	09/15/2022	01/31/2031	Banco Santander	695
30,000	09/15/2022	02/28/2031	Banco Santander	732
30,000	10/04/2022	01/31/2030	Banco Santander	177
30,000	10/04/2022	02/28/2030	Banco Santander	222
30,000	10/04/2022	03/29/2030	Banco Santander	250
30,000	10/27/2022	09/30/2030	Banco Santander	285
29,500	10/27/2022	10/31/2030	Banco Santander	211
30,500	10/27/2022	08/30/2030	Banco Santander	268
100,000	12/09/2022	06/30/2032	Banco Santander	1,078
100,000	12/09/2022	07/30/2032	Banco Santander	1,043

100,000	12/09/2022	05/31/2032	Banco Santander	996
3,000	06/29/2018	04/30/2023	BNP Paribas	10
3,000	07/31/2018	06/30/2023	BNP Paribas	31
7,000	07/31/2018	07/31/2023	Banco Santander	64
4,000	07/31/2018	05/31/2023	Banco Santander	27
27,000	07/22/2022	07/31/2026	Banco Santander	1,097
15,000	05/25/2022	05/30/2025	Banco Santander	651
18,000	05/25/2022	07/31/2025	Banco Santander	781
28,000	04/26/2022	08/29/2025	Banco Santander	1,242
10,000	11/15/2021	04/30/2024	Banco Santander	463
10,000	11/15/2021	02/29/2024	Banco Santander	404
93,000	07/19/2021	04/30/2026	Banco Santander	5,678
99,000	07/19/2021	06/30/2026	Banco Santander	6,011
2,000	06/29/2018	05/31/2023	HSBC	14
4,000	06/29/2018	06/30/2023	Natwest Market plc	44
27,000	04/26/2022	09/30/2025	Natwest Market plc	1,237
31,000	03/22/2022	03/28/2024	Natwest Market plc	985
10,000	11/15/2021	03/31/2024	Natwest Market plc	433
10,000	11/15/2021	12/31/2023	Natwest Market plc	342
95,000	07/19/2021	05/31/2026	Natwest Market plc	5,960
19,000	09/23/2022	06/30/2025	Natwest Market NV	156
22,000	08/23/2022	11/30/2024	Natwest Market NV	548
24,000	07/22/2022	09/30/2026	Natwest Market NV	947
22,000	06/24/2022	03/31/2026	Natwest Market NV	785
17,000	05/25/2022	06/30/2025	Natwest Market NV	705
25,000	09/23/2022	08/29/2025	Société Générale	205
24,000	09/23/2022	07/31/2025	Société Générale	192
28,000	08/23/2022	10/31/2024	Société Générale	648
30,000	08/23/2022	12/31/2024	Société Générale	729
24,000	07/22/2022	08/31/2026	Société Générale	972
24,000	06/24/2022	02/28/2026	Société Générale	866
25,000	06/24/2022	01/31/2026	Société Générale	894
33,000	04/26/2022	10/31/2025	Société Générale	1,463
48,000	03/22/2022	05/31/2024	Société Générale	1,800
30,000	03/22/2022	04/30/2024	Société Générale	1,009
10,000	11/15/2021	01/31/2024	Société Générale	373
4,100,074				**191,979,158**

5.2 Hedging derivatives: breakdown by hedged portfolios 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	191,979	X	-	X
5. Others	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**191,979**	**-**	**-**	**-**
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 – Value adjustment of financial assets subject to macro hedge – Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

Remeasurement to hedged assets / Values	Total 12/31/2022	Total 12/31/2021
1. Positive adjustment	-	-
1.1 of specific portfolios:	-	-
a) financial assets at amortised cost	-	-
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(179,461)**	**(6,455)**
2.1 of specific portfolios:	(179,461)	(6,455)
a) financial assets at amortised cost	(179,461)	(6,455)
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**(179,461)**	**(6,455)**

Section 7 – Equity investments – Item 70

The Group has no equity investments.

Section 8 – Technical reserves carried by reinsurers – Item 80

The Group has no insurance companies.

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 12/31/2022	Total 12/31/2021
1. Owened assets	**21,268**	**5,959**
a) lands	-	-
b) buildings	-	-
c) furniture	778	827
d) electronic system	3,569	4,909
e) other	16,922	223
2. Leased assets	**16,132**	**18,885**
a) lands	-	-
b) buildings	13,663	16,001
c) furniture	-	-
d) electronic system	-	-
e) other	2,468	2,884
Total	**37,400**	**24,843**
of which: obtained by the enforcement of collateral	-	-

The item “owned assets - other” includes cars purchased for operating leases.

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

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

The Group does not have any property, plant or equipment held for investment.

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

The Group does not have any 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

The Group has property, plant and equipment held for investment.

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

The Group does not have any property, plant and equipment obtained through the enforcement 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	**-**	**21,755**	**4,361**	**16,268**	**12,908**	**55,292**
A.1 Total net reduction value	-	5,755	3,534	11,359	9,801	30,449
A.2 Net opening balance	**-**	**16,001**	**827**	**4,909**	**3,107**	**24,843**
B. Increase:	**-**	**959**	**93**	**-**	**19,950**	**21,002**
B.1 Purchasing	-	-	93	-	17,041	17,133
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from investment properties	-	-	X	X	X	-
B.7 Other adjustment	-	959	-	-	2,909	3,869
C. Decrease:	**-**	**3,297**	**142**	**1,340**	**3,667**	**8,445**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Amorization	-	2,405	142	1,336	2,043	5,925
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	-	892	-	4	1,624	2,520
D. Net closing balance	**-**	**13,663**	**778**	**3,569**	**19,390**	**37,400**
D.1 Total net write-down	-	6,877	3,674	12,695	8,859	32,105
D.2 Final gross balance	**-**	**20,541**	**4,451**	**16,264**	**28,249**	**69,505**
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 measured at *fair value*.

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

	Lands	Buildings	Furniture	Electronic System	Others	Total
A. Gross opening balance		**21,755**			**4,457**	**26,212**
A.1 Total net reduction value		5,755			1,573	7,328
A.2 Opening net balance		**16,001**			**2,884**	**18,885**
B. Increase:		**962**			**2,909**	**3,871**
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		962			2,909	3,871
C. Decreases:		**3,299**			**3,325**	**6,624**
C.1 Disposal						
- of which business combinations						
C.2 Depreciation		2,407			1,701	4,107
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		892			1,624	2,516
D. Net final balance		**13,663**			**2,468**	**16,132**
D.1 Total net reduction in value		6,877			296	7,173
D.2 Gross closing balance		**20,541**			**2,765**	**23,305**
E. Carried at cost						

The details of the annual changes in property, plant and equipment used for business purposes relating to assets acquired for operating leases are reported below:

	Lands	Buildings	Furniture	Electronic System	Others	Total
A. Gross opening balance						
A.1 Total net reduction value						
A.2 Opening net balance						
B. Increase:					**16,852**	**16,852**
B.1 Purchasing					16,852	16,852
- 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						
C. Decreases:					**233**	**233**
C.1 Disposal						
- of which business combinations						
C.2 Depreciation					233	233
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						
D. Net final balance					**16,619**	**16,619**
D.1 Total net reduction in value					233	233
D.2 Gross closing balance					**16,852**	**16,852**
E. Carried at cost						

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

The Group does not have any property, plant or equipment held for investment.

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

The Group does not have any property, plant or equipment covered by IAS 2.

9.9 Commitments to purchase property, plant and equipment

The Group does not have any commitments to purchase property, plant and equipment.

Section 10 – Intangible assets – Item 100

10.1 Intangible assets: breakdown by type

Activities/Values	Total 12/31/2022		Total 12/31/2021	
	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	31,813	-	33,221	-
of which: software	31,813	-	33,221	-
A.2.1 Assets valued at cost:	31,813	-	33,221	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	31,813	-	33,221	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**31,813**	**-**	**33,221**	**-**

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	-	-	-	**130,844**	-	**130,844**
A.1 Reductions of total net value	-	-	-	97,622	-	97,622
A.2 Net opening balance	-	-	-	**33,221**	-	**33,221**
B. Increases	-	-	-	**95,638**	-	**95,638**
B.1 Purchases	-	-	-	9,232	-	9,232
- 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	-	-	-	86,407	-	86,407
C. Decreases	-	-	-	**97,047**	-	**97,047**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	10,640	-	10,640
- Amortisations	X	-	-	10,585	-	10,585
- Depreciations	-	-	-	55	-	55
+ equity	X	-	-	-	-	-
+ P&L statement	-	-	-	55	-	55
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	-	-	-	86,407	-	86,407
D. Net closing balance	-	-	-	**31,813**	-	**31,813**
D.1 Adjustment of net total values	-	-	-	21,800	-	21,800
E. Gross closing balance	-	-	-	**53,614**	-	**53,614**
F. Evaluation to cost	-	-	-	-	-	-

Key:
DEF: finite life
INDEF: indefinite life

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 measured at *fair value*.

10.3 Other information

There is no further information to be provided.

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

11.1 Deferred tax assets: breakdown

	12/31/2022	12/31/2021
- Balancing the income statement	140,901	157,880
- Balancing net equity	699	386
Total	**141,600**	**158,266**

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

Deferred tax assets through shareholders' equity refer to the tax effect of financial assets measured at fair value through other comprehensive income and the actuarial gains and losses pertaining to the 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

	12/31/2022	12/31/2021
- Recognised to the income statement	424	972
- Recognised to the net equity	8	114
Total	**431**	**1,086**

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

11.3 Changes in deferred tax assets (through the income statement)

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**157,880**	**185,971**
2. Increase	**5,367**	**6,134**
2.1 Deferred tax assets of the year	5,367	6,134
a) related to previous fiscal year	191	331
b) due to changes in accountable parameters	-	-
c) write-backs	-	-
d) others	5,176	5,803
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**22,346**	**34,225**
3.1 Anticipated levies cancelled in fiscal year	22,223	33,662
a) reversals of temporary differences	22,147	33,655
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	76	7
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	124	563
a) conversion into tax credit under L. 214/2011	124	563
b) others	-	-
4. Closing balance	**140,901**	**157,880**

The reduction in reversals of deferred tax assets is mainly due to the legislative change made in 2022 on the deductibility relating to Italian Decree Law no. 214/2011.

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

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**132,055**	**159,860**
2. Increases	**124**	**289**
3. Decreases	**17,521**	**28,095**
3.1 Reversals of temporary differences	17,398	27,532
3.2 Transformation into tax credits	124	563
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	124	563
3.3 Other decreases	-	-
4. Closing balance	**114,657**	**132,055**

With regard to deferred tax assets recorded in the financial statements, it should be stressed that they are fully convertible into tax credits, if they have the requisites envisaged by the regulations, 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 12/31/2022	Total 12/31/2021
1. Initial amount	**972**	**591**
2. Increase	**153**	**382**
2.1 Defered levies observed in the fiscal year	**153**	**382**
a) related to precedent fiscal year	-	-
b) due to change in accountability parameters	-	-
c) others	153	382
2.2 New levies or increments of fiscal rates	**-**	**-**
2.3 Other increases	**-**	**-**
3. Decreases	**702**	**-**
3.1 Defered levies cancelled in the fiscal year	702	-
a) reversals of temporary differences	702	-
b) due to changes in accountable parameters	-	-
c) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
4. Final amount	**424**	**972**

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

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**386**	**376**
2. Increases	**443**	**10**
2.1 Deferred tax assets during the year	443	10
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	443	10
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**130**	**-**
3.1 Deferred tax assets derecognised during the year	130	-
a) reversals of temporary differences	130	-
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	**699**	**386**

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

	Total 12/31/2022	Total 12/31/2021
1. Initial amount	**114**	**6**
2. Increases	**1**	**107**
2.1 Defered levies observed in fiscal year	1	107
a) related to previous fiscal year	-	-
b) due to changes in accountable parameters	-	-
c) others	1	107
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	107	-
3.1 Anticipated levies cancelled in fiscal year	**107**	**-**
a) reversals of temporary differences	107	-
b) due to changes in accountable parameters	-	-
c) others	-	-
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	-	-
4. Final amount	**8**	**114**

11.8 Other information

Current tax assets amount to Euro 81,672 thousand (Euro 70,341 thousand in 2021) and consist mainly of IRES and IRAP advances.

Current tax liabilities amount to Euro 61,405 thousand (Euro 59,816 thousand in 2021) and consist mainly of the estimate of current IRES and IRAP taxes, including the debit position deriving from the tax consolidation scheme, the financial manifestation of which will take place in 2023.

Section 12 – Non-current assets held for sale and discontinued operations 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.

Sezione 13 – Altre attività – Voce 130

13.1 Other assets: breakdown

	12/31/2022	12/31/2021
Other Assets in transit	**21,800**	**12,100**
Insurance	**36,931**	**34,970**
Receivables deriving from the supply of non-financial goods and services	**33,569**	**36,839**
Operation leases	327	-
Other intercompany assets	331	-
Due from dealers	11,872	7,645
Advances to suppliers and different customers	21,039	29,194
Tax accounts	**50,824**	**78,533**
VAT	36,935	66,600
Stamp duties	9,605	8,072
Other tax receivables	4,284	3,861
Leasehold improvements	**1,942**	**2,338**
Accruals and prepaid expenses	**37,219**	**45,629**
Operating lease	3,660	4,425
Others	33,560	41,204
Other assets	**20,887**	**6,829**
Frauds	-	1
Security deposits	79	170
Grant	1,431	3,289
Pending costs	2,331	2,139
Warehouse inventories	-	-
Others	17,046	1,230
Total	**203,174**	**217,238**

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

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

The item “Affiliates” refers to amounts due from dealers and agents and increased due to the issue of invoices receivable at the turn of the year.

The item “Suppliers and other customers” mainly includes items pertaining to service activities with companies belonging to the Banco Santander Group, which are not part of the Italian legal group, such as Hyundai Capital Bank Europe, and with minority shareholders.

The item “VAT receivables” includes the excess that can be carried forward, down due to the progressive use related to the lease trend.

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

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 12/31/2022				Total 12/31/2021			
	B V	Fair Value			B V	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**3,663,674**	X	X	X	**3,809,922**	X	X	X
2. Deposits from banks	**3,263,558**	X	X	X	**2,782,842**	X	X	X
2.1 Current accounts and demand deposits	38,768	X	X	X	47,112	X	X	X
2.2 Time deposits	-	X	X	X	575	X	X	X
2.3 Loans	3,071,579	X	X	X	2,734,741	X	X	X
2.3.1 Repos	-	X	X	X	93,685	X	X	X
2.3.2 Other	3,071,579	X	X	X	2,641,056	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	153,211	X	X	X	414	X	X	X
Total	**6,927,232**	**-**	**3,666,657**	**3,261,903**	**6,592,765**	**-**	**3,902,152**	**2,694,291**

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

The item "Deposits from central banks" includes TLTRO loans.

"Deposits from banks" consists of:

- Parent Company financing transactions (Euro 941,836 thousand);
- other payables, relating to cash collateral connected to derivative positions (Euro 191,844 thousand).

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

Type of transaction/Value	Total 12/31/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	744,462	X	X	X	786,351	X	X	X
2. Time deposits	588,511	X	X	X	478,648	X	X	X
3. Loans	22,550	X	X	X	22,519	X	X	X
3.1 Reverse repos	-	X	X	X	-	X	X	X
3.2 Other	22,550	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	16,995	X	X	X	19,414	X	X	X
6. Other liabilities	4,689	X	X	X	2,786	X	X	X
Total	**1,377,207**	**-**	**-**	**1,352,400**	**1,309,717**	**-**	**-**	**1,300,947**

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

The item "Loans - other" includes the funding granted by PSA Finance Nederlands to the subsidiary PSA.

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

Type of securities/Values	Total 12/31/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities including bonds								
1. bonds	1,170,848	-	-	1,185,343	1,188,973	-	-	1,195,212
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	1,170,848	-	-	1,185,343	1,188,973	-	-	1,195,212
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**1,170,848**	**-**	**-**	**1,185,343**	**1,188,973**	**-**	**-**	**1,195,212**

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

The item "Debt securities issued" includes:

- not-preferred senior bonds, including issues made in 2022; all securities were fully subscribed by the Parent Company.
- the securities of the securitisation transactions sold on the market.

1.4 Details of subordinated securities/debts

Type	12/31/2022	12/31/2021
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 2027		30,000
Subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2031	55,000	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	**133,500**	**163,500**

This item includes loans granted by companies belonging to the Santander Group and by minority shareholders, classified under the item Deposits from banks and Deposits from customers.

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	**3,296**	**553**	**-**	**3,849**

	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	**-**	**261**	**-**	**-**	**517**	**743**	**1,495**	**6,234**	**7,745**	**-**

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2022					Total 12/31/2021				
	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	-	-	41,083	-	X	-	-	5,922	-	-
1.1 Trading	X	-	41,083	-	X	X	-	5,922	-	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**	**-**	**41,083**	**-**	**X**	**X**	**-**	**5,922**	**-**	**X**
Total (A+B)	**X**	**-**	**41,083**	**-**	**X**	**X**	**-**	**5,922**	**-**	**X**

Key:
NV= Nominal or 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

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 have any financial liabilities measured at fair value.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and levels

	NV	Fair value	12/31/2022		NV	Fair value	12/31/2021	
	12/31/2022	L1	L2	L3	12/31/2021	L1	L2	L3
A) Financial derivatives	-	-	-	-	**554,954**	-	**3,031**	-
1) Fair value	-	-	-	-	554,954	-	3,031	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	-	-	-	**554,954**	-	**3,031**	-

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 derivative contracts 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. With regard to hedging derivatives receivable, please refer to the Notes to the financial statements “Assets, Section 5 Hedging derivatives, item 50”.

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).

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

With regard to hedging derivatives, the Group does not have any derivative liabilities.

Section 5 – Value adjustment of financial liabilities subject to macro hedge – Item 50

The Group does not have any value adjustment of financial liabilities subject to macro hedge.

Section 6 – Tax liabilities – Item 60

Please refer to Section 11 of the Assets.

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

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

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	12/31/2022	12/31/2021
Assets in transit	**55,967**	**43,234**
Insurance	**34,206**	**28,264**
Payables deriving from the supply of non-financial goods and services	**182,348**	**120,371**
Operating lease	-	-
Factoring	-	-
Other intercompany assets	-	-
Due from dealers	43,172	42,791
Advances to suppliers	139,176	77,581
Tax accounts	**11,255**	**11,570**
Payables relating to customers	**15,710**	**16,794**
Payables relating to personnel and social security institutions	**11,180**	**11,758**
Accruals and prepaid expenses	**24,788**	**27,818**
Operating lease	1,345	2,183
Other	23,443	25,635
Other liabilities	**9,706**	**5,729**
Security deposits	3,162	3,787
Revenues pending allocation	2,652	-
Others	3,893	2,187
Total	**345,160**	**265,782**

"Items being processed" mainly include items being processed relating to instalment collection and the settlement of loans.

The item "Insurance" mainly includes premiums to be paid to insurance companies and provisions on potential redemptions for reimbursement of premiums not availed of by the customer.

The item "Affiliates" mainly consists of the commission payable to dealers and agents and the provision for agents' leaving indemnities.

The item "Suppliers" includes amounts due to suppliers of goods and services and the items relating to factoring with car manufacturers. The increase is related to this second case for transactions finalised at the end of the year.

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

Section 9 – Provision for employee severance pay – Item 90

9.1 Provision for employee severance pay: change in the year

	Total 12/31/2022	Total 12/31/2021
A. Opening balance	**4,113**	**4,426**
B. Increases	**114**	**124**
B.1 Provision of the year	57	28
B.2 Other increases	58	95
- of which business aggregation operations	-	-
C. Reductions	**990**	**437**
C.1 Liquidations performed	251	257
C.2 C.2 Other reductions	739	180
- of which business aggregation operations	-	-
D. Closing balance	**3,238**	**4,113**
Total	**3,238**	**4,113**

9.2 Other information

There is no further information to be provided.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 12/31/2022	Total 12/31/2021
1. Funds for credit risk related to financial obligations and warranties	-	-
2. Funds on other obligations and warranties release	-	-
3. Funds of business retirement	-	-
4. Other funds for risks and obligations	19,379	19,928
4.1 legal and fiscal controversies	4,291	5,686
4.2 obligations for employees	-	-
4.3 others	15,088	14,242
Total	**19,379**	**19,928**

10.2 Provisions for risks and charges: change in the year

		Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Initial existence	-	-	**19,928**	**19,928**
B. Increases	-	-	**1,868**	**1,868**
B.1 Reserve of the fiscal year	-	-	1,868	1,868
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	-	-	**2,417**	**2,417**
C.1 Use in the exercise	-	-	2,417	2,417
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	-	-
- of which business aggregation operations	-	-	-	-
D. Final surplus	-	-	**19,379**	**19,379**

10.3 Provisions for credit risk on commitments and financial guarantees given

The Group does not have any 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 does not have defined-benefit pension plans.

10.6 Fondi per rischi ed oneri – altri fondi

The Other provisions are divided into:

- Tax disputes: these refer to potential disputes with local authorities. They are made on the basis of external legal opinions over a forecast period of five years.
- Legal disputes: these refer to disbursement forecasts on lawsuits brought with customers and dealers; allocations are made on the basis of external legal opinions over a forecast period of four years.
- Other risks and charges: these mainly refer to allocations to cover charges related to the application of the Lexitor ruling (Euro 10,624 thousand), and other reimbursements to customers (Euro 756 thousand); the allocations are made on the basis of internal calculation models over a forecast period of three years.

For further details on the Lexitor ruling, please refer to the report on operations.

Section 11 – Technical reserves – Item 110

The Group does not have any technical reserves.

Section 12 – Redeemable shares – Item 130

The Group does not have 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

The share capital of the Bank amounts to Euro 573 million. As at the date of this document, the share capital is fully paid in and freed up. There are no treasury shares in the portfolio.

For further information, please refer to point 13.3 below.

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

Items/Types	Ordinaries	Others
A. Shares existing at the start of the fiscal year	**573,000**	**-**
-fully paid-up	573,000	-
- not fully paid-up	-	-
A.1 treasury shares (-)	-	-
A.2 Shares outstanding: Opening balance	**573,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against payment:	-	-
- 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

	Total	
	12/31/2022	12/31/2021
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 share premium reserve amounts to Euro 632 thousand.

13.4 Profit reserves: other information

The Bank's profit reserves are mainly composed of:

- legal reserve (Euro 30,045 thousand);
- extraordinary reserve (Euro 196,883 thousand);
- capital reserve (Euro 39,913 thousand);
- merger reserve (Euro -3 thousand);
- IFRS 9 reserve (Euro -6,080 thousand);
- reserve for acquisition of the ISBAN business unit (Euro -355 thousand);
- consolidation reserve (Euro 42,282 thousand).

13.5 Equity instruments: breakdown and change in the year

The Group does not have any equity instruments.

13.6 Other information

There is no other information.

Section 14 – Minority interests – Item 190

14.1 Details of item 190 "Minority interests"

Company name	Total	
	12/31/2022	31/12/2021
Investments in consolidated companies with significant minority interests		
1. Banca PSA Italia S.p.A.	230,588	196,128
2. PSA Renting Italia S.p.A.	6,443	4,127
3. TIMFin S.p.A.	20,543	22,270
Total	**257,574**	**222,525**

The amounts relating to Banca PSA Italia and PSA Renting Italia refer to the portion pertaining to Banque PSA (50%).

The amounts relating to TIMFin refer to the portion pertaining to TIM S.p.A. (49%).

14.2 Equity instruments: breakdown and change in the year

The Group does not have any 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	12/31/2022	12/31/2021
1. Commitment to supply funds	**231,962**	**17**	**1**	**-**	**231,980**	**217,678**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	200	-	-	-	200	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	229,514	16	-	-	229,529	214,108
f) Families	2,249	1	1	-	2,251	3,570
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.

2. Other commitments and other guarantees given

	Nominal value	
	Total	Total
	12/31/2022	12/31/2021
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	49	125
a) Central banks	-	-
b) Public Administration	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	20,085	23,605
f) Households	-	-

3. Assets used to guarantee own liabilities and commitments

Portfolios	Amounts 12/31/2022	Amounts 12/31/2021
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	268,383	513,188
3. Financial assets valued to amortised cost	5,171,054	4,893,424
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The assets used to guarantee own liabilities include:

- government securities;
- the loan pool (ABACO);
- the portfolio of loans subject to the securitisation transaction, referred to below in Part C, Section 2 of Part E of the Notes to the Financial Statements;

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

The Group does not have any investments relating to unit-linked and index-linked insurance policies.

5. Administration and brokerage on behalf of third parties

The Group does not carry out brokerage on behalf of third parties.

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

Instrument type		Gross amount of financial assets (a)	Amount of financial liabilities compensated in balance sheet (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e)	Net amounts
					Financial instruments (d)	Cash deposit received in guarantee (e)	12/31/2022	12/31/2021
1. Derivatives		154,216	-	154,216	-	152,944	1,271	(349)
2. Repo's		-	-	-	-	-	-	-
3. Stocks loan		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2022**	**154,216**	**-**	**154,216**	**-**	**152,944**	**1,271**	**X**
Total	**12/31/2021**	**6,065**	**-**	**6,065**	**-**	**6,413**	**X**	**(349)**

As required by IFRS 7, it is hereby disclosed that the derivative contracts 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 with an opposite sign.

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 framework netting or similar agreements

Instrument type		Gross amount of the financial liabilities (a)	Amount of the financial assets compensed in BS (b)	Net amount of the financial liabilities reportes in BS (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount (f=c-d-e) 12/31/2022	Net amount 12/31/2021
					Financial instruments (d)	Cash deposit placed to warrant (e)		
1. Derivatives		41,083	-	41,083	-	40,744	339	(463)
2. Repos		-	-	-	-	-	-	93,516
3. Stocks loan		-	-	-	-	-	-	-
4. Other operations			-	-	-	- -	-	
Total	**12/31/2022**	**41,083**	**-**	**41,083**	**-**	**40,744**	**339**	**X**
Total	**12/31/2021**	**101,881**	**-**	**101,881**	**315**	**8,513**	**X**	**93,054**

For further information, please refer to the previous paragraph.

8. Securities lending transactions

The Group does not have any securities lending transactions.

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 12/31/2022	Total 12/31/2021
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	**569**	-	**X**	**569**	**85**
3. Financial assets valued to amortize cost:	**1,153**	**377,906**	-	**379,059**	**358,119**
3.1 Credits to banks	-	291	X	291	3
3.2 Credits to clients	1,153	377,614	X	378,768	358,115
4. Hedging derivatives	**X**	**X**	**6,532**	**6,532**	-
5. Other assets	**X**	**X**	**2,699**	**2,699**	**4**
6. Financial liabilities	**X**	**X**	**X**	**16,643**	**35,800**
Total	**1,722**	**377,906**	**9,231**	**405,502**	**394,007**
of which: income interests on deteriorated financial assets	-	-	-	-	-
of which: interest income on financial lease	X	18,907	X	18,907	34,542

The item “Financial liabilities” mainly consists of income accrued on TLTRO loans.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

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

1.3 Interest and similar expense: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total 12/31/2022	Total 12/31/2021
1. Financial liabilities valued at amortized cost	28,250	9,542	X	37,792	28,825
1.1 Debts to central banks	-	X	X	-	57
1.2 Debts to banks	16,747	X	X	16,747	10,962
1.3 Debts to customers	11,503	X	X	11,503	12,035
1.4 Securities in circulation	X	9,542	X	9,542	5,771
2. Financial trading liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	3	3	1
5. Hedging derivatives	X	X	14,664	14,664	6,376
6. Financial assets	X	X	X	3,049	3,844
Total	**28,250**	**9,542**	**14,667**	**55,508**	**39,046**
of which: interest expense on lease payables	553	X	X	553	444

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

Interest expense on “Deposits from customers” refers to the cost of funding through deposit accounts.

Interest expense on "securities issued" relates to not-preferred senior bonds and ABS securities placed on the market.

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 financial liabilities

The Group does not have any financial liabilities in foreign currency.

1.5 Differentials on hedging operations

Items	Total 12/31/2022	Total 12/31/2021
A. Positive differentials related to hedging operations:	6,532	-
B. Negative differentials related to hedging operations:	(14,664)	(6,376)
C. Balance (A-B)	**(8,132)**	**(6,376)**

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Values	Total 12/31/2022	Total 12/31/2021
	-	-
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	72	77
1. Current accounts	-	-
2. Credit cards	72	77
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	96,969	98,072
1. Collective portfolio management	-	-
2. Insurance products	66,071	68,409
3. Other products	30,898	29,663
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	24,818	25,355
of which: for factoring transactions	-	-
p) Currency trading	-	-
q) Goods	-	-
r) Other commission income	2,883	2,296
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
Total	**124,742**	**125,800**

Item “5.i) Distribution of third party services - Other products” mainly includes commission income for the placement of additional service packages offered under subscription to financed customers.

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 receivable” mainly contains the income recognised for compensation due to late payment.

2.2 Fee and commission expense: breakdown

Services/Amounts typology	Total 12/31/2022	Total 12/31/2021
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	45	59
e) Payment and collection services	4,529	4,033
of which: credit cards, debit cards and other payment cards	453	422
f) Servicing activities for securitization transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	31	26
of which: credit derivatives	-	-
i) Off-site offering of financial instruments, products and services	29,412	30,607
j) Currency trading	-	-
k) Other commission expenses	13,190	10,454
Total	**47,207**	**45,180**

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 no dividends.

Section 4 – Net trading income (loss) – Item 80

4.1 Net trading income (loss): breakdown

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Loss from negotiation (D)	Net result [(A+B) - (C+D)]
1. Financial trading assets	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-
1.2 Equity stocks	-	-	-	-	-
1.3 O.I.C.R. shares	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	-
4. Derivatives	**35,364**	**2,915**	**(35,306)**	**(2,966)**	**6**
4.1 Financial derivatives:	35,364	2,915	(35,306)	(2,966)	6
- On debt securities and interest rates	35,364	2,915	(35,306)	(2,966)	6
- 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	**35,364**	**2,915**	**(35,306)**	**(2,966)**	**6**

The item includes the net result arising from financial derivatives held to hedge interest rate risk associated with own securitisation transactions, not cancelled, 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 12/31/2022	Total 12/31/2021
A. Income from:		
A.1 Fair value hedging instruments	184,228	16,455
A.2 Financial assets hedged (fair value)	14,029	2,235
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)	**198,257**	**18,690**
B. Charges on		
B.1 Fair value hedging instruments	-	-
B.2 Financial assets hedged (fair value)	(187,035)	(17,969)
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)	**(187,035)**	**(17,969)**
C. C. Net hedging activity (A-B)	**11,222**	**721**
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 12/31/2022			Total 12/31/2021		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	8,238	(41)	8,197	3,417	(2,162)	1,255
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	8,238	(41)	8,197	3,417	(2,162)	1,255
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**8,238**	**(41)**	**8,197**	**3,417**	**(2,162)**	**1,255**
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 the balance of transfers to third parties of 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 2022.

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

The Group does not have any financial assets or liabilities measured at *fair value*.

Section 8 – Net adjustments/recoveries for 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	12/31/2022	12/31/2021
			Write-off	Others	Write-off	Others						
A. Credit to banks	-	-	-	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Credit to clients	**(43,018)**	**(14,820)**	**(1,764)**	**(54,722)**	-	-	**36,593**	**17,244**	**13,777**	-	**(46,709)**	**(22,885)**
- Loans	(43,018)	(14,820)	(1,764)	(54,722)	-	-	36,593	17,244	13,777	-	(46,709)	(22,885)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(43,018)**	**(14,820)**	**(1,764)**	**(54,722)**	-	-	**36,593**	**17,244**	**13,777**	-	**(46,709)**	**(22,885)**

The item increased compared to 2021 mainly due to the increase in performing exposures (in particular for the production of Santander Consumer Bank and TIMFin) and a decrease in write-backs on non-performing exposures. 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	12/31/2022	12/31/2021
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		-	-	-	-	-	-	-	(1,623)
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-
Total	**12/31/2022**	-	-	-	-	-	-	-	(1,623)
Total	**12/31/2021**	-	(1,623)	-	-	-	-	(1,623)	-

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

The Group does not have any net adjustments for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown.

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

9.1 Gains/losses on contractual changes: breakdown

	Total 2022			Total 2021
	Gains	Losses	Total	Total
A. Financial assets valued at amortised cost				
A.1.Customer loans				94
Total				**94**

Section 10 – Net premiums – Item 160

The Group has insurance companies.

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

The Group does not have any insurance companies.

Section 12 – Administrative costs – Item 190

12.1 Payroll costs: breakdown

Type of expense/Amounts	Total 12/31/2022	Total 12/31/2021
1) Employees	**64,132**	**61,621**
a) wages and salaries	46,089	43,737
b) social obligation	12,219	12,095
c) Severance pay	286	309
d) Social security costs	4	-
e) reserve to staff severance indemnity	58	28
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	3,197	3,028
- defined contribution	3,197	3,028
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	2,278	2,423
2) Other staffs in activity	**2,830**	**2,775**
3) Managers and statutory auditors	**758**	**809**
4) Early retirement costs	**3**	**-**
Total	**67,723**	**65,205**

12.2 Average number of employees, by category

	12/31/2022	12/31/2021
Employees:		
a) Senior managers	29	23
b) Managers	240	235
of which 3rd and 4th level	*67*	*72*
c) Remaining employees staff	634	617
Total	**902**	**875**
Other personnel	**51**	**59**

12.3 Defined-benefit pension plans: costs and revenues

The Group does not have defined-benefit pension plans.

12.4 Other employee benefits

	12/31/2022	12/31/2020
Ancillary staff expenses (health insurance, luncheon vouchers and other minor benefits)	3,746	3,608
Incentive plan reserved for managers and middle managers		
Cost of allocation of share by the parent company to employees		
Total	**3,746**	**3,608**

12.5 Other administrative costs: breakdown

Type of service/Amounts	Total 12/31/2022	Total 12/31/2021
IT expenses	**15,415**	**12,606**
Hardware	12	5
Software	12,284	9,973
Outsourcing	1,520	1,313
Telephone and data transmission	1,598	1,314
Taxes and duties	**11,426**	**11,183**
Professional services	**30,814**	**30,891**
Legal and notary advice	2,871	2,746
Outsourcing	21,287	20,912
Other professional services	6,657	7,233
Advertising, marketing and communication	**6,267**	**3,458**
Expenses related to credit risk	**14,834**	**16,303**
Information and certificates	3,197	4,035
Credit recovery	11,637	12,268
Litigation expenses not covered by provisions	**1,390**	**1,076**
Real estate expenses	**2,066**	**1,288**
Passive rent	424	50
Other real estate expenses	1,642	1,239
Leasing expenses	**480**	**709**
Other admininstrative expenses	**15,256**	**15,644**
Postal and archiving	2,560	2,598
Other non-professional goods and services	2,974	2,357
Insurance premiums	1,698	1,432
Resolution Fund contribution	4,772	5,135
FITD contribution	1,835	1,704
Other expenses	1,417	2,418
Total	**97,947**	**93,158**

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 12/31/2022	Net provision 12/31/2021
Net provision on commitment and financial guaranties				54

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

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

13.3 Net provisions for other risks and charges: breakdown

	Additions	Uses	Net provision 12/31/2022	Net provision 12/31/2021
Net personnel expense provision				
Net provision for legal disputes	(932)	1,560	628	(2,632)
Other provisions	(710)	89	(621)	136
Totale	**(1,642)**	**1,649**	**7**	**(2,496)**

For further details, please refer to the "Notes to the financial statements - Part B - Other provisions for risks and charges".

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

14.1 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	(5,724)	(23)	-	(5,747)
- Owned	(1,820)	(23)	-	(1,843)
- Licenses acquired through lease	(3,904)	-	-	(3,904)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3. Inventories	X	-	-	-
B. Attività possedute per la vendita	X	-	-	-
Total	**(5,724)**	**(23)**	**-**	**(5,747)**

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

15.1 Net adjustments to intangible assets: breakdown

Asset/Income	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (a + b - c)
A. Intangible assets				
of which: software	(10,584)	-	-	(10,584)
A.1 Owned	(10,585)	(55)	-	(10,640)
- Generated internally by the company	-	-	-	-
- Other	(10,585)	(55)	-	(10,640)
A.2 Licenses acquired through lease	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(10,585)**	**(55)**	**-**	**(10,640)**

Section 16 – Other operating expenses/income – Item 230

16.1 Other operating expenses: breakdown

	Total 12/31/2022	Total 12/31/2021
Amortization on improvements (not separable) on real estates	**456**	**388**
Expenses related to leasing transactions	**41,478**	**39,566**
Operating	23,943	20,691
Finance	17,535	18,876
Other	**12,168**	**7,656**
Fraud	630	630
Expenses on claims	2,802	3,641
Other	8,737	3,385
Total	**54,102**	**47,610**

16.2 Other operating income: breakdown

	Total 12/31/2022	Total 12/31/2021
Recovery of expenses	**19,073**	**14,747**
Tax	10,408	9,166
Deposits and Current accounts	260	296
Operating leases	5,785	4,637
Other	2,621	648
Income from IT services provided	-	-
Intercompany	-	-
Other	-	-
Rental assets	**17**	**20**
Other	**51,004**	**37,082**
Group entities	-	-
Operating leases	-	-
Finance leases	26,642	25,048
Other	24,362	12,035
Total	**70,095**	**51,850**

The item “Other income” includes servicing fees and expense reimbursements to Hyundai Capital Bank Europe and extraordinary income related to the ACGM ruling.

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 result from fair value measurement of property, plant and equipment and intangible assets – Item 260

The Group does not have any property, plant and equipment and intangible assets measured at *fair value*.

Section 19 – Value adjustments to goodwill – Item 270

The Group has no goodwill.

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

The Group has 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 12/31/2022	Total 12/31/2021
1. Current tax expense (-)	(57,595)	(55,425)
2. Change of current taxes of previous years (+/-)	311	21
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 (+/-)	(16,980)	(28,091)
5. Change of deferred tax liabilities (+/-)	(153)	(382)
6. Tax espense for the year (-)	**(74,416)**	**(83,876)**

The change in current and deferred tax assets is mainly due to the amendment of Italian Decree Law no. 214/2011.

21.2 Reconciliation between theoretical and effective tax charge

	12/31/2022	12/31/2021
Profit (loss) from continuing operations before tax	234,187	243,016
Profit before tax on discontinuing operations		
Theoretical taxable income	**234,187**	**243,016**
IRES - Theoretical tax charge	(65,788)	(91,965)
- effect of income and expenses that do not contribute to the tax base	6,482	27,686
- effect of expenses that are wholly or partially non-deductible	(1,001)	(1,892)
- Reduction in tax for the period	193	154
IRES - Effective tax burden	**(60,113)**	**(66,016)**
IRAP - Theoretical tax charge	(13,280)	(18,504)
- portion of non-deductible administrative expenses, depreciation and amortisation	(665)	(617)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	4,280	6,321
- effect of expenses that are wholly or partially non-deductible	(4,707)	(5,031)
- Reduction in tax for the period	70	(29)
IRAP - Effective tax burden	**(14,303)**	**(17,860)**
Effective tax burden as shown in the financial statements	**(74,416)**	**(83,876)**

Section 22 – Profit (loss) after tax from discontinued operations – Item 320

The Group does not have any profit or loss associated with assets held for sale and discontinued operations.

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	
	12/31/2022	12/31/2021
Investments in consolidated companies with significant minority interests		
1. Banca PSA Italia spa	30,922	33,713
2. PSA Renting Italia S.p.A.	5,706	4,467
3. TIMFin S.p.A.	(1,729)	(3,710)
Other investments	-	-
Total	**34,899**	**34,471**

Section 24 – Other information

Information on public funds pursuant to article 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 (Crescita - 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 2022 Santander Consumer Bank received an energy bonus for Euro 36,024.

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**

25.2 Other information

Profit (loss) for the year	159,770,395
Basic earnings per share	**241.07**

Profit (loss) for the period pertaining to the Parent Company	124,871,610
Basic earnings per share	**217.93**

There are no instruments that could potentially dilute the future basic result per share.

Part D – Consolidated comprehensive income

Statement of consolidated comprehensive income

	Items	Total 12/31/2022	Total 12/31/2021
10.	**Net Profit (Loss) for the year**	**159,770**	**159,140**
	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	693	64
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	(131)	10
	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:	(1,663)	325
	a) changes in fair value	(1,663)	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	550	(107)
190.	**Total of other comprehensive income after tax**	**(551)**	**292**
200.	**Comprehensive income (Items 10+190)**	**159,220**	**159,432**
210.	Minority consolidated other comprehensive income	35,049	34,519
220.	**Parent Company's consolidated other comprehensive income**	**124,171**	**124,913**

Part E – Information on risks and related hedging policies

Introduction

During 2022 the Governance of Risks within Santander Consumer Bank Group (hereinafter the Group) was of great significance, consistent with the macroeconomic context and with the requirements of the prudential supervision regulations through their management and control, as a means of ensuring reliable and sustainable value creation in a context of controlled risk.

The risk management strategy for all companies falling within the scope of control, which includes the JV with Banca PSA, PSA Renting, TIMFin and Santander Consumer Renting (the latter two not part of the prudential consolidation), 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 Department and the Head of Finance Department as permanent members.

The organisational structure adopted by both the Parent Company and by the subsidiaries allows adequate coordination of activities at Group level and effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Spanish parent company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long-term strategic objectives and short-term earnings objectives. In addition, the presence within the subsidiaries of a hierarchical line of reporting to the Board of Directors (BoD) guarantees the independence of the function.

The risk appetite of the parent SCB and, more generally, of the Group, is shown in the RAF, a strategically important tool, organised and structured to present to the governance bodies the main risks to which a company is exposed and the level of such risks that it is willing to assume under normal and stressed conditions. The document outlines and thus applies the Target Risk framework defined for the Bank and for the Group (for the latter only as regards capital metrics).

The overall risk profile stems from the general principles defined by the risk policies and consists of a structure of limits suitable to ensure that, even under stressed conditions, minimum levels of solvency, liquidity and earnings are met.

The general principles that guide the risk assumption strategy are based on the optimisation and protection of financial results, by pursuing revenue generation without affecting the achievement of adequate levels of capitalisation and a conscious assumption of risks and measurement thereof.

The risk appetite of the parent SCB and the subsidiaries is based on the following requisites and features:

- it reflects an aggregated view and applies to all business units (functional areas);
- it considers the main types of risk that impact the group's business development;
- it takes a prospective view of the group's risk profile in certain circumstances, with the use of stress tests and scenario analysis;
- it is not static and adapts to the changing business environment;
- it combines quantitative and qualitative standards;
- it is concise and easy to communicate to Senior Management and external stakeholders;
- it enables a structured comparison of risk profile against risk appetite;
- it is connected to the overall corporate strategy and to other instruments or business processes that help with planning, evaluating and monitoring risks, including those aimed at defining the budget, liquidity/financing and capital;
- it is integrated with risk management of the Bank's ordinary activities, given that it was designed to take account of existing policies and limits.

In summary, the expectations are:

- keeping expected profitability within the parameters laid down;
- prudent management of risk through the continuous monitoring of the portfolios managed;
- management of funding aimed at increasing the diversification of funding sources;

- control/optimisation of operating costs, to be implemented by means of more stringent monitoring of the planning/assessment/authorisation process and by streamlining business processes;
- achievement of levels of capitalisation in line with current regulations and with constraints imposed by the Supervisory Authorities, 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 via the corporate "SCORE" (Santander Consumer Risk Excellence) programme developed with the support of the Spanish parent company, implemented measures 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 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 article 178 of EU Regulation no. 575/2013 and with the up-dating of the definitions of non-performing credit 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 borrowers "in default" came into force, i.e. borrowers who are no longer able to fulfil their commitments with the Bank and are therefore "defaulting".

The above 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 borrower 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 borrowers (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 continued to fine-tune the PD/LGD/EAD parameters through the implementation of the points for improvement identified during the validation activities as included in the review and recalibration carried out annually and aimed at maintaining the expected quality levels for the models in use. These activities were developed with the direct support of the parent company's methodological study team. The updated and validated models were subjected to monitoring and backtesting activities in order to ensure an adequate calculation of the economic impacts.

The organisational standards applied to ensure that the Group has an effective risk governance system are aimed at:

- ensuring the separation of operational functions from control functions;
- ensuring the identification, measurement and monitoring of risks inherent, or that may be assumed, in the various operational areas;
- guaranteeing that any anomalies, which result from checks performed by the monitoring functions, are rapidly brought to the attention of the appropriate level of management, dealt with promptly and recorded for subsequent checks.

To this end, the risk management and governance process adopted within the Group is based on an organisational structure that ensures there is an internal control system that operates on three levels, in line with banking supervisory regulations, consisting of:

- line controls (first-level controls): these are performed by the operating units to verify that the processes and tasks within their competence have been carried out in accordance with internal procedures. Where possible, these types of controls are incorporated in automated IT procedures;
- risk management controls (second-level controls): these are performed by the Risk Control 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 units, 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[7], 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.

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".

[7] Coordination group established between the Santander Group and the PSA Group for the governance of the JVs.

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Performing and non-performing credit exposures: amounts, value 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		3,428	21,756	34,133	84,072	9,313,982	9,457,370
2. Financial assets at fair value through other comprehensive income		-	-	-	-	301,373	301,373
3. Financial assets designated to fair value		-	-	-	-	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	4	4
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2022**	**3,428**	**21,756**	**34,133**	**84,072**	**9,615,358**	**9,758,747**
Total	**12/31/2021**	**3,264**	**32,780**	**28,790**	**65,362**	**9,335,989**	**9,466,184**

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			
		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		196,527	(137,210)	59,317	-	9,476,465	(78,411)	9,398,053	9,457,370
2. Financial assets valued to fair value with impact on overall profitability		-	-	-	-	301,373	-	301,373	301,373
3. Financial assets designated to fair value		-	-	-	-	X	X	-	-
4. Other financial assets mandatorily valuated to fair value		-	-	-	-	X	X	4	4
5. Financial assets as held for sale		-	-	-	-	-	-	-	-
Total	**12/31/2022**	**196,527**	**(137,210)**	**59,317**	**-**	**9,777,837**	**(78,411)**	**9,699,429**	**9,758,747**
Total	**12/31/2021**	**172,104**	**(107,270)**	**64,834**	**-**	**9,483,922**	**(82,571)**	**9,401,350**	**9,466,184**

Portfolio/quality		Assets of obvious poor credit quality		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	41,060
2. Hedging Derivatives		-	-	191,979
Total	**12/31/2022**	**-**	**-**	**233,039**
Total	**12/31/2021**	**-**	**-**	**13,457**

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 credit 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 Group's strategies are focused on:

- the achievement of a sustainable objective consistent with the Group's risk appetite and value creation, guaranteeing the quality of lending activities;
- diversification of the portfolio, limiting the concentration of exposures on counterparties/groups, on economic sectors or geographical areas;
- an efficient selection of economic groups and individual borrowers, through a careful analysis of creditworthiness aimed at limiting the risk of insolvency and mitigating the losses potentially connected to them;
- the constant monitoring of relationships and related exposures, carried out both with IT procedures and by means of systematic monitoring of positions presenting irregularities, in order to promptly identify any signs of impairment.

The Group's operations in Italy are characterised by a very high average number of customers, with average/low exposure and a limited average residual duration. Specifically, it is possible to discern the following clientele:

1) *end users (*consisting of both *retail* and *corporate)*, who are offered products in the technical forms of:

- consumer credit:
  - 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;
  - End-of-service indemnity, 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 indeed, but this is disbursed by INPS in a maximum of 3 annual instalments (based on the amount to be disbursed). With the new product, the bank immediately advances the full amount to the customer, net of interest and stamp duty, collecting the payment directly from INPS according to the scheduled instalments.
- consumer leases: finance and operating leases, financing transactions offered by the Bank (lessor) consisting 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 agreed contractual term, to purchase the goods for a predetermined price and to extend possibly the use thereof under predetermined or pre-determinable financial conditions. For leasing products, the typical risks of finance leases, apart from those arising from a contractual breach by the customer, are of a contractual and economic-financial nature;
- salary assignment loans, 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;
- 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;

- factoring without recourse*;*
- insurance products that can be associated with loans;

2) *wholesale (*consisting of *corporate),* instrumental to the *end-user* segment, who are offered products in the technical forms of:

- financing of warehouse *stock;*
- financing of working capital and/or cash advances.

The distribution structures, adopted in line with the specific objectives of each company of the group, are:

- 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, only 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 Risk Departments, established care of the individual Group companies, are dedicated to the management and control of credit risk, through:

- the identification of suitable tools;
- the identification of strategic guidelines and consequent management policies, verifying their efficiency and effectiveness on an ongoing basis;
- the definition of duties and responsibilities of the company functions and structures involved in the processes, through adequate levels of segregation (in order to avoid possible conflicts of interest).

These are subject to oversight activities by the Italian parent company (SCB), which is in turn monitored by the Spanish parent company (SCF). Furthermore, in order to ensure independence, a manager is appointed for each Department who reports directly to their Board of Directors and to the Chief Risk Officer of SCF.

Lastly, the Internal Audit department carries out internal audit activities, aimed at identifying violations of procedures and regulations as well as periodically assessing the completeness, adequacy, functionality and reliability of the internal control system and the information system, with a fixed frequency in relation to the nature and intensity of the risks.

2.2 Systems for managing, measuring and monitoring risk

2.2 Systems for managing, measuring and monitoring risk

Credit risk is measured and monitored by the RAF (Risk Appetite Framework) both at Group level and at individual entity level.

The document is approved by the Board of Directors upon the proposal of the Risk Department.

The areas that undertake the risks are also directly involved in the risk management process, in particular in order to:

- correctly identify new business opportunities, commensurate with an adequate risk profile, through the drafting of business plans, profitability and portfolio analysis;
- monitor specific concentration indicators both with respect to exposures classified as "high risk" or with a below threshold rating, and major commercial agreements managed.

The Group essentially manages two types of credit risk, namely *end user* and *wholesale*.

Taking into account the different nature of customers, specific procedures are adopted as part of the main phases of development of the process, broken down into:

- acceptance of a loan application;
- monitoring and reporting;
- credit collection.

The process is 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.

Both categories mentioned are measured using a standardised method pursuant to the CRR (EU Regulation no. 575/2013 of the European Parliament and the Council of 26 June 2013).

As a last resort, every six months, in compliance with its own policies, the Group carries out stress tests in order to verify:

- the adequacy of the capital;
- the adequacy of cumulative value adjustments;
- the sustainability of the business in scenarios of plausible difficulties.

2.3 Methods for the measurement of expected losses

The Group uses two different approaches for assessing Expected Credit Losses (ECL):

- individual assessment: mainly used for non-end-user products (Wholesale and Fleet) of the subsidiaries Banca PSA Italia S.p.A. and PSA Renting Italia S.p.A. classified in Stage 2 and Stage 3, where the assessment depends on the SCAN (Santander Customer Assessment Note) classifications assigned to each position.
- collective assessment: for end-user products where the assessment depends on a statistical approach given by the exposure product (EAD - *Exposure At Default*), probability of default (PD - *Probability Default*) and expected loss (LGD - *Loss Given Default*).

The EAD is determined on the basis of the gross accounting exposure of the financial asset/residual financial commitment, net of value adjustments on interest of defaulted positions, and possibly corrected by credit risk mitigation techniques (CRM - *Credit Risk Mitigation*) recognised for regulatory purposes. Note that for the subsidiaries Banca PSA Italia S.p.A. and PSA Renting Italia S.p.A., a “customer” exposure is used (i.e. utilisation at the reference date).

The PD is measured by classifying loans in three different stages depending on the deterioration of the credit quality observed with respect to the initial recognition (SICR - *Significant Increase in Credit Risk*).

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.

Stage	Description	PD Type
1	Regular exposures, for which no SICR is shown.	Statistical calculation at 12 months
2	Regular and non-regular exposures (with continuous past due exceeding 30 days but less than what is required for classification in Stage 3), for which a SICR is highlighted.	Statistical calculation that covers the entire life of the credit (Lifetime).
3	Irregular exposures (with continuous overdue exposures exceeding the materiality thresholds) for which a SICR is highlighted. This category includes non-performing past due loans, probable defaults and non-performing loans.	1

To carry out these assessments, the portfolios are aggregated in risk classes on the basis of the days of delay and on the basis of other qualitative information (e.g. forborne measures and SCAN).

In this context, the PD calculation is based on the probability of transition between risk classes using the Markov transition matrices method, which utilises:

- 10-year time series, restated to take into account the introduction in 2021 of the *New Default Definition* (NDD);
- RTOB (*Remaining Times On Book*) variables to take into account the duration of exposures;

- forward looking information variables (e.g. future GDP trends) of plausible scenarios (which can be broken down into: extra positive/positive/neutral/negative/extra negative).

Lastly, the LGD calculation takes into account the following variables, in order to determine an LGD for the Non-Defaulted, Defaulted Reversible and Defaulted Irreversible portfolio:

- maximum time in default: the bank assesses the maximum time horizon within which a loan is managed by collection processes and defines the maximum time spent in default, on the basis of the evolution of the direct recoveries and the disposal policies;
- type of Default: +90 days of continuous past due/write-off;
- nature of Default: reversible/irreversible;
- *cure Rate*: which determines the percentage of loans that, after a default event, return to regular;
- recovery Rate: which is based on recovery from "irreversible default" starting from the date of the first relevant default;
- ELBE (*Expected Loss Best Estimate)*: which estimates the current Loss for a loan classified as in default on the basis of the historical data;

During the year, although the methodology for determining the ECL was not changed, the risk parameters were recalibrated, including the updating of the time series and, in particular, of the macroeconomic scenarios, in addition to the post model adjustments indicated below. The tool used for the application of the principles described was developed and reviewed, periodically, by the Spanish parent company for all the Group units. The peculiarities of the Italian market were considered by making minimal changes to the instrument and were subject to a specific assessment by the independent Validation unit.

The Group companies carried out a number of *post-model adjustments (*with effects on the income statement*)* for an overall total of approximately Euro 9.5 million (of which Euro 4.1 million of the Parent Company), in order to reflect the potential impacts, in terms of greater risk on some specific types of customers, deriving from the inflationary context that is affecting Italy and which cannot be directly "captured" by the ECL calculation model.

With regard only to the Parent Company Santander Consumer Bank S.p.A., as at 31 December 2022, the Bank maintained an overlay adjustment relating to the residual COVID-19 of approximately Euro 1.7 million to cover the potential risks associated with the latest cases that went out the grace period at January 2022, also in light of the uncertainty of the current inflationary environment mentioned above.

Changes due to COVID-19

With regard to the changes due to COVID-19, please refer to Part A Accounting policies - section "Risks, uncertainties and impacts of the COVID-19 epidemic.

Assessment of the significant increase in credit risk (SICR)

The group did not change the SICR assessment process. 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.

Measurement of expected losses

The Group has not changed the calculation methodology for the measurement of the expected loss, previously indicated.

With regard only to the Parent Company Santander Consumer Bank S.p.A., as at 31 December 2022, the Bank maintained an overlay adjustment relating to the residual COVID-19 of approximately Euro 1.7 million to cover the potential risks associated with the latest cases that went out the grace period at January 2022, also in light of the uncertainty of the current inflationary environment mentioned above.

2.4 Credit risk mitigation techniques

Risk mitigation techniques include those instruments that contribute to reducing the loss (LGD) that would be incurred in the event of default of the counterparty.

With regard to the mitigation of counterparty risk for derivatives not regulated OTC (Over The Counter) and for SFT (Securities Financing Transactions) type transactions, the Group uses bilateral netting agreements that allow, in the case of counterparty default, the offsetting of credit and debit positions.

This takes place through the signing of ISDA (International Swap Derivatives Association) and ISMA (International Securities Market Association) agreements, which, in compliance with supervisory regulations, also allow the reduction of regulatory capital absorptions.

In addition, the Group has collateral exchange agreements in place, mainly on a daily basis, to hedge transactions in OTC derivatives, also by virtue of the obligation to margin trade on derivatives that cannot be centrally offset, envisaged by the EMIR regulations; also for SFT operations, the Bank enters into agreements (GMRA - Global Master Repurchase Agreements) for daily margining.

With regard to the mitigation of risk on loans, the types of guarantees allowed by the credit policies in force are summarised below:

- collateral: mortgages;
- endorsement guarantees: bank, insurance, sureties;
- other forms: retention of ownership and buy back obligations.

The Group's portfolio is characterised by a low incidence of guarantees, as shown in table "A.3 Distribution of secured credit exposures by type of guarantee".

They mainly focus on the part of the wholesale portfolio characterised by agreements with parent companies and dealers.

The collateral acquired, albeit to a limited extent, allows coverage of the default risk of granular portfolios and the release of economic and regulatory capital, as required by current supervisory regulations on the matter (among other things, EU Regulation no. 575/2013 and Bank of Italy Circular no. 285/2013).

With regard to the technical-organisational procedures adopted, detailed processes govern the acquisition of individual guarantees, identifying the structures responsible as well as the methods for their correct finalisation, for the archiving of the documentation, for the complete and timely recognition in the applications of the pertinent information.

The set of internal regulations, organisational and procedural controls, is aimed at ensuring that:

- all formalities for the validity and effectiveness of the credit protection are envisaged;
- for general and current use guarantees, standard contracts are defined, accompanied by complete instructions for their use;
- the methods for approving the texts of guarantees differing from the standards by structures other than those in charge of managing the business relationship with the customer are identified.

On a continuous basis, the valuation of guarantees is based on the market value of the financial instruments listed on a regulated market, or otherwise, as the estimated realisable value. It is based on external databases and where necessary carried out by specialised technicians.

Any compulsory enforcement of the guarantee is handled by specialised structures responsible for credit collection.

3. Non-performing credit exposures

3.1 Management strategies and policies

Non-performing credit exposures are monitored within the RAF through summary indicators monitored continuously by the second-level units:

- *Cost of credit*: measures the weight of net adjustments with respect to the Group's average portfolio;
- *NPL (Non-Performing Loans) Ratio:* measures the weight of non-performing loans on the total loan portfolio of the Group;
- *Single Name:* measures the level of individual exposures with respect to the Group's shareholders' equity.

The instruments presented express the creditworthiness of the portfolio and allow traceability with the strategic plan/budget, the risk policies and the contingency plan indicators.

If significant misalignments with respect to expectations arise, both due to internal and external factors, the Group will promptly update its strategic guidelines.

During the year, the figures recorded were positive with respect to the pre-established strategic objectives.

In addition, non-performing credit exposures are classified according to their degree of criticality:

- bad loans: exposures to a borrower in a state of insolvency (even if not established by a court) or in substantially comparable situations.
- unlikely to pay loans: exposures (other than those classified as bad loans) for which full settlement is unlikely without considering recourse to actions such as enforcement of guarantees.
- non-performing past-due exposures: exposures other than those defined as bad loans or unlikely to pay, which, at the reference date, are past due or continuously past due by more than 90 days and that exceed both the relevance thresholds set out below:
  - absolute: equal to Euro 100 for retail exposures and Euro 500 for exposures other than retail exposures;
  - relative: more than 1% of the borrower's exposure.

3.2 Write-off

The group makes use of write-offs (i.e. write-off/derecognition of non-collectable accounting items) in the following cases:

- non-recoverability of the loan, resulting from certain and precise elements (such as, for example, unavailability and lack of property of the borrower, non-recoveries from executions, negative foreclosures, closed bankruptcy proceedings, if there are no other usefully enforceable guarantees, etc.);
- assignment of receivables;
- waiver of receivables, in connection with settlement contracts;
- without waiver of receivables. In order to avoid the maintenance in the financial statements of receivables that, despite continuing to be managed by the collection structures, have very marginal possibilities of recovery, the receivable is written off due to impossibility of recovery even without closing the legal procedure.

For quantifying details of the write-offs recognised during the year reference is made to the table "A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees given: dynamics of total write-downs and total provisions".

3.3 Purchased or originated credit-impaired financial assets

Based on IFRS 9, receivables considered non-performing from the time of initial recognition in the financial statements, due to the associated high credit risk, are defined as POCI (*Purchased or Originated Credit Impaired Asset)*.

If these receivables fall within the scope of application of impairment pursuant to IFRS 9, they are measured by recognising - from the date of initial recognition - provisions to cover losses that cover the entire residual life of the receivable (*Expected Credit Loss lifetime*). Since these are non-performing loans, they are initially recognised as part of Stage 3, without prejudice to the possibility of being moved, over the course of their duration, to Stage 2 if, on the basis of the credit risk analysis, they are no longer impaired.

As of the balance sheet date, the Group did not have any purchased or originated credit-impaired financial assets.

4. Financial assets subject to commercial renegotiation and forborne exposures

Forbearance measures represent concessions vis-à-vis a borrower who faces, or could be faced with, situations of difficulty in complying with their contractual commitments such as to prevent them from meeting the original payment commitments.

The term “concessions” indicates both the contractual changes granted to the borrower in financial difficulty, and the disbursement of a new loan to allow the fulfilment of the pre-existing obligation. Renegotiations carried out for commercial reasons/practices, regardless of the borrower’s financial difficulties, are excluded from the concept of concessions.

The identification of the exposures subject to forbearance measures, in line with the provisions of the EBA (European Banking Authority) regulations and unlike the “per borrower” approach adopted by the Group, necessarily takes place according to a “per transaction” approach.

The Group policy envisages elements for the “transversal” identification of financial difficulties which, in the presence of renegotiation/refinancing, to an extent greater than 1%, entails the classification among those subject to forbearance measures in the case of:

- performing exposures: delays in payments and a simultaneous significant deterioration of trend data originating from external databases (CRIF Credit Bureau and the Bank of Italy's Central Credit Register), resulting in Stage 2 classification;
- non-performing exposures: the state of financial difficulty is implicit.

The forbearance measures granted are monitored for minimum periods, differentiated on the basis of the risk status assigned to the counterparty:

- performing exposures: a 24-month probation period;
- non-performing exposures: 36 months, represented by 12 months of cure period and a further 24 months of probation period.

For the quantification of forbearance measures in the year, please refer to table “A 1.7bis - Cash credit exposures to customers: trends in gross forborne exposures, breakdown by credit quality”.

Quantitative information

A. Credit quality

A.1 Performing and non-performing credit exposures: amounts, value 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		46,237	6,501	4,196	10,081	15,365	1,691	2,181	2,827	29,088	-	-	-
2. Financial assets valued at fair value with impact on overall profitability		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**46,237**	**6,501**	**4,196**	**10,081**	**15,365**	**1,691**	**2,181**	**2,827**	**29,088**	**-**	**-**	**-**
Total	**12/31/2021**	**37,987**	**3,728**	**1,835**	**8,587**	**10,591**	**2,635**	**2,222**	**2,925**	**25,268**	**-**	**-**	**-**

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					
	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 profitability	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 profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**-**	**49,967**	**-**	**-**	**-**	**49,967**	**-**	**32,604**	**-**	**-**	**733**	**31,871**
Changes in increase from financial assets acquired or originated	-	38,393	-	-	309	38,084	-	-	-	-	-	-
Cancellations other than write-offs	-	(9,346)	-	-	-	(9,346)	-	(3,059)	-	-	(902)	(2,157)
Net value adjustments / write-backs for credit risk (+/-)	-	(25,540)	-	-	(156)	(25,384)	-	(4,525)	-	-	(196)	(4,329)
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(14)	-	-	-	(14)	-	(68)	-	-	-	(68)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**-**	**53,460**	**-**	**-**	**153**	**53,307**	**-**	**24,952**	**-**	**-**	**(365)**	**25,317**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	(146)	-	-	-	(146)	-	(40)	-	-	-	(40)

Causal / risk stages	Total value adjustments											Total provisions on commitments to disburse funds and financial guarantees issued				Tot.
	Activities included in the third stage						Attività fin. impaired acquisite o originate									
	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 profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	First stage	Second stage	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	
Total opening adjustments	**-**	**107,270**	**-**	**-**	**12,367**	**94,903**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**189,841**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	38,393
Cancellations other than write-offs	-	(20,775)	-	-	(215)	(20,560)	-	-	-	-	-	-	-	-	-	(33,180)
Net value adjustments / write-backs for credit risk (+/-)	-	55,551	-	-	4,340	51,211	-	-	-	-	-	-	-	-	-	25,485
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(4,836)	-	-	(3,043)	(1,793)	-	-	-	-	-	-	-	-	-	(4,918)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**-**	**137,210**	**-**	**-**	**13,449**	**123,761**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**215,621**
Recoveries from financial assets subject to write-off	-	47	-	-	42	5	-	-	-	-	-	-	-	-	-	47
Write-offs recorded directly in the income statement	-	(1,578)	-	-	(620)	(958)	-	-	-	-	-	-	-	-	-	(1,764)

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		66,489	27,682	19,504	5,332	49,897	8,419
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	**12/31/2022**	**66,489**	**27,682**	**19,504**	**5,332**	**49,897**	**8,419**
Total	**12/31/2021**	**148,636**	**51,485**	**28,632**	**5,043**	**45,825**	**2,034**

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

Portfolios/risk stages		Gross values					
		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		**-**	**-**	**-**	**-**	**-**	**-**
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		-	-	-	-	-	-
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	**12/31/2022**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2021**	**3,026**	**-**	**-**	**-**	**-**	**-**

A.1.4 Prudential consolidation – On- and off-balance sheet credit exposures to banks: gross and net values

Type of exposure/amounts	Gross exposures					otal value adjustments and total credit risk provisions						
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	Net Exposure	Total Write-off*
A. On-balance sheet credit exposures												
A.1 On demand	889,114	889,114	-	-	-	-	-	-	-	-	889,114	-
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	889,114	889,114	-	X	-	-	-	-	X	-	889,114	-
A.2 Others	21,210	21,210	-	-	-	-	-	-	-	-	21,210	-
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	1	1	-	X	-	-	-	-	X	-	1	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	21,210	21,210	-	X	-	-	-	-	X	-	21,210	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**910,324**	**910,324**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**910,324**	**-**
B. Off-balance sheet credit exposures												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	40,329	40,329	-	X	-	-	-	-	X	-	40,329	-
Total (B)	**40,329**	**40,329**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,329**	**-**
Total (A+B)	**950,653**	**950,653**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**950,653**	**-**

A.1.5 Prudential consolidation – On- and off-balance sheet credit exposures to customers: 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 credit exposures												
a) Bad exposures	57,267	X	-	57,267	-	53,839	X	-	53,839	-	3,428	-
- of which: forborne exposures	12,560	X	-	12,560	-	12,054	X	-	12,054	-	506	-
b) Unlikely to pay	51,481	X	-	51,481	-	29,725	X	-	29,725	-	21,756	-
- of which: forborne exposures	11,746	X	-	11,746	-	9,065	X	-	9,065	-	2,680	-
c) Non performing past due	87,779	X	-	87,779	-	53,646	X	-	53,646	-	34,133	-
- of which: forborne exposures	10,444	X	-	10,444	-	7,922	X	-	7,922	-	2,522	-
d) Performing past due exposures	101,747	63,213	38,534	X	-	17,676	6,279	11,397	X	-	84,071	-
- of which: forborne exposures	4,562	-	4,562	X	-	817	-	817	X	-	3,745	-
e) Other performing exposures	9,665,797	9,497,884	167,913	X	-	60,736	47,180	13,555	X	-	9,605,062	-
- of which: forborne exposures	69,728	22	69,706	X	-	9,322	-	9,322	X	-	60,406	-
Total (A)	**9,964,071**	**9,561,097**	**206,447**	**196,527**	**-**	**215,621**	**53,460**	**24,952**	**137,210**	**-**	**9,748,450**	**-**
B. Off-balance sheet credit exposures												
a) Non performing	50	X	-	50	-	-	X	-	-	-	50	-
b) Performing	251,815	251,798	17	X	-	-	-	-	X	-	251,815	-
Total (B)	**251,865**	**251,798**	**17**	**50**	**-**	**-**	**-**	**-**	**-**	**-**	**251,865**	**-**
Total (A+B)	**10,215,936**	**9,812,895**	**206,464**	**196,577**	**-**	**215,621**	**53,460**	**24,952**	**137,210**	**-**	**10,000,315**	**-**

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

As at 31 December 2022, the Group had no loans subject to COVID-19 support measures.

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, breakdown 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)	**40,009**	**56,988**	**75,107**
- of which sold non-cancelled exposures	6,971	12,439	22,554
B. Increases	**28,693**	**32,876**	**80,206**
B.1 transfers from performing loans	6,494	16,076	70,796
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	21,635	15,408	5,364
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	564	1,392	4,047
C. Decreases	**11,436**	**38,383**	**67,534**
C.1 transfers to perfomorming loans	160	67	4,893
C.2 write-offs	2,962	1,132	1,389
C.3 recoveries	1,632	10,285	14,536
C.4 sales proceeds	3,124	2,999	2,938
C.5 losses on disposals	2,686	2,376	2,513
C.6 transfers to other impaired exposures	1	6,910	35,496
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	872	14,612	5,771
D. Closing balance (gross amounts)	**57,267**	**51,481**	**87,779**
- Sold but not derecognised	4,986	2,504	6,615

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)	**44,281**	**121,423**
- Sold but not derecognised	5,832	10,095
B. Increases	**19,248**	**13,715**
B.1 Transfers from performing not forborne exposures	2,908	5,521
B.2. Transfers from performing forborne exposures	5,741	X
B.3. Transfers from impaired forborne exposures	X	4,704
B.4 Transfers from impaired not forborne exposure	9,857	498
B.5 other increases	743	2,992
C. Decreases	**28,778**	**60,848**
C.1 Transfers to performing not forborne exposures	X	7,526
C.2 Transfers to performing forborne exposures	4,704	X
C.3 transfers to impaired exposures not forborne	X	5,741
C.4 write-offs	378	88
C.5 recoveries	5,678	24,878
C.6 sales proceeds	7,617	3
C.7 losses on disposals	6,304	5
C.8 other decreases	4,097	22,607
D. Closing balance (gross amounts)	**34,750**	**74,290**
- Sold but not derecognised	3,378	3,810

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	**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
B. Increases	**27,162**	**7,825**	**20,772**	**6,690**	**45,743**	**6,465**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	10,762	3,688	9,585	3,772	42,179	5,647
B.3 losses on disposal	5	-	-	-	24	10
B.4 transfer from other impaired exposure	16,101	4,021	10,750	2,523	1,669	665
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	294	115	436	395	1,870	143
C. Reductions	**10,069**	**5,792**	**15,254**	**9,401**	**38,414**	**10,771**
C.1 write-backs from assessments	94	29	2,954	1,802	2,776	795
C.2 write-backs from recoveries	968	634	1,762	798	2,478	472
C.3 gains on disposal	2,972	2,593	2,991	2,958	2,271	1,726
C.4 write-offs	2,954	123	1,276	80	1,223	161
C.5 transfers to other impaired exposures	1	-	3,029	1,283	25,491	5,927
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	3,081	2,413	3,242	2,481	4,174	1,690
D. Closing overall amount of writedowns	**53,839**	**12,054**	**29,725**	**9,065**	**53,646**	**7,922**
- Sold but not derecognised	4,831	1,173	1,999	746	4,731	988

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	-	-	-	-	-	-	**9,683,905**	**9,683,905**
- First stage	-	-	-	-	-	-	9,280,931	9,280,931
- Second stage	-	-	-	-	-	-	206,447	206,447
- Third stage	-	-	-	-	-	-	196,527	196,527
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-	**301,373**	**301,373**
- First stage	-	-	-	-	-	-	301,373	301,373
- 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)	-	-	-	-	-	-	**9,985,277**	**9,985,277**
D. Commitments and financial guarantees given	-	-	-	-	-	-	**231,980**	**231,980**
- First stage	-	-	-	-	-	-	231,962	231,962
- Second stage	-	-	-	-	-	-	17	17
- Third stage	-	-	-	-	-	-	1	1
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	**231,980**	**231,980**
Total (A+B+C+D)	-	-	-	-	-	-	**10,217,257**	**10,217,257**

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 credit exposures to banks

The Group has no guaranteed credit exposures to banks.

A.3.2 Prudential consolidation – On- and off-balance sheet guaranteed credit 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:	**1,217,855**	**1,199,863**	**169**	-	-	**850,471**	-	-
1.1 totally secured	1,014,960	998,311	169	-	-	836,820	-	-
- of which: impaired	17,345	5,986	169	-	-	4,308	-	-
1.2 partially secured	202,895	201,552	-	-	-	13,651	-	-
- of which: impaired	1,918	1,375	-	-	-	60	-	-
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:	-	-	-	**2,961**	**87,605**	**402**	**124,150**	**1,065,758**
1.1 totally secured	-	-	-	-	78,343	202	82,776	998,311
- of which: impaired	-	-	-	-	348	-	1,161	5,986
1.2 partially secured	-	-	-	2,961	9,262	200	41,373	67,447
- of which: impaired	-	-	-	-	92	-	169	321
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 enforcement of guarantees received

The Group does not have any financial assets obtained through the enforcement of guarantees.

B. Distribution and concentration of credit exposures

B.1 Prudential consolidation – Distribution by sector of on- and off-balance sheet credit 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		-	-	10	91	-	-	1,128	8,346	2,290	45,402
- of wich: forborne exposures		-	-	6	59	-	-	170	1,715	329	10,281
A.2 Unlikely to pay		396	59	20	51	-	-	2,215	3,208	19,125	26,407
- of wich: forborne exposures		-	-	8	45	-	-	319	861	2,354	8,160
A.3 Impaired past due exposures		3,699	422	83	93	3	-	5,590	4,768	24,760	48,362
- of wich: forborne exposures		-	-	7	59	-	-	353	761	2,162	7,102
A.4 Not impaired exposures		452,410	3	12,434	155	30	4	1,423,205	18,747	7,801,085	59,506
- of wich: forborne exposures		-	-	316	71	9	1	31,116	5,114	32,719	4,954
Total (A)		**456,505**	**484**	**12,547**	**390**	**33**	**4**	**1,432,138**	**35,069**	**7,847,260**	**179,678**
B. Off-balance sheet credit exposures											
B.1 Deteriorated exposures		-	-	-	-	-	-	49	-	1	-
B.2 Non-deteriored exposures		-	-	-	-	-	-	249,565	-	2,250	-
Total (B)		**-**	**-**	**-**	**-**	**-**	**-**	**249,614**	**-**	**2,251**	**-**
Total (A+B)	**12/31/2022**	**456,505**	**484**	**12,547**	**390**	**33**	**4**	**1,681,752**	**35,069**	**7,849,511**	**179,678**
Total (A+B)	**12/31/2021**	**680,022**	**812**	**13,287**	**338**	**46**	**2**	**1,525,895**	**34,134**	**7,375,999**	**154,558**

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 credit 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		669	10,885	294	4,961	563	11,262	1,901	26,729
A.2 Unlikely to pay		3,251	6,281	1,417	2,547	3,534	5,778	13,555	15,120
A.3 Impaired past due exposures		7,363	13,111	4,088	6,463	6,455	9,374	16,227	24,697
A.4 Not impaired exposures		2,757,852	22,293	1,635,366	12,658	2,386,209	15,986	2,909,622	27,474
Total (A)		**2,769,135**	**52,570**	**1,641,166**	**26,629**	**2,396,761**	**42,400**	**2,941,305**	**94,019**
B. Off-balance sheet credit exposures									
B. 1 Non-performing exposures		1	-	-	-	1	-	48	-
B. 2 Performing exposures		85,666	-	8,672	-	148,344	-	9,218	-
Total (B)		**85,667**	**-**	**8,672**	**-**	**148,345**	**-**	**9,267**	**-**
Total (A+B)	**12/31/2022**	**2,854,801**	**52,570**	**1,649,837**	**26,629**	**2,545,106**	**42,400**	**2,950,572**	**94,019**
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**

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 credit 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		205,501	-	704,824	-	-	-	-	-	-	-
Total (A)		**205,501**	**-**	**704,824**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures											
B.1 Deteriored exposures		-	-	-	-	-	-	-	-	-	-
B.2 Non-deteriored exposures		2,565	-	37,764	-	-	-	-	-	-	-
Total (B)		**2,565**	**-**	**37,764**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2022**	**208,066**	**-**	**742,587**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**756,211**	**-**	**102,064**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

This table contains, for cash exposures to residents, the positive balance of current accounts with credit institutions, while for exposures to foreigners, the balance is made up primarily of transactions with the parent company.

B.4 Large exposures

	12/31/2022
Number	3
Weighted value	357,935
Book value	1,676,830

At the balance sheet date there were the following three counterparties that could be classified as large exposures: Banco Santander S.A., Italian Ministry of Economy and Finance (MEF) and Mazda Motor Italia S.r.l.

C. Securitisation transactions

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.

In this context, the roles covered are usually the following:

- Santander Consumer Bank/Banca PSA: Originator, Seller and Service;
- Golden Bar (Securitisation) S.r.l./Auto ABS Italian Loans 2018-1 S.r.l.: SPV.

The 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. Consequently, 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.

Securitisation transactions

In 2022, no securitisation transactions with the placement of securities with third-party investors were finalised.

With reference to the financial assets subject to "securitisation", at the end of 2022, the Group had three performing transactions in place (Golden Bar 2018-1, Golden Bar 2019-1 and Golden Bar 2021-1), completed in just one single initial issue.

	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	88,407	10,934	82,750	301		n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	153,682	181,858	12,000	5,434	9,286,782	n.a.	n.a.	n.a.	n.a.
Golden Bar 2021-1	485,316	502,500	100	5,000		n.a.	n.a.	n.a.	n.a.

In 2022, the transaction completed with the special purpose vehicle Auto Abs Italian Loans 2018-1 S.r.l. was finalised as a result of the exercise of the right to repurchase (so-called "clean-up call") of the portfolio by the Originator Company.

The outstanding transactions continued to reimburse the non-Junior classes and also terminated the remaining revolving periods (Golden Bar 2021-1).

To enhance the transparency of disclosures, below is a breakdown of the excess spread accrued within the scope of the transaction in place, 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	(7,234)	(17,616)	(19,169)	(5,546)
Commisions and fees for the operation	(230)	(443)	(644)	(89)
- for servicing	(210)	(421)	(603)	(76)
- for other services	(20)	(22)	(41)	(13)
Other charges	(877)	(827)	(1,416)	(719)
Interest generated by the securitised assets	7,082	13,319	28,661	4,528
Other revenues	2,090	3,277	34,436	1,829
Total	**831**	**(2,290)**	**41,868**	**3**

Synthetic securitisation transactions

During 2022, the subsidiary Banca PSA did not enter into new transactions but limited itself to the management of those already in place.

In particular, the Bank 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 “proprietary” 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	1,702	(8)					77,586	(370)										
Golden Bar 2018-1	1,702	(8)					77,586	(370)										

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	88,407	-	6,454	10,934	-	82,750
Golden Bar 2019-1	Torino (TO)	NO	153,682	-	46,257	130,795	51,063	12,000
Golden Bar 2021-1	Torino (TO)	NO	485,316	-	96,197	451,500	51,000	100

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 – proprietary 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	**88,407**	**153,682**	**485,316**	**-**
A.1 Credits	88,407	153,682	485,316	-
A.2 Securities	-	-	-	-
A.3 Others	-	-	-	-
B. Investments of deriving from the credit management	**6,418**	**41,238**	**59,515**	**84**
B.1 Debt securities	-	-	-	-
B.2 Equity securities	-	-	-	-
B.3 Availability current account	6,418	41,238	59,515	84
C. Other assets	**36**	**5,019**	**36,682**	**(84)**
C.1 Transitory receipts	-	-	-	(84)
C.2 Other assets	36	5,019	36,682	-
D. Securities issued	**93,684**	**193,858**	**502,600**	**-**
D.1 Senior	10,934	130,795	451,500	-
D.2 Mezzanine	-	51,063	51,000	-
D.3 Junior	82,750	12,000	100	-
E. Loans received	**-**	**-**	**-**	**-**
F. Derivatives	**-**	**-**	**-**	**-**
G. Other liabilities	**1,177**	**6,081**	**78,914**	**-**
G.1 Accrued interest on securities	876	5,717	42,210	-
G.2 Other liabilities	301	364	36,704	-
H. Interest expenses on securities issued	**8,065**	**15,326**	**61,036**	**5,549**
I. Fees and commissions related to the transaction	**230**	**444**	**644**	**89**
I.1 Servicing Service	210	421	603	76
I.2 Other Servicing	20	22	41	13
L. Other charges	**877**	**827**	**1,416**	**719**
L.1 Other interest expenses	110	192	243	71
L.2 Other charges	767	405	53	230
L.3 Value adjustments on loans	-	231	1,120	419
M. Interest income on securitized assets	**7,082**	**13,319**	**28,661**	**4,528**
N. Other revenues	**2,090**	**3,277**	**34,436**	**1,829**
N.1 Additional returns	2,090	3,277	34,436	1,829

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	**727,405**	**727,405**	**-**	**2,543**	**693,769**	**693,769**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	727,405	727,405	-	2,543	693,769	693,769	-
Total 12/31/2022	**727,405**	**727,405**	**-**	**2,543**	**693,769**	**693,769**	**-**
Total 12/31/2021	**1,224,263**	**1,102,441**	**121,822**	**3,219**	**1,107,613**	**1,013,928**	**93,685**

The Bank has securitised exposures derecognised for prudential purposes but not derecognised for financial statements purposes totalling Euro 638,998 thousand.

Financial assets measured at amortised cost pertain to securitisation transactions with securities subscribed by third-party investors (Golden Bar 2018-1, 2019-1 and 2021-1, of which the last two derecognised for prudent purposes but not for financial statement purposes).

D.2 Prudential consolidation – Financial assets sold and 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	
			12/31/2022	12/31/2021
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)	**695,031**	**-**	**695,031**	**1,184,896**
1. Debt securities	-	-	-	-
2. Loans	695,031	-	695,031	1,184,896
Total financial assets	**695,031**	-	**695,031**	**1,184,896**
Total associated financial liabilities	**693,769**	-	**X**	**X**
Valore netto 31/12/2022	**1,262**	-	**1,262**	**X**
Valore netto 31/12/2021	**77,207**	-	**X**	**77,207**

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.

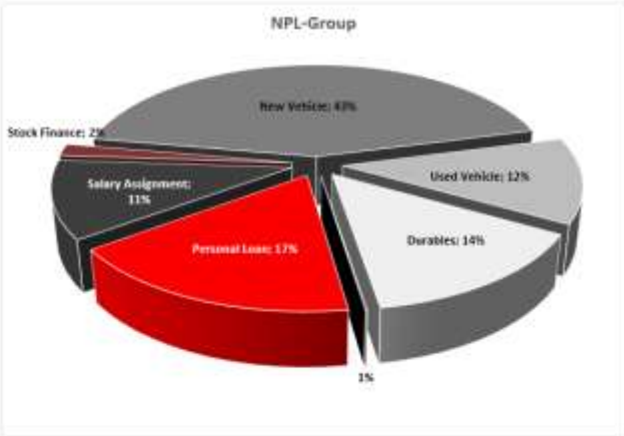
D. Covered bond transactions

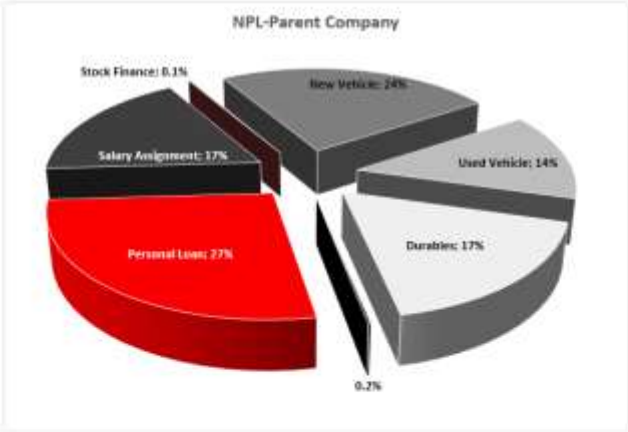
The Group has not carried out any covered bond transactions.

E. Consolidato prudenziale – modelli per la misurazione del rischio di credito

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 2022.

NPL (Consolidated Account)

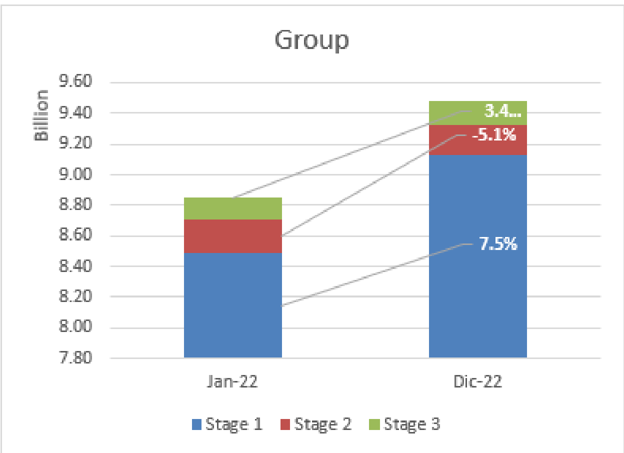


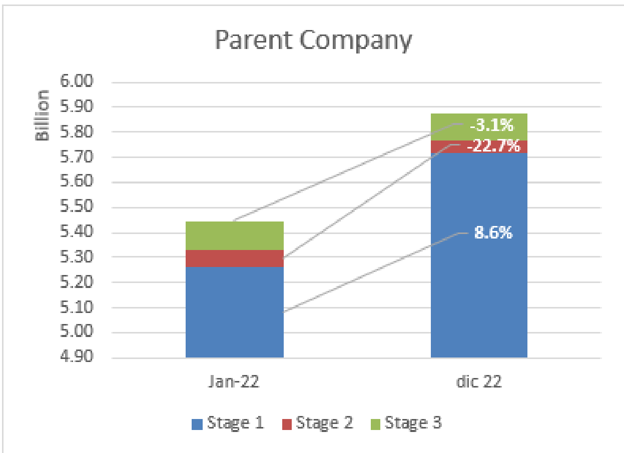


The stress tests carried out for ICAAP purposes, calculated on the basis of the PD and LGD parameters, both in the baseline and stress scenario, confirmed the soundness of the strategies adopted within the Group.

Credit risk is assessed, among other things, by:

- *Vintage analysis*. This indicator is the ratio of a generation of loans that in any month have been classified as "bad" to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to their segmentation. The comparison is between products with a similar production date, so you can identify any deviations from past performances. Usually, graphic representations are used to keep track of the trend, such as the one that shows the relationship between age and the loss rate;
- *Roll rate* (trend analysis). It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used for roll rate (trend analysis). It represents the trend of loans observed over a period of time between T0 and T1, with the determination of any status change at T1 of the loans, which at the start of the observation were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio;





- Polynomial models are used (confidence/R2 ~ 95%) for stress test purposes, also to take account of the trend in default rates with a non-linear trend at the same date of the first instalment. In particular, this tool is used to define the migration of dossiers from one late payment category to another, reflecting a deterioration/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 unit, 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

Following the end of the grace period and the easing of the current macroeconomic and health situation, the Group did not experience significant impacts on the management of interest rate and price risk.

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 on the report at the end of each month, as well as a forecast figure for the next reporting period. The Finance Department 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.

The indicators as at 31 December 2022 are shown below:

+25 bps MM	MVE	NIM
December 2022	1,23	-0,33
Limit	24,3	135,07

-25 bps MM	MVE	NIM
December 2022	-1,27	0,18
Limit	24,3	135,07

+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 rate risk

The Group is not exposed to exchange rate risk.

1.3 Derivative instruments and hedging policies

1.3.1 Derivatives held for trading

A. Financial derivatives

A.1 Financial derivatives held for trading: period-end notional amounts

Underlying assets / Type of derivatives	Total 31/12/2022				Total 31/12/2021			
	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	-	-	1,280,590	-	-	-	2,140,448	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	1,280,590	-	-	-	2,140,448	-
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	**-**	**-**	**1,280,590**	**-**	**-**	**-**	**2,140,448**	**-**

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

Types of derivatives	Total 12/31/2022				Total 12/31/2021			
	Over the counter			Mercati organizzati	Over the counter			Mercati organizzati
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With clearing arrangements	Without clearing arrangements			With clearing arrangements	Without clearing arrangements	
1. Positive fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	41,060	-	-	-	5,835	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**41,060**	**-**	**-**	**-**	**5,835**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	41,083	-	-	-	5,922	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**41,083**	**-**	**-**	**-**	**5,922**	**-**

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	1,280,590	-	-
- positive fair value	X	41,060	-	-
- negative fair value	X	41,083	-	-
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		454,832	752,928	72,831	1,280,590
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2022**	**454,832**	**752,928**	**72,831**	**1,280,590**
Total	**12/31/2021**	**378,312**	**1,212,534**	**549,602**	**2,140,448**

B. Credit derivatives

The Group does not have any credit derivatives at the date of the financial statements.

1.3.2 Accounting hedges

On first-time adoption of IFRS 9, the Group exercised the option envisaged by the Standard to continue to fully apply the rules of IAS 39 for all types of hedging.

Qualitative information

A. Fair value hedges

The purpose of the hedging activity is to protect the banking portfolio from changes in the fair value of loans to customers caused by changes in the interest rate curve (interest rate risk).

The Group adopts macro-fair value hedges.

As part of the macro-fair value hedge, macro-hedging is applied to a portion of fixed-rate loans to customers; for this type, in line with the “Carve-out” version of IAS 39, an open-portfolio macro-hedge model was adopted.

The main types of derivatives used are represented by plain interest rate swaps (IRS) and options on interest rates.

The derivatives are not listed on regulated markets, but traded within over the counter (OTC) circuits.

B. Cash flow hedges

As at 31 December 2022, there were no *cash flow hedging* derivatives.

C. Foreign investment hedging

The Group did not carry out any foreign investment hedging during the year.

D. Hedging instruments

The main causes of ineffectiveness of the model for verifying the effectiveness of the hedges are attributable to the following phenomena:

- misalignment between the notional value of the derivative and the hedged underlying element recognised at the time of initial designation or generated subsequently, as in the case of partial repayments of loans;
- application of different curves on the hedging derivative and the hedged item in order to test the effectiveness of fair value hedges.
- inclusion in the effectiveness test of the value of the variable leg of the hedging derivative.

The ineffectiveness of the hedge is promptly recognised for the purposes of:

- the determination of the effect on the income statement;
- the assessment of the possibility of continuing to apply hedge accounting rules.

E. Hedged items

The hedged items are a portion of fixed-rate loans to customers.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging derivatives: period-end notional amounts

Underlying assets / Type of derivatives	Total 31/12/2022				Total 31/12/2021			
	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	-	901,000	3,199,074	-	-	436,000	1,524,255	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	901,000	3,199,074	-	-	436,000	1,524,255	-
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	**-**	**901,000**	**3,199,074**	**-**	**-**	**436,000**	**1,524,255**	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by product

Types of derivatives	Positive and negative fair value								Changes in value used to calculate hedge ineffectiveness	
	Total 12/31/2022				Total 12/31/2021				Total	Total
	Over the counter			Organized markets	Over the counter			Organized markets	12/31/2022	12/31/2021
	Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements		Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	37,764	154,216	-	-	1,917	5,705	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**37,764**	**154,216**	**-**	**-**	**1,917**	**5,705**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	317	2,714	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**317**	**2,714**	**-**	**-**	**-**

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	3,199,074	-	-
- positive fair value	X	154,216	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	901,000	-	-
- positive fair value	-	37,764	-	-
- 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		844,356	3,043,104	212,614	4,100,074
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 goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2022**	**844,356**	**3,043,104**	**212,614**	**4,100,074**
Total	**12/31/2021**	**314,433**	**1,463,338**	**182,484**	**1,960,255**

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	-	5,380,664	-	-
- positive fair value	-	233,039	-	-
- negative fair value	-	41,083	-	-
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 liquidity risk is the risk that the Group will be unable to meet its payment commitments due to the inability to raise funds on the market (*funding liquidity risk*) or the inability to sell its assets (*market liquidity risk*).

The preparation of an adequate system of governance and management of this risk plays a fundamental role in maintaining the stability of the Group and the market, as the imbalances of an individual financial institution can have systemic repercussions. This system must be integrated into the overall system for risk management and envisage incisive controls consistent with the evolution of the reference context.

The internal liquidity risk control and management system of Santander Consumer Bank is developed within the Group's *Risk Appetite Framework* and in compliance with the maximum liquidity risk tolerance thresholds approved therein, which establish that the Group must maintain an adequate liquidity position in order to deal with periods of tension, including prolonged periods, on the various funding procurement markets, also through the establishment of adequate liquidity reserves represented by marketable securities that can be refinanced with Central Banks. Accordingly, it is necessary to maintain a balanced ratio between incoming sources and outgoing flows, both over the short and medium-long term. This objective is developed in the Group's document tree represented by Frameworks, Models and Policies regarding liquidity risk and approved by the Corporate Bodies.

The provisions on liquidity introduced by the European Union in June 2013 and subsequently updated, establish that banks must comply with:

- the minimum requirement for coverage of short-term liquidity (*Liquidity Coverage Ratio* - LCR), as set forth in article 38 of Delegated Regulation (EU) 2015/61 and its additions/amendments (minimum level of 100% from 1 January 2018);
- the minimum structural liquidity requirement (*Net Stable Funding Ratio* - NSFR), whose minimum level of 100% came into force in June 2021, following the final approval and subsequent publication in the Official Journal, which took place in May 2019, of the banking reform package containing EU Directive 2019/878 (so-called CRD V) and Regulation 2019/876 (so-called CRR II).

The internal regulations illustrate the tasks of the various company units, the rules and the series of control and management processes aimed at ensuring prudent monitoring of liquidity risk, preventing the emergence of crisis situations. Accordingly, they include procedures for identifying risk factors, measuring risk exposure and verifying compliance with limits, as well as the rules for carrying out stress tests and identifying appropriate risk-mitigation initiatives, in addition to the preparation of emergency plans and disclosure reporting to corporate bodies.

The essential principles underlying the internal liquidity risk control and management system defined by these Guidelines are:

- presence of a liquidity management policy approved by top management and clearly communicated within the institution;
- existence of an operating structure that operates within assigned limits and a control structure independent of the former;
- constant availability of adequate liquidity reserves in relation to the liquidity risk tolerance threshold chosen;
- assessment of the impact of different scenarios, including stress scenarios, on incoming and outgoing temporary flows and on the quantitative and qualitative adequacy of liquidity reserves;
- management of liquidity in a stressful situation that takes into consideration the guidelines on the governance of crisis management processes within the *Liquidity Contingency Plan*.

The Group's internal regulations define in detail the tasks assigned to the Corporate Bodies and delegate to senior management some important obligations such as the approval of the measurement indicators, the definition of the main assumptions underlying the stress scenarios and the composition of the warning thresholds used for the activation of contingency plans.

The Risk Department is directly responsible for second-level controls and, as an active participant in the Managerial Committees (ALCO - *Asset Liability Committee*), plays a primary role in the management and dissemination of information on liquidity risk, contributing to the overall improvement of awareness of the Group on the existing position. In particular, it ensures the measurement, both exact and forecast, under normal and stress conditions, of the Group's exposure to liquidity risks, verifying compliance with the limits and activating, if they are exceeded, the reporting procedures with respect to the competent Corporate Bodies and monitoring the agreed repayment actions in the event of overruns.

The Internal Audit unit assesses the functionality of the overall structure of the control system overseeing the process of measuring, managing and controlling the Group's exposure to liquidity risk and verifies the adequacy and compliance of the process with the requirements established by the regulations. The results of the audits carried out are submitted to the Corporate Bodies at least once a year.

The measurement metrics and liquidity risk mitigation tools are formalised in the internal documentation that defines the methodological structure of both short-term and structural liquidity indicators.

In line with the above, the liquidity indicators focus on short-term and long-term metrics.

With regard to the short term, the LCR aims to measure the short-term liquidity risk profile, ensuring the holding of sufficient unencumbered *High Quality Liquid Assets* (HQLA) that can easily and immediately be converted into liquidity in private markets to meet 30-day cash requirements in a stress scenario. To this end, the *Liquidity Coverage Ratio* measures the ratio between:

- the value of the stock of HQLA;
- the total net cash outflows calculated according to the scenario parameters defined by Delegated Regulation (EU) 2015/61.

From a medium/long-term perspective, on the other hand, the *Net Stable Funding Ratio* (NSFR) aims to further greater recourse to stable funding, avoiding financial imbalances related to durations. Accordingly, it establishes an “acceptable” minimum amount of funding greater than one year in relation to the needs arising from the liquidity and residual duration characteristics of assets and off-balance sheet exposures.

Main strategic guidelines

The Group follows the following strategic guidelines in terms of liquidity risk management:

- diversify its forms of funding both in terms of stabilisation of the same and the timing of the related commitments;
- rationalise the cost of funding;
- manage liquidity risk as a whole in a prudent and balanced manner.

Impacts deriving from the COVID-19 pandemic

Following the end of the grace period and the easing of the current macroeconomic and health situation, the Group did not experience significant impacts on the management of liquidity risk.

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	**1,008,179**	**14,921**	**126,417**	**101,054**	**798,801**	**1,014,688**	**1,745,129**	**5,239,518**	**800,210**	**12,427**
A.1 Government securities	-	-	-	-	250,573	102,688	438	100,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,008,179	14,921	126,417	101,054	548,228	912,000	1,744,691	5,139,518	800,210	12,427
- Banks	897,816	79	-	14	-	-	2	-	-	12,427
- Customers	110,363	14,842	126,417	101,040	548,228	912,000	1,744,689	5,139,518	800,210	-
B. On-balance sheet liabilities	**939,749**	**16,658**	**34,828**	**57,783**	**358,329**	**1,466,452**	**1,838,220**	**4,800,997**	**119,833**	**-**
B.1 Deposits and current accounts	785,495	4,469	8,826	16,300	56,681	62,359	198,804	239,488	-	-
- Banks	38,768	-	-	-	-	-	-	-	-	-
- Customers	746,728	4,469	8,826	16,300	56,681	62,359	198,804	239,488	-	-
B.2 Debt securities	-	-	-	31,015	58,661	76,365	152,444	882,018	-	-
B.3 Other liabilities	154,254	12,189	26,002	10,469	242,988	1,327,728	1,486,972	3,679,491	119,833	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	4,340	10,255	14,367	27,338	-	-	-
- Short positions	-	-	-	1,605	1,465	2,589	4,955	-	-	-
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 reference to the financial assets subject to “self-securitisation”, at the end of 2022, the Group had six performing transactions in place, completed in just one single initial issue.

Transaction	12/31/2022				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding at 31/12
Golden Bar 2020-1	A	IT0005402570	AH/A+	Car loan and Personnel loan	406,662,074
	B	IT0005402588	BBB/A+		50,000,000
	Z	IT0005402604	NR / NR		67,498,000
Golden Bar 2020-2	A	IT0005417891	AAL/A+	Car loan	483,540,000
	B	IT0005417909	BBBH/BBB		37,737,000
	Z	IT0005417917	NR / NR		37,737,000
Golden Bar 2022-2	A	IT0005495921	Aa3/A	Salary assignment, retirement assignment and delegation of payment	591,830,888
	B	IT0005495939	Baa2/AL		32,879,494
	Z	IT0005495947	NR / NR		32,879,494
Auto ABS Italian Balloon 2019-1	A	IT0005379463	AA(sf)- / AA(sf)	Car loan	242,790,665
	B	IT0005379471	NR / NR		105,600,000
Auto ABS Italian Rainbow Loans 2020-1 S.r.L	A	IT0005416174	AA(sf) / AAA (sf)	Car loan	657,434,454
	Z	IT0005416182	NR / NR		97,750,000
Auto ABS Italian Rainbow Loans S.r.l (series 2022-1)	A	IT0005491086	AA(sf) / AA (sf)	Car loan	288,000,000
	Z	IT0005491094	NR / NR		32,000,000

Consequently, in accordance with international accounting standards, these securitised portfolios have not been derecognised as there were not the requisites for derecognition.

Santander Consumer Bank

In May 2022, Santander Consumer Bank finalised a new securitisation transaction, Golden Bar 2022-1 VFN, with the following characteristics:

- an underlying portfolio of loans guaranteed by salary or pension assignment and deductions at source;
- Variable Funding securities issued for a total nominal amount of up to Euro 800 million (initially issued for an equivalent value of Euro 247 million) with legal maturity in 2044; the securities are divided into Classes A (with double rating, suitable for refinancing transactions with the European Central Bank), B and Z with fixed-rate coupons; as well as an addition of the residual variable remuneration, known as “excess spread”, for Class Z.
- The transaction envisages a period of two years during which the SPV may purchase subsequent portfolios, financed by an increase in the value of the issued ABS securities up to the nominal value indicated.

In June 2022, Santander Consumer Bank unwound the GB 2016-1 VFN transaction.

Banca PSA

During 2022, Banca PSA finalised a new securitisation transaction, Auto Abs Italian Rainbow Loans S.r.l. (Series 2022-1), with the following characteristics:

- underlying performing portfolio of car loans (also including loans with “balloon” type repayment);
- Variable Funding securities issued for a total nominal amount of up to Euro 800 million (initially issued for an equivalent value of Euro 320 million); the securities are divided into Classes A and B.
- the transaction envisages a period of two years during which the SPV may purchase subsequent portfolios, financed by an increase in the value of the issued ABS securities up to the nominal value indicated.

1.5 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. For the economic loss component, the operational risk also includes the following risks: legal, conduct-related, non-compliance, financial crime, IT and cyber, physical security, business continuity, financial reporting, third parties and model risks. Strategic and reputational risks are excluded.

The Group adopts a strategy for the undertaking and management of operational risks oriented towards prudent management criteria and aimed at guaranteeing solidity and business continuity over the long term. In addition, particular attention is paid to achieving an optimal balance between growth and profitability objectives and consequent risks.

On a consistent basis with these purposes, 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 supervisory purposes, the Group adopts the Standardised Approach to determine the capital requirement, including in the calculation of the consolidated capital requirement on operational risks the results deriving from the use of the Basic Method (BIA) of the subsidiaries PSA and TIMFin.

Governance model

An effective and efficient operational risk management framework presupposes that it is closely integrated in the decision-making processes and in the management of company operations. For this reason, the Group has chosen to directly involve in the operational risk management process (so-called *Operational Risk Management*) the Organisational Units (business units, central/support structures).

The operational risk governance model is developed with a view to:

- optimisation and enhancement of organisational safeguards, interrelationships and information flows between existing Organisational Units and integration of the operational risk management approach with other business models developed for specific risks (e.g. Business Continuity, IT Security, etc.);
- transparency and dissemination of the models, methods and criteria for analysis, evaluation and measurement used, in order to facilitate the process of cultural dissemination and the understanding of the logics underlying the choices made.

ICT (*Information Communication Technology*) risk

The ICT risk is the risk of incurring economic, reputational and market share losses in relation to the use of information and communication technology. In the integrated representation of corporate risks for prudential purposes, this type of risk is considered, according to the specific aspects, under operational, reputational and strategic risks.

The Group considers the IT system to be a tool of primary importance for the achievement of its strategic, business and social responsibility objectives, also in consideration of the critical nature of the business processes that depend on it. Consequently, it is committed to creating a resilient environment and investing in activities and infrastructures aimed at minimising the potential impact of ICT events and protecting its business, its image, its customers and its employees.

Therefore, the Group has adopted a system of principles and rules aimed at identifying and measuring the ICT risk to which company assets are exposed, assessing the existing controls and identifying the appropriate methods for managing these risks, on a consistent basis with the operational risk management process.

In line with the methodological framework defined for the governance of operational risks, the ICT risk governance model is developed with a view to integrating and coordinating the specific skills of the structures involved.

ICT risk includes:

- the cyber risk (including IT security risk): the risk of incurring economic, reputational and market share losses due to:
    - any unauthorised access of or attempt to access the Group’s information system or the data and digital information contained therein;
    - any event (intentional or involuntary) favoured or caused by the use of technology or related to it that has or could have a negative impact on the integrity, availability, confidentiality and/or authenticity of the company data and information, or on the continuity of business processes;
    - improper use and/or divulgation of digital data and information, even if not directly produced and managed by the Group;
- IT or technological risk: the risk of incurring economic, reputational and market share losses in relation to the use of the company information system and connected to hardware, software and network malfunctions.

Legal risk

At the reporting date, approximately 2,990 disputes were pending at Group level, other than tax disputes, with a total claim of approximately Euro 46,648,629 million (of which Euro 44,942,890 million referring to the Parent Company). This amount is for the most part determined by a limited and circumscribed number of pending disputes for which the risk of disbursement of economic resources deriving from a potential position of loss was assessed as possible.

The risk associated with these positions has been the subject of specific and careful analysis. In the presence of disputes for which it is estimated that there is a probability of a disbursement of more than 50% and if it is possible to make a reliable estimate of the related amount (so-called disputes with probable risk), specific and appropriate allocations have been made to the Provision for Risks and Charges. Without prejudice to the risk of uncertainty that characterises all disputes, the estimate of obligations that could emerge from disputes - and therefore the entity of the provisions that may be made - derives from the forecast assessments regarding the outcome of the legal proceedings. These estimates are in any case made on the basis of all information available at the time of the estimate.

Net of the Lexitor issue, disputes with probable risk amounted to approximately 22 (7 pertaining to the Parent Company) with a claim of Euro 1,092,980 (of which Euro 166,398 pertaining to the Parent Company) and provisions for Euro 1,169,502 (of which Euro 120,236 pertaining to the Parent Company). The breakdown by main categories of disputes with probable risk shows the prevalence of particular cases related to the ordinary banking and lending activities of the Group. With regard to the Lexitor issue, relating in particular to salary assignment loans, please refer to section “D - Other facts worth mentioning” in the consolidated Report on Operations.

For further quantitative information, please refer to the Notes to the financial statements - Part B - Provisions for risks and charges.

Group Operational Risk Management Process

The Group’s operational risk management process is divided into the following phases:

Identification

The identification phase includes the collection and classification of qualitative and quantitative information that makes it possible to identify and describe the Group's potential operational risk areas. In particular, it envisages:

- the collection and updating of data on operational events (*Loss Data Collection*), decentralised to the Organisational Units;
- the identification of business processes and components of the information system at greatest potential risk;
- the determination of the applicability and relevance of the defined operational risk factors;
- the identification of projects that will involve significant changes to the information system;
- the identification of significant risk scenarios, also based on the external context (e.g. external loss data, regulatory developments, emerging trends, *strategic* and *threat intelligence*);
- the identification and analysis of critical issues affecting the Group's areas of operation.

Measurement and evaluation

The measurement and evaluation phase includes the quali-quantitative determination of the Group's exposure to operational risks. It envisages:

- the self-assessment process of operational and ICT risk exposure (Self-diagnosis) at least once a year;
- the execution of preventive analyses of operational and ICT risks deriving from agreements with third parties (e.g. outsourcing of activities), business operations or project initiatives, introduction or review of new products and services, launch of new activities and entry into new markets;
- the definition of the relevance of the critical issues identified;
- the transformation of the assessments collected (e.g. internal and external data on operating loss, levels of monitoring of risk factors, probability and impact in the event of implementation of risk scenarios) into summary risk measures;
- the determination of the economic and regulatory capital through the internal model and the simplified methods defined by the regulations in force.

Monitoring and control

The objective of the monitoring phase is to analyse and control the continuous evolution of the exposure to operational risks, based on the structured organisation of the results obtained from the identification and assessment and measurement activities and on the observation of indicators that represent a good proxy for exposure to operational risks (e.g. limits, early warnings and indicators defined in the RAF).

Mitigation

The mitigation phase includes activities aimed at limiting exposure to operational risks, defined on the basis of that which emerged at the time of identification, measurement, assessment and monitoring. It envisages:

- the identification, definition and implementation of the corrective actions (so-called mitigation actions) necessary to remedy the monitoring shortfalls identified or bring the relevance of the critical issues identified within the defined tolerance;
- the promotion of initiatives aimed at spreading the culture of operational risk within the Group;
- the definition of operational risk transfer strategies, in terms of optimisation of insurance coverage and any other forms of risk transfer adopted by the Group as and when necessary.

In this regard, in addition to taking advantage of a traditional insurance programme (to protect against offences such as employee disloyalty, theft and damage, transport of valuables, computer fraud, forgery, cyber, fire and earthquake as well as third-party liability), in compliance with the requirements established by legislation and in order to benefit from the equity benefits envisaged by the same, the Group has taken out an insurance policy entitled *Operational Risk Insurance Programme* that offers ad hoc coverage, significantly raising the limits of liability covered, with transfer to the insurance market of the risk deriving from significant operating losses.

In addition, with regard to the risks related to property and infrastructures and in order to limit the impacts of phenomena such as catastrophic environmental events, international crises, social protests, the Group can activate its own business continuity solutions.

Communication

The communication phase includes the preparation of suitable information flows related to the management of operational risks, aimed at providing useful information, for example, for:

- the analysis and understanding of any dynamics underlying the evolution of the level of exposure to operational risks;
- the analysis and understanding of the main critical issues identified;
- the definition of mitigation actions and intervention priorities.

Self-diagnosis

Self-diagnosis is the annual process via which the Organisational Units identify their level of exposure to operational and ICT risk. It includes the *Operational Risk Assessment* and the ICT *Risk Assessment*, in turn consisting of:

- Assessment of the Operating Context (VCO): activities through which the significant Risk Factors are identified and the relative level of control is assessed;
- Scenario Analysis (AS): prospective analysis methodology that is expressed in a systematic process, typically repeated at a predefined frequency but which can also be carried out ad hoc, and which involves hypothesising the occurrence of particular situations (or scenarios) and forecasting their consequences. Once identified and appropriately characterised, the scenarios must be assessed: i.e., the probability of occurrence (frequency) and potential impact (average and worst case impact), in the event of occurrence of the situation described by the scenario itself, must be determined.

Impacts deriving from the COVID-19 pandemic

Following the end of the grace period and the easing of the current macroeconomic and health situation, the Group did not experience significant impacts on the management of operational risks.

Quantitative information

Theoretical unexpected losses, determined by applying the standard method (STA) for the parent company and the basic method (BIA) for the subsidiaries, amount to Euro 57 million.

Losses recorded during the year (Source: EDB-Events Database), on the other hand, are shown as follows:

Risk Type	Net Losses	Net Provisions	Addition, uses and recoveries	Net Op Risk Impact
Internal Fraud				
External Fraud	202.54	126.33		328.87
Employment, pratises & Workplace Safety				
Clients, Products & Business Practices	2,577.48	111.43	(155.67)	2,533.24
Damage to physical Assets				
Business Disruption & System Failures				
Execution, Delivery & Process Management	25,51		(791.26)	(765.74)
TOTAL	**2,805.53**	**237.76**	**(946.92)**	**2,096.37**

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 monitoring of capital adequacy at consolidated and individual investee level is ensured by the capital management activities within the sphere of which, in compliance with regulatory restrictions and in line with the risk profile adopted by the Group, the size and optimal combination of the different capitalisation instruments are defined.

Santander Consumer Bank assigns a priority role to the management and allocation of capital resources, both as a strategic lever and as a tool to ensure the consistency of the operating plans of the business units. In this context, the Group uses the *Return on Risk Weighted Assets* (RORWA) indicator, which summarises the return on risk-weighted assets, as the primary tool for strategic decisions.

Once the strategic objectives of profitability, capital solidity and liquidity that the Group intends to pursue have been defined, the capital and financial resources are allocated to the business units through a process that assesses their growth potential, value creation capacity and financial autonomy.

The risk capital considered is twofold:

- regulatory capital in the presence of Pillar 1 risks;
- total internal capital in the presence of Pillar 2 risks, for the purposes of the ICAAP process.

Regulatory capital and total internal capital differ in terms of definition and coverage of the risk categories. The first derives from schemes defined in the supervisory regulations, the second from management measurements.

Capital management activities and the RAF (*Risk Appetite Framework*) are therefore substantiated in the governance of current and future capital adequacy by means of a careful monitoring of both Pillar 1 regulatory restrictions (from 1 January 2014 according to Basel III rules), as well as the Pillar 2 management restrictions. The projections are produced also in stress situations in order to ensure that the available resources are adequate to cover all risks, even in adverse economic conditions.

Each year, as part of the process of assigning budget objectives, a compatibility check of the projections at consolidated and individual investee level is carried out. Based on the expected trends in the balance sheet and income statement aggregates, if necessary, appropriate capital management action is already identified at this stage to ensure the necessary financial resources for the individual business units. On a quarterly basis, compliance with capitalisation levels is monitored, taking appropriate action when necessary.

Compliance with capital adequacy is pursued through various levers, such as the dividend distribution policy, the definition of strategic finance transactions (share capital increases, issue of subordinated bonds, disposal of non-strategic assets, etc.) and the management of investments, in particular lending, in relation to the risk of the counterparties.

Further analyses for the purposes of preventive control of capital adequacy are carried out at the time of extraordinary transactions (mergers, acquisitions, disposals, etc.) both within the Group and those amending its boundaries.

Following the *Supervisory Review and Evaluation Process* (SREP), the Regulator annually provides the final decision on the capital requirement that the Group must comply with at consolidated level. For 2022, the SREP is broken down into the application of minimum regulatory requirements and an additional *Capital Conservation Buffer* of 2.50%, determining the following ratios:

- *Common Equity Tier* 1 equal to 7.00%;
- *Tier* 1 equal to 8.5%;
- *Total Capital* equal to 10.50%,

Own funds, *Risk Weighted Assets* (RWA) and solvency ratios are determined on the basis of the harmonised rules for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in the Regulation (EU) 575/2013 (CRR) of 26 June 2013, amended respectively by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), which transpose the standards in the European Union as defined by the Basel Committee for Banking Supervision (so-called Basel 3 framework), and on the basis of Bank of Italy Circular no. 285. The CRR mentioned above was then supplemented by Delegated Regulation (EU) no. 241/2014 of the Commission containing the regulatory technical standards on own fund requirements for institutions, in turn amended first by Delegated Regulation (EU) no. 2015/923 which governs the issue of indirect and synthetic holdings and subsequently by the Delegated Regulation (EU) no. 2020/2176 on the prudent treatment of software, illustrated below.

In 2017, the transitional phase of the "Basel 3" framework was completed, which envisaged the partial inclusion or deductibility from Own Funds of certain elements in accordance with the provisions of the CRD IV and the CRR, and 2018 also saw the end of the period of departure referring to the amendments to be applied to IAS 19 with the filter on reserves for actuarial gains and losses.

As from 1 January 2018, the transition period (2018-2022) aimed at mitigating the capital impacts linked to the introduction of the new accounting standard IFRS 9 began. The Group, in this context, availing itself of the option envisaged by Regulation (EU) 2395/2017, opted not to apply transitional regimes considering its level of capitalisation.

Regulation (EU) 2019/630 of 17 April 2019, amending the CRR, has been in force since 26 April 2019, introducing the deduction to be made to CET1 in the event of insufficient minimum coverage of losses on non-performing exposures (*minimum loss coverage*), the latter determined on the basis of differentiated provisioning percentages, between secured and unsecured exposures, as well as a predetermined time-frame in which to achieve this coverage target (so-called *calendar provisioning*).

Within the sphere of the context linked to the COVID-19 pandemic, Regulation (EU) 2020/873 of 24 June 2020 was published with an accelerated approval process (so-called *quick fix*), which amends the CRR and contains temporary support provisions in terms of capital and liquidity. Among the various provisions relating to the calculation of Own Funds, the Group opted not to make use of either the changes to the transitional regime for the application of IFRS 9 (article 473 bis CRR), or the temporary reintroduction of the prudent filter aimed at excluding unrealised gains and losses measured at fair value through other comprehensive income (FVOCI) for exposures to central governments and public sector entities (article 468 of the CRR).

In addition, on 22 December 2020, Delegated Regulation (EU) 2020/2176 was introduced, which amends Delegated Regulation (EU) 241/2014, with regard to the deduction of assets in the form of software from Common Equity Tier 1 elements, as the purpose of the Regulator is to support the transition towards a more digitalised banking sector by introducing the concept of prudent amortisation applied to all assets in the form of software over a period of 3 years, regardless of the estimated useful life for accounting purposes. In this context, the Group, availing itself of the option envisaged by the Regulation, opted to apply this regime.

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by type of business

The prudential scope of consolidation does not correspond to that of the financial statements, as the companies that exercise operating leases (Santander Consumer Renting S.r.l. and Drive S.r.l.) are to be considered as non-financial and non-instrumental companies pursuant to the current EBA clarifications.

Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Capital	755,309	-	-	(95,555)	659,755
2. Emission Fees	24,177	-	-	(11,772)	12,405
3. Reserves	499,498	-	-	(81,978)	417,520
4. Capital Instruments	-	-	-	-	-
5. (Own shares)	-	-	-	-	-
6. Valuation reserves:	(715)	-	-	-	(715)
- 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	(896)	-	-	-	(896)
- 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	181	-	-	-	181
- Provisions for valuation reserves related to equity investments valued at shareholders' equity	-	-	-	-	-
- Special revaluation laws	-	-	-	-	-
7. Net (Loss) (+/-) of Group and minorities	168,186	-	-	(6,779)	161,407
Shareholders' equity	**1,446,455**	**-**	**-**	**(196,084)**	**1,250,371**

B.2 Valuation reserves for financial assets measured at fair value through other 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		-	896	-	-	-	-	-	-	-	896
2. Equity securities		-	-	-	-	-	-	-	-	-	-
3. Loans		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**-**	**896**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**896**
Total	**12/31/2021**	**230**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**230**	**13**

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

	Debt securities	Equity securities	Loans
1. Opening balance	**218**	-	-
2. Positive changes	**13**	-	-
2.1 Fair value increases	13	-	-
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	**(1,126)**	-	-
3.1 Fair value reductions	(1,126)	-	-
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	**(896)**	-	-

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

The valuation reserve amounts to Euro 132 thousand.

During the year there was an increase in the valuation reserves relating to defined-benefit plans equal to Euro 22 thousand, net of the corresponding tax effect.

Section 2 – Own funds and capital adequacy ratios

The entity is not required to prepare the disclosure to the public (Third Pillar) as this is the responsibility of the Spanish parent company.

In light of this peculiarity, the related disclosure is provided in the following tables.

Own funds

Common Equity Tier 1 is composed of the book value of shareholders' equity, including the Group profit for the period, certified by the competent authorities (Euro 126,508 thousand) and minority interests to the extent of the only part that can be calculated (Euro 87,692 thousand), with the following adjustments:

- application of prudential filters pertaining to positions measured at fair value (AVA) (Euro 88 thousand);
- deduction of intangible assets exceeding the weighting rules (Euro 6,947 thousand);
- deduction of positions towards STS securitisations (Euro 573 thousand);
- deduction of minor accounting write-downs compared to the Calendar Provisioning forecasts (Euro 120 thousand).

Additional Tier 1 and Tier 2 capital consists of the instruments issued and considered eligible. These instruments are calculated on the basis of the time criterion envisaged by regulations.

Gruppo Santander Consumer Bank Own Funds	Total	
	12/31/2022	12/31/2021
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**1,089,780**	**1,008,520**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	**(88)**	**(201)**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**1,089,693**	**1,008,320**
D. Deductions from CET1	**7,640**	**6,058**
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**1,082,053**	**1,002,262**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements	**17,032**	**17,113**
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)	**17,032**	**17,113**
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	**125,203**	**154,790**
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)	**125,203**	**154,790**
Q. Total own funds (F + L + P)	**1,224,288**	**1,174,165**

Supervisory ratios

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

Value	Non weighted assets		Weighted assets	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
A. RISK ASSETS				
A.1 Credit and counterparty risk	10,477,781	9,998,785	6,487,510	5,818,017
1. Standardized approach	10,477,781	9,998,785	6,487,510	5,818,017
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			520,653	446,761
B.2 Risk valuation adjustment credit				21,844
B.3 Regulation Risk				
B.4 Market Risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			57,224	55,189
1. Basic indicator approach (BIA)			28,730	28,712
2. Traditional standardized approach (TSA)			28,495	26,476
3. Advanced measurement approach (AMA)				
B.6 Other calculation elements				
B.7 Total capital requirements			577,877	523,793
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			7,223,465	6,547,414
C.2 Capital primary class1 / Risk			14.98%	15.31%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			15.22%	15.57%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			16.95%	17.93%

Part G – Business combinations

The Bank has not realised any business combinations involving companies or lines of business.

Part H – Related-party transactions

As laid down by EU Regulation no. 632/2010 of the Commission dated 19 July 2010, the text of IAS 24 defines the concept of related party and identifies the relationship between this one and the entity that draws up the financial statements.

Pursuant to these notions, related parties include:

- the significant shareholders as well as their subsidiaries, including those jointly controlled, and their associates;
- the executives with strategic responsibilities;
- close family members of shareholders and executives with strategic responsibilities and subsidiaries, including those jointly controlled, by the latter or their close relatives.

For the purposes of the management of transactions with related parties, reference is made to the rules defined by CONSOB Regulation 17221/2010 (deriving from the provisions of article 2391-bis of the Italian Civil Code) and the matters introduced in 2011 by Title V, Chapter 5 of the Bank's Circular 263/2006, as well as the provisions pursuant to article 136 of Italian Legislative Decree no. 385/1993. In this context, Santander Consumer Bank adopted the "Regulation for transactions with related parties" for the management of transactions with parties in conflict of interest, aimed at establishing preliminary and decision-making rules with regard to transactions carried out with related parties and to regulate the procedures for fulfilling the disclosure obligations vis-à-vis stakeholders.

1. Information on the remuneration of managers with strategic responsibilities

	Management and Control bodies	Other Manager	Totale
Short-term benefits	803	7,455	8,258
Post-employment benefits	-	-	-
Other long-term benefits	-	-	-
Termination indemnities	-	-	-
Share-based payments	-	497	497
Total	**803**	**7,952**	**8,755**

2. Related party disclosures

	Banco Santander	Santander Consumer Finance	Peugeot SA Group companies	Other Santander Group companies	Stellantis Group companies	Tim S.p.A.
A10. Cash and cas balances	267,044	472,052				
A20. Financial assets designated at fair value through profit or loss						
A20a). Financial assets held for trading	41,060					
A20c) Financial assets mandator designed at fair value					4	
A40. Financial assets measured at amortised cost						
A40a) Loans and advances to banks	7,864					
A40b) Loans and advances to costumers			11,237			
A50. Hedging derivatives	154,216					
A100. Intangible assets				20		
A130. Other assets	274		16,450	2,873		8,071
	-	-	-	-	-	-
L10. Financial liabilities valued at amortised cost						
L10) Deposits from banks	(191,844)	(2,672,137)	(11,053)			
L10b) Deposits from costumers	(1)	(388,389)	(56,951)	(8,467)		
L10c) Debt securities in issue	(9,123)	(477,078)				
L20. Financial liabilities held for trading	(41,083)					
L80. Other liabilities	(238)	(453)	(70,689)	(578)	(50)	(744)
L90. Provision for employee severance pay	(22)					
L100. Provisions for risks and charges						
L100c) others			(7)			
	-	-	-	-	-	-
PL10. Interest and similar income	6,652	52	5,122			32,126
PL20. Interest expenses and similar charges	(14,478)	(17,959)	(791)			
PL40. Fee and commission income			9,456			
PL50. Fee and commission expenses	(231)		(1,130)			
PL80. Net income financial assets and liabilities held for trading	6					
PL90. Net hedging gains (losses) on hedge accounting	148,065					
PL190. Administrative costs:						
PL190a) payroll costs				284		(730)
PL190b) other administrative costs	(2,090)	(93)	(9,034)	(2,851)	(50)	(1,404)
PL220. Net adjustments / writebacks on intangible assets				(29)		
PL230.Other operating income/expenses			126	6,984		3,569
Derivatives - notional	4,790,664					

All transactions with related parties during the year were concluded under market conditions (arm's length basis).

Dealings with the parent company refer to:

- derivative transactions;
- funding transactions;
- consulting services received.

Dealings with the other companies of the Santander Group mainly refer to:

- consulting services received;
- management services granted, with related recharges of out-of-pocket expenses (including secondment of employees).

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

Other Information

As required by article 2427, paragraph 16 bis), of the Italian Civil Code, the total amount of the fees due to the independent auditors for the year 2022 is shown below. The amounts are shown net of the ISTAT revaluation, expense allowance, supervisory contribution and VAT.

Type of services	Supplier	Recipient	Description	Total (euro) 31/12/2022
Audit	PricewaterhouseCoopers S.p.A.	Parent Company	Audit services	239
	PricewaterhouseCoopers S.p.A.	Subsidiaries	Audit services	250
	PricewaterhouseCoopers S.p.A.	SPV	Audit services	102
Other services	PricewaterhouseCoopers S.p.A.	Parent Company	Verification SRF (AUP)	16
	PricewaterhouseCoopers S.p.A.	Subsidiaries	Verification TLTRO, SRF, VAT endorsement of conformity	39
Total				**645**

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

This part provides the information required by IFRS 16 that is not present in the other parts of the financial statements, distinguishing between lessee and lessor.

Section 1 – Lessee

Qualitative information

Real estate leases

The real state lease agreements have a value in use of Euro 20,540 thousand (Euro 21,755 thousand in 2021), and include the headquarters and the branches.

The contracts, as a rule, have a duration of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee according to the law or specific contractual provisions. These contracts do not usually include the purchase option at the end of the lease or significant restoration costs. Based on the characteristics of the lease contracts and the provisions of Italian Law 392/1978, in the event of signing a new lease agreement with a contractual duration of six years and the option of tacitly renewing the six-year contract in six years, the total duration of the lease is set at twelve years. This general indication is superseded if there are new elements or specific situations within the contract

Motor vehicle leases

The lease agreements relating to motor vehicles have a value in use of Euro 2,764 thousand (Euro 4,601 thousand in 2021), and consist of long-term rentals referring to the company fleet made available to employees (mixed use).

Generally, these contracts envisage monthly payments, with no renewal option and do not include the option to purchase the asset.

Residual leases

As already indicated in the accounting policies, the Group avails itself of the exemptions permitted by IFRS 16 for short-term leases (i.e. duration of less than or equal to 12 months) or leases of modest value assets (i.e. value less than or equal to Euro 5,000), such as hardware and sub-leases.

It is also specified that no sales or retro-leasing transactions were carried out

Informazioni quantitative

Please refer to the Notes to the financial statements:

- Part B - Assets, which provides information on rights of use acquired through leasing (Table 9.1 - Property, plant and equipment used for business purposes: breakdown of assets measured at cost);
- Part B - Liabilities and shareholders' equity, which shows the lease payables (Table 1.2 - Financial liabilities measured at amortised cost: deposits from customers, breakdown by type) and the relative breakdown by maturity (Table 1.6 - Finance lease payables);
- Part C contains information on interest expense on lease payables and other charges associated with rights of use acquired through leases and income from sub-lease transactions.

Please refer to the specific sections for further details.

The following table shows the quantitative information not present in the above references:

	Leasing low-value	Short term leasing	Proceeds sub-leasing
Total	**427**	**-**	**341**

Section 2 – Lessor

Qualitative information

The entity provides financial and operating leases consisting of the concession to use motor vehicles, motorcycles, campers and commercial vehicles.

As lessor, the management of the risk associated with the rights that Santander Consumer Bank retains on the underlying assets takes place through:

- buy-back agreements;
- collateral: security deposits;
- endorsement guarantees: bank, insurance and sureties.

In the case of contracts in which the entity directly bears the risk on the residual value of the contract, as there is no buyback agreement with the dealer or the manufacturer, quarterly monitoring is carried out, aimed at the allocation of a provision for residual values..

Informazioni quantitative

1. Balance sheet and Income statement information

Please refer to the Notes to the financial statements:

- Part B - Assets, which shows the lease financing (Table 4.2 - Financial assets measured at amortised cost: loans to customers, breakdown by type);
- Part C contains the information on interest income on lease financing and on other revenues from finance leases.

2. Finance leases

3. 2.1 Classification by time bands of payments to be received and reconciliation with lease financing recognised under assets

Maturity ranges	Total 12/31/2022 Lease payments receivables	Total 12/31/2021 Lease payments receivables
Up to one year	315,976	296,030
Over one year up to 2 years	393,496	377,588
Over 2 years up to 3 years	120,160	137,232
Over 3 years up to 4 years	45,948	42,425
Over 4 years up to 5 years	14,478	17,775
For over 5 years	-	-
Amount of the lease payments receivables	**890,057**	**871,050**
RECONCILIATION OF THE UNDISCOUNTED LEASE PAYMENTS	(24,397)	(19,934)
Not accrued gains (-)	(24,397)	(19,934)
Not guarantee residual value (-)	-	-
Lease payments	**865,660**	**851,116**

2.2 Other information

In order to manage the residual values deriving from un-opted or withdrawn assets following resolution, the entity structured a sale procedure through dedicated platforms, in order to manage the disposal of the assets in the shortest space of time possible at market conditions.

6. Operating leases

7. 3.1 Classification by time bands of payments to be received

Maturity ranges	Total 12/31/2022 Lease payments receivables	Total 12/31/2021 Pagamenti da ricevere per il leasing
Up to one year	880	-
Over one year up to 2 years	135	-
Over 2 years up to 3 years	128	-
Over 3 years up to 4 years	70	-
Over 4 years up to 5 years	17	-
For over 5 years	-	-
Total	**1,229**	**-**

3.2 Other information

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

Report on operations of Santander Consumer Bank S.p.a.

Report on operations

A - The reference market

A.1 - The macroeconomic scenario

Si veda Relazione sulla gestione del bilancio consolidato, sezione A.1 – Scenario macroeconomico.

A.2 - Industry trends

See the Report on operations accompanying the consolidated financial statements, section A.2 - Industry trends.

B - Performance of interest-bearing assets and liabilities

B.1 - New Business

Santander Consumer Bank recorded an increase in volumes compared to the previous year (+11.2%), excluding products to its network (Stock Financing, Revolving Dealer).

Santander Consumer Bank	dec '22	dec '21	% 22/21
(Milion euros)			
New Business Total*	2,346.2	2,110.5	11.2%
Total Vehicle	*1,106.2*	*1,441.7*	*-23.3%*
New Vehicle	*650.0*	*1,095.3*	*-40.7%*
Used Vehicle	*456.2*	*346.4*	*31.7%*
Special Purpose Loan	284.0	249.5	13.8%
Credit Card	3.7	3.4	8.8%
Personal Loan	*770.0*	*221.4*	247.8%
Salary Assignment	*182.3*	*194.4*	-6.2%

* Excluding Top Up and Refinancing

Automotive loans recorded an overall decrease of -24.6%, mainly due to the reduction in loans on new vehicles (-40.7%) and a simultaneous increase in second-hand car loans (+31.7%). The trends recorded are mainly attributable to the difficulties of the market to assimilate semiconductors and to the exit of the Italian Group from the KIA and Hyundai agreements.

Special-purpose loans recorded an increase of +13.8% thanks to the consolidation of existing commercial agreements.

Personal loans recorded an increase of +247.8% thanks mainly to the agreement with Poste Italiane launched at the end of 2021.

Salary assignment loans recorded a decrease of -6.2%, due to the decrease in renewals related to the portfolio composition.

The main products managed with customers are shown below.

Automotive loans and automotive leases

Captive agreements are 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.

Agreements pertaining to the automotive sector, together with specialisation by the dedicated sales structure and loyalty programmes (TCM and lease products, CRM activities) make it possible, on one hand, to improve performance in terms of retention of market shares and volumes and, on the other hand, to further strengthen the loyalty of dealers and customers.

During 2022, the performance of the New car market was negative compared to the same period in 2021, while the “Two-wheeler” market recorded stability, being constant due to the aftermath of the pandemic situation that strongly reduced the presence of products. In the first half of the year, sales volumes were in fact still negatively and progressively affected by the lack of product resulting from the shortage of semiconductors which affected all markets. During 2022, new negotiations were also carried out on used products, including the car product agreement with Autohero and new agreements are in the pipeline.

With regard to the “Two-wheeler” sector, Santander Consumer Bank, bucking the trend, maintained volumes financed above the budget (+19.6%) with different performances on the individual brands (Yamaha -13.6%, KTM -17.6%, Hus +16.9%, HD +15%).

Overall, the share of the amount financed on sales decreased slightly, remaining however at market levels between 45% and 50% with most of the partners.

Personal loans

The year 2022 saw strong growth in the personal loans business. Volumes increased significantly compared to the previous year, mainly thanks to the agreement with Poste Italiane launched at the end of 2021.

Growth on the web channels also continued, supported by innovative initiatives and digital campaigns. In 2022, the Bank's direct web channel grew by more than 30% compared to the previous year; in addition, "direct marketing" activities focused on renewing the communication style and the products offered to customers, standardising its presence across all channels, both physical and digital.

The bank's range was also enhanced with the "flexible" personal loan product that allows customers to change or skip the instalment.

Salary assignment loans

The trend of the salary assignment loan market in 2022 recorded growth both with respect to 2021 and 2019 in terms of volumes. Santander Consumer Bank, going against the trend, recorded a reduction compared to 2021 due to the decrease in renewals related to the composition of the portfolio (mainly the retirees segment).

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 put in place in 2022 were:

- the consolidation of the promotion and placement of loans through its network, consisting of financial agents, which represents the largest share of production;
- the gradual increase in distribution through its 21 branches throughout the country;
- the continuation of collaboration with Financial Intermediaries for the purchase of receivables and contracts without recourse.

In 2022, the digital signature of loan agreements was also activated through OTP. The function is available for both the face-to-face signature process and the remote process, with the aid of video recognition.

Credit cards

A credit facility 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 one has the right to modify the financial conditions during the relationship, in compliance with regulations in force. The facility may be backed by possible guarantees.

In the course of 2022, the product remained almost stable considering the current commercial positioning of Santander Consumer Bank.

Other non-consumer loans

Santander Consumer Bank's portfolio also includes the following non-consumer products:

- Stock finance: credit facility made available to the Affiliated Party, which can be used as a deposit for advances against presentation of European Type-approval Certificates or Certificates of Conformity (i.e. the documents necessary for the registration of Motor vehicles or Motorcycles) in the case of new motor vehicles or motorcycles or against presentation of Ownership Certificates and Vehicle Registration Certificates in the case of second-hand motor vehicles or motorcycles.
- Revolving dealer credit facility consisting in the advance payment to the Affiliated Party of a predefined amount.

Brokered products: Insurance

With regard to insurance products in the automotive channel, 2022 recorded a decrease due to both the performance of loans and fewer combinations of insurance services provided. The combined provision had effects on the Credit Protection (CPI) and Asset Hedging products, although the latter recovered in the second half of the year.

In the Non-Motor Vehicle channels, 2022 recorded stable performance in the various sales channels.

In general, in the traditional "point of sale" channel, insurance products intermediated by the Bank proved to be particularly appreciated by the customers, in particular the new product family Land Vehicle Hulls (CVT), such as theft & fire, comprehensive insurance, etc..

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.

B.2 – Founding

As at 31 December 2022, Santander Consumer Bank recorded net debt of Euro 6,177 million (+4.2% compared to the previous year), mainly consisting of structured funding (65.9%), Group funding (13.6%) and customer deposits (20.5%).

Over the course of 2022, the amount deriving from participation in the ECB's TLTRO III auctions remained unchanged at Euro 2,804 million. The remaining part of structured funding is represented by ABS securities sold to private investors.

Medium/long-term liabilities include loans granted by the Spanish Parent Company, subordinated loans and not-preferred senior units. This aggregate rose slightly to finance disbursements. It is highlighted, furthermore, that the Spanish Parent Company also provides short-term liabilities.

Overall, customer deposits grew from Euro 1,197 million at the end of 2021 to Euro 1,264 million at the end of 2022, with time deposits growing in relative terms.

The cost of funding increased during 2022 mainly due to the increase in interest rates that occurred in the second half of 2022, which also changed the conditions of the TLTRO.

To support the regulatory liquidity indicators, Santander Consumer Bank maintains a portfolio of Government securities amounting to Euro 400 million at the end of 2022, as well as overnight instruments vis-à-vis the parent company.

The main products managed with customers are shown below:

Deposit accounts

What the market offers essentially comes down to deposit accounts with or without a time constraint and an interest income rate linked to this constraint.

The Bank once again in 2022 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 2022:

- time deposit funding amounted to Euro 581 million (+23.83% compared to the previous year);
- demand deposit funding amounted to Euro 672 million (-5.16% compared to the previous year).

C. Other facts worth mentioning

Establishment of Santander Consumer Renting and Drive

In order to develop a new business segment in line with the strategies outlined by Santander Consumer Finance S.A., in May 2022 Santander Consumer Bank expanded its shareholding structure, by means of the establishment of two rental companies, based in Bolzano, Santander Consumer Renting S.r.l. and Drive S.r.l. The creation of dedicated business lines should facilitate any future commercial agreements and at the same time will allow the Group to enter a strategic sector in consideration of the development of the automotive sector.

The contributions made by Santander Consumer Bank S.p.A. during 2022 amounted to Euro 4 million in Santander Consumer Renting S.r.l. and Euro 5 million in Drive S.r.l.

The two companies have no agreements with manufacturers, but will exploit the synergies deriving from the Santander Consumer Bank sales network and the experience deriving from resources hired specifically for the purpose.

These companies signed the regulations concerning the national tax consolidation and the VAT Group scheme, which in 2021 already included Santander Consumer Bank and TIMFin. It is also specified that the extension of the national tax consolidation scheme is directly effective from 2022, while the expansion of the VAT Group scheme is effective from 2023. For further details, please refer to the Notes to the financial statements Part A. "Accounting policies".

Disposal of NPLs

In July 2022, Santander Consumer Bank sold a portfolio of non-performing loans for Euro 17.5 million, fully covered by bills of exchange, for a total sale value of Euro 9 million. These transactions, of a routine nature for the Bank, generated a positive impact of Euro 8.2 million.

Securitisation transactions

In May 2022, Santander Consumer Bank completed a self-securitisation transaction with underlying salary assignment loans, contributing Euro 656 million. The transaction entailed the issue of notes for Euro 800 million, envisaging the possibility of further revolving acquisitions of performing loans in the following 24 periods up to a total amount of Euro 800 million.

Lexitor ruling

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.

As from the date of the issue by the Bank of Italy of its guidelines in question (4 December 2019), the Bank adjusted, for cases settled after that date, the settlement calculations with respect to the notion of the cost of credit set out by these standards, taking steps, in the event of early termination, to reimburse the full cost of the credit. In addition, a provision for risks and charges for Euro 26.9 million was set aside to cover these liabilities (detailed below). In conclusion, in this context, starting from the beginning of 2020, in order to comply with the aforementioned guidelines of the Bank of Italy, the Bank changed its contractual standards.

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 - Support 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.

The Bank has aligned itself with the provisions of the Decree described by applying, as from July 2021, at the time of early termination, (i) the provisions of the loan agreement and (ii) the provisions of article 125-sexies of the Consolidated Law on Banking pursuant to Italian Legislative Decree no. 385 of 1993 in force on the date of 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 to be 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.

By means of Ruling no. 263 of 22 December 2022, the Constitutional Court ruled on the reduction of the total cost of credit to consumers in the event of early repayment of the loan and declared the new article of the Sostegni-bis Decree unconstitutional, limited to the following sentence "and the secondary rules contained in the transparency and supervisory provisions of the Bank of Italy ". The Court held, in particular, that the reference made by the legislator, in the inter-temporal regulation, to the secondary regulations of the Bank of Italy, was in conflict with the principle of the primacy of European Union law, since in fact it prevented the application of article 16, paragraph 1 of the Consumer Credit Directive, as interpreted by the Court of Justice.

Although apparently it might seem that the Judge has definitively resolved all interpretative issues with reference to the application of article 125 sexies of the Consolidated Law on Banking in the version prior to the reform, on the contrary, several doubts remain regarding the effective scope of application of the principles established by the same.

Lastly, by means of ruling dated 9 February 2023, the Court of Justice of the European Union in case C-555/21 - questioned by the Austrian Supreme Court about whether Directive 2014/17 (Directive on credit agreements with consumers relating to residential properties) precludes a national regulation that envisages that the right of the consumer to reduce the total cost of the credit, in the event of early repayment of the same, includes only interest and costs that depend on the duration of the credit - expressed itself by asserting that the right to the reduction in question seeks to adjust the loan agreement according to the circumstances of the early repayment.

Therefore, this right does not include costs that, regardless of the duration of the contract, are borne by the consumer in favour of both the creditor and third parties for services that have already been fully performed at the time of early repayment.

In light of the foregoing and considering that, with reference to the aforementioned ruling of the Court of Justice of the European Union in case C-555/21, the principle that the lender may reimburse a portion of all costs, without distinction, is controversial, in addition to the fact that certain cases have been referred by the Constitutional Court itself to the interpreters and that we are awaiting, inter alia, forthcoming developments in the European sphere (such as the enactment of the Consumer Credit Directive 2), scenarios and potential impacts are being analysed on the basis of the information that is becoming available.

In this context, the Bank therefore deemed it appropriate and reasonable to maintain the residual allocations for Euro 10.6 million. This amount is equal to Euro 8.2 million, equal to the residual value of the provisions made in 2019 (originally Euro 26.9 million) statistically estimated to cover the repayment of the up-front components for cases outstanding as at 31 December 2019. This provision was used up until July 2021 (so-called Sostegni-bis Decree previously mentioned) and maintained unchanged from that date until today. For the remaining Euro 2.4 million, the provision relates to contracts already terminated as at 31 December 2019 and not yet claimed, for which provisions were made in 2015 and 2016 to cover the risk inherent in determining the components of the settlement calculation at the time in force. As at 31 December 2022, this provision was not increased in consideration of the intervening period, the statistical trend of claims already received on this sphere and the related payments, the uncertainty of consumer behaviour and measures by the legislator.

Bank of Italy inspection with regard to transparency

In December 2022 and January 2023, the Turin Bank of Italy branch ordered an ordinary inspection regarding the regulations on the Transparency of banking and financial services for some branches of the Bank.

The Bank is expecting the results of the inspection within the first quarter of 2023. Based on its performance, the Bank believes that there are no significant elements to report.

Handling of the COVID-19 emergency

After the end of the state of emergency on 31 March 2022, the Bank in 2022, on a parallel with the removal of obligations by the Government, started a gradual process of easing the restriction and containment measures relating to the COVID-19 pandemic, however, continuing to support multiple activities aimed at ensuring the operational continuity of processes and services by means of the safety and the management of human resources.

Company regulations have been aligned with legislative developments which in 2022 concerned, in particular:

- the Circular of the Ministry of Health of 31 August 2022, which envisaged the reduction of mandatory isolation for people testing positive for COVID-19, regardless of their vaccination status;
- Italian Law no. 142 of 21 September 2022 converting the "Aiuti bis" (Aid bis) Decree, which introduced the extension of the smart working method until 31 December 2022 for fragile workers. The bank has granted the possibility to request smart working based on their needs, for employees who are parents of children under 14 years of age, and for employees who fall within the definition of "fragile".

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.

During 2022, no new grace period action manifested as a result of COVID-19. The residual overlay adjustment relating to COVID-19 is equal to Euro 1.7 million by virtue of the regulations issued in previous years.

The concessions for which the natural expiry has already accrued did not generate situations of tension except for some cases handled according to the normal credit assessment rules defined by the Group.

D - Result for the àyear

The Bank has the reasonable expectation that it will continue to operate in the foreseeable future and has, therefore, prepared the financial statements on a going concern basis, 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.

D.1 - Economic performance

Amounts in millions of Euro	2022	2021	Change	
Net investment margin	**211.5**	**214.9**	**(3.4)**	**(1.6)**
Net fee and commission	39.2	43.6	(4.4)	(10.1)
Dividends	0.0	89.5	(89.5)	(100.0)
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	6.1	0.1	6.0	6,000.0
Gains and losses on disposal of financial assets and liabilities	8.2	1.3	6.9	530.8
Operating income	**265.0**	**349.3**	**(84.3)**	**(24.1)**
Administrative costs:	(106.6)	(105.6)	(1.0)	0.9
payroll costs	(45.3)	(45.9)	0.6	(1.3)
other administrative costs	(61.3)	(59.6)	(1.7)	2.9
Depreciation	(15.1)	(14.2)	(0.9)	6.3
other operating income (charges)	25.0	14.0	11.0	78.6
Net operating margin	**168.2**	**243.6**	**(75.4)**	**(31.0)**
Impairment losses on financial assets	(33.4)	(16.2)	(17.2)	106.2
Other provisions	0.2	0.1	0.1	100.0
Total profit or loss before tax	**134.9**	**227.5**	**(92.6)**	**(40.7)**
Tax	(43.3)	(48.3)	5.0	(10.4)
Net profit or loss	**91.7**	**179.2**	**(87.5)**	**(48.8)**

The year under review recorded a decreasing interest margin (-1.6%) characterised by an increase in interest and similar income (+2.3%) mainly related to the rise in portfolio rates, despite the decrease in the TLTRO benefit, and also a sharp increase in interest expense (+28.5%) mainly due to the increase in interest on intra-group funding.

Net fee and commission decreased (-10.1%), as a result of the reduction in fee and commission income (-5.6%) related to the placement of insurance products and the simultaneous increase in fee and commission expense (+2.4%).

Net trading income (loss) and net hedging income (loss) represent the effect of the fair value of hedging derivatives on the loans portfolio and of trading derivatives related to 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 in 2022.

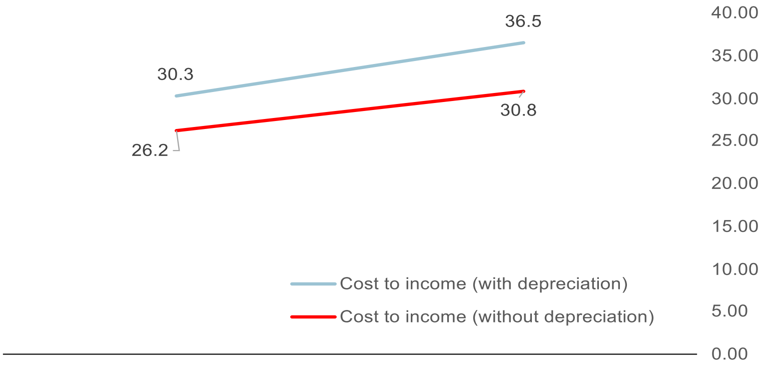
The combination of the above-mentioned effects led to a decrease in the operating income (-24.1%), passing from Euro 349.3 to Euro 265.0 million, mainly due to the absence of dividends collected.

Adjustments to loans and receivables disclosed a significant increase (+106.2%), from Euro 16.2 million to Euro 33.4 million. This change is due to the higher provisions determined by the combined effect of the increase in volumes and portfolio diversification (e.g. Poste Italiane agreement). For further information, please refer to the matters indicated in individual part E.

Administrative expenses increased slightly (+0.9%), mainly related to volumes managed, although they grew less than proportionally and include personnel costs (-1.3%) and overheads (+2.9%).

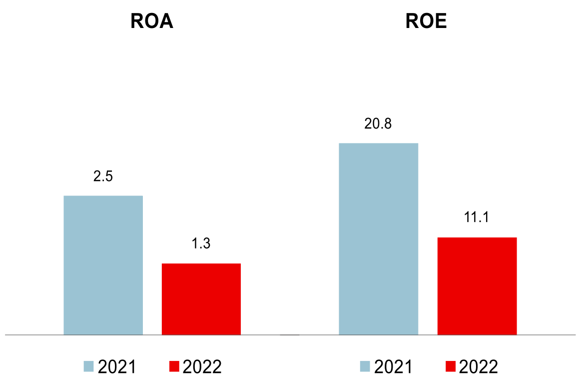
The item Other operating income (expense) recorded an increase due to the rise in servicing fees deriving from activities carried out on other companies of the Santander Group.

Cost to Income

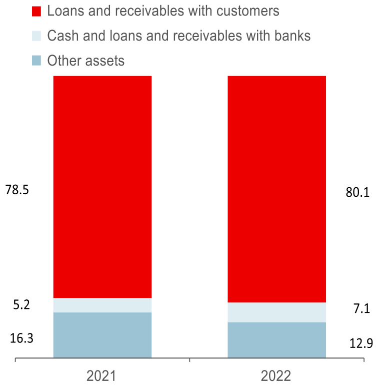


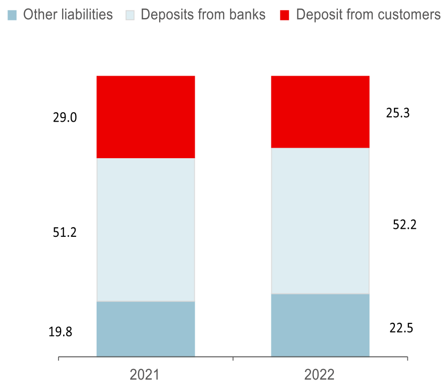
The above aspects led to a total profit/(loss) before tax of Euro 134.9 million and a net profit of Euro 91.7 million.

Profitability ratios (ROA - Return On Assets and ROE - Return On Equity)



D.2 - Main balance sheet aggregates





in percentage value

With regard to the breakdown of assets, loans to customers - a predominant item - increased (in relative terms) by +2%.

With regard to loans to customers, mainly influenced by new business and the related amortisation, analysing the detail by product, there was a decrease in the Car loans (-4.1%) and at the same time an increase in Leasing (+5.7%), a rise in special-purpose loans (+7.1%) and personal loans (+83.7%), thanks to the agreement with Poste Italiane. On the other hand, with regard to Salary assignment loans, there was a decrease (-6.2%).

€/milion	Total		Change	
	2022	2021	Absolute	(%)
Car loan	2,918	3,042	(124)	(4.0)
Special-purpose loan	403	377	27	7.0
Personnel loan	1,134	617	516	84.0
Cards	3	4	0	(9.0)
Leasing	189	179	10	6.0
Salary assignment	1,037	1,105	(68)	(6.0)
Stock financing	81	81	(1)	(1.0)
Other loans to customers	166	195	(29)	(15.0)
Other components of amortised cost	157	93	64	69.0
Gross loans to customers	**6,087**	**5,693**	**394**	**7.0**
Provision for loan losses	(159)	(144)	(15)	11.0
Net loans to customers	**5,927**	**5,549**	**379**	**7.0**

With regard to other assets, they mainly consist of Government securities. Receivables due from banks increased in absolute value and as a percentage of assets, mainly due to an Overnight loan negotiated with the Spanish Parent Company at the end of 2022 for reasons linked to liquidity ratios.

Payables due to banks are in line with the previous year and mainly include TLTRO loans and funding from the Spanish Parent Company. Deposits from customers, consisting mainly of demand and time deposit accounts and marketable ABS securities disclosed growth with respect to the previous year.

F - Subsequent significant events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 22 February 2023.

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 2022.

2023 Italian Revenue Agency Inspection

On 31 January 2023, the Italian Revenue Agency launched a general inspection on Santander Consumer Bank S.p.A. on direct and indirect taxes relating to the 2017 tax year, possibly extendable to subsequent years. The inspection underway is at the stage involving the request for information and documentation; therefore, there are currently no impacts on the annual financial statements as at 31 December 2022.

H - Strategic management and outlook

Management operations are geared towards 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.
- **Active management of the funding and the 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, as well as improve the Bank's visibility and customer experience;
- **Effective risk management**: constantly monitor the quality of the portfolio managed and the level of litigation, through an effective strategy of acceptance and recovery, and evaluating new strategies to keep the quality of the impaired portfolio stable by evaluating new market developments.
- **Internal culture:** update, develop and optimise corporate professionals, promote talent and encourage internal mobility.
- **Community and environment**: support the communities in which the Bank operates with experience/internship programmes, financial education and active participation in academic events; support voluntary associations and sustain eco-sustainability initiatives.

As part of this mission and strategic orientation, 2023 will see the main points of attention listed below:

- Maintenance of adequate levels of profitability.
- Continuation of a policy that places the customer first, allowing the development of volumes and creating new business opportunities.
- Gradual increase in the loan portfolio, supported by a policy of maintaining existing agreements and developing new agreements.
- Evaluation of new business opportunities by observing new trends in mobility, distribution channels also in terms of sustainability.

The above-mentioned strategies will take into consideration the macroeconomic context described in this report both in terms of inflationary effects and the increase in the cost of money. These cases will not compromise business continuity but will play an important role in the policies that the Bank will have to adopt. For more details on the impact on credit risk and liquidity risk, please refer to the relevant sections of the Notes to the Financial Statements for information on risks.

H – ESG

Pursuant to article 6, paragraph 2 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 (of which Santander Consumer Bank is the Parent Company), 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 above-mentioned article. Non-financial information is therefore not reported since it is prepared by the parent company Banco Santander, subject to the same regulatory obligations.

For information on Environment, Social and Governance, please refer to the consolidated Report on Operations - section H.ESG.

I - Compulsory disclosure

Research and development

In the course of financial year 2022, no activities were performed that qualified as research and development at the time of writing this report.

Risks and related hedging policies

With regard to the main risks and uncertainties to which the Bank is exposed, in accordance with the provisions of article 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 article 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.

Treasury shares

The Bank does not possess any treasury shares (or those of its parent companies), either through a trust company or a third party.

Management and coordination and related parties

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 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.

The Notes to the Financial Statements are accompanied by a statement summarising the essential data of the last set of approved financial statements (those for the year ended 31 December 2021) of the entity that carries out management and coordination (Santander Consumer Finance S.A.).

Related party disclosures are provided in the Notes to the Financial Statements 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.

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2022

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 2022, 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 2022, the Board of Statutory Auditors carried out its institutional duties in compliance with the Italian Civil Code, Italian Legislative Decree No. 385/1993 (TUB, 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 22 February 2023, relating to the year ended 31 December 2022:

- 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 2022, 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 2022 which were made available, following approval by the Board of Directors during the meeting held on 22 February 2023, within the terms set out in Article 2429 of the 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 14 March 2023, 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 2022, 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 as at 31 December 2022 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 2022, 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, 14 March 2023

The Board of Statutory Auditors

Walter Bruno
Chairman of the Board of Statutory Auditors

Maurizio Giorgi
Acting Auditor

Franco Riccomagno
Acting Auditor

Notice of the 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 29 March 2023 at 12.00 in Turin, Corso Massimo D'Azeglio 33/E, and, if necessary, on second call for 30 March 2023, at the same place and time, to discuss and vote on the following agenda:

1. The Report on Operations and the Financial Statements as at 31 December 2022. Statutory Auditors' Report and Independent Auditors' Report; inherent and consequent resolutions;
2. Information on the 2022 remuneration and incentive system;
3. 2023 remuneration and incentive policies; inherent and consequent resolutions;
4. One-off supplement to the fee for the official audit relating to the preparation of letters in accordance with article 26, paragraph 2 of Regulation (EU) no. 575/2013 (ECB/2015/4) and ECB Decision no. 2015/656, related and consequent resolutions;
5. Supplement to the fees of the independent auditors PricewaterhouseCoopers S.p.A. for the years 2023-2024;
6. Information on internal control policies adopted by the Bank.

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 91,679,848.

We propose that profit be allocated as follows:

	euro
Net profit for the period	91,679,848
Legal reserve	4,583,992
Previous losses coverage	6,438,570
Extraordinary reserve	80,657,286

Independent Auditors’ Report on the Financial Statements at 31 December 2022

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

Santander Consumer Bank SpA

Financial statements as of 31 December 2022

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 2022, 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.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022 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 *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 2022 represented a considerable share of item 40 b) *"Financial assets measured at amortised cost – Loans and advances to customers"*, showed a balance of Euro 5,927 million, accounting for about 80 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, amounted to Euro 33 million and represented the best estimate made by the directors in order to adjust 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. The estimation processes require the use of significant assumptions for the review of the significant increase in credit risk (SICR), for the allocation of the portfolio to the various risk stages (Staging), for the elaboration and determination of the risk parameters underlying the ECL calculation, which also incorporate the use of macroeconomic scenarios and prospective information, as well as for the identification of objective evidence of impairment. In the reporting period, the estimation processes were far more complex also in relation to the need to consider the uncertainties linked to the development of the relevant macroeconomic context, mainly characterised by a rising inflation.	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 adjustments necessary as a result of uncertainties linked to the development of the relevant macroeconomic context, mainly characterised by a rising inflation. 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; • 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 consider the update of the historical 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 (post model adjustments/overlays), as well as the information and the assumptions used in defining the adjustments applied during the year; • Verifying the completeness and accuracy of the data bases used for ECL calculation purposes;

These circumstances required an update of the processes and methods of evaluation of loans with particular reference to the recalibration of the main risk parameters underlying the determination of the ECL, including the update of the historical series and macroeconomic scenarios, as well as the management of adjustments to the ECL calculation model (post model adjustments/overlays).	• Verifying, on a sample basis, the reasonableness of the classification among performing loans and non-performing loans (Staging), 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, actions taken to eliminate the related risks, or safeguards applied.

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 2022, 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 2022 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 2022 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, 14 March 2023

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

	Asset items	12/31/2022	12/31/2021
10.	Cash and cash balances	476,102,470	221,570,365
20.	Financial assets designated at fair value through profit or loss	41,059,677	5,696,173
	a) Financial assets held for trading	41,059,677	5,696,173
30.	Financial assets at FV with effects on P&L	301,372,528	633,804,158
40.	Financial assets measured at amortised cost	6,071,949,290	5,690,870,857
	a) Loans and advances to banks	45,440,169	142,268,016
	b) Loans and advances to customers	6,026,509,121	5,548,602,841
50.	Hedging derivatives	154,215,616	5,704,594
60.	Changes in fair value of portfolio hedged items (+/-)	(145,477,565)	(3,478,474)
70.	Equity investments	189,989,712	180,989,712
80.	Property, plant and equipment	19,042,476	22,324,741
90.	Intangible assets	30,462,955	33,117,570
100.	Tax assets	176,870,481	195,103,856
	a) current	42,727,452	42,858,673
	b) deferred	134,143,029	152,245,183
120.	Other assets	84,213,309	81,739,458
	Total Assets	**7,399,800,949**	**7,067,443,010**

	Liabilities and Shareholders' equity	12/31/2022	12/31/2021
10.	Financial liabilities valued at amortised cost	6,212,701,857	5,843,808,628
	a) Deposits from banks	3,860,203,075	3,618,423,776
	b) Deposits from customers	1,875,420,426	2,050,339,926
	c) Debt securities in issue	477,078,356	175,044,926
20.	Financial liabilities held for trading	41,082,927	5,774,042
40.	Hedging derivatives	-	2,714,235
60.	Tax liabilities	26,980,005	20,500,146
	a) current	26,856,779	20,392,650
	b) deferred	123,226	107,496
80.	Other liabilities	180,043,430	174,996,419
90.	Provision for employee severance pay	2,404,622	2,961,561
100.	Provisions for risks and charges	12,214,162	13,142,748
	c) other	12,214,162	13,142,748
110.	Valuation reserves	(1,340,609)	(489,476)
140.	Reserves	260,402,121	251,195,793
150.	Share premium	632,586	632,586
160.	Share capital	573,000,000	573,000,000
180.	Net Profit (Loss) for the year (+/-)	91,679,848	179,206,328
	Total liabilities and Shareholders' Equity	**7,399,800,949**	**7,067,443,010**

Some items of the year under comparison were reclassified for the purposes of data comparability; for further details, please refer to the Notes to the Financial Statements.

Income Statement

In Euro

	Items	12/31/2022	12/31/2021
10.	Interest and similar income	253,015,720	247,246,622
	of which: interest income calculated using the effective interest method	233,222,663	222,658,108
20.	Interest expenses and similar charges	(41,516,659)	(32,349,724)
30.	**Net interest margin**	**211,499,061**	**214,896,898**
40.	Fee and commission income	64,305,419	68,104,299
50.	Fee and commission expenses	(25,103,227)	(24,528,604)
60.	**Net fee and commission**	**39,202,192**	**43,575,695**
70.	Dividends and similar revenues	-	89,500,000
80.	Net income financial assets and liabilities held for trading	5,696	(237,102)
90.	Net hedging gains (losses) on hedge accounting	6,065,793	336,139
100.	Gains and losses on disposal of:	8,196,966	1,254,996
	a) financial assets at amortised cost	8,196,966	1,254,996
120.	**Operating income**	**264,969,708**	**349,326,626**
130.	Net losses / recoveries on credit risk relating to	(33,447,613)	(16,154,321)
	a) financial assets at amortised cost	(33,447,613)	(16,154,321)
150.	**Net profit from financial activities**	**231,522,095**	**333,172,305**
160.	Administrative costs:	(106,648,109)	(105,570,647)
	a) payroll costs	(45,343,051)	(45,941,278)
	b) other administrative costs	(61,305,058)	(59,629,369)
170.	Net provisions for risks and charges	160,129	65,778
	a) commitments and financial guarantees given	-	54,348
	b) other net provisions	160,129	11,430
180.	Net adjustments / writebacks on property, plant and equipment	(4,703,433)	(4,656,162)
190.	Net adjustments / writebacks on intangible assets	(10,392,691)	(9,538,580)
200.	Other operating income/expenses	25,010,916	14,035,552
210.	**Operating costs**	**(96,573,188)**	**(105,664,059)**
260.	**Total profit or loss before tax from continuing operations**	**134,948,907**	**227,508,246**
270.	Tax income of the year from continuing operations	(43,269,059)	(48,301,918)
280.	**Total profit or loss after tax from continuing operation**	**91,679,848**	**179,206,328**
300.	**Profit or loss for the year**	**91,679,848**	**179,206,328**

Some items of the year under comparison were reclassified for the purposes of data comparability; for further details, please refer to the Notes to the Financial Statements.

Statement of comprehensive income

In Euro

	Items	12/31/2022	12/31/2021
10.	**Net Profit (Loss) for the year**	**91,679,848**	**179,206,328**
70.	Defined benefit plans	262,129	(20,709)
140.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	(1,113,261)	217,560
170.	**Total other income components after tax**	**(851,132)**	**196,851**
180.	**Overall profitability (Item 10 + 170)**	**90,828,716**	**179,403,179**

Statement of changes in shareholders' equity

In Euro

Financial year 2022

	Balance at 12.31.2021	Changes in opening balances	Balance at 1.1.2022	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	Comprehensive income for 2022	Shareholders' equity at 12.31.2022
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:	**251,195,793**		**251,195,793**	**9,206,328**										**260,402,121**
a) retained earnings	211,283,106		211,283,106	9,206,328										220,489,434
b) other	39,912,687		39,912,687											39,912,687
Valuation reserves	**(489,476)**		**(489,476)**										**(851,132)**	**(1,340,609)**
Equity instruments														
Treasury shares														
Net profit (loss) for the period	**179,206,328**		**179,206,328**	**(9,206,328)**	**(170,000,000)**								**91,679,848**	**91,679,848**
Shareholders' equity	**1,003,545,230**		**1,003,545,230**		**(170,000,000)**								**90,828,716**	**924,373,946**

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	Comprehensive income for 2021	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**

Cash flow statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount	
	31/12/2022	12/31/2021
1. Liquidity generated from operations	**12,134,365**	**115,810,860**
- net profit for the year (+/-)	91,679,848	179,206,328
- net gains/losses on financial assets held for trading and financial assets designated at fair value through profit or loss (+/-)	(49,410)	4,714,135
- gains (losses) from hedging activities (+/-)	(6,065,793)	(336,139)
- net adjustments for credit risk (+/-)	15,438,441	(22,041,827)
- impairment/recoveries to property and equipment and intangible assets (+/-)	15,096,123	8,536,527
- net provisions for risks and charges and other costs/income (+/-)	(5,479,437)	3,952,522
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes and tax credit (+/-)	24,879,330	42,559,177
- impairment/recoveries to disposal groups net of tax effect (-/+)		
- other adjustments (+/-)	(123,364,737)	(100,779,863)
2. Liquidity generated/absorbed by financial assets	**118,347,539**	**661,759,394**
- financial assets held for trading		
- 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	332,449,066	(637,875,026)
- financial assets measured at amortized cost	(213,674,032)	1,313,275,760
- other assets	(427,495)	(13,641,341)
3. Liquidity generated/absorbed by financial liabilities	**311,026,917**	**(374,319,614)**
- financial liabilities measured at amortized cost	303,120,735	(366,308,462)
- financial liabilities held for trading		2,381,500
- financial liabilities designated at fair value through profit and loss		
- other liabilities	7,906,182	(10,392,651)
Net Liquidity generated/absorbed by operating activities	**441,508,821**	**403,250,640**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**7,665**	**2,025,359**
- sale of equity investments		
- dividends collected on equity investments		
- sale of property and equipment	7,665	2,025,358
- sale of intangible assets		
- sale of lines of business		
2. Liquidity absorbed by	**(16,984,381)**	**(43,451,029)**
- purchase of equity investments	(9,000,000)	(24,990,000)
- purchase of property and equipment	(246,306)	(1,797,598)
- purchase of intangible assets	(7,738,075)	(16,663,431)
- purchase of lines of business		
Net Liquidity generated/absorbed by investing activities	**(16,976,716)**	**(41,425,670)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations	(170,000,000)	(144,090,757)
Net Liquidity generated/absorbed by financing activities	**(170,000,000)**	**(144,090,757)**
NET LIQUIDITY GENERATED/ABSORBED IN THE YEAR	**254,532,105**	**217,734,213**

Key:

(+) generated

(-) absorbed

Reconciliation

Items	Amount	
	12/31/2022	12/31/2021
Cash and cash equivalents at beginning of year	221,570,365	3,836,152
Net increase (decrease) in cash and cash equivalents	254,532,105	217,734,213
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	476,102,470	221,570,365

Santander Consumer Bank

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 financial statements have been prepared in compliance with the IAS/IFRS issued by the IASB (*International Accounting Standards Board)* and the interpretations of the IFRIC (*International Financial Reporting Interpretations Committee*), endorsed by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002.

The financial statements 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: layout 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 to the Financial Statements.

On 21 December 2021, the Bank of Italy published the Communication “Amendment of the additions to the provisions of Circular no. 262, "Banks' financial statements: layout and preparation” concerning the impacts of COVID-19 and measures to support the economy", still in force today.

In preparing the financial statements the IAS/IFRS in force as at 31 December 2022 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Listed below are changes to international accounting standards or related interpretations, approved by the European Commission, in force as of the balance sheet date:

- provisions of Regulation no. 1080/2021 dated 28 June 2021, which acknowledges some minor amendments, published by the IASB on 14 May 2020, to the international accounting standards IAS 16 Property, plant and equipment, IAS 37 Provisions, contingent liabilities and contingent assets and IFRS 3 Business combinations;
- by means of the Regulation in question the usual annual improvements that clarify the wording or correct errors, oversights or conflicts between the requirements of the standards are also acknowledged. Among these minor amendments, changes were made:
  - to IFRS 9 “Financial Instruments” with some clarifications regarding the commission and fees to be included in the 10% test for the derecognition of financial liabilities; in this regard, it is specified that only commission and fees paid or collected between the parties must be included and not also commission and fees directly attributable to third parties;
  - to IFRS 1: “First-time Adoption of the International Financial Reporting Standards” with some simplifications regarding the first-time adoption of the IFRS by a subsidiary/associate/joint venture that becomes first time adopter after its parent/investing company in relation to the measurement of the translation reserve as at the date of transition to the IFRS;
  - to IAS 41 with the elimination of the obligation to exclude from the fair value measurement of biological assets the cash flows linked to taxes, thus aligning the fair value measurement requirements of IAS 41 to those of the other IFRS standards;
  - to IFRS 16 “Leases” with reference to the illustrative example 13 of IFRS 16 in which a potential erroneous interpretation of lease incentives was eliminated. It should be noted that this amendment, referring to an illustrative example of IFRS 16 which is not an integral part of the standard, was not approved by the European Union.

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

- the new accounting standard IFRS 17 “Insurance contracts” published by the IASB in May 2017 and subject to subsequent amendments published on 25 June 2020, was endorsed by means of EU Regulation no. 2036/2021 of 19 November 2021 and will enter into force on a mandatory basis as from 1 January 2023. On a mandatory basis, the standard requires the presentation of the comparative period, i.e. the year 2022, restated;
- amendments to IAS 8 “Accounting standards, changes in accounting estimates and errors” published by the IASB in February 2021, which were endorsed by means of EU Regulation no. 357/2022 of 2 March 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments are intended to resolve the interpretation difficulties,

encountered in practice, relating to the distinction between a change in accounting estimates and a change in accounting standards;

- amendments to IAS 1 “Presentation of the financial statements” published by the IASB in February 2021, which were endorsed by means of EU Regulation no. 357/2022 of 2 March 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments aim to improve disclosure on accounting standards in order to provide more useful information to investors and other primary users of financial statements;
- amendments to IAS 12 “Income taxes” published by the IASB in May 2021, which were endorsed by means of EU Regulation no. 1392/2022 of 12 August 2022 and will enter into force on a mandatory basis as from 1 January 2023. These amendments are intended to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

Considering the scope of the amendments in question, there are no significant impacts for the Bank. By virtue of the new international accounting standard IFRS 17, the Bank of Italy amended update no. 8 of Circular no. 262 “Banks' financial statements: layout and preparation”, which consists of a full review of the Circular, with application to start from the financial statements closed or in progress as at 31 December 2023.

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.

In accordance with the provisions of article 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 to the financial statements 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 to the financial statements, as well as in compliance with the general assumptions envisaged in the Framework for the preparation and presentation of financial statements as prepared by the IASB.

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

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. Account was also taken of the 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 illustrated below in greater detail in Section 5 - Other aspects.

In addition to the figures for the reporting period, the financial statements and notes to the financial statements also provide comparative figures referring to the previous year.

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 disclosure details (the "of which" of the items and sub-items).

For the sake of completeness, you are hereby informed that with reference to the formats laid down by the Bank of Italy, the items which do not present amounts both for the year under review and for the previous one are not shown. In the income statement, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of comprehensive income

The statement of comprehensive income, starting from the profit (loss) for the year, shows the income components recognised against the valuation reserves, net of the related tax effect, in compliance with international accounting standards.

Comprehensive income is represented by providing separate evidence of the income components that will not be reversed to the income statement in the future and those that, by contrast, may be subsequently reclassified under profit (loss) for the year if certain conditions are met.

As with the balance sheet and income statement, with respect to the formats laid down by the Bank of Italy, the items which do not present amounts both for the year under review and for the previous one are not shown. In the statement of comprehensive income, revenues are shown without a sign, whereas costs are shown in brackets.

Statement of changes in shareholders' equity

The statement of changes in shareholders' equity shows the composition and changes in shareholders' equity accounts during the year under review and the previous one, divided into share capital, capital reserves, profit reserves and reserves from the measurement of balance sheet assets and liabilities and the result for the year.

Cash flow statement

The cash flow statement for the current year under review and the previous year has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for effects of 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.

Notes to the Financial Statements

The Notes to the financial statements include the information envisaged by the international accounting standards and Circular no. 262 of the Bank of Italy issued on 22 December 2005 and subsequent amendments applicable to the preparation of these financial statements.

To reflect in full the formats laid down by the Bank of Italy, we also show the headings of sections on financial statements items with zero balances in the year of reference and in the previous one.

Section 3 - Subsequent events

Pursuant to IAS 10, these financial statements were authorised for publication by the Board of Directors on 22 February 2023.

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 2022.

Italian Revenue Agency Inspection

On 31 January 2023, the Italian Revenue Agency launched a general inspection on Santander Consumer Bank S.p.A. on direct and indirect taxes relating to the 2017 tax year, possibly extendable to subsequent years. The inspection underway is at the stage involving the request for information and documentation; therefore, there are currently no impacts on the financial statements as at 31 December 2022.

Business continuity disclosure

With regard to the information 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, the Company has the reasonable expectation that it will continue to operate in the foreseeable future, and, therefore, has prepared the report on a going concern basis.

More detailed information regarding the main issues and variables existing on the market is contained in the Report on Operations.

Section 4 - Other aspects

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.

Reclassifications

The Bank has reclassified the back-to-back derivatives and the related cash collateral by adopting the analytical method used in the preparation of the consolidated financial statements, in order to represent in a more transparent manner the effects deriving from the fluctuation of the rates of the financial instruments. In order to allow a reconciliation of the comparative data with the data resulting from the 2021 financial statements, the details of the reclassifications carried out are shown in the table below:

Balance sheet	Financial statements 2021 approved	Financial statements 2021 reclassified
20. Financial assets designated at fair value through profit or loss		
a) Financial assets held for trading	359,981	5,696,173

10. Financial liabilities value at amortised cost		
a) Deposit from banks	3,613,173,776	3,618,423,776
b) Deposit from costumers	2,050,691,584	2,050,339,926
20. Financial liabilities held for trading	**5,336,192**	**5,774,042**

Income statement	Financial statements 2021 approved	Financial statements 2021 reclassified
10. Interest and similar income	**247,246,579**	**247,246,622**
20. Interest expenses and similar charges	**(29,244,922)**	**(32,349,724)**
80. Net income financial assets and liabilities held for trading	**(3,341,859)**	**(237,102)**

Risks, uncertainties and impacts of the COVID-19 epidemic

By means of the communication dated 15 December 2020 concerning the "impacts of COVID-19 and measures to support the economy and amendments to IAS/IFRS" (subject to a subsequent limited update on 21 December 2021 as of today's date still applicable), the Bank of Italy supplemented the provisions governing the financial statements of banks contained in "Circular no. 262 - Banks' financial statements: layout and preparation" in order to provide the market with information on the effects that COVID-19 and the measures to support the economy have had on risk management strategies, objectives and policies, as well as on the economic and financial situation of intermediaries.

In defining the additions, the Bank of Italy took into account, where applicable, the documents published essentially during 2020 and to a lesser extent in 2021 by the European regulatory and supervisory bodies and by the standard setters aimed at clarifying the methods of application of IAS/IFRS in the pandemic context, with particular reference to IFRS 9, as well as the required disclosure for the amendment to IFRS 16 on lease payment concessions related to COVID-19.

The following table shows the most significant regulatory measures occurred, also indicating the scope of application.

			Tematiche		
Ente emittente	**Data**	**Titolo**	**Classificazione**	**Misurazione**	**Informativa finanziaria**
EBA	25/03/2020	Statement on the application of the prudential framework regarding Default, Forbearance and IFRS 9 in light of COVID-19 measures	X		
ESMA	25/03/2020	Public Statement. Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9		X	
IFRS Foundation	27/03/2020	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		X	
BCE	01/04/2020	IFRS 9 in the context of the coronavirus (COVID-19) pandemic		X	
EBA	02/04/2020	Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis	X		
ESMA	20/05/2020	Implications of the COVID-19 outbreak on the half-yearly financial reports			X
EBA	02/06/2020	Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis	X		X
ESMA	28/10/2020	European common enforcement priorities for 2020 annual financial reports			X
EBA	02/12/2020	Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the COVID-19 crisis	X		
BCE	04/12/2020	Identification and measurement of credit risk in the context of the coronavirus (COVID-19) pandemic	X	X	
ESMA	29/10/2021	European common enforcement priorities for 2021 annual financial reports	X	X	X
ESMA	16/12/2021	Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECL)	X	X	X

The measures of the regulators have gradually strengthened and adapted the regulatory framework to the evolution of the pandemic situation. The ESMA documents issued in 2021 did not introduce new substantial changes, but rather an overview of the various requests, clarifying their purposes and application methods.

On 16 December 2022, the European Banking Authority (EBA) repealed the guidelines relating to the obligations concerning reporting and disclosure to the public on loans subject to support measures applied in light of the COVID-19 crisis, contained in the EBA/gl/2020/07 and endorsed with the communication of the Bank of Italy dated 30 June 2020. This decision, which takes effect on 1 January 2023, is due to the changed pandemic scenario. By means of communication dated 7 February 2023 “Update of COVID-19 reports on grace periods and public guarantees”, the Bank of Italy aligned itself with the EBA provisions mentioned above, repealing the aforementioned communication of 30 June 2020 and requires that for the whole of 2023 the Less Significant Institutions report loans backed by public guarantees, using the reporting formats used for EBA reports (F 90.03 and F91.05 present in the COV survey). In addition, for the LSI banks, starting from the survey of 31 March 2023, the “Data collection on loans subject to COVID-19 grace period measures” is no longer applied.

In consideration of the above and the changes in the healthcare context, the Bank continues to monitor this risk, considering however that the impact is now marginal compared to previous years.

Contractual amendments deriving from COVID-19

Contractual amendments and derecognition (IFRS 9)

During 2022, no new grace period action manifested as a result of COVID-19. With regard to the management of the overlay adjustment, please refer to the matters described in Part E, section 2.3 “Methods and measurement of Expected losses”.

The concessions for which the natural expiry has already accrued did not generate situations of tension except for some cases handled according to the normal credit assessment rules defined by the Group.

Amendments to the accounting standard IFRS 16

Although the case is not relevant for the Bank, it is specified that with reference to lease agreements, having assessed the nature of the existing agreements, it decided not to apply the “*practical expedient*” introduced under IFRS 16 - *Leases* regarding discounts and payment extensions on existing lease agreements.

A.2 – Main items in the financial statements

In order to ensure the uniformity of the criteria for the preparation of the financial statements, the Bank has adopted an internal set of rules and policies relating to the various operating and organisational areas.

1 – Financial assets measured at fair value through profit and loss

Classification

The financial assets other than those classified under financial assets measured at fair value through other comprehensive income and under financial assets measured at amortised cost are classified in this category.

In particular, this item includes: the positive value of derivative contracts held for trading purposes.

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 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 other 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 for the purposes of the impairment test.

Recognition

The initial recognition of financial assets takes place on the subscription date for derivative contracts. Upon initial recognition, financial assets measured at fair value through profit and loss are recognised at fair value, without considering the transaction costs and income directly attributable to said instrument.

Measurement

Subsequent to initial recognition, financial assets measured at fair value through profit and loss are measured at fair value. The effects of the application of this measurement approach are recognised in the income statement. In the absence of an active market, to determine the fair value, commonly adopted estimation methods and measurement models are used, which take into account all the risk factors related to the instruments and which are based on data which can be taken from the market.

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

2 - Financial assets measured at fair value through other comprehensive income

Classification

Financial assets that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved both through the collection of contractually envisaged cash flows and through sale (“*Hold to Collect and Sell*” business model), and
- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as the so-called “SPPI test” passed).

In particular, this item includes debt securities that are attributable to a *Hold to Collect and Sell* business model and that have passed the SPPI test.

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 fair value through other comprehensive income" category to one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost 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. In the event of reclassification from the category in question to the amortised cost category, the accumulated profit (loss) recognised in the valuation reserve adjusts 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 through profit and loss, the accumulated profit (loss) previously recognised in the valuation reserve is reclassified from shareholders' equity to profit (loss) for the year.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities. Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument.

Measurement

Subsequent to initial recognition, the Assets classified at fair value through other comprehensive income, are measured at fair value, with recognition in the income statement of the impacts deriving from the application of the amortised cost, of the effects of the impairment and any exchange effect, while other gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised. Upon disposal, total or partial, the gain or loss accumulated in the valuation reserve is reversed, in full or in part, to the income statement.

The fair value is determined on the basis of the criteria already illustrated for financial assets measured at fair value through profit and loss.

Financial assets measured at fair value through other comprehensive income are subject to the verification of the significant increase in credit risk (impairment) envisaged by IFRS 9, in the same way as assets measured at amortised cost, with the consequent recognition in the income statement of a value adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, if not impaired, and on instruments for which there has not been a significant increase in credit risk compared to the initial recognition date) as at the initial recognition date and as at each subsequent reporting date, an expected loss for one year is recognised. On the other hand, for instruments classified in stage 2 (performing for which there was a significant increase in credit risk compared to the initial recognition date) and in stage 3 (non-performing exposures), an expected loss is recorded for the entire residual life of the financial instrument. It is specified that the debt securities issued by the government are not subject to the impairment process.

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

3 – Financial assets measured at amortised cost

Classification

Financial assets (in particular loans and debt securities) that meet both of the following conditions are included in this category:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractually envisaged cash flows (“*Hold to Collect*” business model), and
- the contractual terms of the financial asset envisage, on certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as the so-called “SPPI test” passed).

More specifically, this item includes:

- loans with banks (not classified under “Cash and cash equivalents”) in the various technical forms that meet the above requirements;
- loans to customers in the various technical forms that meet the above requirements;
- debt securities that meet the above requirements.

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 envisaged by IFRS 9 (Financial assets measured at fair value through other 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 the income statement 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 other comprehensive income.

Recognition

The initial recognition of financial assets takes place on the settlement date for debt securities, and on the payout date for loans. Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument.

In particular, with regard to loans, the payout date normally coincides with the date of signing of the contract. Loans are recognised with reference to the fair value of the same. This is represented by the amount disbursed or the subscription cost, including costs/revenues that are both directly attributable to the individual loan and identifiable from the start of the transaction, even if they are settled at a later time. Costs which, despite having the above characteristics, are subject to reimbursement by the debtor counterparty are excluded.

Repurchase agreements with forward repurchase or resale obligation are recognised in the financial statements as funding or lending transactions. In particular, spot sales and forward repurchases are recognised in the financial statements as payables for the spot amount received, while spot purchases and forward resales are recognised as receivables for the amount paid forward.

Measurement

After initial recognition, the financial assets under review are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements for an amount equal to the initial recognition value less capital repayments, plus or minus the accumulated amortisation (calculated using the effective interest rate method) of the difference between said initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset) and adjusted by any provision to cover losses. The effective interest rate is calculated as the rate that equates the current value of the future cash flows of the asset, for principal and interest, to the amount disbursed, including costs/income attributable to the same financial asset. This accounting method, using a financial logic, makes it possible to distribute the economic effect of costs/income directly attributable to a financial asset over its estimated residual life.

The amortised cost method is not used for assets - valued at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity and for the measurement criteria, they are strictly related to the inclusion of the instruments in question in one of the three stages (credit risk stages) envisaged by IFRS 9, the last of which (stage 3) includes impaired financial assets and the remaining ones (stages 1 and 2) include performing financial assets. With reference to the accounting representation of the aforementioned measurement effects, the value adjustments referring to this type of assets are recognised in the income statement:

- upon initial recognition, for an amount equal to the expected loss at twelve months;
- at the time of the subsequent measurement of the asset, if the credit risk has not increased significantly compared to the initial recognition, in relation to the changes in the amount of value adjustments for expected losses for the following twelve months;
- at the time of the subsequent measurement of the asset, if the credit risk has increased significantly compared to the initial recognition, in relation to the recognition of value adjustments for expected losses referring to the entire residual life envisaged contractually for the asset;
- at the time of the subsequent measurement of the asset, if - after a significant increase in credit risk with respect to the initial recognition - the “significance” of this increase is then no longer valid, in relation to the adjustment of the cumulative value adjustments so as to take into account the transition from an expected loss over the entire residual life of the instrument ("lifetime") to a twelve month one.

The financial assets in question, if they are performing, are subject to measurement, aimed at defining the value adjustments to be recognised in the financial statements, at individual credit relationship level, based on the risk parameters represented by *probability of default* (PD), *loss given default* (LGD) and *exposure at default* (EAD) envisaged by IFRS 9.

If, in addition to a significant increase in credit risk, there is also objective evidence of impairment loss, the amount of the loss is measured as the difference between the book value of the asset - classified as “impaired”, on a par with all the other relationships with the same counterparty - and the current value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the loss, to be recognised in the income statement, is defined on the basis of an analytical measurement process or determined by standard categories and, therefore, assigned to each position and takes into account forward-looking information and possible alternative recovery scenarios. The category of impaired assets includes financial instruments that have been assigned the status of non-performing, unlikely to pay or past due/past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European supervisory regulations. The expected cash flows take into account the estimated recovery times. The original effective rate of each asset remains unchanged over time even if a restructuring of the relationship has taken place, which has led to a change in the contractual rate and even if the relationship becomes, in practice, contractually interest-free.

If the reasons for impairment loss cease to exist due to an event occurring after recognition of the impairment, write-backs are made and booked to the income statement. The write-back cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments. Write-backs associated with the passing of time are recognised in the interest margin.

In some cases, during the life of the financial assets in question and, in particular, of the loans, the original contractual conditions are subsequently modified by will of the parties to the contract. When, during the life of an instrument, the contractual clauses are subject to change, it is necessary to verify whether the original asset must continue to be recognised in the financial statements or if, on the contrary, the original instrument must be derecognised from the financial statements and a new financial instrument must be recognised. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are “substantial”. The assessment of the “substantiality” of the change must be carried out considering both qualitative and quantitative elements. In some cases, in fact, it may be clear, without recourse to complex analysis, that the changes introduced substantially change the characteristics and/or contractual flows of a given asset while, in other cases, further analysis (including quantitative) will have to be carried out to appreciate the effects of the same and check the need to proceed or otherwise with the derecognition of the asset and the recognition of a new financial instrument. The (quali-quantitative) analysis aimed at defining the “substantiality” of the contractual changes made to a financial asset must therefore consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and concessions due to financial difficulties of the counterparty:
  - the former, aimed at “retaining” the customer, involve a borrower who is not in a situation of financial difficulty. This case includes all the renegotiation transactions aimed at adjusting the debt burden to market conditions. These transactions involve a change in the original conditions of the agreement, usually requested by the borrower, which concerns aspects related to the debt burden, with a consequent economic benefit for the same borrower. In general, it is believed that, whenever the bank carries out a renegotiation in order to avoid losing its customer, this renegotiation must be considered substantial since, if it were not carried out, the customer could obtain financing from another intermediary and the bank would suffer a decrease in expected future revenues;
  - the latter, carried out for “credit risk reasons” (forbearance measures), are attributable to the bank’s attempt to maximise the recovery of the cash flows of the original loan. The underlying risks and benefits, subsequent to the amendments, are not generally essentially transferred and, consequently, the accounting representation that offers the most relevant information for the reader of the financial statements (except for that which will be indicated later on objective elements), is that carried out through “modification accounting”, which implies the recognition in the income statement of the difference between the book value and the current value of the modified cash flows discounted at the original interest rate and not through derecognition;
- the presence of specific objective elements that affect the characteristics and/or contractual flows of the financial instrument that are considered to involve derecognition in consideration of their impact (expected as significant) on the original contractual flows.

For greater details on the methods for determining expected losses, in application of IFRS 9, as well as the determination and management of overlay adjustments to the model, please refer to the Notes to the financial statements, Part E Credit risk.

Derecognition

Financial assets are only derecognised from the financial statements if their disposal involved the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a significant portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised in the financial statements, even if legally ownership of the assets has effectively been transferred.

When the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflects the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.

Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the related cash flows, with a simultaneous obligation to pay such cash flows, and only them, without a significant delay to third parties.

4 – Hedging transactions

The Bank avails itself of the possibility, envisaged at the time of introduction of IFRS 9, to continue to fully apply the provisions of IAS 39 on hedge accounting.

Classification

Risk hedging transactions are arranged to neutralise potential losses, attributable to a determinate risk, and detectable on a particular element or group of elements, should that particular risk actually arise.

The types of hedges used are attributable to fair value hedging, which aims to hedge the exposure to changes in the fair value (attributable to different types of risk) of assets and liabilities recognised in the financial statements or portions of them, of groups of assets/liabilities, as permitted by IAS 39 endorsed by the European Commission. Macro hedges aim to reduce fluctuations in fair value, attributable to interest rate risk, of a monetary amount deriving from a portfolio of financial assets or liabilities.

Recognition

Derivative hedging instruments, like all derivatives, are initially recognised and subsequently measured at fair value.

A relationship qualifies as a hedge, and is consistently represented in the accounts, only if all the following conditions are met:

- at the start of the hedge, there is formal designation and documentation of the hedging relationship, the company's risk management objectives and the hedging strategy. This documentation includes the identification of the hedging instrument, the element or transaction hedged, the nature of the risk hedged and how the company assesses the effectiveness of the hedging instrument in offsetting the exposure to changes in the fair value of the element hedged or of the cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective;
- the planned transaction subject to hedging, for cash flow hedges, is highly probable and presents an exposure to changes in cash flows that could affect the income statement;
- the effectiveness of the hedge can be reliably measured;
- the hedge is measured on the basis of a continuity criterion and is considered highly effective for all the reference years for which the hedge was designated.

Measurement

Hedging derivatives are measured at their fair value.

In the case of macro hedges, fair value changes with reference to the hedged risk of the assets and liabilities subject to hedging are recognised in the balance sheet, respectively, under item 60. "Value adjustment of financial assets subject to macro hedge" or 50. "Value adjustment of financial liabilities subject to macro hedge";

The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is appreciated by comparing the aforementioned changes, taking into account the intent pursued by the company at the time the hedge was put in place. Effectiveness is achieved when the changes in fair value (or cash flows) of the hedging financial instrument neutralise almost entirely, i.e. within the limits established by the 80-125% range, the changes in the hedged instrument, for the risk element subject to hedging.

The assessment of effectiveness is carried out at the end of each financial year or interim period using:

- prospective tests, that justify the application of hedge accounting, by demonstrating its expected effectiveness;
- retrospective tests, which highlight the degree of effectiveness of the hedge reached in the period to which they refer, or measure the extent to which the actual results differed from the perfect hedge.

Derecognition

The recognition of fair value hedges is discontinued prospectively in the following cases:

- the hedging instrument expires, is sold, disposed of or exercised;
- the hedge no longer meets the hedge accounting criteria referred to above;
- the company revokes the designation.

If the tests do not confirm the effectiveness of the hedge, from that moment the recognition of the hedging transactions, according to the above, is interrupted, the hedging derivative contract is reclassified among the trading instruments and the hedged financial instrument reacquires the measurement criterion corresponding to its classification in the financial statements. In the event of termination of a fair value macro hedge, the accumulated revaluations/write-downs recorded in item 60. "Value adjustment of financial assets subject to macro hedge" or 50. "Value adjustment of financial liabilities subject to macro hedge" are recognised in the income statement under interest income or expense over the residual duration of the original hedging relationships, without prejudice to verification that the conditions are met.

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 loss 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

Classification

Property, plant and equipment include properties used for business purposes, technical systems, furniture and fixtures as well as equipment of any type that is expected to be used for more than one period. Property, plant and equipment held for use in the production or supply of goods and services are classified as “assets used for business purposes” in accordance with IAS 16.

The item also includes property, plant and equipment classified according to IAS 2 - Inventories, which refer both to assets deriving from the enforcement of guarantees or from the conclusion of operating leases disbursed, which the company intends to sell in the near future, without carrying out significant restructuring work, and which do not have the prerequisites to be classified in other categories.

Rights of use acquired through the lease and relating to the use of property, plant and equipment (for the lessee companies) and assets granted under operating leases (for the lessor companies) are included.

Recognition

Property, plant and equipment are initially recognised at purchase price, including any ancillary costs directly attributable to the purchase and commissioning of the asset.

Extraordinary maintenance costs that involve an increase in future economic benefits are booked to increase the value of the assets, while other ordinary maintenance costs are recognised in the income statement.

Measurement

Property, plant and equipment are measured at cost less depreciation and any impairment losses.

Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life. The depreciable value is represented by the cost of the assets net of the residual value at the end of the depreciation process, if significant.

If there is any indication that property, plant and equipment measured at cost may have suffered an impairment loss, a comparison is made between the book value of the asset and its recoverable value. Any adjustments are recorded in the income statement. If the reasons that led to the recognition of the loss no longer apply, a write-back is recorded, which cannot exceed the value that the asset would have had, net of the calculated depreciation, in the absence of previous impairment losses.

With regard to property, plant and equipment recognised pursuant to IAS 2, they are measured at cost or net realisable value, whichever is the lower, it being understood that the book value of the asset is compared with its recoverable value if there is any indication that the asset may have suffered an impairment loss. Any adjustments are recorded in the income statement.

Property, plant and equipment represented by the right of use of assets under lease agreements

Pursuant to IFRS 16, a “lease” is a contract, or part of a contract, which, in exchange for a consideration, transfers the right of use of an asset (the underlying asset) for a period of time. According to IFRS 16, leases are accounted for on the basis of the right-of-use model, for which, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease period. When the asset is made available to the lessee for its use (initial date), the lessee recognises both the liability and the asset consisting of the right of use.

In particular, the right of use acquired through the lease is recognised as the sum of the current value of the future instalments to be paid for the contractual duration modified by the estimate of the renewal and termination options, the payments for leases paid on or before the date of commencement of the lease, any incentives received, the initial direct costs and any estimated costs for the decommissioning or restoration of the asset underlying the lease.

The financial liability recognised corresponds to the current value of the lease payments due.

With regard to the discount rate, on the basis of IFRS 16 requirements, the Bank uses the implicit interest rate for each lease agreement, where available. With regard to lease agreements from the lessee’s point of view, in some cases, for example with reference to rental agreements, the implicit interest rate cannot always be readily determined without recourse to estimates and assumptions (the lessee does not have enough information on the unsecured residual value of the leased asset). In such cases, the Bank has developed a method to define the incremental interest rate as an alternative to the implicit interest rate and has decided to adopt the internal funding transfer rate. This is an unsecured and amortising rate curve, as the lease agreement provides for equal lease payments typically fixed for the duration of the contract, and not a single payment on maturity. This rate takes into account the duration of the lease, as well as the economic environment in which the transaction takes place and therefore is in line with the requirements of the standard.

The lease term is determined taking into account:

- periods covered by an option to extend the lease, if the exercise of said option is reasonably certain;
- periods covered by an option to terminate the lease, if the exercise of said option is reasonably certain.

During the term of the lease agreement, the lessee must:

- measure the right of use at cost, net of accumulated amortisation and cumulative value adjustments determined and accounted for on the basis of the provisions of IAS 36 “Impairment of assets”, adjusted to take into account any restatements of lease liabilities;
- increase the liability deriving from the lease transaction as a result of the accrual of interest expense calculated at the implicit interest rate of the lease, or, alternatively, at the marginal borrowing rate and reduce it for payments of principal and interest.

In the event of changes in the payments due for the lease, the liability must be restated; the impact of the restatement of the liability is recognised against the asset consisting of the right of use.

Lastly, note that the Bank avails itself of the exemptions permitted by IFRS 16 for short-term leases (i.e. duration of less than or equal to 12 months) or leases of modest value assets (i.e. value less than or equal to Euro 5,000).

Derecognition

Property, plant and equipment are derecognised from the balance sheet on disposal, or when the asset concerned is permanently taken out of use and no further economic benefits are expected from its disposal.

7 – Intangible assets

Classification

Intangible assets include other intangible assets, consisting in particular of software.

Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Recognition

Intangible assets are recognised 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 when the cost is incurred.

Derecognition

Intangible assets are derecognised from the balance sheet on disposal and when no more further economic benefits are expected.

8 – Non-current assets held for sale and discontinued operations

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

9 – Current and deferred taxes

Income taxes, calculated in accordance with national tax legislation, are accounted for as a cost on an accrual basis, consistent with the methods under which the costs and revenues that generated them are recognised in the financial statements. Therefore, they represent the balance of current and deferred taxes relating to the income for the year.

Current tax assets and liabilities include the net balance of the positions of the Bank vis-à-vis the Italian tax authorities attributable to direct taxes. In particular, these items include the net balance between the tax liabilities of previous years and current ones for the year, calculated on the basis of a prudent forecast of the tax liability due for the year, determined on the basis of the tax regulations in force, and the current tax assets represented by payments on account, withholding taxes or other tax credits. The risk inherent in such procedures - in the same way as the risks inherent in procedures that did not require interim payments - is assessed according to the logic of IAS 37, in relation to the likelihood of using economic resources for their fulfilment.

Taking into account the adoption of the national tax consolidation scheme by the Group, the tax positions referable to the Group companies are managed separately from an administrative point of view.

Deferred taxes are determined on the basis of the so-called balance sheet liability method, taking into account the tax effect associated with the timing differences between the book value of assets and liabilities and their tax value, which will determine taxable or deductible amounts in future periods. For such purposes, "taxable timing differences" are those that in future periods will determine taxable amounts and "deductible timing differences" are those that in future years will determine deductible amounts.

Deferred taxes are calculated by applying the tax rates established by the legal provisions in force to the taxable timing differences for which there is the probability of an actual incurring of taxes and to the deductible timing differences for which there is reasonable certainty that there will be future taxable amounts at the moment in which the related tax deductibility will occur (probability test). Deferred tax assets and liabilities relating to the same tax and falling due in the same period are offset.

If deferred tax assets and liabilities refer to items which have affected the income statement, they are booked against income taxes.

In cases where the deferred tax assets and liabilities relate to transactions that were booked directly to equity without affecting the income statement (such as adjustment on first time application of the IAS/IFRS, the valuations of financial instruments recognised at fair value through other comprehensive income), they too are booked through shareholders' equity, affecting the specific reserves when this is foreseen (e.g. valuation reserves). Deferred taxes referring to companies included in the tax consolidation scheme are recognised in their financial statements, in application of the accruals criterion and in consideration of the value of the tax consolidation limited to the settlement obligations of current tax positions. Latent taxes on the shareholders' equity components of the consolidated companies is not recognised in the financial statements if it is not considered probable that the conditions for the related taxes will occur, and thus also in relation to the long-term nature of the investment.

10 – Provisions for risks and charges

Provisions for risks and charges in the presence of commitments and guarantees given

The sub-item of provisions for risks and charges in question includes provisions for credit risk recognised in the presence of commitments to disburse funds and guarantees given that fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, in principle, the same methods are adopted for allocation between the three stages (credit risk stages) and calculation of the expected loss shown with reference to financial assets measured at amortised cost or fair value through other comprehensive income.

Other provisions

The other provisions for risks and charges include the provisions relating to legal obligations or associated with employment relationships or disputes, including tax-related, originating from a past event for which it is probable that economic resources will be disbursed to fulfil said obligations, provided that a reliable estimate of the related amount can be made.

Consequently, a provision is recognised if and only if:

- there is a pending obligation (legal or implicit) as a result of a past event;
- it is probable that the use of resources suitable for producing economic benefits will be necessary to fulfil the obligation; and
- a reliable estimate can be made of the amount deriving from the fulfilment of the obligation.

The amount recognised as a provision represents the best estimate of the expense required to fulfil the obligation existing at the reporting date and reflects risks and uncertainties that inevitably characterise a number of facts and circumstances.

Provisions are charged to the income statement. The provision is reversed when the use of resources suitable for producing economic benefits to fulfil the obligation becomes unlikely or when the obligation is extinguished.

11 – Financial liabilities measured at amortised cost

Classification

Deposits from banks, Deposits from customers and Debt securities issued represent the various forms of interbank and customer funding. Also included are payables recognised by the company as lessee in the context of lease operations.

Recognition

The initial recognition of these financial liabilities takes place on the date the agreement is signed, which normally coincides with the moment of 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 or issue transaction. Internal administrative costs are excluded.

Lease payables are recognised at the current value of future lease payments, discounted using the rate mentioned in the related section on leases.

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 restated when there is a lease modification (e.g. a change in the agreement that is not accounted for/considered as a separate contract); the effect of the restatement will be recorded through the right-of-use asset.

Derecognition

Financial liabilities are derecognised when they expire or are settled.

12 – Financial liabilities held for trading

Recognition

The financial instruments in question are recognised on the subscription date or the issue date at a value equal to the fair value of the instrument, without considering possible transaction costs or income directly attributable to the instrument concerned.

This category of liabilities includes, in particular, trading derivative contracts with negative fair value.

Measurement

All liabilities held for trading are measured at fair value with the result of the measurement 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 Bank does not have any financial liabilities designated at fair value.

14 – Foreign currency transactions

The Bank does not have any transactions in foreign currency.

15 - Other information

Cash and cash equivalents

The item "Cash and cash equivalents" includes the recognition mainly of 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 working 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. These components are valued according to the general principle of the estimated realisable value, which normally coincides with the nominal value. These assets are derecognised from the financial statements at the natural end of the contractual rights, if any, on the related cash flows.

Treasury shares

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

Share-based payments

The Bank has no share-based payments.

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

Accruals and deferrals

Accruals and deferrals that include charges and income pertaining to the period accrued on assets and liabilities are recognised in the financial statements as an adjustment to the assets and liabilities to which they refer.

Leasehold improvement expenditure

The restructuring costs for properties not owned are capitalised in consideration of the fact that for the duration of the lease agreement the user company has control of the assets and can derive future economic benefits from them. The aforementioned costs, classified under Other assets and under property, plant and equipment (if the regulatory requirements are met), are depreciated for a period not exceeding the duration of the lease agreement.

Provision for employee severance pay

Employee severance pay is considered a "post-employment benefit" and was limited by the entry into force of the reform envisaged by Italian Law no. 296/2006 (2007 Finance Act) on supplementary pensions.

For discounting purposes, the rate used is determined with reference to the market return taking into account the average residual duration of the liability, weighted on the basis of the percentage of the amount paid and advanced, for each maturity, with respect to the total to be paid and advanced until the final settlement of the entire obligation. Costs for the service of the plan are accounted for under personnel costs, while actuarial gains and losses are recognised in the statement of comprehensive income.

Revenue and cost recognition

Revenues are gross flows of economic benefits arising in the ordinary course of business and are recognised at the time control of the goods or services is transferred to the customer, at an amount representing the amount of consideration to which one is deemed to be entitled. In particular, revenue is recognised by means of the application of a model that must meet the following criteria:

- identification of the contract, defined as an agreement in which the parties have undertaken to fulfil their respective obligations;
- identification of the individual performance obligations contained in the contract;
- determination of the transaction price, i.e. the consideration expected for the transfer of goods or services to the customer;
- allocation of the transaction price to each "performance obligation", based on the sale prices of the individual obligation;
- recognition of revenues when (or gradually as) the performance obligation is fulfilled by transferring the promised good or service to the customer.

The transaction price represents the amount of consideration to which the entity deems it is entitled to in exchange for transferring the promised goods and services to the customer. It may include fixed or variable amounts or both. Revenues configured as variable consideration are recognised in the income statement if they can be reliably estimated and only if it is highly probable that this consideration will not be reversed from the income statement in subsequent periods, in full or to a significant extent. In the event of a high prevalence of factors of uncertainty linked to the nature of the consideration, the same will be recognised only when said uncertainty is resolved.

Revenues can be recognised:

- at a precise moment, when the entity fulfils the performance obligation transferring the promised good or service to the customer, or
- over time, as the entity gradually fulfils the performance obligation transferring the promised good or service to the customer.

The asset is transferred when, or during the period in which, the customer acquires control of it.

Specifically:

- interest is recognised on a pro-rata basis with regard to the contractual interest rate or the effective interest rate if the amortised cost is applied. Interest income (or interest expense) also includes positive (or negative) spreads or margins accrued up to the reporting date, relating to financial derivative contracts:
  - hedging assets and liabilities that generate interest;
  - operationally related to assets and liabilities classified in the trading book and which envisage the settlement of spreads or margins with multiple maturities;
- interest on arrears, possibly envisaged contractually, is recorded in the income statement only at the time of its actual collection;
- dividends are recognised in the income statement at the time their distribution is resolved, unless this date is unknown or the information is not immediately available, in which case recognition at the time of collection is permitted;
- commission for revenues from services are recognised, on the basis of the existence of contractual agreements, in the period in which the services were provided. Commission considered in the amortised cost for the purposes of determining the effective interest rate is recognised under interest;
- gains and losses deriving from the trading of financial instruments are recognised in the income statement at the time of finalisation of the sale, on the basis of the difference between the amount paid or collected and the book value of the instruments themselves;
- revenues from the sale of non-financial assets are recognised at the time the sale is completed, or when the performance obligation vis-à-vis the customer is fulfilled.

Costs are recognised in the income statement on an accruals basis; the costs relating to obtaining and fulfilling contracts with customers are recognised in the income statement in the periods in which the related revenues are recorded.

Method of determining the amortised cost

The amortised cost of a financial asset or liability 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 or liability to the contractual flow of future cash payments, either received up to the expected maturity or to the next date when 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 review 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. The calculation of the amortised cost differs depending on whether the financial assets/liabilities subject to valuation are at a fixed or variable rate and - in the latter case - depending on whether the variability of the rate is known or not in advance. For instruments with a fixed rate or fixed rate by time brackets, future cash flows are quantified on the basis of the known interest rate (single or floating) during the life of the loan. For financial assets/liabilities with a floating rate, whose variability is not known in advance (for example because it is linked to an index), the calculation of the cash flows is carried out on the basis of the last known rate. At each rate review date, the amortisation plan and the effective rate of return are recalculated over the entire useful life of the instrument, i.e. until the maturity date. The adjustment is recognised as a cost or income in the income statement.

The measurement at amortised cost is carried out for financial assets measured at amortised cost and for those measured at fair value through other comprehensive income, as well as for financial liabilities measured at amortised cost.

Financial assets and liabilities traded under market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and commission that is directly attributable. Transaction costs include internal or external marginal costs and income attributable to the issue, acquisition or disposal of a financial instrument that cannot be recharged to the customer. These fees, which must be directly attributable to the individual financial asset or liability, affect the original effective return and make the effective interest rate associated with the transaction different from the contractual interest rate. Costs/income relating to several transactions without distinction and components related to events that may occur during the life of the financial instrument, but which are not certain at the time of the initial definition, are excluded, such as for example: commission for retrocession, for failure to use, for early repayment. In addition, the amortised cost calculation does not include the costs that the company should incur regardless of the transaction, those which, although specifically attributable to the transaction, fall within the normal practice of managing the loan. With particular reference to receivables, commission paid to distribution channels and direct insurance policies are considered costs attributable to the financial instrument; while the revenues considered in the calculation of the amortised cost are the up-front commission.

For the securities issued, the placement commission of the bond loans paid to third parties and the structuring activities are considered in the calculation of the amortised cost, while the recurring maintenance activities are not considered in the amortised cost.

TLTRO III financing transactions

TLTRO III (*Targeted Longer Term Refinancing Operations*) aim to preserve favourable conditions of bank credit and to support the accommodating stance of monetary policy. Some of the parameters defined by the ECB on 6 June 2019 were subsequently revised for the purpose of improvement, most recently on 10 December 2020, in light of the economic repercussions deriving from the continuation of the COVID-19 emergency. The funding that can be obtained from each banking institution depends on the amount of loans granted to non-financial companies and households (eligible loans) on certain recognition dates. The transactions are carried out on a quarterly basis, starting from September 2019 and each transaction has a duration of three years.

The interest rate for each transaction is set at a level equal to the average level of the main refinancing operations of the Eurosystem (MRO), with the exception of:

- for the period between 24 June 2020 and 23 June 2022 ("*special interest rate period*"), in which a lower rate of 50 basis points will be applied. Banks that grant net eligible loans above a reference value ("*benchmark net lending*") may benefit from a reduction in the interest rate. In detail, the preferential rate applied will be equal to the average rate on deposits at the central bank (*Deposit Facility*), currently equal to -0.5%, for the entire duration of the respective transaction, with the exception of the "*special interest rate period*", in addition to a further reduction of 50 basis points (and in any case no higher than 1%);
- for the period from 23 November 2022, the interest rate on TLTRO-III transactions still outstanding is index-linked to the reference interest rate applicable during this period.

In this context, the rate applied at Group level followed the following method:

- for the period between 24 June 2020 and 23 June 2022, -1% was applied;
- for the period between 24 June 2022 and 22 November 2022, the average rate (*Deposit Facility*) was applied, calculated as the average from the granting of the loan until 22 November 2022;
- for the period from 23 November 2022, the interest rate on TLTRO-III transactions still outstanding is index-linked to the reference interest rate applicable during this period.

With regard to the accounting at amortised cost, note the application of the standard taking into account the variable cost described above and the expected early repayments.

Use of estimates and assumptions in preparing financial information

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

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

- the quantification of impairment losses on receivables, equity investments and, in general, other financial assets;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- assessing whether the value of other intangible assets is fair;
- quantifying personnel provisions and provisions for risks and charges;
- making estimates and assumptions regarding the recoverability of deferred tax assets.

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

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

The 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 made transfers of portfolios between the different categories of financial assets during the year.

A.4 – Information on fair value

Qualitative information

The Bank regulates and formalises the measurement of fair value through internal policies, overseen by the Market Risk unit.

IFRS 13 defines fair value 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.

Underlying the definition of fair value is the presumption that the Bank finds itself in the normal course of business with no intention of liquidating its assets, of significantly reducing the level of its assets or of proceeding with the definition of transactions at unfavourable conditions. For this reason, the fair value of an asset or liability is based on the assumption that participants act to best satisfy their economic interests, consequently favouring the main active markets, or in the absence thereof, the most advantageous secondary active market.

The Bank can therefore use the following valuation models:

- market valuation method (use of market prices of assets, liabilities or similar equity instruments held as assets by other market participants);
- cost method (i.e. the replacement cost that would be required at the time to replace the service capacity of an asset);
- income method (discounted value technique based on expected future cash flows from a market counterparty that holds a liability or an equity instrument as an asset).

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

The measurement techniques adopted by the Bank are as follows:

Items	Assessment	Level *
ASSETS		
Debs securities	**Market price**	**1**
Equities	**Cost**	**3**
Loans**		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3
- impaired	Discounted valute at tax risk free + risk spread according to historical recovery curves	3
LIABILITIES		
Debt securities issued	Discounted valute at tax risk free + risk spread	**2-3**
Deposit **		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3
OTHER ASSETS AND LIABILITIES**		
- on demand (< 3 Mesi)	Cost	2-3
- to maturity (>3 mesi)	Discounted valute at tax risk free + risk spread	2-3

Key:
* For further clarifications on fair value levels, please refer to "A.4.3 Fair value hierarchy".
** Relationships are generally classified as level 3, except for central banks and credit institutions classified as level 2.

The inputs used are the assumptions that market participants would use in determining the price of the asset or liability and can be classified as:

- observable inputs: processed using market data, such as publicly available information on actual transactions or events, and which reflect the assumptions that market participants would use in determining the price of the asset or liability.
- non-observable inputs: no market information is available and they are processed using the best information available regarding assumptions that market participants would use in determining the price of the asset or liability. The majority of these inputs come from sources within the Santander Group.

A volatility corrective factor known as FVA - fair value adjustment (divided into CVA - Credit Value Adjustment and DVA - Debit Value Adjustment respectively for assets and liabilities) is also used. The main aggregates affected by the FVA are the loan portfolio, for which the corrective factor is included in the impairment, while for derivative contracts, the daily settlements of the positions allow an implicit reabsorption of the corrective element.

A.4.2 Valuation processes and sensitivity

The risk-free and risk-spread parameters are updated on a quarterly basis and are intended to incorporate fluctuations deriving from market risk. These values are periodically monitored by the Market Risk unit in order to continuously assess the adequacy of the models used, subject to review at least once a year.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that classifies the inputs of the valuation techniques adopted to measure the fair value into three levels. This hierarchy assigns the highest priority to (unadjusted) listed prices in active markets for identical assets or liabilities (Level 1) and minimum priority to non-observable inputs (Level 3).

Specifically:

- Level 1: when the measurement of the instrument is obtained directly from (unadjusted) listed prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: if an active market price has not been found and the measurement is carried out using a valuation technique, on the basis of parameters observable on the market, or on the use of parameters that are not observable but supported and confirmed by market evidence, such as prices, spreads or other inputs;
- Level 3: when the measurements are carried out using different inputs, not all derived directly from parameters observable on the market and therefore involve estimates and assumptions by the appraiser.

During the year, no transfers were made between fair value levels.

A.4.4 Other Information

There are no cases referred to in IFRS 13, paragraphs 48, 93 letter (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 fair value levels

	12/31/2022			12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets valued at fair value with impact on income statement	-	41,060	-	-	5,696	-
a) financial assets held for trading	-	41,060	-	-	5,696	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) o+ther financial assets compulsorily assessed at fair value	-	-	-	-	-	-
2. Financial assets valued at fair value with impact on overall profitability	301,373	-	-	633,804	-	-
3. Cover derivatives	-	154,216	-	-	5,705	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**301,373**	**195,275**	**-**	**633,804**	**11,401**	**-**
1. Financial liabilities held for trading	-	41,083	-	-	5,774	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Cover derivatives	-	-	-	-	2,714	-
Total	**-**	**41,083**	**-**	**-**	**8,488**	**-**

Legenda:
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 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 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 a non-recurring basis: distribution by fair value levels

Assets / Liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2022				12/31/2021			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets valued at amortized cost	6,071,949	97,484		5,633,615	5,690,871			5,520,141
2. Available for sale financial assets								
3. Non current assets classified as held for sale								
Total	**6,071,949**	**97,484**	**-**	**5,633,615**	**5,690,871**	**-**	**-**	**5,520,141**
1. Financial liabilities measured at amortized cost	6,212,702		2,769,648	3,436,291	5,843,809		2,870,739	2,968,055
2. Liabilites included in disposal group classified as hfs								
Total	**6,212,702**	**-**	**2,769,648**	**3,436,291**	**5,843,809**	**-**	**2,870,739**	**2,968,055**

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	Total
	12/31/2022	12/31/2021
a) Cash	6	15
b) Current account and demand deposits with Central banks	65	218,268
c) Current accounts and demand deposits with banks	476,031	3,287
Total	**476,102**	**221,570**

The item "Current accounts and on demand deposits with banks" in 2022 was affected by the presence of an overnight position with Santander Consumer Finance for Euro 472,052 thousand.

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 12/31/2022			Total 12/31/2021		
	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	-	41,060	-	-	5,696	-
1.1 trading	-	41,060	-	-	5,696	-
1.2 fair value hedges	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivates	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 fair value hedges	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	-	**41,060**	-	-	**5,696**	-
Total (A+B)	-	**41,060**	-	-	**5,696**	-

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

The financial derivatives item includes the positive fair value of the derivatives entered into as part of the proprietary securitisation transactions, without cancellation.

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

Items/Values	Total 12/31/2022	Total 12/31/2021
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 finanzial 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) Families	-	-
Total (A)	-	-
B. DERIVATIVE INSTRUMENTS	-	-
a) Central Counterparties	-	-
b) Others	41,060	5,696
Total (B)	**41,060**	**5,696**
Total (A+B)	**41,060**	**5,696**

2.3 Financial assets designated at fair value: breakdown by type

The Bank does not have any financial assets designated at fair value.

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

The Bank does not have any financial assets designated at fair value.

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

The Bank does not have 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 have any other financial assets designated at fair value.

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

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

Item/Values	Total 12/31/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Debts securities	301,373	-	-	633,804	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other	301,373	-	-	633,804	-	-
2. Equity instruments	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-
Total	**301,373**	**-**	**-**	**633,804**	**-**	**-**

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

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

Items/Values	Total 12/31/2022	Total 12/31/2021
1. Debt securities	**301,373**	**633,804**
a) Central Banks	-	-
b) Public entities	301,373	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	**301,373**	**633,804**

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total write-downs

		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 parziali complessivi
Debt securities		301,373	-	-	-	-	-	-	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**301,373**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2021**	**633,804**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

4.1 Financial assets measured at amortised cost: loans to banks, breakdown by type

Type of transaction/Values	Total 12/31/2022						Total 12/31/2021					
	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	**11,820**	-	-	-	-	**11,820**	**13,088**	-	-	-	-	**13,088**
1. Deposits to Maturity	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	11,820	-	-	X	X	X	13,088	-	-	X	X	X
3. Repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables to banks	**33,620**	-	-	-	-	**33,826**	**129,180**	-	-	-	-	**129,101**
1. Loans	33,620	-	-	-	-	33,826	129,180	-	-	-	-	129,101
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.3 Other loans:	33,620	-	-	X	X	X	129,180	-	-	X	X	X
- Repos	-	-	-	X	X	X	93,518	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	33,620	-	-	X	X	X	35,662	-	-	X	X	X
2. Debts securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**45,440**	**-**	**-**	**-**	**-**	**45,646**	**142,268**	**-**	**-**	**-**	**-**	**142,189**

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 33,603 thousand.

4.2 Financial assets measured at amortised cost: loans to customers, breakdown by type

Type of transaction/Values	Total 12/31/2022 Balance value			Fair value			Total 12/31/2021 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	**5,879,347**	**48,064**	**-**	**-**	**-**	**5,587,969**	**5,493,359**	**55,243**	**-**	**-**	**-**	**5,377,952**
1.1. Deposits from customers	3,305	1	-	X	X	X	5,505	-	-	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	2,259,361	25,671	-	X	X	X	1,783,098	33,991	-	X	X	X
1.5. Lease loans	183,769	825	-	X	X	X	174,064	564	-	X	X	X
1.6. Factoring	60,218	-	-	X	X	X	51,590	-	-	X	X	X
1.7. Other loans	3,372,694	21,567	-	X	X	X	3,479,103	20,688	-	X	X	X
2. Debt securities	**99,097**	**-**	**-**	**97,484**	**-**	**-**	-	-	-	-	-	-
1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2. Other debt securities	99,097	-	-	97,484	-	-	-	-	-	-	-	-
Total	**5,978,445**	**48,064**	**-**	**97,484**	**-**	**5,587,969**	**5,493,359**	**55,243**	**-**	**-**	**-**	**5,377,952**

The item “Credit cards, personal loans and salary assignment loans” was affected by the personal loan distribution agreement with Poste Italiane.

The item "Other loans" includes car loans and special-purpose loans.

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

Type of transaction / Values	Total 12/31/2022 First and second stage	Third stage	Purchased or originated impaired assets	Total 12/31/2021 First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**99,097**	-	-	-	-	-
a) Public Administration	99,097	-	-	-	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**5,879,347**	**48,064**	-	**5,493,359**	**55,243**	-
a) Public Administration	1,558	4,095	-	1,582	4,212	-
b) Other financial company	163,092	78	-	203,310	44	-
of which: insurance companies	3	3	-	-	-	-
c) Non financial companies	393,077	4,305	-	334,968	3,101	-
d) Households	5,321,620	39,586	-	4,953,500	47,887	-
Total	**5,978,445**	**48,064**	**-**	**5,493,359**	**55,243**	**-**

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

		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 parziali complessivi
Debt securities		99,097	-	-	-	-	-	-	-	-	-
Loans		5,919,760	-	54,923	157,606	-	35,709	14,187	109,542	-	-
Total	**12/31/2022**	**6,018,858**	**-**	**54,923**	**157,606**	**-**	**35,709**	**14,187**	**109,542**	**-**	**-**
Total	**12/31/2021**	**5,619,689**	**-**	**73,753**	**141,428**	**-**	**39,779**	**18,035**	**86,185**	**-**	**-**

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

		Gross value					Writedown				
		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*
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		-	-	-	-	-	-	-	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2021**	**-**	**-**	**3,060**	**-**	**-**	**-**	**1,835**	**-**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

5.1 Hedging derivatives: breakdown by type of hedge and levels

	Fair Value			NV	Fair Value			NV
	12/31/2022				12/31/2021			
	L1	L2	L3	12/31/2022	L1	L2	L3	12/31/2021
A. Financial derivatives								
1) Fair value	-	154,216	-	3,199,074	-	5,705	-	1,068,301
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**154,216**	**-**	**3,199,074**	**-**	**5,705**	**-**	**1,068,301**

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

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 positive fair value as at 31 December 2022:

Notional	Start date	Settlement date	Counterparty	Fair value
80,000	07/22/2021	01/22/2038	Banco Santander	8,084
150,000	07/22/2021	11/23/2037	Banco Santander	15,439
170,000	07/22/2021	12/22/2037	Banco Santander	17,608
18,750	01/30/2017	10/31/2025	Banco Santander	659
15,144	04/26/2017	07/28/2025	Banco Santander	494
17,204	04/26/2017	08/26/2025	Banco Santander	585
17,001	04/26/2017	09/26/2025	Banco Santander	593
3,247	05/31/2017	06/30/2023	Banco Santander	30
5,747	05/31/2017	07/31/2023	Banco Santander	59
12,435	07/31/2017	11/29/2024	Banco Santander	382
11,639	07/31/2017	12/31/2024	Banco Santander	331
12,023	07/31/2017	01/31/2025	Banco Santander	357
5,227	09/29/2017	12/31/2025	Banco Santander	215
15,603	06/30/2020	12/31/2027	Banco Santander	646
14,475	06/29/2018	09/30/2024	Banco Santander	394
24,066	07/31/2018	07/31/2028	Banco Santander	1,146
17,933	08/31/2018	08/31/2028	Banco Santander	817
29,747	12/21/2018	12/21/2028	Banco Santander	1,540
24,617	05/31/2019	11/30/2027	Banco Santander	1,223
60,212	05/29/2020	02/28/2031	Banco Santander	2,997
60,212	05/29/2020	03/31/2031	Banco Santander	3,063
73,591	05/29/2020	07/29/2031	Banco Santander	3,547
31,245	05/29/2020	05/29/2031	Banco Santander	1,569
30,106	05/29/2020	06/30/2031	Banco Santander	1,531
147,398	12/27/2021	04/27/2038	Banco Santander	15,776
96,498	12/27/2021	05/27/2038	Banco Santander	10,496
73,708	12/27/2021	06/28/2038	Banco Santander	8,082
55,302	03/02/2022	06/30/2032	Banco Santander	2,057
49,058	03/02/2022	07/30/2032	Banco Santander	1,859
31,999	03/02/2022	08/31/2032	Banco Santander	1,197
100,000	04/05/2022	03/29/2029	Banco Santander	3,938
100,000	04/05/2022	04/30/2029	Banco Santander	4,294
100,000	04/05/2022	05/31/2029	Banco Santander	4,411
100,000	04/20/2022	12/29/2028	Banco Santander	3,601
100,000	04/20/2022	01/31/2029	Banco Santander	3,920
100,000	04/20/2022	02/28/2029	Banco Santander	3,979
100,000	05/16/2022	08/31/2028	Banco Santander	3,933
100,000	05/16/2022	09/29/2028	Banco Santander	3,842
100,000	05/16/2022	10/31/2028	Banco Santander	3,829
75,500	06/20/2022	08/31/2032	Banco Santander	1,597
81,000	06/20/2022	09/30/2032	Banco Santander	1,712
85,000	06/20/2022	10/29/2032	Banco Santander	1,626
44,588	07/22/2022	07/30/2032	Banco Santander	1,303
44,675	07/22/2022	05/31/2032	Banco Santander	1,418
44,129	07/22/2022	06/30/2032	Banco Santander	1,344
30,000	09/15/2022	12/31/2030	Banco Santander	733
30,000	09/15/2022	01/31/2031	Banco Santander	695
30,000	09/15/2022	02/28/2031	Banco Santander	732
30,000	10/04/2022	01/31/2030	Banco Santander	177
30,000	10/04/2022	02/28/2030	Banco Santander	222
30,000	10/04/2022	03/29/2030	Banco Santander	250
30,000	10/27/2022	09/30/2030	Banco Santander	285
29,500	10/27/2022	10/31/2030	Banco Santander	211
30,500	10/27/2022	08/30/2030	Banco Santander	268
100,000	12/09/2022	06/30/2032	Banco Santander	1,078
100,000	12/09/2022	07/30/2032	Banco Santander	1,043
100,000	12/09/2022	05/31/2032	Banco Santander	996

	3,199,074	154,216

5.2 Hedging derivatives: breakdown by hedged portfolios 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	154,216	X	-	X
5. Others	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**154,216**	**-**	**-**	**-**
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 – Value adjustment of financial assets subject to macro hedge – Item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

Remeasurement to hedged assets / Values	Total 12/31/2022	Total 12/31/2021
1. Positive adjustment	-	-
1.1 of specific portfolios:	-	-
a) financial assets at amortised cost	-	-
b) financial assets at fair value with through other comprehensive income	-	-
1.2 overall	-	-
2. Negative adjustment	**(145,478)**	**(3,478)**
2.1 of specific portfolios:	(145,478)	(3,478)
a) financial assets at amortised cost	(145,478)	(3,478)
b) financial assets at fair value with through other comprehensive income	-	-
2.2 overall	-	-
Total	**(145,478)**	**(3,478)**

Section 7 – Equity investments – Item 70

7.1 Equity investments: disclosures

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%	
4. Santander Consumer Renting S.r.l.	Bolzano	Torino	100%	
5. Drive S.r.l	Bolzano	Torino	100%	
B. Joint ventures				
C. Companies under significant influence				

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 have any insignificant equity investments.

7.5 Equity investments: change in the year

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**180,990 €**	**156,000 €**
B. Increases	**9,000 €**	**24,990 €**
B.1 Purchases	9,000 €	24,990 €
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	**189,990 €**	**180,990 €**
E. Total revaluations		
F. Total adjustments		

The equity investments in Santander Consumer Renting S.r.l. and Drive S.r.l. in the long-term rental segment were established in 2022 for Euro 4,000 thousand and Euro 5,000 thousand, respectively.

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 Bank has no significant restrictions.

7.9 Other information

Equity investments are individually tested for impairment in accordance with IAS 36. If the conditions set forth therein are met, the recoverable value is determined, i.e. the higher value between the “fair value” and the “value in use” (the latter determined by discounting back the cash flows at a rate that considers the current market rates and the specific risks of the asset or by using other generally adopted measurement criteria and methods suitable for the correct valuation of the investment itself). If the recoverable value is lower than the book value, the latter is consequently reduced by booking the corresponding write-down to the income statement.

With reference to equity investments in subsidiaries, the recoverable value is generally determined by discounting future income flows at an appropriate discount rate as detailed in the section “Estimating cash flows for determining the value in use of Equity investments in subsidiaries ”.

Estimating cash flows to determine the value in use of Equity investments in subsidiaries.

Projections

The set of projections used for the impairment test on Equity investments in subsidiaries is based on two alternative scenarios, in order to reflect the uncertainty and volatility of the macroeconomic context. The two scenarios are structured as follows:

- “Base” scenario based on the financial forecasts underlying the 2023-2025 strategic plan;
- “Stressed” scenario worse than the “base” scenario, which reflects downward macroeconomic forecasts for 2023-2025 to factor in the greater risks inherent in the current context of uncertainty.

Impairment test model

The calculation of the value in use for the purposes of the impairment test is carried out using a discounted cash flow model (DCF). The expected flows are equal to the net results pertaining to the group (excluding minority interests) deriving from the above and from the determination of a terminal value. The Terminal Value is determined using the "Perpetuity Method" considering a long-term nominal growth rate of 2.7% (Source: the average real growth rate of Eurozone GDP) and a discount rate as described below.

Discount rates

The future cash flows were discounted using an estimate of the discounting rate, which incorporates in the cost of own capital the various risk factors associated with the business sector. The discount rate used is a nominal after-tax rate.

In particular, the cost of capital for each investment in the different scenarios is estimated using the Capital Asset Pricing Model (CAPM) as the sum of the following elements:

- Tasso privo di rischio: pari al rendimento del titolo benchmark governativo del paese di riferimento;
- Premio al rischio sul capitale proprio: dato dal prodotto dei seguenti fattori:
    - Beta (β) della Capogruppo Banco Santander;
    - Premio al rischio del mercato azionario: come la differenza tra il ritorno del mercato azionario rispetto a quello del mercato obbligazionario.

<u>The results of the impairment test</u>

The test did not reveal any impairment situations in either the “base” or the “stressed” scenario.

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 12/31/2022	Total 12/31/2021
1. Owened assets	**2,924**	**3,792**
a) lands	-	-
b) buildings	-	-
c) furniture	649	712
d) electronic system	1,999	2,893
e) other	277	187
2. Leased assets	**16,118**	**18,533**
a) lands	-	-
b) buildings	13,650	15,649
c) furniture	-	-
d) electronic system	-	-
e) other	2,468	2,884
Total	**19,042**	**22,325**
of which: obtained by the enforcement of collateral	-	-

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 FORNITURE AND FURNISHING	9
ORDINARY OFFICE MACHINES	9
DATA PROCESSING MACHINES	5
TELEPHON SYSTEMS	4
VEHICLES	4
MISCELLANEOUS EQUIPMENT	4
SOFTWARE EXPENDITURE	3
DEFERRED CHARGES TO BE AMORTISED	6

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

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

No property, plant and equipment held for investment have been 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 Property, plant and equipment held for investment: breakdown of assets measured at fair value

No property, plant and equipment held for investment have been recognised.

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

The Bank does not have any property, plant and equipment obtained through the enforcement 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	**-**	**21,048**	**4,069**	**14,015**	**12,851**	**51,983**
A.1 Total net reduction value	-	5,399	3,357	11,122	9,780	29,658
A.2 Net opening balance	**-**	**15,649**	**712**	**2,893**	**3,071**	**22,325**
B. Increase:	**-**	**959**	**57**	**-**	**3,098**	**4,115**
B.1 Purchasing	-	-	57	-	189	246
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value allocated to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) profit & loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from investment properties	-	-	X	X	X	-
B.7 Other adjustment	-	959	-	-	2,909	3,869
C. Decrease:	**-**	**2,959**	**120**	**894**	**3,424**	**7,397**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Amorization	-	2,067	120	894	1,800	4,881
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	-	892	-	-	1,624	2,516
D. Net closing balance	**-**	**13,650**	**649**	**1,999**	**2,745**	**19,042**
D.1 Total net write-down	-	6,181	3,478	12,016	8,595	30,270
D.2 Final gross balance	**-**	**19,831**	**4,127**	**14,015**	**11,340**	**49,312**
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 measured at fair value.

Items B.7 "Other increases" and C.7 "Other decreases" include the increases and decreases in the value of assets subject to IFRS 16, respectively.

The table below reports the annual changes in rights of use of property, plant and equipment used for business purposes acquired through finance leases:

	Lands	Buildings	Furniture	Electronic System	Others	Total
A. Gross opening balance	-	**21,048**	-	-	**4,457**	**25,505**
A.1 Total net reduction value	-	5,399	-	-	1,573	6,972
A.2 Opening net balance	-	**15,649**	-	-	**2,884**	**18,533**
B. Increase:	-	**959**	-	-	**2,909**	**3,869**
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	-	959	-	-	2,909	3,869
C. Decreases:	-	**2,959**	-	-	**3,325**	**6,283**
C.1 Disposal	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	2,067	-	-	1,701	3,767
C.3 Impairment losses	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit & loss	-	-	-	-	-	-
C.4 Negative changes 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	-	892	-	-	1,624	2,516
D. Net final balance	-	**13,650**	-	-	**2,468**	**16,118**
D.1 Total net reduction in value	-	6,181	-	-	296	6,477
D.2 Gross closing balance	-	**19,831**	-	-	**2,765**	**22,595**
E. Carried at cost	-	-	-	-	-	-

8.7 Property, plant or equipment held for investment: change in the year

The Bank does not have any property, plant and equipment held for investment in the financial statements.

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

The Bank does not have any property, plant and equipment obtained through the enforcement 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

The Bank does not have any commitments to purchase property, plant and equipment.

Section 9 – Intangible assets – Item 90

9.1 Intangible assets: breakdown by type

Activities/Values	Total 12/31/2022		Total 12/31/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible asset	30,463	-	33,118	-
of which: software	30,463	-	33,118	-
A.2.1 Assets valued at cost:	30,463	-	33,118	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	30,463	-	33,118	-
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**30,463**	**-**	**33,118**	**-**

Software has different amortisation periods depending on its future usefulness:

- Software for the provision of services to the JVs: 5 and 7 years depending on the duration of the contract;
- Software identified as essential for the business and with proven utility of more than 5 years: 5 years;
- Software without characteristics comparable to the previous two aggregates: 3 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	-	-	-	**130,586**	-	**130,586**
A.1 Reductions of total net value	-	-	-	97,468	-	97,468
A.2 Net opening balance	-	-	-	33,118	-	33,118
B. Increases	-	-	-	**94,145**	-	**94,145**
B.1 Purchases	-	-	-	7,738	-	7,738
- 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	-	-	-	86,407	-	86,407
C. Decreases	-	-	-	**96,799**	-	**96,799**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Write-downs	-	-	-	10,393	-	10,393
- Amortisations	X	-	-	10,338	-	10,338
- Depreciations	-	-	-	55	-	55
+ equity	X	-	-	-	-	-
+ P&L statement	-	-	-	55	-	55
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	-	-	-	86,407	-	86,407
D. Net closing balance	-	-	-	**30,463**	-	**30,463**
D.1 Adjustment of net total values	-	-	-	21,399	-	21,399
E. Gross closing balance	-	-	-	**51,862**	-	**51,862**
F. Evaluation to cost	-	-	-	-	-	-

Key:
DEF: finite life
INDEF: indefinite life

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 measured at fair value in the balance sheet.

The introduction of the classification of software with amortisation at 5 years saw a review of the residual useful life of some investments, based on a detailed analysis, on the benefits deriving from an increase in revenue or a reduction in cost commensurate with a period longer than the original period of 3 years.

The items "B.6 Other changes" and "C.6 Other changes" relate to the elimination of some fully amortised assets.

9.3 Intangible assets: other information

The introduction of the classification of software with amortisation at 5 years saw a review of the residual useful life of some investments, based on a detailed analysis, on the benefits deriving from an increase in revenue or a reduction in cost commensurate with a period longer than the original period of 3 years.

Section 10 – Tax assets and liabilities – Asset item 100 and Liabilities and Shareholders' equity item 60

10.1 Deferred tax assets: breakdown

	12/31/2022	12/31/2021
- Balancing the income statement	133,481	151,896
- Balancing net equity	662	349
Total	**134,143**	**152,245**

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

Deferred tax assets through shareholders' equity refer to the tax effect of financial assets measured at fair value through other comprehensive income and the actuarial gains and losses pertaining to the 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.

10.2 Deferred tax liabilities: breakdown

	12/31/2022	12/31/2021
- Recognised to the income statement	123	-
- Recognised to the net equity	-	107
Total	**123**	**107**

10.3 Changes in deferred tax assets (through the income statement)

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**151,896**	**181,278**
2. Increase	**3,879**	**4,842**
2.1 Deferred tax assets of the year	3,879	4,842
a) related to previous fiscal year	191	289
b) due to changes in accountable parameters	-	-
c) write-backs	-	-
d) others	3,687	4,553
2.2 New levies or increases in fiscal rates	-	-
2.3 Other increases	-	-
3. Decreases	**22,294**	**34,225**
3.1 Anticipated levies cancelled in fiscal year	22,170	33,662
a) reversals of temporary differences	22,103	33,655
b) write-downs of non-recoverable items	-	-
c) changes in accountable parameters	-	-
d) others	68	7
3.2 Decreases in fiscal rates	-	-
3.3 Other decreases:	124	563
a) conversion into tax credit under L. 214/2011	124	563
b) others	-	-
4. Closing balance	**133,481**	**151,896**

The reduction in reversals of deferred tax assets is mainly due to the legislative change made in 2022 on the deductibility relating to Italian Decree Law no. 214/2011.

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

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**132,055**	**159,860**
2. Increases	**124**	**289**
3. Decreases	**17,521**	**28,095**
3.1 Reversals of temporary differences	17,398	27,532
3.2 Transformation into tax credits	124	563
a) Due to loss positions arisen from P&L	-	-
b) Due to tax losses	124	563
3.3 Other decreases	-	-
4. Closing balance	**114,657**	**132,055**

With regard to deferred tax assets recorded in the financial statements, it should be stressed that they are fully convertible into tax credits, if they have the requisites envisaged by the regulations, 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)

	Total 12/31/2022	Total 12/31/2021
1. Initial amount	-	-
2. Increase	**123**	-
2.1 Defered levies observed in the fiscal year	**123**	-
a) related to precedent fiscal year	-	-
b) due to change in accountability parameters	-	-
c) others	123	-
2.2 New levies or increments of fiscal rates	-	-
2.3 Other increases	-	-
- di cui operazioni di aggregazione aziendale	-	-
3. Decreases	-	-
3.1 Defered levies cancelled in the 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	**123**	-

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

	Total 12/31/2022	Total 12/31/2021
1. Opening balance	**349**	**339**
2. Increases	**443**	**10**
2.1 Deferred tax assets during the year	443	10
b) related to previous fiscal years	-	-
b) due to changes in accountable parameters	-	-
c) others	443	10
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
- of which: business combinations	-	-
3. Decreases	**130**	**-**
3.1 Deferred tax assets derecognised during the year	130	-
a) reversals of temporary differences	130	-
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	**662**	**349**

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

	Total 12/31/2022	Total 12/31/2021
1. Initial amount	**107**	**-**
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	**107**	**-**
3.1 Anticipated levies cancelled in fiscal year	107	-
a) reversals of temporary differences	107	-
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

Current tax assets amount to Euro 42,727 thousand (Euro 42,859 thousand in 2021) and consist mainly of IRES and IRAP advances.

Current tax liabilities amount to Euro 26,857 thousand (Euro 20,393 thousand in 2021) and consist mainly of the estimate of current IRES and IRAP taxes, including the debit position deriving from the tax consolidation scheme, the financial manifestation of which will take place in 2023.

Section 11 - Non-current assets held for sale and discontinued operations and associated liabilities – Assets item 110 and Liabilities and Shareholders' equity item 70

11.1 Non-current assets held for sale and discontinued operations: breakdown by type

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

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

	12/31/2022	12/31/2021
Other Assets in transit	**3,519**	**3,712**
Insurance	**35,058**	**33,438**
Receivables deriving from the supply of non-financial goods and services	**19,534**	**15,728**
Operation leases	-	-
Other intercompany assets	5,733	5,184
Due from dealers	3,801	618
Advances to suppliers and different customers	10,000	9,926
Tax accounts	**22,007**	**25,106**
VAT	12,275	16,352
Stamp duties	8,634	7,517
Other tax receivables	1,098	1,237
Leasehold improvements	**1,942**	**2,338**
Accruals and prepaid expenses	**2,030**	**1,213**
Operating lease	-	-
Others	2,030	1,213
Other assets	**123**	**205**
Frauds	-	1
Security deposits	60	159
Grant	28	28
Pending costs	-	-
Warehouse inventories	-	-
Others	35	16
Total	**84,213**	**81,739**

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

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

The item “Affiliates” refers to amounts due from dealers and agents and increased due to the issue of invoices receivable at the turn of the year, duly collected in 2023.

The item “Suppliers and other customers” mainly includes items pertaining to service activities with companies belonging to the Banco Santander Group, which are not part of the Italian legal group, such as Hyundai Capital Bank Europe.

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 12/31/2022				Total 12/31/2021			
	B V	Fair Value			B V	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**2,766,665**	X	X	X	**2,778,509**	X	X	X
2. Deposits from banks	**1,093,538**	X	X	X	**839,914**	X	X	X
2.1 Current accounts and demand deposits	1	X	X	X	40,000	X	X	X
2.2 Time deposits	-	X	X	X	575	X	X	X
2.3 Loans	940,460	X	X	X	793,819	X	X	X
2.3.1 Repos	-	X	X	X	93,685	X	X	X
2.3.2 Other	940,460	X	X	X	700,134	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	153,077	X	X	X	5,520	X	X	X
Total	**3,860,203**	**-**	**2,769,648**	**1,094,105**	**3,618,424**	**-**	**2,870,739**	**744,850**

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

The item "Deposits from central banks" includes TLTRO loans.

"Deposits from banks" consists of:

- Parent Company financing transactions (Euro 940,460 thousand);
- other payables, relating to cash collateral connected to derivative positions (Euro 153,077 thousand).

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

Type of transaction/Value	Total 12/31/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	684,588	X	X	X	721,969	X	X	X
2. Time deposits	587,176	X	X	X	477,460	X	X	X
3. Loans	-	X	X	X	-	X	X	X
3.1 Repos	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities relating to commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	16,966	X	X	X	18,885	X	X	X
6. Other liabilities	586,690	X	X	X	832,026	X	X	X
Total	**1,875,420**	**-**	**-**	**1,850,613**	**2,050,340**	**-**	**-**	**2,041,921**

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

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 "Securitisation transactions".

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

Type of securities/Values	Total 12/31/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities including bonds								
1. bonds	477,078	-	-	491,574	175,045	-	-	181,284
1.1 structured	-	-	-	-	-	-	-	-
1,2 other	477,078	-	-	491,574	175,045	-	-	181,284
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**477,078**	**-**	**-**	**491,574**	**175,045**	**-**	**-**	**181,284**

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

The balance of the item "Securities issued" refers to not-preferred senior bonds, including the issues made in 2022. All securities were fully subscribed by the Parent Company.

1.4 Details of subordinated debts/securities

Type	12/31/2022	12/31/2021
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 2027	-	30,000
Subordinated debt TIER II to SCF - Santander Consumer Finance - maturing to 2031	55,000	55,000
Total	**100,000**	**130,000**

This item includes loans granted by companies belonging to the Santander Group, classified under the item Deposits from banks.

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 2022 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	**3,271**	**552**	**-**	**3,823**

	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	-	**261**	-	-	**517**	**743**	**1,470**	**6,230**	**7,745**	-

Section 2 – Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by type

Operation type / Values	Total 12/31/2022					Total 12/31/2021				
	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	-	-	41,083	-	X	-	-	5,774	-	-
1.1 Trading	X	-	41,083	-	X	X	-	5,774	-	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**	-	**41,083**	-	**X**	**X**	-	**5,774**	-	**X**
Total (A+B)	**X**	-	**41,083**	-	**X**	**X**	-	**5,774**	-	**X**

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

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

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and hierarchical levels

	NV	Fair value	12/31/2022		NV	Fair value	12/31/2021	
	12/31/2022	L1	L2	L3	12/31/2021	L1	L2	L3
A) Financial derivatives	-	-	-	-	**455,954**	-	**2,714**	-
1) Fair value	-	-	-	-	455,954	-	2,714	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	-	-	-	**455,954**	-	**2,714**	-

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 derivative contracts 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. With regard to hedging derivatives receivable, please refer to the Notes to the financial statements “Assets, Section 5 Hedging derivatives, item 50”.

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).

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

The Bank does not have any hedging derivatives under liabilities.

Section 5 – Value adjustment of financial liabilities subject to macro hedge – Item 50

The Bank does not have any financial liabilities subject to macro hedge.

Section 6 – Tax liabilities – Item 60

Please refer to Section 10 of Assets.

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

The Bank does not have any liabilities associated with assets held for sale and discontinued operations.

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

	12/31/2022	12/31/2021
Assets in transit	**46,245**	**36,264**
Insurance	**31,201**	**26,638**
Payables deriving from the supply of non-financial goods and services	**66,995**	**73,936**
Operating lease	-	-
Factoring	-	-
Other intercompany assets	-	-
Due from dealers	43,172	42,782
Advances to suppliers	23,823	31,155
Tax accounts	**10,026**	**10,145**
Payables relating to customers	**14,715**	**15,927**
Payables relating to personnel and social security institutions	**9,727**	**10,675**
Accruals and prepaid expenses	**453**	**693**
Operating lease	-	-
Other	453	693
Other liabilities	**682**	**718**
Security deposits	-	-
Revenues pending allocation	-	-
Others	682	718
Total	**180,043**	**174,996**

"Items being processed" mainly include items being processed relating to instalment collection and the settlement of loans.

The item "Insurance" mainly includes premiums to be paid to insurance companies and provisions on potential redemptions for reimbursement of premiums not availed of by the customer.

The item "Affiliates" mainly consists of the commission payable to dealers and agents and the provision for agents' leaving indemnities.

The item "Payables 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.

Section 9 – Provision for employee severance pay – Item 90

9.1 Provision for employee severance pay: change in the year

	Total 12/31/2022	Total 12/31/2021
A. Opening balance	**2,962**	**3,238**
B. Increases	**20**	**43**
B.1 Provision of the year	20	12
B.2 Other increases	-	31
- of which business aggregation operations	-	-
C. Reductions	**577**	**320**
C.1 Liquidations performed	190	241
C.2 C.2 Other reductions	387	79
- of which business aggregation operations	-	-
D. Closing balance	**2,405**	**2,962**
Total	**2,405**	**2,962**

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: 4.00%;
- expected inflation rate: 2.70%;
- 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: 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	**12/31/2022**	**12/31/2021**
Sensitivity to the discount rate		
a. Assumption (+50 bps)	4.50%	1.20%
b. DBO	2,326	2,862
c. Assumption (-50 bps)	3.50%	0.20%
d. DBO	2,462	3,068

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items / Values	**Total 12/31/2022**	**Total 12/31/2021**
1. Funds for credit risk related to financial obligations and warranties	-	-
2. Funds on other obligations and warranties release	-	-
3. Funds of business retirement	-	-
4. Other funds for risks and obligations	12,214	13,143
4.1 legal and fiscal controversies	3,235	4,073
4.2 obligations for employees	-	-
4.3 others	8,979	9,070
Total	**12,214**	**13,143**

10.2 Provisions for risks and charges: change in the year

		Pensions and post retirement benefit obligations	Other risk and obligation funds	Total
A. Initial existence	-	-	**13,143**	**13,143**
B. Increases	-	-	**808**	**808**
B.1 Reserve of the fiscal year	-	-	808	808
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	-	-	**1,737**	**1,737**
C.1 Use in the exercise	-	-	1,737	1,737
C.2 Variations due to modifies of discount rate	-	-	-	-
C.3 Other variations	-	-	-	-
- of which business aggregation operations	-	-	-	-
D. Final surplus	-	-	**12,214**	**12,214**

The main increases in item “B.1 - Provisions for the year” relate to coverage of legal disputes.

Item C.1 “Use during the year” relates both to reversals of provisions through line item 170b) of the income statement, set up in prior years for reimbursements linked to products offered by the bank for Euro 968 thousand, and to utilisations of allocated provisions to cover disbursements made for Euro 768 thousand (mainly attributable to the coverage of legal expenses).

10.3 Provisions for credit risk on commitments and financial guarantees given

The Bank does not have any 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 does not have defined-benefit pension plans.

10.6 Provisions for risks and charges - other provisions

The Other provisions are divided into:

- Legal disputes: the provision has been established essentially to deal with disbursement forecasts on lawsuits brought with customers and dealers; allocations are made on the basis of external legal opinions over a forecast period of four years.
- Other risks and charges: these refer to allocations to cover charges related to the application of the Lexitor ruling (Euro 10,624 thousand), and other reimbursements to customers (Euro 756 thousand); the allocations are made on the basis of internal calculation models over a forecast period of three years.

For further details on the Lexitor ruling, please refer to the report on operations.

Section 11 – Redeemable shares – Item 120

The Bank does not have 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

The share capital of the Bank amounts to Euro 573 million. As at the date of this document, the share capital is fully paid in and freed up. There are no treasury shares in the portfolio.

For further information, please refer to point 12.3 below.

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	
	12/31/2022	12/31/2021
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

The share premium reserve amounts to Euro 632 thousand.

12.4 Profit reserves: other information

The Bank's profit reserves as at 31 December 2022 are mainly composed of:

- legal reserve (Euro 30,045 thousand);
- extraordinary reserve (Euro 196,883 thousand);
- capital reserve (Euro 39,913 thousand);
- merger reserve (Euro -3 thousand);
- IFRS 9 reserve (Euro -6,080 thousand);

- reserve for acquisition of the ISBAN business unit (Euro -355 thousand);

12.5 Equity instruments: breakdown and change in the year

The Bank does not have any equity instruments.

12.6 Other information

The Bank does not have 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 article 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	**260,402**				
Legal reserve	30,045	A(1), B			
Extraordinary reserve	196,883	A, B, C	196,883		
FTA reserve	(6,081)				
Incorporation reserve	(355)				
Changes in previus period earning	0	(2)			
Reserve earning	(3)				
Capital reserve	39,913.00	A, B			
Merger reserve	-				
Other reserve	0				
Revaluation reserves	**(1,341)**				
Revaluation reserves FVOCI	(896)	(2)			
Actuarial gains(losses) on defined benefit plans	(445)	(2)			
Net income (loss)	**91,680**			**63**	
Total	**924,374**			**63**	

(*) 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 article 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	12/31/2022	12/31/2021
1. Commitment to supply funds	**231,962**	**17**	**1**	**-**	**231,980**	**217,678**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	200	-	-	-	200	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	229,514	16	-	-	229,529	214,108
f) Families	2,249	1	1	-	2,251	3,570
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.

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 12/31/2022	Amounts 12/31/2021
1. Financial assets designated at fair value through profit or loss	-	-
2. Financial assets at fair value through other comprehensive income	268,383	513,188
3. Financial assets valued to amortised cost	4,193,148	3,885,339
4. Property, plant and equipment	-	-
of which: inventories of property, plant and equipment	-	-

The assets used to guarantee own liabilities include:

- government securities;
- the loan pool (ABACO);
- the portfolio of loans subject to the securitisation transaction, referred to below in Part C, Section 2 of Part E of the Notes to the Financial Statements;

4. Administration and brokerage on behalf of third parties

The Bank does not carry out administration and brokerage on behalf of third parties.

5. Financial assets subject to offsetting in the financial statements, or subject to framework netting or similar agreements

Instrument type		Gross amount of financial assets (a)	Amount of financial liabilities compensated in balance sheet (b)	Net amount of financial assets reported in balance sheet (c=a-b)	Related amounts not recognised in Balance Sheet		Net amounts (f=c-d-e)	Net amounts
					Financial instruments (d)	Cash deposit received in guarantee (e)	12/31/2022	12/31/2021
1. Derivatives		154,216	-	154,216	-	152,944	1,271	(349)
2. Repo's		-	-	-	-	-	-	-
3. Stocks loan		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2022**	**154,216**	**-**	**154,216**	**-**	**152,944**	**1,271**	**X**
Total	**12/31/2021**	**6,065**	**-**	**6,065**	**-**	**6,413**	**X**	**(349)**

As required by IFRS 7, it is hereby disclosed that the derivative contracts in place as at 31 December 2022 are derivative instruments with Banco Santander with a positive fair value equal to Euro 154,216 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 framework netting or similar agreements

Instrument type		Gross amount of the financial liabilities (a)	Amount of the financial assets compensed in BS (b)	Net amount of the financial liabilities reportes in BS (c=a-b)	Related amounts not recognised in Balance Sheet		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit placed to warrant (e)	12/31/2022	12/31/2021
1. Derivatives		41,083	-	41,083	-	40,744	339	(463)
2. Repos		-	-	-	-	-	-	93,516
3. Stocks loan		-	-	-	-	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2022**	**41,083**	**-**	**41,083**	**-**	**40,744**	**339**	**X**
Total	**12/31/2021**	**101,881**	**-**	**101,881**	**315**	**8,513**	**X**	**93,054**

As required by IFRS 7, it is hereby disclosed that the derivatives in place as at 31 December 2022 are derivative instruments with Banco Santander with a negative fair value equal to Euro 41,083 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 positive 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.

7. Securities lending

The Bank does not have any securities lending transactions.

8. Information on joint arrangements

The Bank does not have 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 12/31/2022	Total 12/31/2021
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	**569**	-	**X**	**569**	**85**
3. Financial assets valued to amortize cost:	**655**	**233,061**	-	**233,716**	**220,994**
3.1 Credits to banks	-	992	X	992	600
3.2 Credits to clients	655	232,069	X	232,724	220,395
4. Hedging derivatives	**X**	**X**	**6,532**	**6,532**	-
5. Other assets	**X**	**X**	**246**	**246**	-
6. Financial liabilities	**X**	**X**	**X**	**11,953**	**26,168**
Total	**1,224**	**233,061**	**6,778**	**253,016**	**247,247**
of which: income interests on deteriorated financial assets	-	-	-	-	-
of which: interest income on financial lease	X	7,971	X	7,971	6,273

The item "Financial liabilities" mainly consists of income accrued on TLTRO loans.

1.2 Interest and similar income: other information

The Bank does not have any financial assets in foreign currency.

1.3 Interest and similar expense: breakdown

Items/Technical forms	Debts	Securities	Other operations	Total 12/31/2022	Total 12/31/2021
1. Financial liabilities valued at amortized cost	23,633	3,402	X	27,035	24,293
1.1 Debts to central banks	-	X	X	-	-
1.2 Debts to banks	5,242	X	X	5,242	5,943
1.3 Debts to customers	18,391	X	X	18,391	16,777
1.4 Securities in circulation	X	3,402	X	3,402	1,572
2. Financial trading liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	3	3	1
5. Hedging derivatives	X	X	12,143	12,143	5,044
6. Financial assets	X	X	X	2,335	3,013
Total	**23,633**	**3,402**	**12,146**	**41,517**	**32,350**
of which: interest expense on lease payables	552	X	X	552	442

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

Interest expense on "Deposits from customers" refers to the cost of funding through deposit accounts (Euro 10,048 thousand) and securitisation transactions (Euro 7,791 thousand).

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 financial liabilities

The Bank does not have any financial liabilities in foreign currency.

1.5 Differentials on hedging operations

Items	Totale 12/31/2022	Totale 12/31/2021
A. Positive differentials related to hedging operations:	6,532	-
B. Negative differentials related to hedging operations:	(12,143)	(5,044)
C. Balance (A-B)	**(5,612)**	**(5,044)**

Section 2 – Fees and commission – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Values	Total 12/31/2022	Total 12/31/2021
	-	-
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	72	77
1. Current account	-	-
2. Credit cards	72	77
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	46,004	50,422
1. Collective portfolio management	-	-
2. Insurance products	45,769	50,399
3. Other products	235	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	15,854	15,758
of which: for factoring transactions	-	-
o) Currency trading	-	-
p) Goods	-	-
q) Other commission income	2,375	1,846
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
Total	**64,305**	**68,104**

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 12/31/2022	Total 12/31/2021
b) at own branches:	**46,004**	**50,422**
1. portfolio management	-	-
2. securities placement	-	-
3. services and products of third parties	46,004	50,422
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	-	-

2.3 Fee and commission expenses: breakdown

Services/Amounts typology	Total 12/31/2022	Total 12/31/2021
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	45	59
d) Payment and collection services	2,769	3,252
of which: credit cards, debit cards and other payment cards	453	422
e) Servicing activities for securitization transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	29	26
of which: credit derivatives	-	-
h) Off-site offering of financial instruments, products and services	22,261	21,191
i) Currency trading	-	-
j) Other commission expenses	-	-
Total	**25,103**	**24,529**

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 12/31/2022		Total 12/31/2021	
	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**	**-**

Section 4 – Net trading income (loss) – Item 80

4.1 Net trading income (loss): breakdown

Transactions / Income	Capital gain (A)	Income from negotiation (B)	Capital loss (C)	Loss from negotiation (D)	Net result [(A+B) - (C+D)]
1. Financial trading assets	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity stocks	-	-	-	-	-
1.3 O.I.C.R. shares	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Others	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives	**35,219**	**2,789**	**(35,170)**	**(2,833)**	**6**
4.1 Financial derivatives:	35,219	2,789	(35,170)	(2,833)	6
- On debt securities and interest rates	35,219	2,789	(35,170)	(2,833)	6
- 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	**35,219**	**2,789**	**(35,170)**	**(2,833)**	**6**

The item includes the net result arising from financial derivatives held to hedge interest rate risk associated with securitisation transactions that do not meet the requirements for classification as hedging derivatives.

Section 5 – Net hedging income (loss) – Item 90

5.1 Net hedging income (loss): breakdown

P&L item/Values	Total 12/31/2022	Total 12/31/2021
A. Income from:		
A.1 Fair value hedging instruments	148,065	13,283
A.2 Financial assets hedged (fair value)	-	-
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)	**148,065**	**13,283**
B. Charges on		
B.1 Fair value hedging instruments	-	-
B.2 Financial assets hedged (fair value)	(141,999)	(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)	**(141,999)**	**(12,947)**
C. C. Net hedging activity (A-B)	**6,066**	**336**
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 12/31/2022			Total 12/31/2021		
	Gain	Losses	Net profit	Gain	Losses	Net profit
A. Financial assets						
1. Financial assets valued at amortised cost	8,238	(41)	8,197	3,417	(2,162)	1,255
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans and customers	8,238	(41)	8,197	3,417	(2,162)	1,255
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**8,238**	**(41)**	**8,197**	**3,417**	**(2,162)**	**1,255**
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 the balance of transfers to third parties of non-performing receivables sold without recourse during the second half of 2022.

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

The Bank does not have any financial assets or liabilities measured at fair value.

Section 8 – Net adjustments/recoveries for 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					12/31/2022	12/31/2021
A. Credit to banks	-	-	-	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Credit to clients	**(29,827)**	**(7,864)**	**(698)**	**(43,188)**	-	-	**31,218**	**6,751**	**10,160**	-	**(33,448)**	**(16,154)**
- Loans	(29,827)	(7,864)	(698)	(43,188)	-	-	31,218	6,751	10,160	-	(33,448)	(16,154)
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(29,827)**	**(7,864)**	**(698)**	**(43,188)**	-	-	**31,218**	**6,751**	**10,160**	-	**(33,448)**	**(16,154)**

The item increased compared to 2021 mainly due to the increase in performing exposures (in particular for the production of personal loans) and a decrease in write-backs on non-performing exposures. 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	12/31/2022	12/31/2021
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	-	-	-	-	-	-	-	**(1,623)**
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-
Total 12/31/2022	-	-	-	-	-	-	-	**(1,623)**
Total 12/31/2021	-	**(1,623)**	-	-	-	-	**(1,623)**	-

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

The Bank does not have any value adjustments of financial assets at fair value through other comprehensive income deriving from credit risk.

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

The Bank does not have any profits/losses from contractual changes without cancellations.

Section 10 – Administrative costs – Item 160

10.1 Payroll costs: breakdown

Type of expense/Amounts	Total 12/31/2022	Total 12/31/2021
1) Employees	**47,389**	**47,625**
a) wages and salaries	34,092	33,798
b) social obligation	8,750	9,144
c) Severance pay	6	1
d) Social security costs	-	-
e) reserve to staff severance indemnity	20	12
f) reserve to retirement fund and similar obligations	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	2,755	2,690
- defined contribution	2,755	2,690
- defined benefit	-	-
h) Expenses resulting from share based payments	-	-
i) other employee benefits	1,766	1,979
2) Other staffs in activity	**553**	**467**
3) Managers and statutory auditors	**438**	**463**
4) Early retirement costs	**3**	**-**
5) Recovery of expenses for employees seconded to other companies	**(3,154)**	**(2,734)**
6) Refunds of expenses for third party employees seconded to the company	**114**	**120**
Total	**45,343**	**45,941**

10.2 Average number of employees, by category

	12/31/2022	12/31/2021
Employees:		
a) Senior managers	17	14
b) Managers	175	194
of which 3rd and 4th level	*60*	*72*
c) Remaining employees staff	472	484
Total	**664**	**692**
Other personnel	**30**	**8**

10.3 Defined-benefit pension plans: costs and revenues

The Bank does not have defined-benefit pension plans.

10.4 Other personnel benefits

	12/31/2022	12/31/2020
Ancillary staff expenses (health insurance, luncheon vouchers and other minor benefits)	1,766	1,979
Incentive plan reserved for managers and middle managers		

10.5 Other administrative costs: breakdown

Type of service/Amounts	Total 12/31/2022	Total 12/31/2021
IT expenses	**13,668**	**11,803**
Hardware	-	-
Software	10,951	9,326
Outsourcing	1,422	1,235
Telephone and data transmission	**1,296**	**1,242**
Taxes and duties	**10,527**	**10,485**
Professional services	9,265	10,745
Legal and notary advice	2,190	2,321
Outsourcing	3,383	2,942
Other professional services	**3,692**	**5,482**
Advertising, marketing and communication	**3,377**	**2,227**
Expenses related to credit risk	10,854	11,835
Information and certificates	1,266	1,460
Credit recovery	**9,588**	**10,374**
Litigation expenses not covered by provisions	**1,390**	**1,076**
Real estate expenses	1,745	972
Passive rent	372	17
Other real estate expenses	**1,373**	**954**
Leasing expenses	**427**	**649**
Other admininstrative expenses	10,052	9,837
Postal and archiving	1,827	1,951
Other non-professional goods and services	2,917	2,438
Insurance premiums	68	66
Resolution Fund contribution	3,131	3,316
FITD contribution	1,835	1,704
Other expenses	275	363
Total	**61,305**	**59,629**

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 12/31/2022	Net provision 12/31/2021
Net provision on commitment and financial guarantees	-	-	-	54

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 12/31/2022	Net provision 12/31/2021
Net personnel expense provision				
Net provision for legal disputes	(808)	880	72	(142)
Other provisions		89	89	154
Total	**(808)**	**968**	**160**	**11**

For further details, please refer to Part B - Other provisions for risks and charges.

Section 12 – Net adjustments to/recoveries on property, plant and equipment – Item 180

12.1 Net adjustments to property, plant and equipment: breakdown

Attività/Componente reddituali	Depriciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, equipment and investment property				
1. For operational use	(4,680)	(23)	-	(4,703)
- Owned	(1,114)	(23)	-	(1,137)
- Licenses acquired through lease	(3,566)	-	-	(3,566)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Licenses acquired through lease	-	-	-	-
3. Inventories	X	-	-	-
B. Attività possedute per la vendita	X	-	-	-
Total	**(4,680)**	**(23)**	**-**	**(4,703)**

Section 13 – Net adjustments to/recoveries on intangible assets – Item 190

13.1 Net adjustments to intangible assets: breakdown

Asset/Income	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (a + b - c)
A. Intangible assets				
of which: software	(10,338)	-	-	(10,338)
A.1 Owned	(10,338)	(55)	-	(10,393)
- Generated internally by the company	-	-	-	-
- Other	(10,338)	(55)	-	(10,393)
A.2 Licenses acquired through lease	-	-	-	-
B. Assets held for sale	-	-	-	-
Total	**(10,338)**	**(55)**	**-**	**(10,393)**

Section 14 – Other operating expenses/income – Item 200

14.1 Other operating expenses: breakdown

	Total 12/31/2022	Total 12/31/2021
Amortization on improvements (not separable) on real estates	**456**	**388**
Expenses related to leasing transactions	**498**	**311**
Operating	-	-
Finance	498	311
Other	**4,283**	**4,966**
Fraud	627	630
Expenses on claims	2,800	3,641
Other	856	695
Total	**5,237**	**5,665**

14.2 Other operating income: breakdown

	Total 12/31/2022	Total 12/31/2021
Recovery of expenses	**10,177**	**9,073**
Tax	9,764	8,660
Deposits and Current accounts	260	296
Other	153	118
Rental assets	**17**	**20**
Other	**20,054**	**10,607**
Group entities	11,858	8,538
Finance leases	743	425
Other	7,454	1,644
Total	**30,248**	**19,700**

The increase in the item “Services rendered to group companies” is attributable to servicing fees and reimbursements of expenses to Santander Consumer Bank Italy group companies (Euro 9,660 thousand as at 31 December 2021).

The item “other” includes the servicing fees and reimbursements of expenses from the JV HCBE, classified in this sub-item as it is not part of the Santander Consumer Bank Italy Group (Euro 6,923 thousand).

Section 15 – Gain (losses) of equity investments - Item 220

The Bank does not have any gains or losses on equity investments.

Section 16 – Net result from fair value measurement of property, plant and equipment and intangible assets – Item 230

The Bank does not have any property, plant and equipment and intangible assets measured at fair value.

Section 17 – Value adjustments to goodwill – Item 240

The Bank has no goodwill.

Section 18 – Gains (losses) on disposals of investments - Item 250

The Bank has no gains or losses on disposal of investments.

Section 19 – Income taxes on continuing operations – Item 270

19.1 Income taxes on continuing operations: breakdown

Income/Value	Total 12/31/2022	Total 12/31/2021
1. Current tax expense (-)	(24,731)	(18,919)
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 (+/-)	(18,415)	(29,383)
5. Change of deferred tax liabilities (+/-)	(123)	-
6. Tax espense for the year (-)	**(43,269)**	**(48,302)**

The change in current and deferred tax assets is mainly due to the amendment of Italian Decree Law no. 214/2011.

19.2 Reconciliation between theoretical and effective tax charge

	12/31/2022	12/31/2021
Profit (loss) from continuing operations before tax	134,949	227,508
Profit before tax on discontinuing operations		
Theoretical taxable income	**134,949**	**227,508**
IRES - Theoretical tax charge	(37,111)	(62,565)
- effect of income and expenses that do not contribute to the tax base	2,138	25,480
- effect of expenses that are wholly or partially non-deductible	(309)	(433)
IRES - Effective tax burden	**(35,282)**	**(37,518)**
IRAP - Theoretical tax charge	(7,517)	(12,672)
- portion of non-deductible administrative expenses, depreciation and amortisation	(426)	(411)
- portion of non-deductible interest expense		
- effect of income and expenses that do not contribute to the tax base	2,483	4,813
- effect of income and expenses that are wholly or partially non-deductible	(2,528)	(2,514)
IRAP - Effective tax burden	**(7,987)**	**(10,784)**
Effective tax burden as shown in the financial statements	**(43,269)**	**(48,302)**

The income and charges that reduce the IRES taxable base as at 31 December 2021 were made up mainly of PSA dividends.

Section 20 – Total profit or loss after tax from discontinued operations – Item 290

The Bank does not have any profit or loss assets held for sale and discontinued operations.

Section 21 – Other information

For information on public funds pursuant to article 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	Total	
		12/31/2022	12/31/2021
10.	**Net Profit (Loss) for the year**	**91,680**	**179,206**
	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	392	(31)
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	(130)	10
	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:	(1,663)	325
	a) changes in fair value	(1,663)	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	550	(107)
190.	**Total of other comprehensive income after tax**	**(851)**	**197**
200.	**Comprehensive income (Items 10+190)**	**90,829**	**179,403**

Part E – Information on risks and related hedging policies

Introduction

During the year 2022, Santander Consumer Bank carried out its activities based on the principles of prudence and the containment of risk exposure, in line with the requirements of regulatory principles for prudential supervision.

The Risk Governance Policies represent the reference model in the organisational and process development and in the systematic execution of all operating and business activities carried out in all areas and are an integral part of the Risk Management Process.

These notes to the financial statements provide quantitative information.

With regard to information of a qualitative nature pertaining to the management and monitoring of risks, the organisation and governance of the bank's risks, the key processes and functions, the risk culture in its contents and methods of dissemination, the business model with its risks, the tools used to monitor them (Risk Appetite Statement) and the risk management strategies, please refer to Part E of the Notes to the consolidated financial statements.

Section 1 – Credit risk

Qualitative information

The 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.

As a whole, Santander Consumer Bank's assets, in line with that which was observed in previous years, continue to be characterised by a very high average number of customers, with medium/low exposure and limited average residual duration. The credit risk therefore exists, but in a situation of high fragmentation.

Quantitative information

A. Credit quality

A.1 Performing and non-performing credit exposures: amounts, value 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		2,075	19,904	26,085	43,156	5,980,729	6,071,949
2. Financial assets at fair value through other comprehensive income		-	-	-	-	301,373	301,373
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	**12/31/2022**	**2,075**	**19,904**	**26,085**	**43,156**	**6,282,101**	**6,373,322**
Total	**12/31/2021**	**2,535**	**30,079**	**22,629**	**34,811**	**6,234,621**	**6,324,675**

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		157,606	(109,542)	48,064	-	6,073,781	(49,896)	6,023,885	
2. Financial assets valued to fair value with impact on overall profitability		-	-	-	-	301,373	-	301,373	
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	**12/31/2022**	**157,606**	**(109,542)**	**48,064**	**-**	**6,375,153**	**(49,896)**	**6,325,258**	**6,373,322**
Total	**12/31/2021**	**141,428**	**(86,185)**	**55,243**	**-**	**6,327,246**	**(57,814)**	**6,269,432**	**6,324,675**

Portfolio/quality		Assets of obvious poor credit quality		Other assets
		Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading		-	-	41,060
2. Hedging Derivatives		-	-	154,216
Total	**12/31/2022**	**-**	**-**	**195,275**
Total	**12/31/2021**	**-**	**-**	**11,401**

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		26,196	4,508	4,150	3,099	3,690	1,513	1,390	2,025	23,117	-	-	-
2. Financial assets valued at fair value with impact on overall profitability		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2022**	**26,196**	**4,508**	**4,150**	**3,099**	**3,690**	**1,513**	**1,390**	**2,025**	**23,117**	**-**	**-**	**-**
Total	**12/31/2021**	**20,676**	**3,237**	**1,833**	**3,284**	**3,179**	**2,602**	**1,713**	**2,192**	**20,700**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and guarantees given: dynamics of total write-downs and total provisions

Causal / risk stages	Total value adjustments											
	First stage activities						Second stage activities					
	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 profitability	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 profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**-**	**39,779**	**-**	**-**	**-**	**39,779**	**-**	**18,035**	**-**	**-**	**-**	**18,035**
Changes in increase from financial assets acquired or originated	-	27,160	-	-	-	27,160	-	-	-	-	-	-
Cancellations other than write-offs	-	(7,323)	-	-	-	(7,323)	-	(1,588)	-	-	-	(1,588)
Net value adjustments / write-backs for credit risk (+/-)	-	(23,894)	-	-	-	(23,894)	-	(2,192)	-	-	-	(2,192)
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(14)	-	-	-	(14)	-	(68)	-	-	-	(68)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**-**	**35,709**	**-**	**-**	**-**	**35,709**	**-**	**14,187**	**-**	**-**	**-**	**14,187**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	(145)	-	-	-	(145)	-	(40)	-	-	-	(40)

Causal / risk stages	Total value adjustments											Accantonamenti complessivi su impegni a erogare fondi e garanzie finanziarie rilasciate				Tot.
	Activities included in the third stage						Attività fin. impaired acquisite o originate									
	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 profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	First stage	Second stage	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	
Total opening adjustments	**-**	**86,185**	**-**	**-**	**502**	**85,683**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**143,999**
Changes in increase from financial assets acquired or originated	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	27,160
Cancellations other than write-offs	-	(20,006)	-	-	(118)	(19,888)	-	-	-	-	-	-	-	-	-	(28,917)
Net value adjustments / write-backs for credit risk (+/-)	-	44,801	-	-	(87)	44,888	-	-	-	-	-	-	-	-	-	18,715
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	(1,438)	-	-	(28)	(1,410)	-	-	-	-	-	-	-	-	-	(1,520)
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total closing adjustments	**-**	**109,542**	**-**	**-**	**269**	**109,273**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**159,438**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	(513)	-	-	(2)	(512)	-	-	-	-	-	-	-	-	-	(698)

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		21,087	6,931	14,113	4,063	37,733	8,019
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	**12/31/2022**	**21,087**	**6,931**	**14,113**	**4,063**	**37,733**	**8,019**
Total	**12/31/2021**	**57,052**	**38,093**	**23,626**	**4,817**	**37,916**	**1,870**

A.1.5a Loans subject to COVID-19 support measures: transfers between different stages of credit risk (gross values)

Portfolios/risk stages		Gross values					
		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		-	-	-	-	-	-
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		-	-	-	-	-	-
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	**12/31/2022**	-	-	-	-	-	-
Total	**12/31/2021**	**3,026**	-	-	-	-	-

A.1.6 On- and off-balance sheet credit exposures to banks: gross and net values

Type of exposure/amounts	Gross exposures					otal value adjustments and total credit risk provisions						
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	Net Exposure	Total Write-off*
A. On-balance sheet credit exposures												
A.1 On demand	476,096	476,096	-	-	-	-	-	-	-	-	476,096	-
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	476,096	476,096	-	X	-	-	-	-	X	-	476,096	-
A.2 Others	45,440	45,440	-	-	-	-	-	-	-	-	45,440	-
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	1	1	-	X	-	-	-	-	X	-	1	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	45,439	45,439	-	X	-	-	-	-	X	-	45,439	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**521,536**	**521,536**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**521,536**	**-**
B. Off-balance sheet credit exposures												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	200	200	-	X	-	-	-	-	X	-	200	-
Total (B)	**200**	**200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200**	**-**
Total (A+B)	**521,736**	**521,736**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**521,736**	**-**

A.1.7 On- and off-balance sheet credit exposures to customers: 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 credit exposures												
a) Bad exposures	44,281	X	-	44,281	-	42,206	X	-	42,206	-	2,075	-
- of which: forborne exposures	11,083	X	-	11,083	-	10,717	X	-	10,717	-	366	-
b) Unlikely to pay	44,320	X	-	44,320	-	24,417	X	-	24,417	-	19,904	-
- of which: forborne exposures	10,760	X	-	10,760	-	8,348	X	-	8,348	-	2,413	-
c) Non performing past due	69,004	X	-	69,004	-	42,919	X	-	42,919	-	26,085	-
- of which: forborne exposures	9,298	X	-	9,298	-	7,200	X	-	7,200	-	2,097	-
d) Performing past due exposures	56,355	40,152	16,203	X	-	13,199	5,299	7,900	X	-	43,155	-
- of which: forborne exposures	2,614	-	2,614	X	-	476	-	476	X	-	2,138	-
e) Other performing exposures	6,273,358	6,234,638	38,720	X	-	36,696	30,409	6,287	X	-	6,236,662	-
- of which: forborne exposures	33,739	-	33,739	X	-	6,083	-	6,083	X	-	27,656	-
Total (A)	**6,487,319**	**6,274,790**	**54,923**	**157,606**	**-**	**159,438**	**35,709**	**14,187**	**109,542**	**-**	**6,327,882**	**-**
B. Off-balance sheet credit exposures												
a) Non performing	1	X	-	1	-	-	X	-	-	-	1	-
b) Performing	231,779	231,762	17	X	-	-	-	-	X	-	231,779	-
Total (B)	**231,780**	**231,762**	**17**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**231,780**	**-**
Total (A+B)	**6,719,099**	**6,506,553**	**54,940**	**157,607**	**-**	**159,438**	**35,709**	**14,187**	**109,542**	**-**	**6,559,662**	**-**

A.1.7a Loans subject to COVID-19 support measures: gross and net values

The Bank has no loans subject to COVID-19 support measures in place.

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)	**28,596**	**49,627**	**63,205**
- of which sold non-cancelled exposures	4,997	11,191	21,778
B. Increases	**23,913**	**28,641**	**62,048**
B.1 transfers from performing loans	4,954	13,916	53,755
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	18,420	13,714	5,358
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	539	1,010	2,936
C. Decreases	**8,227**	**33,948**	**56,249**
C.1 transfers to perfomorming loans	144	-	2,312
C.2 write-offs	217	718	747
C.3 recoveries	1,537	7,874	12,401
C.4 sales proceeds	3,124	2,999	2,938
C.5 losses on disposals	2,686	2,376	2,513
C.6 transfers to other impaired exposures	-	6,277	31,215
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	520	13,703	4,124
D. Closing balance (gross amounts)	**44,281**	**44,320**	**69,004**
- Sold but not derecognised	4,986	2,504	6,615

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)	**39,609**	**56,651**
- Sold but not derecognised	5,832	10,095
B. Increases	**15,622**	**12,744**
B.1 Transfers from performing not forborne exposures	2,908	5,387
B.2. Transfers from performing forborne exposures	4,098	X
B.3. Transfers from impaired forborne exposures	X	4,302
B.4 Transfers from impaired not forborne exposure	7,890	66
B.5 other increases	726	2,989
C. Decreases	**24,090**	**33,042**
C.1 Transfers to performing not forborne exposures	X	6,777
C.2 Transfers to performing forborne exposures	4,302	X
C.3 transfers to impaired exposures not forborne	X	4,098
C.4 write-offs	169	37
C.5 recoveries	5,025	20,679
C.6 sales proceeds	7,617	3
C.7 losses on disposals	6,304	5
C.8 other decreases	672	1,442
D. Closing balance (gross amounts)	**31,141**	**36,353**
- Sold but not derecognised	3,378	3,810

A.1.10 Cash non-performing credit exposures to banks: dynamics of total write-downs

Exposures to banks are not subject to write-downs.

A.1.11 Cash non-performing credit exposures to customers: dynamics of total write-downs

Description/Category	Bad Exposures		Unlikely to pay		Impaired Past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance 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
B. Increases	**23,106**	**6,929**	**18,202**	**6,231**	**34,760**	**5,733**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	9,842	3,518	8,552	3,675	33,072	5,059
B.3 losses on disposal	5	-	-	-	24	10
B.4 transfer from other impaired exposure	13,151	3,302	9,303	2,212	1,664	665
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	109	109	347	343	-	-
C. Reductions	**6,961**	**5,562**	**13,334**	**8,972**	**32,417**	**9,678**
C.1 write-backs from assessments	84	22	2,934	1,793	2,335	667
C.2 write-backs from recoveries	893	599	1,329	630	2,061	472
C.3 gains on disposal	2,972	2,593	2,991	2,958	2,271	1,726
C.4 write-offs	263	4	878	39	754	119
C.5 transfers to other impaired exposures	-	-	2,430	1,159	21,687	5,020
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	2,749	2,343	2,772	2,393	3,309	1,675
D. Closing overall amount of writedowns	**42,206**	**10,717**	**24,417**	**8,348**	**42,919**	**7,200**
- Sold but not derecognised	4,831	1,173	1,999	746	4,731	988

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	-	-	-	-	-	-	**6,231,387**	**6,231,387**
- First stage	-	-	-	-	-	-	6,018,858	6,018,858
- Second stage	-	-	-	-	-	-	54,923	54,923
- Third stage	-	-	-	-	-	-	157,606	157,606
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	-	-	-	-	-	-	**301,373**	**301,373**
- First stage	-	-	-	-	-	-	301,373	301,373
- 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)	-	-	-	-	-	-	**6,532,759**	**6,532,759**
D. Commitments and financial guarantees given	-	-	-	-	-	-	**231,980**	**231,980**
- First stage	-	-	-	-	-	-	231,962	231,962
- Second stage	-	-	-	-	-	-	17	17
- Third stage	-	-	-	-	-	-	1	1
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	-	-	-	-	-	-	**231,980**	**231,980**
Total (A+B+C+D)	-	-	-	-	-	-	**6,764,740**	**6,764,740**

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 credit exposures to banks

The Bank has no guaranteed credit exposures to banks.

A.3.2 On- and off-balance sheet guaranteed credit 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:	**246,237**	**239,148**	**-**	**-**	**-**	**182,553**	**-**	**-**
1.1 totally secured	218,994	212,426	-	-	-	168,912	-	-
- of which: impaired	5,737	1,271	-	-	-	754	-	-
1.2 partially secured	27,243	26,722	-	-	-	13,641	-	-
- of which: impaired	1,082	815	-	-	-	60	-	-
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:	-	-	-	-	**4,689**	**402**	**45,919**	**233,564**
1.1 totally secured	-	-	-	-	580	202	42,732	212,426
- of which: impaired	-	-	-	-	-	-	518	1,271
1.2 partially secured	-	-	-	-	4,109	200	3,188	21,138
- of which: impaired	-	-	-	-	70	-	4	134
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 enforcement of guarantees received

The Bank does not have any financial assets obtained through the enforcement of guarantees.

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of on- and off-balance sheet credit 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	-	-	10	91	-	-	193	3,342	1,872	38,773
- of wich: forborne exposures	-	-	6	59	-	-	86	937	273	9,722
A.2 Unlikely to pay	396	59	20	51	-	-	1,002	2,139	18,486	22,167
- of wich: forborne exposures	-	-	8	45	-	-	115	546	2,289	7,757
A.3 Impaired past due exposures	3,699	422	48	86	3	-	3,110	2,850	19,228	39,561
- of wich: forborne exposures	-	-	7	59	-	-	112	402	1,978	6,740
A.4 Not impaired exposures	402,028	2	163,092	103	3	-	393,077	5,420	5,321,620	44,370
- of wich: forborne exposures	-	-	285	67	-	-	9,254	2,624	20,255	3,868
Total (A)	**406,124**	**484**	**163,170**	**331**	**6**	**-**	**397,382**	**13,751**	**5,361,206**	**144,872**
B. Off-balance sheet credit exposures										
B.1 Deteriorated exposures	-	-	-	-	-	-	-	-	1	-
B.2 Non-deteriored exposures	-	-	-	-	-	-	229,529	-	2,250	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**	**229,529**	**-**	**2,251**	**-**
Total (A+B) 12/31/2022	**406,124**	**484**	**163,170**	**331**	**6**	**-**	**626,911**	**13,751**	**5,363,457**	**144,872**
Total (A+B) 12/31/2021	**639,598**	**812**	**203,353**	**311**	**6**	**-**	**552,178**	**13,837**	**5,004,956**	**129,040**

B.2 Territorial distribution of on- and off-balance sheet credit 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		384	8,103	208	3,934	373	8,133	1,110	22,034
A.2 Unlikely to pay		2,923	5,076	1,321	1,944	3,273	5,005	12,388	12,392
A.3 Impaired past due exposures		5,570	10,436	2,359	4,797	5,097	7,312	13,059	20,375
A.4 Not impaired exposures		1,844,158	14,223	891,744	7,614	1,638,665	10,238	1,905,182	17,820
Total (A)		**1,853,035**	**37,838**	**895,632**	**18,289**	**1,647,407**	**30,688**	**1,931,738**	**72,621**
B. Off-balance sheet credit exposures									
B. 1 Non-performing exposures		1	-	-	-	-	-	-	-
B. 2 Performing exposures		81,273	-	4,334	-	143,511	-	2,663	-
Total (B)		**81,273**	**-**	**4,334**	**-**	**143,511**	**-**	**2,663**	**-**
Total (A+B)	**12/31/2022**	**1,934,308**	**37,838**	**899,966**	**18,289**	**1,790,918**	**30,688**	**1,934,401**	**72,621**
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**

B.3 Territorial distribution of on- and off-balance sheet credit 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		49,484	-	472,052	-	-	-	-	-	-	-
Total (A)		**49,484**	**-**	**472,052**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet credit exposures											
B.1 Deteriored exposures		-	-	-	-	-	-	-	-	-	-
B.2 Non-deteriored exposures		200	-	-	-	-	-	-	-	-	-
Total (B)		**200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2022**	**49,684**	**-**	**472,052**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**268,205**	**-**	**95,618**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Large exposures

	12/31/2022
Number	3
Weighted value	615,344
Book value	1,749,844

At the balance sheet date there were the following three counterparties that could be classified as large exposures:

- Banco Santander S.A.;
- Ministero dell’Economia e delle Finanze (MEF)
- Mazda Motor Italia S.r.l.

C. Securitisation transactions

Qualitative information

Strategy and characteristics of securitisation transactions

The Bank uses securitisation transactions in order to broaden the diversification of funds collected by optimising its cost.

In this context, the roles covered are usually the following:

- Santander Consumer Bank: Originator, Seller and Service;
- Golden Bar (Securitisation) S.r.l.. SPV.

The 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. Consequently, 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.

Securitisation transactions

In 2022, no securitisation transactions with the placement of securities with third-party investors were finalised.

With reference to the financial assets subject to “securitisation”, at the end of 2022, the Bank had three performing transactions in place (Golden Bar 2018-1, Golden Bar 2019-1 and Golden Bar 2021-1), completed in just one single initial issue.

	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	88,407	10,934	82,750	301		n.a.	n.a.	n.a.	n.a.
Golden Bar 2019-1	153,682	181,858	12,000	5,434	5,927,412	n.a.	n.a.	n.a.	n.a.
Golden Bar 2021-1	485,316	502,500	100	5,000		n.a.	n.a.	n.a.	n.a.

Consequently, in accordance with international accounting standards, these securitised portfolios have not been derecognised as there were not the requisites for derecognition.

The outstanding transactions continued to reimburse the non-Junior classes and also terminated the remaining revolving periods (Golden Bar 2021-1).

To enhance the transparency of disclosures, below is a breakdown of the excess spread accrued within the scope of the transaction in place, 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
Interest expense on securities issued	(7,234)	(17,616)	(19,169)
Commisions and fees for the operation	(230)	(443)	(644)
- for servicing	(210)	(421)	(603)
- for other services	(20)	(22)	(41)
Other charges	(877)	(827)	(1,416)
Interest generated by the securitised assets	7,082	13,319	28,661
Other revenues	2,090	3,277	34,436
Total	**831**	**(2,290)**	**41,868**

Quantitative information

C.1 Exposures arising from the main "proprietary" securitisation transactions broken down by type of securitised asset and by type of exposure

Tipologia attività cartolarizzate/Esposizioni	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. Oggetto di integrale cancellazione dal bilancio	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
B. Oggetto di parziale cancellazione dal bilancio	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
C. Non cancellate dal bilancio	1,702	(8)	- €	- €	77,586	(370)	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
Golden Bar 2018-1	1,702	(8)			77,586	(370)												

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	88,407	-	6,454	10,934	-	82,750
Golden Bar 2019-1	Torino (TO)	NO	153,682	-	46,257	130,795	51,063	12,000
Golden Bar 2021-1	Torino (TO)	NO	485,316	-	96,197	451,500	51,000	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		**727,405**	**727,405**	-	**2,543**	**693,769**	**693,769**	-
1. Debt securities		-	-	-	-	-	-	-
2. Loans		727,405	727,405	-	2,543	693,769	693,769	-
Total	**12/31/2022**	**727,405**	**727,405**	-	**2,543**	**693,769**	**693,769**	-
Total	**12/31/2021**	**1,074,820**	**952,999**	**121,822**	**2,756**	**1,015,140**	**921,455**	**93,685**

Financial assets measured at amortised cost pertain to securitisation transactions with securities subscribed by third-party investors (Golden Bar 2018-1, 2019-1 and 2021-1, of which the last two derecognised for prudent purposes but not for financial statement purposes).

E.2 Financial assets sold and 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	
			12/31/2022	12/31/2021
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)	**695,031**	-	**695,031**	**1,041,711**
1. Debt securities	-	-	-	-
2. Loans	695,031	-	695,031	1,041,711
Total financial assets	**695,031**	-	**695,031**	**1,041,711**
Total associated financial liabilities	**693,769**	-	**X**	**X**
Valore netto 31/12/2022	**1,262**	-	**1,262**	**X**
Valore netto 31/12/2021	**26,596**	-	**X**	**26,596**

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.

Please refer to Section 2E Prudential consolidation - 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

Qualitative information on the measurement of financial risks generated by the Bank is illustrated in Part E of the Notes to the consolidated financial statements.

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 on the report 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 corporate tool, 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.

As at 31 December 2022, the MVE sensitivity calculated with a parallel and immediate shift of +25 basis points was Euro +0.59 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.

As at 31 December 2022, the NIM sensitivity was Euro -1.14 million (with a parallel and immediate shift of +25 basis points).

+25 bps MM	MVE	NIM
Sensitivity	0,59	-1,14
Limit	16,8	7,8

-25 bps MM	MVE	NIM
Sensitivity	-0,62	1,10
Limit	16,8	7,8

2.3 Exchange rate risk

The Bank is not exposed to exchange rate 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 31/12/2022				Totale 31/12/2021			
	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	-	-	640,295	-	-	-	881,031	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	640,295	-	-	-	881,031	-
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	**-**	**-**	**640,295**	**-**	**-**	**-**	**881,031**	**-**

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

Types of derivatives	Total 12/31/2022				Total 12/31/2021			
	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	-	-	41,060	-	-	-	5,696	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**41,060**	**-**	**-**	**-**	**5,696**	**-**
2. Negative fair value								
a) Options	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	41,083	-	-	-	5,774	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-
Total	**-**	**-**	**41,083**	**-**	**-**	**-**	**5,774**	**-**

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	640,295	-	-
- positive fair value	X	41,060	-	-
- negative fair value	X	41,083	-	-
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		227,416	376,464	36,416	640,295
A.2 Financial derivative contracts on equity securities and stock indexes		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2022**	**227,416**	**376,464**	**36,416**	**640,295**
Total	**12/31/2021**	**189,156**	**606,267**	**85,608**	**881,031**

B. Credit derivatives

The Bank does not have any credit derivatives at the date of the financial statements.

3.2 Accounting hedges

Qualitative information

Qualitative information on the measurement of accounting hedges by the Bank is illustrated in Part E of the Notes to the consolidated financial statements.

Quantitative information

A. Hedging financial derivatives

A.1 Hedging derivatives: period-end notional amounts

Underlying assets / Type of derivatives	Total 31/12/2022				Total 31/12/2021			
	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	-	-	3,199,074	-	-	-	1,524,255	-
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	3,199,074	-	-	-	1,524,255	-
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	**-**	**-**	**3,199,074**	**-**	**-**	**-**	**1,524,255**	**-**

A.2 Hedging derivatives: positive and negative gross fair value – breakdown by product

Types of derivatives	Fair value positivo e negativo								Changes in value used to calculate hedge ineffectiveness	
	Total 12/31/2022				Total 12/31/2021				Total 12/31/2022	Total 12/31/2021
	Over the counter			Organized markets	Over the counter			Organized markets		
	Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements		Central Counterparts	Without central counterparties: With clearing arrangements	Without central counterparties: Without clearing arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	154,216	-	-	-	5,705	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**154,216**	**-**	**-**	**-**	**5,705**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	2,714	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**2,714**	**-**	**-**	**-**

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	3,199,074	-	-
- positive fair value	X	154,216	-	-
- negative fair value	X	-	-	-
2) Equities and stock indexes				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in clearing arrangements				
1) Debt securities and interest rate				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equities and stock indexes				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC 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		811,356	2,175,104	212,614	3,199,074
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 goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	**12/31/2022**	**811,356**	**2,175,104**	**212,614**	**3,199,074**
Total	**12/31/2021**	**306,433**	**1,035,338**	**182,484**	**1,524,255**

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	-	3,839,369	-	-
- positive fair value	-	195,275	-	-
- negative fair value	-	41,083	-	-
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

For qualitative information, please refer to Part E of the Notes to the consolidated financial statements

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	**694,797**	**1,586**	**87,180**	**23,947**	**543,671**	**576,923**	**950,828**	**3,303,599**	**740,088**	**11,873**
A.1 Government securities	-	-	-	-	200,475	102,688	438	100,000	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	694,797	1,586	87,180	23,947	343,196	474,235	950,391	3,203,599	740,088	11,873
- Banks	476,019	79	-	14	359	360	728	22,500	11,000	11,873
- Customers	218,778	1,507	87,180	23,932	342,837	473,875	949,663	3,181,099	729,088	-
B. On-balance sheet liabilities	**839,627**	**4,762**	**8,826**	**16,710**	**60,533**	**1,030,188**	**1,087,506**	**3,135,710**	**108,554**	**-**
B.1 Deposits and current accounts	685,525	4,469	8,826	16,300	56,681	62,359	198,804	826,178	-	-
- Banks	1	-	-	-	-	-	-	-	-	-
- Customers	685,525	4,469	8,826	16,300	56,681	62,359	198,804	826,178	-	-
B.2 Debt securities	-	-	-	-	-	-	17,084	475,000	-	-
B.3 Other liabilities	154,102	292	-	410	3,852	967,829	871,617	1,834,532	108,554	-
C. Off-balance sheet transactions										
C.1 Physically settled financial derivatives										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.2 Cash settled financial derivatives										
- Long positions	-	-	-	3,076	7,157	9,158	16,917	-	-	-
- Short positions	-	-	-	1,090	554	1,179	2,111	-	-	-
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 reference to the financial assets subject to “self-securitisation”, at the end of 2022, the Bank had three performing transactions in place, completed in just one single initial issue.

Transaction	12/31/2022				
	Class	ISIN Code	Rating Moody's / DBRS	Activities	Outstanding al 31/12
Golden Bar 2020-1	A	IT0005402570	AH/A+	Car loan and Personnel loan	406,662,074
	B	IT0005402588	BBB/A+		50,000,000
	Z	IT0005402604	NR / NR		67,498,000
Golden Bar 2020-2	A	IT0005417891	AAL/A+	Car loan	483,540,000
	B	IT0005417909	BBBH/BBB		37,737,000
	Z	IT0005417917	NR / NR		37,737,000
Golden Bar 2022-2	A	IT0005495921	Aa3/A	Salary assignment, retirement assignment and delegation of payment	591,830,888
	B	IT0005495939	Baa2/AL		32,879,494
	Z	IT0005495947	NR / NR		32,879,494

Consequently, in accordance with international accounting standards, these securitised portfolios have not been derecognised as there were not the requisites for derecognition.

In May 2022, Santander Consumer Bank finalised a new securitisation transaction, Golden Bar 2022-1 VFN, with the following characteristics:

- an underlying portfolio of loans guaranteed by salary or pension assignment and deductions at source;
- Variable Funding securities issued for a total nominal amount of up to Euro 800 million (initially issued for an equivalent value of Euro 247 million) with legal maturity in 2044; the securities are divided into Classes A (with double rating, suitable for refinancing transactions with the European Central Bank), B and Z with fixed-rate coupons; as well as an addition of the residual variable remuneration, known as “excess spread”, for Class Z.
- the transaction envisages a period of two years during which the SPV may purchase subsequent portfolios, financed by an increase in the value of the issued ABS securities up to the nominal value indicated.

In June 2022, Santander Consumer Bank unwound the GB 2016-1 VFN transaction.

Section 5 – Operational risks

Qualitative information

For qualitative information, including legal risks and tax disputes, please refer to Part E of the Notes to the consolidated financial statements.

Quantitative information

Theoretical unexpected losses, determined by applying the standard method (STA), amount to Euro 25 million.

Losses recorded during the year (Source: EDB-Events Database), on the other hand, are shown as follows:

Risk Type	Perdite	Accantonamenti	Rilasci, utilizzi e recoveries	Perdite nette
Frodi interne				
Frode esterna	129,71	126,00		255,71
Rapporto di impiego e sicurezza sul lavoro				
Clienti, prodotti e pratiche commerciali	2.541,59	111,43	(155,67)	2.497,36
Danni a beni materiali				
Interruzione dell'operatività e indisponibilità dei sistemi				
Esecuzione, consegna e gestione dei processi	25,51		(791,26)	(765,74)
TOTALE	**2.696,82**	**237,43**	**(946,92)**	**1.987,33**

Part F - Information on shareholders’ equity

Section 1 – Shareholders’ equity

A. Qualitative information

For qualitative information on shareholders’ equity and the corresponding management policies, please refer to Part E of the Notes to the consolidated financial statements.

B. Quantitative information

B.1 Shareholders’ equity: breakdown

Captions/Amounts	Amount 12/31/2022	Amount 12/31/2021
1. Share capital	573,000	573,000
2. Share premium reserve	633	633
3. Reserves	260,402	251,196
- useful	220,489	211,283
a) legal	30,045	21,084
b) statutory	-	-
c) treasury shares	-	-
d) other	190,445	190,199
- other	39,913	39,913
4. Equity Instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(1,341)	(489)
- 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	(896)	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	(445)	(707)
- Units of valuation reserves of investments valued at equity	-	-
- Special revaluation laws	-	-
7. Profit (loss) for the year	91,680	179,206
Total	**924,374**	**1,003,545**

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

Assets/values	Total 12/31/2022		Total 12/31/2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	896	230	13
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Total	**-**	**896**	**230**	**13**

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

	Debt securities	Equity securities	Loans
1. Opening balance	**218**	**-**	**-**
2. Positive changes	**13**	**-**	**-**
2.1 Fair value increases	13	-	-
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	**(1,126)**	**-**	**-**
3.1 Fair value reductions	(1,126)	-	-
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	**(896)**	**-**	**-**

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

The valuation reserve amounts to Euro 1,341 thousand.

During the year there was a decrease in the valuation reserves relating to defined-benefit plans equal to an amount of Euro 665 thousand, net of the corresponding tax effect.

Section 2 – Own funds and capital adequacy ratios

The entity is not required to prepare the disclosure to the public (Third Pillar) as this is the responsibility of the Spanish Parent Company.

In light of this peculiarity, the related disclosure is provided in the following tables.

Own funds

Common Equity Tier 1 is composed of the book value of shareholders' equity, including the profit for the period, certified by the competent authorities (Euro 91,680 thousand), with the following adjustments:

- application of prudential filters pertaining to positions measured at fair value (AVA) (Euro 88 thousand);
- deduction of intangible assets exceeding the weighting rules (Euro 6,919 thousand);
- deduction of positions towards STS securitisations (Euro 573 thousand);
- deduction of minor accounting write-downs compared to the Calendar Provisioning forecasts (Euro 120 thousand).

Tier 2 capital consists of the instruments issued and considered eligible. These instruments are calculated on the basis of the time criterion envisaged by regulations.

Santander Consumer Bank Own Funds	Total	
	12/31/2022	12/31/2021
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**924,374**	**824,300**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	**(88)**	**(201)**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**924,286**	**824,099**
D. Deductions from CET1	**7,612**	**6,005**
E. Transitional regime - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**916,675**	**818,094**
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	**100,000**	**130,000**
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional regime - Impact on T2 (+/-)		
P. Total Share of Class 2 (Tier 2 -T2) (M - N +/- O)	**100,000**	**130,000**
Q. Total own funds (F + L + P)	**1,016,675**	**948,094**

Supervisory ratios

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

Value	Non weighted assets		Weighted assets	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,817,014	6,423,191	4,122,233	3,599,417
1. Standardized approach	6,817,014	6,423,191	4,122,233	3,599,417
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			329,779	287,953
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			25,430	23,038
1. Basic indicator approach (BIA)				
2. Traditional standardized approach (TSA)			25,430	23,038
3. Advanced measurement approach (AMA)				
B.6 Other calculation elements				
B.7 Total capital requirements			355,209	310,992
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			4,440,114	3,887,398
C.2 Capital primary class1 / Risk			20.65%	21.04%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			20.65%	21.04%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			22.90%	24.39%

Part G – Business combinations

The Bank has not realised any business combinations involving companies or lines of business.

Part H – Related-party transactions

As laid down by EU Regulation no. 632/2010 of the Commission dated 19 July 2010, the text of IAS 24 defines the concept of related party and identifies the relationship between this one and the entity that draws up the financial statements.

Pursuant to these notions, related parties include:

- the significant shareholders as well as their subsidiaries, including those jointly controlled, and their associates;
- the executives with strategic responsibilities;
- close family members of shareholders and executives with strategic responsibilities and subsidiaries, including those jointly controlled, by the latter or their close relatives.

For the purposes of the management of transactions with related parties, reference is made to the rules defined by CONSOB Regulation 17221/2010 (deriving from the provisions of article 2391-bis of the Italian Civil Code) and the matters introduced in 2011 by Title V, Chapter 5 of the Bank's Circular 263/2006, as well as the provisions pursuant to article 136 of Italian Legislative Decree no. 385/1993. In this context, Santander Consumer Bank adopted the "Regulation for transactions with related parties" for the management of transactions with parties in conflict of interest, aimed at establishing preliminary and decision-making rules with regard to transactions carried out with related parties and to regulate the procedures for fulfilling the disclosure obligations vis-à-vis stakeholders.

1. Information on the remuneration of executives with strategic responsibilities

	Management and Control bodies	Other Manager	Total
Short-term benefits	473	4,086	4,559
Post-employment benefits			
Other long-term benefits			
Termination indemnities			
Share-based payments		425	425
Total	**473**	**4,512**	**4,985**

2. Related party disclosures

	Banco Santander	Santander Consumer Finance	Banca PSA Italia SpA	TimFin S.p.A	Santander Consumer Renting S.r.l.	Drive S.r.l	Other Santander Group companies
A10. Cash and cas balances		472,052					
A20. Financial assets designated at fair value through profit or loss	-						
A20a). Financial assets held for trading	41,060						
A40. Financial assets measured at amortised cost	-	-	-	-	-	-	-
A40a) Loans and advances to banks			33,603				
A40b) Loans and advances to costumers						10,913	
A50. Hedging derivatives	154,216						
A70. Equity investments			152,940	28,050	4,000	5,000	
A90. Intangible assets							20
A120. Other assets	274		657	4,265	508	314	2,873
	-	-	-	-	-	-	-
L10. Financial liabilities valued at amortised cost	-	-	-	-	-	-	-
L10) Deposits from banks	(153,077)	(940,460)					
L10b) Deposits from costumers							(8,467)
L10c) Debt securities in issue		(477,078)					
L20. Financial liabilities held for trading	(41,083)						
L80. Other liabilities		(69)		(1,233)	(276)	(185)	(200)
	-	-	-	-	-	-	-
PL10. Interest and similar income	6,608	52	791			44	
PL20. Interest expenses and similar charges	(12,582)	(8,252)					
PL40. Fee and commission income				107			
PL80. Net income financial assets and liabilities held for trading	6						
PL90. Net hedging gains (losses) on hedge accounting	148,065						
PL160. Administrative costs:	-	-	-	-	-	-	-
PL160a) payroll costs			1,053	1,817			284
PL160b) other administrative costs	(1,963)	(93)					(2,753)
PL190. Net adjustments / writebacks on intangible assets							(29)
PL200. Other operating income/expenses			1,789	9,008	508	314	6,984
	-	-	-	-	-	-	-
Derivatives - notional	4,479,664						

All transactions with related parties during the year were concluded under market conditions (arm's length basis).

Dealings with the parent companies (Banco Santander and Santander Consumer Finance) refer to:

- derivative transactions;
- funding transactions;
- consulting services received.

Dealings with the subsidiaries (Banca PSA, TIMFin, Santander Consumer Renting and Drive) mainly refer to:

- VAT and tax consolidation (where applicable);
- funding transactions;
- management services granted, with related recharges of out-of-pocket expenses (including secondment of employees).

Dealings with the other companies of the Santander Group mainly refer to:

- consulting services received;
- management services granted, with related recharges of out-of-pocket expenses (including secondment of employees).

With regard to the transactions with executives with strategic responsibilities of the entity or its parent company, not shown in the above table, mainly deposits of Euro 1.8 million are reported.

Other information

For the information required by article 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

This part provides the information required by IFRS 16 that is not present in the other parts of the financial statements, distinguishing between lessee and lessor.

Qualitative information

Real estate leases

The real state lease agreements have a value in use of Euro 19,831 thousand (Euro 21,048 thousand in 2021), and include the headquarters and the branches.

The contracts, as a rule, have a duration of more than 12 months and typically have renewal and termination options that can be exercised by the lessor and the lessee according to the law or specific contractual provisions. These contracts do not usually include the purchase option at the end of the lease or significant restoration costs for Santander Consumer Bank. Based on the characteristics of the lease contracts and the provisions of Italian Law 392/1978, in the event of signing a new lease agreement with a contractual duration of six years and the option of tacitly renewing the six-year contract in six years, the total duration of the lease is set at twelve years. This general indication is superseded if there are new elements or specific situations within the contract.

Motor vehicle leases

The lease agreements relating to motor vehicles have a value in use of Euro 2,764 thousand (Euro 4,601 thousand in 2021), and consist of long-term rentals referring to the company fleet made available to employees (mixed use).

Generally, these contracts envisage monthly payments, with no renewal option and do not include the option to purchase the asset.

Residual leases

As already indicated in the accounting policies, the Bank avails itself of the exemptions permitted by IFRS 16 for short-term leases (i.e. duration of less than or equal to 12 months) or leases of modest value assets (i.e. value less than or equal to Euro 5,000), such as hardware and sub-leases.

It is also specified that no sales or retro-leasing transactions were carried out.

Quantitative information

Please refer to the Notes to the financial statements:

1. Part B - Assets, which provides information on rights of use acquired through leasing (Table 8.1 - Property, plant and equipment used for business purposes: breakdown of assets measured at cost);

2. Part B - Liabilities and shareholders' equity, which shows the lease payables (Table 1.2 - Financial liabilities measured at amortised cost: deposits from customers, breakdown by type) and the relative breakdown by maturity (Table 1.6 - Lease payables);

3. Part C contains information on interest expense on lease payables and other charges associated with rights of use acquired through leases and income from sub-lease transactions.

Please refer to the specific sections for further details.

The following table shows the quantitative information not present in the above references:

	Leasing low-value	Short term leasing	Proceeds sub-leasing
Total	**427**	**-**	**341**

Section 2 – Lessor

Qualitative information

The entity provides finance leases consisting of the concession to use motor vehicles, motorcycles, campers and commercial vehicles.

As lessor, the management of the risk associated with the rights that Santander Consumer Bank retains on the underlying assets takes place through:

- buy-back agreements;
- collateral: security deposits;
- endorsement guarantees: bank, insurance and sureties.

Quantitative information

1. Balance sheet and Income statement information

Please refer to the Notes to the financial statements:

- Part B - Assets, which shows the lease financing (Table 4.2 - Financial assets measured at amortised cost: loans to customers, breakdown by type);
- Part C contains the information on interest income on lease financing and on other revenues from finance leases.

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 12/31/2022 Lease payments receivables	Total 12/31/2021 Lease payments receivables
Up to one year	55,540	46,349
Over one year up to 2 years	53,821	49,018
Over 2 years up to 3 years	44,054	46,714
Over 3 years up to 4 years	35,681	33,749
Over 4 years up to 5 years	14,478	17,775
For over 5 years	-	-
Amount of the lease payments receivables	**203,574**	**193,604**
RECONCILIATION OF THE UNDISCOUNTED LEASE PAYMENTS	(20,718)	(16,827)
Not accrued gains (-)	(20,718)	(16,827)
Not guarantee residual value (-)	-	-
Lease payments	**182,856**	**176,777**

2.2 Other informations

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 (article 2497-bis, article 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 as at 31 December 2021 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 2021 AND 2020
(EUR Thousands)

ASSETS	2021	2020	LIABILITIES AND EQUITY	2021	2020
Cash and balances at central banks	4,036,549	1,115,068	LIABILITIES		
Financial assets held for trading	5,873	3,929	Financial liabilities held for trading	11,573	6,497
Non-trading financial assets mandatorily at fair value through profit or loss	379	—	Financial liabilities at amortised cost	34,843,929	30,517,685
Financial assets through other comprehensive income	2,012,055	2,038,525	Derivatives – hedge accounting	114,770	154,011
Financial assets at amortised cost	27,017,876	25,769,106	Provisions	103,131	87,726
Derivatives – hedge accounting	76,568	25,327	Tax liabilities	348,264	304,285
Changes of the fair value of hedged items in an interest rate risk hedging portfolio	(5,561)	1,274	Other liabilities	140,487	111,751
Investments in subsidiaries, joint ventures and associates	10,944,440	12,130,945			
Tangible assets	20,040	2,216	**TOTAL LIABILITIES**	35,562,154	31,181,955
Intangible assets	80,133	44,474			
Tax assets	239,303	211,269	Equity	8,907,406	10,204,994
Other assets	49,077	23,735	Other comprehensive income	9,952	(18,364)
Assets included in disposal groups classified as held for sale	2,780	2,717			
			TOTAL EQUITY	8,917,358	10,186,630
TOTAL ASSETS	44,479,512	41,368,585	**TOTAL LIABILITIES AND EQUITY**	44,479,512	41,368,585
Memorandum items: off balance sheet items					
Loans commitment granted	660,587	803,025			
Financial guarantees granted	5,348,250	4,682,762			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS AS AT 31 DECEMBER 2021 AND 2020

(EUR Thousands)

	Income / (expenses)	
	2021	2020
Interest income	606,701	537,278
Interest expenses	(143,554)	(157,734)
NET INTEREST INCOME	463,147	379,544
Dividend income	600,528	277,940
Income from companies accounted for using the equity method	—	—
Commissions income	79,094	55,374
Commissions expense	(64,255)	(54,763)
Gains or losses on financial instruments not at fair value through profit or loss, net	19	454
Gains or losses on financial instruments held for trading, net	(172)	—
Gains or losses from hedge accounting, net	(80)	—
Currency translation differences, net	(4,967)	(3,178)
Gains or losses on derecognition of investments in subsidiaries, joint ventures or associates, net	(7,319)	—
Other operating income	5,255	2,862
Other operating expenses	(24,787)	(18,252)
OPERATING INCOME	1,046,463	639,981
Administration and general expenses	(241,647)	(214,389)
Depreciation and amortisation cost	(28,286)	(12,091)
Provisions or reversal from provisions, net	(17,306)	(18,402)
Impairment charges and reversals from financial assets not at fair value through profit or loss	(142,443)	(191,138)
NET OPERATING PROFIT	616,781	203,961
Impairment charges or reversals on investments in joint ventures and associates	—	—
Impairment charges or reversals on non-financial assets	(806)	(1,431)
Gains or losses on assets and liabilities included in disposal groups classified as held for sale from discontinued operations	(4,553)	(2,405)
PROFIT OR LOSS BEFORE TAX IN RESPECT OF CONTINUING OPERATIONS	611,422	200,125
Taxation	(10,567)	(72,217)
Gains or losses after tax in respect of continuing operations	600,855	127,908
PROFIT/(LOSS) AFTER TAX	600,855	127,908

Santander
Consumer Bank

Annexes

Annex 1 – Country-by-country reporting

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 article 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.	Italia	Bancaria	265,308	707	134,949	(43,269)	36
Banca PSA Italia S.p.a.	Italia	Bancaria	130,171	234	97,403	(28,781)	
PSA Renting Italia S.p.a.	Italia	Attività di noleggio e leasing operativo	40,938	15	15,820	(4,408)	
TimFin S.p.a.	Italia	Attività creditizia	17,513	7	(5,044)	1,516 €	
Santander Consumer Renting S.r.l.	Italia	Attività di noleggio e leasing operativo	(3)	8	(1,130)	276 €	
Drive S.r.l	Italia	Attività di noleggio e leasing operativo	(46)	3	(1,032)	250 €	

CONTACTS

Santander Consumer Bank S.p.A.

Head office

Corso Massimo D'Azeglio 33/E

10126 Turin - Italy

Tel. 011 6319 111

Fax 011 63 19 119

e-mail: santanderconsumer@santanderconsumer.it

www.santanderconsumer.it

General Management

Corso Massimo D'Azeglio 33/E

10126 Turin - Italy