Santander Consumer Finance, S.A. and Subsidiaries composing the Santander Consumer Finance Group (Consolidated)

Consolidated Financial Statements
and Consolidated Directors' Report
for the year ended 31 December 2015,
together with Auditor´s Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR’S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Santander Consumer Finance, S.A.,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Santander Consumer Finance, S.A. (“the Parent”) and Subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

Directors’ Responsibility for the Consolidated Financial Statements

The Parent’s directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Santander Consumer Finance, S.A. and Subsidiaries in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain (identified in Note 1-b to the accompanying consolidated financial statements) and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the consolidated financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2015, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Santander Consumer Finance, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Juan Manuel Alonso Fernández
10 March 2016

Santander Consumer Finance, S.A. and Subsidiaries composing the Santander Consumer Finance Group (Consolidated)

Consolidated Financial Statements
and Consolidated Directors' Report
for the year ended 31 December 2015

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES
COMPOSING THE SANTANDER CONSUMER FINANCE GROUP
CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

ASSETS	Note	2015	2014 (*)
CASH AND BALANCES WITH CENTRAL BANKS		3,628,400	1,345,368
FINANCIAL ASSETS HELD FOR TRADING:		125,807	149,444
Trading derivatives	9	125,807	149,444
OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS:		3,184,995	471,212
Debt instruments	7	3,154,400	460,032
Equity instruments	8	30,595	11,180
LOANS AND RECEIVABLES:		73,924,558	63,019,623
Loans and advances to credit institutions	6	3,366,187	5,486,502
Loans and advances to customers	10	70,556,348	57,445,560
Debt instruments	7	2,023	87,561
HELD-TO-MATURITY INVESTMENTS		-	-
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	31	218,431	307,698
HEDGING DERIVATIVES	11	244,372	265,125
NON-CURRENT ASSETS HELD FOR SALE	12	14,606	69,043
INVESTMENTS:	13	545,539	488,604
Associates		431,603	411,479
Jointly controlled entities		113,936	77,125
INSURANCE CONTRACTS LINKED TO PENSIONS		-	-
REINSURANCE ASSETS		-	-
TANGIBLE ASSETS:	14	322,885	311,262
Property, plant and equipment-		322,885	311,262
For own use		165,970	146,999
Leased out under an operating lease		156,915	164,263
Investment property		-	-
Memorandum items: Acquired under a finance lease		*51,485*	*52,648*
INTANGIBLE ASSETS:	15	2,252,924	2,290,215
Goodwill		1,898,353	1,916,255
Other intangible assets		354,571	373,960
TAX ASSETS:	23	1,077,547	1,093,416
Current		296,860	264,524
Deferred		780,687	828,892
OTHER ASSETS:	16	888,652	1,020,980
Inventories		73,758	3,790
Other		814,894	1,017,190
TOTAL ASSETS		**86,428,716**	**70,831,990**
Memorandum items			
CONTINGENT LIABILITIES	29	658,933	754,457
CONTINGENT COMMITMENTS	29	20,456,587	19,121,845

LIABILITIES AND EQUITY	Note	2015	2014 (*)
LIABILITIES			
FINANCIAL LIABILITIES HELD FOR TRADING:		122,761	411,754
Trading derivatives	9	122,761	411,754
OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
FINANCIAL LIABILITIES AT AMORTISED COST:		73,883,687	59,812,194
Deposits from central banks	17	6,441,083	2,956,626
Deposits from credit institutions	17	9,411,459	7,061,090
Customer deposits	18	31,036,611	29,298,053
Marketable debt securities	19	25,242,959	18,492,455
Subordinated liabilities	20	1,111,370	1,235,568
Other financial liabilities	21	640,205	768,402
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		-	-
HEDGING DERIVATIVES	11	313,550	150,226
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	12	-	21,472
LIABILITIES UNDER INSURANCE CONTRACTS		-	-
PROVISIONS:	22	730,820	934,718
Provisions for pensions and similar obligations		558,128	564,648
Provisions for taxes and other legal contingencies		38,184	51,480
Provisions for contingent liabilities and commitments		7,547	4,636
Other provisions		126,961	313,954
TAX LIABILITIES:	23	723,308	556,521
Current		200,720	178,435
Deferred		522,588	378,086
OTHER LIABILITIES	16	1,202,245	1,297,157
TOTAL LIABILITIES		**76,976,371**	**63,184,042**
EQUITY			
SHAREHOLDERS' EQUITY:		8,885,322	7,805,495
Registered share capital	24	5,638,639	5,338,639
Share premium	25	1,139,990	1,139,990
Reserves-	26	1,326,957	986,367
Accumulated reserves		1,128,577	811,505
Reserves of entities accounted for using the equity method		198,380	174,862
Less- Treasury shares		-	-
Profit for the year attributable to the Parent		1,059,788	638,317
Less- Dividends and remuneration		(280,052)	(297,818)
VALUATION ADJUSTMENTS:	27	(304,436)	(290,724)
Available-for-sale financial assets		18,270	(1,637)
Cash flow hedges		(2,005)	(8,525)
Hedges of net investments in foreign operations		21,893	(3,391)
Exchange differences		(222,687)	(141,521)
Entities accounted for using the equity method		6,878	2,681
Other valuation adjustments		(126,785)	(138,331)
NON-CONTROLLING INTERESTS:	28	871,459	133,177
Valuation adjustments		(1,053)	-
Other		872,512	133,177
TOTAL EQUITY		**9,452,345**	**7,647,948**
TOTAL LIABILITIES AND EQUITY		**86,428,716**	**70,831,990**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated balance sheet as at 31 December 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	Note	Income/(Expenses)	
		2015	2014 (*)
INTEREST AND SIMILAR INCOME	31	3,475,354	3,337,355
INTEREST EXPENSE AND SIMILAR CHARGES	32	(712,343)	(1,120,594)
NET INTEREST INCOME		**2,763,011**	**2,216,761**
INCOME FROM EQUITY INSTRUMENTS		79	46
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	13 & 33	71,130	41,531
FEE AND COMMISSION INCOME	34	1,118,300	1,080,701
FEE AND COMMISSION EXPENSE	35	(292,516)	(268,518)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net):	36	(6,192)	4,233
Held for trading		2,325	5,879
Other financial instruments at fair value through profit or loss		-	-
Financial instruments not measured at fair value through profit or loss		(3,566)	7,918
Other		(4,951)	(9,564)
EXCHANGE DIFFERENCES (net)	37	(5,028)	477
OTHER OPERATING INCOME:	38	285,880	124,624
Sales and income from the provision of non-financial services		228,977	72,161
Other		56,903	52,463
OTHER OPERATING EXPENSES:	39	(303,565)	(127,686)
Changes in inventories		(217,208)	(61,159)
Other		(86,357)	(66,527)
GROSS INCOME		**3,631,099**	**3,072,169**
ADMINISTRATIVE EXPENSES:		(1,440,062)	(1,206,870)
Staff costs	40	(641,408)	(519,795)
Other general administrative expenses	41	(798,654)	(687,075)
DEPRECIATION AND AMORTISATION CHARGE	14 & 15	(177,205)	(169,677)
PROVISIONS (net)	22	(73,230)	(470,642)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net):		(493,186)	(521,356)
Loans and receivables	10	(493,186)	(521,356)
PROFIT FROM OPERATIONS		**1,447,416**	**703,624**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	42	(1,913)	(119,711)
Goodwill and other intangible assets		(934)	(114,816)
Other assets		(979)	(4,895)
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	43	65,418	242,020
GAINS FROM BARGAIN PURCHASES ARISING IN BUSINESS COMBINATIONS		-	-
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	44	(8,996)	(1,634)
PROFIT BEFORE TAX		**1,501,925**	**824,299**
INCOME TAX	23	(331,150)	(134,455)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,170,775**	**689,844**
LOSS FROM DISCONTINUED OPERATIONS (net)	45	-	(26,282)
CONSOLIDATED PROFIT FOR THE YEAR		**1,170,775**	**663,562**
PROFIT ATTRIBUTABLE TO THE PARENT		1,059,788	638,317
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	28	110,987	25,245
BASIC AND DILUTED EARNINGS PER SHARE			
From continuing and discontinued operations	4	*0.57*	*0.39*
From continuing operations		*0.57*	*0.40*

(*) Presented for comparison purposes only. The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated income statement for 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES

COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

A) CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	2015	2014 (*)
CONSOLIDATED PROFIT FOR THE YEAR	**1,170,775**	**663,562**
OTHER RECOGNISED INCOME AND EXPENSE	**(14,765)**	**(178,971)**
Items that will not be reclassified to profit or loss	**10,377**	**(67,545)**
Actuarial gains and losses on defined benefit pension plans	15,103	(104,162)
Non-current assets held for sale	-	-
Income tax relating to items that will not be reclassified to profit or loss	(4,726)	36,617
Items that may be reclassified subsequently to profit or loss	**(25,142)**	**(111,426)**
Available-for-sale financial assets:	21,430	(105)
Revaluation gains (losses)	*20,517*	*8*
Amounts transferred to income statement	*913*	*(113)*
Cash flow hedges:	8,729	10,069
Revaluation gains (losses)	*(19,685)*	*(32,607)*
Amounts transferred to income statement	*28,414*	*42,676*
Hedges of net investments in foreign operations:	25,284	(3,391)
Revaluation gains (losses)	*25,284*	*(3,391)*
Amounts transferred to income statement	-	-
Exchange differences:	(81,038)	(116,070)
Revaluation gains (losses)	*(81,038)*	*(116,070)*
Amounts transferred to income statement	-	-
Non-current assets held for sale	-	-
Entities accounted for using the equity method:	4,197	4,550
Revaluation gains (losses)	*4,197*	*4,550*
Other recognised income and expense	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	(3,744)	(6,479)
TOTAL RECOGNISED INCOME AND EXPENSE	**1,156,010**	**484,591**
Attributable to the Parent	1,046,076	459,346
Attributable to non-controlling interests	109,934	25,245

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated statement of recognised income and expense for 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 (CONTINUED)

B) CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

2015	2015												
	EQUITY ATTRIBUTABLE TO THE PARENT												
	SHAREHOLDERS' EQUITY												
			RESERVES										
	Share Capital	Share Premium	Accumulated Reserves (Losses)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Ending balance at 31 December 2014	**5,338,639**	**1,139,990**	**811,505**	**174,862**	**-**	**-**	**638,317**	**(297,818)**	**7,805,495**	**(290,724)**	**7,514,771**	**133,177**	**7,647,948**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**5,338,639**	**1,139,990**	**811,505**	**174,862**	**-**	**-**	**638,317**	**(297,818)**	**7,805,495**	**(290,724)**	**7,514,771**	**133,177**	**7,647,948**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**1,059,788**	**-**	**1,059,788**	**(13,712)**	**1,046,076**	**109,934**	**1,156,010**
Other changes in equity	**300,000**	**-**	**317,072**	**23,518**	**-**	**-**	**(638,317)**	**17,766**	**20,039**	**-**	**20,039**	**628,348**	**648,387**
Capital increases	300,000	-	-	-	-	-	-	-	300,000	-	300,000	-	300,000
Distribution of dividends (Note 4)	-	-	-	-	-	-	-	(280,052)	(280,052)	-	(280,052)	(23,643)	(303,695)
Transfers between equity items	-	-	316,981	23,518	-	-	(638,317)	297,818	-	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	652,730	652,730
Other increases (decreases) in equity	-	-	91	-	-	-	-	-	91	-	91	(739)	(648)
Ending balance at 31 December 2015	**5,638,639**	**1,139,990**	**1,128,577**	**198,380**	**-**	**-**	**1,059,788**	**(280,052)**	**8,885,322**	**(304,436)**	**8,580,886**	**871,459**	**9,452,345**

The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated statement of changes in total equity for 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

B) CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014 (CONTINUED)

(Thousands of Euros)

2014 (*)	2014 (*)												
	EQUITY ATTRIBUTABLE TO THE PARENT												
	SHAREHOLDERS' EQUITY												
			RESERVES										
	Share Capital	Share Premium	Accumulated Reserves (Losses)	Reserves (Losses) of Entities Accounted for Using the Equity Method	Other Equity Instruments	Less: Treasury Shares	Profit for the Year Attributable to the Parent	Less: Dividends and Remuneration	Total Shareholders' Equity	Valuation Adjustments	Total	Non-Controlling Interests	Total Equity
Ending balance at 31 December 2013	**4,963,639**	**1,139,990**	**668,752**	**10,657**	**-**	**-**	**609,354**	**-**	**7,392,392**	**(111,753)**	**7,280,639**	**4,219**	**7,284,858**
Adjustments due to changes in accounting policies	-	-	(257)	-	-	-	-	-	(257)	-	(257)	-	(257)
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**4,963,639**	**1,139,990**	**668,495**	**10,657**	**-**	**-**	**609,354**	**-**	**7,392,135**	**(111,753)**	**7,280,382**	**4,219**	**7,284,601**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**638,317**	**-**	**638,317**	**(178,971)**	**459,346**	**25,245**	**484,591**
Other changes in equity	**375,000**	**-**	**143,010**	**164,205**	**-**	**-**	**(609,354)**	**(297,818)**	**(224,957)**	**-**	**(224,957)**	**103,713**	**(121,244)**
Capital increases	375,000	-	-	-	-	-	-	-	375,000	-	375,000	-	375,000
Distribution of dividends	-	-	(302,182)	-	-	-	-	(297,818)	(600,000)	-	(600,000)	-	(600,000)
Transfers between equity items	-	-	445,149	164,205	-	-	(609,354)	-	-	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	103,713	103,713
Other increases (decreases) in equity	-	-	43	-	-	-	-	-	43	-	43	-	43
Ending balance at 31 December 2014	**5,338,639**	**1,139,990**	**811,505**	**174,862**	**-**	**-**	**638,317**	**(297,818)**	**7,805,495**	**(290,724)**	**7,514,771**	**133,177**	**7,647,948**

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated statement of changes in total equity for 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

SANTANDER CONSUMER FINANCE, S.A. AND SUBSIDIARIES
COMPOSING THE SANTANDER CONSUMER FINANCE GROUP

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	2015	2014 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	**(4,236,203)**	**(281,189)**
Consolidated profit for the year	*1,170,775*	*663,562*
Adjustments made to obtain the cash flows from operating activities:	*1,098,375*	*1,133,540*
Depreciation and amortisation charge	177,205	169,677
Other adjustments	921,170	963,863
Net (increase)/decrease in operating assets:	*(2,877,214)*	*58,166*
Financial assets held for trading	16,289	(63,585)
Available-for-sale financial assets	(2,750,668)	(451,790)
Loans and receivables	(1,397,961)	1,110,504
Other operating assets	1,255,126	(536,963)
Net increase/(decrease) in operating liabilities:	*5,240,223*	*(1,933,823)*
Financial liabilities held for trading	(489,196)	317,695
Financial liabilities at amortised cost	6,599,598	(1,646,600)
Other operating liabilities	(870,179)	(604,918)
Income tax recovered/(paid)	*(395,956)*	*(202,634)*
CASH FLOWS FROM INVESTING ACTIVITIES	**(769,727)**	**(311,311)**
(Payments)-	*(900,520)*	*(1,045,444)*
Tangible assets	(43,873)	(34,416)
Intangible assets	(146,585)	(136,289)
Investments	(30,396)	(41,785)
Subsidiaries and other business units	(679,666)	(832,954)
Proceeds-	*130,793*	*734,133*
Tangible assets	9,985	7,259
Intangible assets	-	-
Investments	107,862	199,276
Subsidiaries and other business units	-	513,914
Non-current assets held for sale and associated liabilities	12,946	13,684
CASH FLOWS FROM FINANCING ACTIVITIES	**(475,319)**	**8,999**
(Payments)-	*(775,319)*	*(366,001)*
Dividends	(582,234)	(297,818)
Subordinated liabilities	(193,085)	(68,183)
Other payments related to financing activities	-	-
Proceeds-	*300,000*	*375,000*
Issuance of own equity instruments	300,000	375,000
Other proceeds related to financing activities	-	-
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(381)**	**(2,185)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,990,776**	**(585,686)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,026,186**	**2,611,872**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**5,016,962**	**2,026,186**
MEMORANDUM ITEMS:		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash	142,803	157,095
Cash equivalents at central banks	3,485,597	1,188,273
Other financial assets	1,388,562	680,818
Less: Bank overdrafts refundable on demand		-
Total cash and cash equivalents at end of year	**5,016,962**	**2,026,186**
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only.

The accompanying Notes 1 to 50 and Appendices I to VI are an integral part of the consolidated statement of cash flows for 2015.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

Santander Consumer Finance, S.A. and Subsidiaries composing the Santander Consumer Finance Group

Notes to the Consolidated Financial Statements
for the year ended 31 December 2015

1. Introduction, basis of presentation of the consolidated financial statements, basis of consolidation and other information

a) Introduction

Santander Consumer Finance, S.A. ("the Bank") was incorporated in 1963 under the name of Banco de Fomento, S.A., which was subsequently changed to its present name. It is a private-law entity subject to the rules and regulations applicable to banks operating in Spain, and has its headquarters at Avenida de Cantabria s/n, Edificio Dehesa, Boadilla del Monte, Madrid, where the bylaws and other public information on the Bank can be consulted. The Bank is registered in the Official Register of Institutions of the Bank of Spain under code 0224.

The Bank's object is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. Also, as the holding company of a finance group (the Santander Consumer Finance Group, "the Group"), the Bank manages and handles the investments in its subsidiaries.

The Bank is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) owned, directly or indirectly, all the share capital of the Bank at 31 December 2015 and 2014 (see Note 24). Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander. In this regard, the Bank's activity should be considered to be carried on in the framework of its belonging to and the strategy of the Santander Group, with which it performs transactions that are relevant to its activity (see Note 48). The consolidated financial statements for 2014 of the Santander Group were authorised for issue by the directors of Banco Santander, S.A. at its Board of Directors Meeting on 23 February 2015, were approved by the shareholders at the Annual General Meeting on 27 March 2015 and were filed at the Santander Mercantile Registry. The consolidated financial statements of the Santander Group for 2015 are expected to be authorised for issue by its directors on 12 February 2016. The Bank has one branch (Madrid), is not listed and, in 2015, it carried on most of its direct business activities in Spain.

Additionally, since December 2002 the Bank has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities. At 31 December 2015, the Group had 398 branches distributed throughout Europe, 65 of which were located in Spain (31 December 2014: 403 branches, 66 of which were located in Spain).

As required by Article 21 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, the accompanying Appendix IV lists the agents of the Group at 31 December 2015.

b) Basis of presentation of the consolidated financial statements

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in accordance with the International Financial Reporting Standards ("IFRSs") previously adopted by the European Union ("EU-IFRSs").

In order to adapt the accounting system of Spanish credit institutions to the new standards, the Bank of Spain issued Circular 4/2004, of 22 December, on Public and Confidential Financial Reporting Rules and Formats.

The Group's consolidated financial statements for 2015 were formally prepared by the directors of the Bank, as Parent (at the Board Meeting on 11 February 2016), in accordance with the regulatory financial reporting framework applicable to the Group (which consists of the Spanish Commercial Code and all other Spanish corporate law, International Financial Reporting Standards as adopted by the European Union, taking into account Bank of Spain Circular 4/2004, of 22 December, and successive amendments thereto, and other mandatory rules approved by the Bank of Spain), using the basis of consolidation, accounting policies and measurement bases set forth in Note 2 and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2015, and the consolidated results of its operations, the changes in consolidated equity and its consolidated cash flows in the year then ended. The aforementioned consolidated financial statements were prepared from the accounting records kept by the Bank and by each of the other Group companies, and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by each of the Group companies with those used by the Bank ("the Parent").

These notes to the consolidated financial statements contain information in addition to that presented in the accompanying consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity and consolidated statement of cash flows for 2015. The notes provide, in a clear, relevant, reliable and comparable manner, narrative descriptions and disaggregations of items presented in those statements.

The Group's consolidated financial statements for 2014 were approved by the shareholders at the Annual General Meeting of the Bank on 27 April 2015 and filed at the Madrid Mercantile Registry. The 2015 consolidated financial statements of the Group and the 2015 financial statements of the Bank and of substantially all the Group entities have not yet been approved by their shareholders at the respective Annual General Meetings. However, the Bank's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

All the figures relating to 2014 included in these notes to the consolidated financial statements are presented for comparison purposes only.

Amendments to International Financial Reporting Standards and adoption of new IFRSs issued

The accounting policies used in preparing the consolidated financial statements for the year ended 31 December 2015 are the same as those applied in the consolidated financial statements for the year ended 31 December 2014, except for the application for the first time in 2015 of the Improvements to IFRSs, 2011-2013 Cycle (minor amendments to a series of standards), applicable in annual reporting periods beginning on or after 1 January 2015. The application of these amendments did not have a material effect on the Group's consolidated financial statements for 2015.

The main new standards, amendments and interpretations approved by the European Union which will be applicable as from 2016 are as follows:

New Standards, Amendments and Interpretations	Description	Obligatory Application in Annual Reporting Periods Beginning On or After:
Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014).	Clarify the acceptable methods of depreciation and amortisation of property, plant and equipment and intangible assets, which do not include methods that are based on revenue, although in the case of intangible assets these methods are acceptable in certain circumstances.	1 January 2016
Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014).	Provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.	1 January 2016
Improvements to IFRSs, 2012-2014 cycle (issued in September 2014).	Minor amendments to a series of standards.	1 January 2016
Amendments to IAS 27, Equity Method in Separate Financial Statements (issued in August 2014).	The amendments permit the use of the equity method in the separate financial statements of an investor.	1 January 2016
Amendments to IAS 1, Disclosure Initiative (December 2014).	Various clarifications in relation to disclosures (materiality, aggregation, order of specific items within the notes to the financial statements, etc.).	1 January 2016

Although the Bank is currently assessing the impact that these standards will have when they come into force and, therefore, are applied by the Group, it does not expect this to result in any material effect on the Group's financial statements.

At the date of preparation of these consolidated financial statements, the following standards, amendments and interpretations had been published by the International Accounting Standards Board (“IASB”) but had not been approved by the European Union, as a result of which they were not applicable to the Group and, therefore, were not applied in these consolidated financial statements for 2015:

New Standards, Amendments and Interpretations	Description	Obligatory Application in Annual Reporting Periods Beginning On or After:
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013).	The amendments were issued to allow employee contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met.	1 February 2015
Improvements to IFRSs, 2010-2012 cycle (issued in December 2013).	Minor amendments to a series of standards.	1 February 2015
IFRS 15, Revenue from Contracts with Customers (issued in May 2014).	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9, Financial Instruments (last phase issued in July 2014).	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	1 January 2018
IFRS 16, Leases (issued in January 2016).	New standard on leases that supersedes IAS 17. Lessees are required to recognise all leases as though they were financed purchases.	1 January 2019
Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities (December 2014).	Clarifications on the consolidation exception for investment entities.	1 January 2016
Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014).	Clarification in relation to the gain or loss resulting from such transactions involving a business or assets.	No defined date

The Group intends to adopt these standards and amendments, if applicable to it, when they come into force and it is currently analysing their impact.

All accounting principles and measurement bases with a material effect on the consolidated financial statements for 2015 were applied in their preparation.

c) *Accounting estimates*

The consolidated results, the measurement of the Group's assets and liabilities and the determination of consolidated equity are sensitive to the accounting policies, measurement bases and estimates used by the directors of the Bank in preparing the consolidated financial statements. The information in these consolidated financial statements is the responsibility of the directors of the Bank (the Parent). In this regard, it should be noted that in the Group's consolidated financial statements for 2015 certain estimates were made by senior management, subsequently ratified by the Bank's directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

1. The impairment losses on certain assets (see Notes 6, 7, 8, 10, 12, 13, 14 and 15);

2. The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other long-term obligations to employees (see Notes 2-q, 2-r and 22);

3. The useful life of the tangible and intangible assets (see Notes 14 and 15);

4. The measurement of goodwill (see Note 15);

5. The fair value of certain unquoted assets and liabilities (see Notes 5, 6, 7, 8, 9, 11 and 13);

6. The calculation of provisions (see Note 22); and

7. The estimates of the recoverability of the Group's deferred tax assets and tax liabilities (see Notes 2-t and 23).

Although these estimates were made on the basis of the best information available at 31 December 2015 on the events analysed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. If required, changes in accounting estimates would be applied in accordance with current legislation (prospectively, recognising the effects of any changes in estimates in the related consolidated income statements for the future years in question).

d) *Comparative information*

The information relating to 2014 contained in these notes to the consolidated financial statements is presented with the information relating to 2015 for comparison purposes only and, accordingly, it does not constitute the Group’s statutory consolidated financial statements for 2014.

In this regard, in 2015 the Group ceased to classify the investment held in the subsidiary Santander Consumer Finance Zrt. (Hungary) as a discontinued operation, the criterion according to which this investment had been presented in the Group's consolidated financial statements for 2014. Without prejudice to IFRS 5.36, in these consolidated financial statements for 2015 the comparative information for 2014 was not modified to adapt it to the classification category applied to this investment in 2015 since, as shown in Notes 12 and 45, the effect on the comparative information for 2014 of having done so would have been entirely immaterial. This matter did not have a material impact on the comparability of the information for 2014 included in these consolidated financial statements.

e) *Basis of consolidation*

i. Subsidiaries

“Subsidiaries” are defined as entities over which the Bank has the capacity to exercise control; the Bank controls an entity when it has power over it and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This situation occurs, in general, when the Bank owns, directly or indirectly, more than half of the voting power of an entity or, in situations in which it does not attain this percentage of ownership, when there are agreements or other circumstances that give it control.

The financial statements of the subsidiaries are fully consolidated with those of the Bank in accordance with IFRS 10. Accordingly, all balances and effects of the transactions between consolidated companies are eliminated on consolidation.

On acquisition of control of a subsidiary, its assets, liabilities and contingent liabilities are recognised at their acquisition-date fair values. Any positive differences between the acquisition cost and the fair values of the identifiable net assets acquired are recognised as goodwill (see Note 15). Negative differences are recognised in profit or loss on the date of acquisition.

Additionally, the share of third parties of the Group's equity is presented under "Non-Controlling Interests" in the consolidated balance sheet (see Note 28). The share of the profit for the year attributable to non-controlling interests is presented under "Profit Attributable to Non-Controlling Interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition to year-end. Similarly, the results of subsidiaries disposed of during the year are included in the consolidated income statement from the beginning of the year to the date of disposal.

At 31 December 2015 and 2014, there were no companies in which the Group did not hold at least 50% of the voting power that were considered to be subsidiaries. With respect to those entities in which the majority of voting power is not held and yet were classified as subsidiaries and, therefore, were consolidated in these consolidated financial statements, there are agreements affecting the relevant activities of these entities that grant power to the Bank.

Also, at 31 December 2015, the Group did not hold any ownership interests in the share capital of entities in which the Bank held more than half of the voting power but which were not considered to be subsidiaries.

Appendix I to these notes to the consolidated financial statements contains certain relevant information on subsidiaries at 31 December 2015.

ii. Interests in joint ventures (jointly controlled entities)

Joint ventures are deemed to be ventures that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more entities (venturers) have interests in entities (jointly controlled entities) or undertake operations or hold assets so that strategic financial and operating decisions affecting the joint venture require the unanimous consent of the venturers.

In the consolidated financial statements, investments in jointly controlled entities are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. The profits and losses resulting from transactions with a jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity.

Appendix II to these notes to the consolidated financial statements contains certain relevant information on jointly controlled entities at 31 December 2015.

iii. Associates

“Associates” are entities over which the Bank is in a position to exercise significant influence, but not control or joint control, usually because it holds 20% or more of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations. The profits and losses resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate.

Appendix II to these notes to the consolidated financial statements contains certain relevant information on associates.

iv. Consolidated structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. These entities usually have restricted activities, a narrow and well-defined objective and financing in the form of multiple instruments usually classified in tranches based on the credit risk that the investors assume. In the case of the Santander Consumer Finance Group, the investments of this kind relate to special-purpose vehicles for the securitisation of assets originated by the Group companies. In general, the Group maintains certain links with these securitisation special-purpose vehicles, either in the form of subordinated financing or another type of structure that significantly exposes it to the credit risk of the assets contributed to these vehicles or in the form of rights over the assets of the vehicles at the end of the term of their investments, so that, pursuant to applicable legislation, entities of this kind are consolidated in the Group's financial statements.

Appendix I presents, inter alia, the structured entities (securitisation special-purpose vehicles) that are consolidated in these consolidated financial statements.

v. Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities.

Business combinations whereby the Group obtains control over an entity or business are recognised for accounting purposes as follows:

- The Group measures the cost of the business combination, defined as the fair value of the assets transferred, the liabilities incurred and the equity instruments issued, if any, by the acquirer. The cost of the business combination does not include any costs related to the combination, such as fees paid to auditors involved in the transaction, legal advisers, investment banks and other consultants. If, prior to the business combination, the Group already held an equity interest in the acquiree, this equity interest is measured at its fair value and the difference between this fair value and its carrying amount at the date of the business combination is recognised in profit or loss. This equity interest measured at fair value forms part of the cost of the business combination.

- The assets, liabilities and contingent liabilities of the acquired entity or business, including any intangible assets not recognised at the acquisition date, are recognised at the date of the business combination at fair value in the consolidated balance sheet.

- Non-controlling interests are recognised at the fair value of the net assets acquired, taking into consideration the percentage of the acquired business or entity held by third parties.

- Any positive difference between, on the one hand, the aggregate cost of the business combination and, on the other, the value at which the net assets acquired are recognised in accordance with the regulations in force, adjusted by the proportionate share of non-controlling interests in these net assets, is recognised as goodwill (see Note 2-k). Any negative difference is recognised under "Gains from Bargain Purchases Arising in Business Combinations" in the consolidated income statement.

Also, any acquisitions or disposals of non-controlling interests carried out after the date on which control of the entity is obtained are accounted for as equity transactions, and, accordingly, the difference between the price paid and the carrying amount of the percentage acquired of the non-controlling interests is recognised directly with a charge or a credit to consolidated equity.

Goodwill is only recognised once, when control of a business is obtained.

vi. Changes in the levels of ownership interests in subsidiaries

Acquisitions and disposals not giving rise to a change in control are accounted for as equity transactions, and no gain or loss is recognised in the consolidated income statement and the initially recognised goodwill is not remeasured. The difference between the consideration transferred or received and the decrease or increase in non-controlling interests, respectively, is recognised in reserves.

Similarly, when control over a subsidiary is lost, the assets, liabilities and non-controlling interests and any other items recognised in valuation adjustments of that company are derecognised from the consolidated balance sheet, and the fair value of the consideration received and of any remaining equity interest is recognised. The difference between these amounts is recognised in profit or loss.

vii. Acquisitions and disposals

Note 3 to these consolidated financial statements provides information on the most significant acquisitions and disposals of investments in 2015 and 2014.

f) Capital and capital management

Management of the Bank's and the Group's capital should be understood within the framework of the management performed by the Santander Group, of which they form part (see Note 1-a). The Santander Group's capital management is performed at regulatory and economic levels.

The aim is to secure the Santander Group's solvency and guarantee its economic capital adequacy and its compliance with regulatory requirements, as well as an efficient use of capital.

To this end, the regulatory and economic capital figures and their associated metrics -return on risk-weighted assets (RORWA), return on risk-adjusted capital (RORAC) and value creation of each business unit- are generated, analysed and reported to the relevant governing bodies on a regular basis.

Within the framework of the internal capital adequacy assessment process (Pillar 2 of the Basel Capital Accord), the Santander Group uses an economic capital measurement model with the objective of ensuring that there is sufficient capital available to support all the risks of its activity in various economic scenarios, with the solvency levels agreed upon by the Santander Group; at the same time the Group assesses, also in the various scenarios, whether it meets the regulatory capital ratio requirements.

In order to adequately manage the Santander Group's capital, it is essential to estimate and analyse future needs, in anticipation of the various phases of the business cycle. Projections of regulatory and economic capital are made based on the budgetary information (balance sheet, income statement, etc.) and the macroeconomic scenarios defined by the Santander Group's economic research service. These estimates are used by the Group as a reference when planning the management actions (issues, securitisations, etc.) required to achieve its capital targets.

In addition, certain stress scenarios are simulated in order to assess the availability of capital in adverse situations. These scenarios are based on sharp fluctuations in macroeconomic variables (GDP, interest rates, housing prices, etc.) that mirror historical crises that could happen again or plausible but unlikely stress situations.

Following is a brief description of the regulatory capital framework to which the Group is subject.

In December 2010 the Basel Committee on Banking Supervision published a new global regulatory framework for international capital standards (Basel III) which strengthened the requirements of the previous frameworks, known as Basel I and Basel II, and other requirements additional to Basel II (Basel 2.5), by enhancing the quality, consistency and transparency of the capital base and improving risk coverage. On 26 June 2013, the Basel III legal framework was included in European law through Directive 2013/36 (CRD IV), repealing Directives 2006/48 and 2006/49, and through Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

Directive 2013/36 (CRD IV) was transposed into Spanish legislation through Law 10/2014, on the regulation, supervision and capital adequacy of credit institutions, and its subsequent implementing regulations contained in Royal Decree-Law 84/2015. Regulation 575/2013 is directly applicable in EU Member States as from 1 January 2014 and repeals all lower-ranking rules providing for additional capital requirements.

Regulation 575/2013 (CRR) establishes a phase-in that will permit a progressive adaptation to the new requirements in the European Union. These phase-in arrangements were incorporated into Spanish regulations through the approval of Royal Decree-Law 14/2013 and Bank of Spain Circular 2/2014. They affect both the new deductions and the issues and items of own funds which cease to be eligible as such under this new regulation. The capital buffers provided for in CRD IV are also subject to phase-in; they are applicable for the first time in 2016 and must be fully implemented by 2019.

The Basel regulatory framework is based on three pillars. Pillar 1 sets out the minimum capital requirements to be met, and provides for the possibility of using internal ratings and models (the Advanced Internal Ratings-Based (AIRB) approach) in the calculation of risk-weighted exposures. The aim is to render regulatory requirements more sensitive to the risks actually borne by entities in carrying on their business activities. Pillar 2 establishes a supervisory review system to improve internal risk management and internal capital adequacy assessment based on the risk profile. Lastly, Pillar 3 defines the elements relating to disclosures and market discipline.

In this regard, at the end of 2015 the European Central Bank notified each bank of its decision, setting out the minimum prudential capital requirements for the following year. In 2016, at consolidated level, the Santander Consumer Finance Group must have a minimum CET1 capital ratio of 9.75%, as such ratio is defined in Regulation No 575/2013.

At 31 December 2015, the Bank's Common Equity Tier 1 capital and its CET1 plus Additional Tier 1 capital amounted to EUR 6,966,640 thousand in both cases (31 December 2014: EUR 5,252,799 thousand), while its total capital amounted to EUR 7,303,524 thousand at that date (31 December 2014: EUR 5,671,096 thousand).

Common Equity Tier 1 capital and CET1 plus Additional Tier 1 capital include basically share capital, share premium, the Group's reserves net of deductions (intangible assets), non-controlling interests and the portion of consolidated profit for 2015 to be taken to reserves once the distribution of profit is approved (see Note 4).

The Bank's total capital includes basically Tier 1 capital and certain loan loss provisions specified in Articles 61 and 62 of Regulation No 575/2013.

At 31 December 2015 and 2014, the Group met the minimum capital requirements established by current legislation.

ii. Plan for the roll-out of advanced approaches and authorisation from the supervisory authorities

The Santander Group intends to adopt, over the next few years, the advanced internal ratings-based (AIRB) approach under Basel II for substantially all its banks, until the percentage of exposure of the loan portfolio covered by this approach exceeds 90%.

Accordingly, the Santander Group continued in 2015 with the project for the progressive implementation of the technology platforms and methodological improvements required for the roll-out of the AIRB approaches for regulatory capital calculation purposes at the various Santander Group units.

To date the Santander Group has obtained authorisation from the supervisory authorities to use the AIRB approach for the calculation of regulatory capital requirements for credit risk for the Parent and the main subsidiaries in Spain, the United Kingdom and Portugal, as well as for certain portfolios in Germany, Mexico, Brazil, Chile, the Nordic countries (Norway, Sweden and Finland), France and the United States. In 2015 approval was obtained for the auto loan portfolios of the consumer finance unit in the Nordic countries, and the foundation IRB approach was maintained for the corporate and retail portfolios in France which joined the Group following the agreement reached with Banque PSA Finance (see Note 3-b).

As regards the other risks explicitly addressed under Basel Pillar 1, the Santander Group is authorised to use its internal model for market risk for its treasury trading activities in Madrid, Chile, Portugal and Mexico.

Also, the Santander Group has regulatory approval for its corporate methodology, enabling it to calculate, for the market risk of the trading book, the incremental default and migration risk charge (IRC - Incremental Risk Charge) and stressed value at risk (VaR).

In 2015 the Santander Group stepped up the pace of its transition towards an advanced operational risk management (AORM) approach. The objective of the AORM programme is, on the one hand, to bolster the current operational risk management framework and, on the other, to achieve best market practices and to leverage the monitoring of an integrated consolidated operational risk profile in order to proactively direct the business strategy and tactical decision-making. For the purpose of calculating regulatory capital for operational risk, the Santander Group has been applying the standardised approach provided for under the European Capital Requirements Directive. On 3 February 2016, the European Central Bank authorised the use of the Alternative Standardised Approach to calculate the capital requirements at consolidated level for operational risk at Banco Santander (Brasil) S.A. The AORM programme will enable the Group to have capital estimation models in place in the main geographical areas, both for economic capital and stress testing purposes and with a view to their potential application for regulatory capital purposes.

g) ***Deposit Guarantee Fund and Single Resolution Fund***

Deposit Guarantee Fund

The Bank and other consolidated entities participate in the Deposit Guarantee Fund, National Resolution Fund or equivalent scheme in their respective countries. The contributions made to these schemes by the Group companies amounted to EUR 47,497 thousand in 2015 (2014: EUR 27,835 thousand) and they are recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2015 (see Note 39).

The notes to the Bank's separate financial statements for 2015 include additional information on the contributions of this type made by the Bank in 2015 and 2014.

Single Resolution Fund

In March 2014, a political agreement was reached between the European Parliament and the Council on establishing the second pillar of the Banking Union, the Single Resolution Mechanism ("SRM"). The main objective of the SRM is to ensure that potential future bank failures in the banking union are managed efficiently, with minimal costs to taxpayers and the real economy. The scope of the SRM mirrors that of the SSM. This means that a central authority -the Single Resolution Board ("SRB")- is ultimately in charge of the decision to initiate the resolution of a bank, while operationally the decision will be implemented in cooperation with national resolution authorities. The SRB started its work as an independent EU agency on 1 January 2015.

While the rules governing the banking union aim to ensure that any resolution is first financed by a bank's shareholders and, if necessary, also partly by a bank's creditors, there is now another funding source available that can step in if the contributions of shareholders and creditors are insufficient, namely the Single Resolution Fund ("SRF"), which is administered by the SRB. The legislation establishes that contributions to the SRF will be paid in by the banks over the course of eight years.

In this regard, the SRF, which was introduced by Regulation (EU) No 806/2014 of the European Parliament and of the Council, will become operational on 1 January 2016. The competence for the calculation of the contributions that must be made by credit institutions and investment firms to the SRF lies with the SRB. As from 2016, these contributions will be based on: (a) a flat contribution (or basic annual contribution), that is pro-rata based on the amount of each institution's liabilities excluding own funds and covered deposits, with respect to the total liabilities, excluding own funds and covered deposits, of all of the institutions authorised in the territories of the participating Member States; and (b) a risk-adjusted contribution, that shall be based on the criteria laid down in Article 103(7) of Directive 2014/59/EU, taking into account the principle of proportionality, without creating distortions between banking sector structures of the Member States. The amount of these contributions will fall due for the Group companies subject thereto on an annual basis as from 2016.

h) ***Environmental impact***

In view of the business activities carried on by the Group entities, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the Group's consolidated equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

i) *Events after the reporting period*

Agreements with Banque PSA Finance

On 7 January 2016, Santander Consumer Bank S.p.A. (Italy) acquired 50% of the share capital of Banca PSA Italia S.p.A. for approximately EUR 76.4 million.

On 1 February 2016, Santander Consumer Finance Benelux B.V. (the Netherlands) acquired 50% of the share capital of PSA Financial Services Nederland B.V. for approximately EUR 22 million.

From 31 December 2015 to the date on which these consolidated financial statements were authorised for issue no additional events took place that might affect them.

j) *Customer Care Service Annual Report*

As required by Article 17 of Ministry of Economy Order ECO/734/2004, of 11 March, on Customer Care Departments and Services and Customer Ombudsmen of Financial Institutions, following is a summary of the Annual Reports submitted by the heads of the Customer Care Services of each of the Spanish consolidated entities subject to this requirement to the respective Board of Directors:

Santander Consumer Finance, S.A.

i. Statistical summary of claims and complaints handled

780 claims were received by the Customer Care Service in 2015 (2014: 396 claims). All the claims received were admitted for consideration. In addition, 15 complaints were received in 2015 (2014: 66 complaints).

93.84% of the claims and complaints submitted in 2015 (746 files) were resolved and concluded in the same year (2014: 91.34%, 422 files), and 49 files were pending consideration at 2015 year-end (2014 year-end: 40 files, which were resolved in 2015). The detail, by type, of the claims and complaints filed is as follows:

	Number of Claims	
	2015	2014
Cards	441	309
Credits and loans	318	127
Insurance	13	12
Spanish Personal Data Protection Organic Law	15	7
Other	8	7

The Bank’s directors state that the matters not yet resolved at 2015 year-end will not have a significant effect on these consolidated financial statements.

ii. Summary of resolutions

The detail of the responses to customers in 2015 and 2014 is as follows:

	Percentage	
	2015	2014
In favour of claimant	68%	62%
In favour of the Bank	32%	38%

The average handling period for claims was 22 calendar days in 2015 (2014: 19 days).

The Bank paid EUR 192 thousand to its customers for claims resolved in their favour in 2015 (2014: EUR 42 thousand).

iii. Claims filed through the Bank of Spain and the Directorate-General of Insurance

The Customer Care Service received 17 claims through the Bank of Spain and the Directorate-General of Insurance in 2015 (2014: 30 claims). 76.47% of the claims received in 2015 (13 files) were resolved and concluded in the same year (all files received in 2014 were resolved and concluded in the same year), and four files were pending consideration at 2015 year-end. These claims were resolved as follows:

	Percentage	
	2015	2014
In favour of the customer	77%	60%
In favour of the Bank	23%	40%

The Bank paid EUR 1 thousand to its customers for claims made through the Bank of Spain and the Directorate-General of Insurance which were resolved in the customers' favour in 2015 (2014: EUR 107).

iv. Claims received by the Customer Ombudsman

In 2015 the Bank's Customer Ombudsman received 43 claims (2014: 68 claims) in addition to those indicated in sections ii) and iii) above. These claims were resolved as follows:

	Percentage	
	2015	2014
In favour of the customer	77%	76%
In favour of the Bank	18%	4%
Other claims not giving rise to any loss for the customer	5%	20%

The recurring reasons for claims were unpaid bills and the related commissions and expenses, credit card maintenance fees, disagreement with the entity's debt claim, fraudulent credit card transactions, requests for payment agreements, application of the insurance policy to a financing transaction, inappropriate account charges and requests for the termination of the contract due to incapacity of the holder.

The Bank paid EUR 1 thousand to its customers for claims made through the Customer Ombudsman which were resolved in the customers' favour in 2015 (2014: EUR 1 thousand).

v. Recommendations or suggestions based on experience to improve customer service

With respect to all the claims included in this report, no breach of the Bank of Spain's rules of conduct for Spanish credit institutions has been observed.

Santander Consumer, E.F.C., S.A.

i. Claims received by the Customer Care Services

293 claims were received by the Customer Care Services of this Group company in 2015 (2014: 136), up 115% on 2014 as result of an increase in the incidents managed directly by the company. All the claims received were admitted for consideration. In addition, 6 complaints were received in 2015 (2014: 11 complaints).

95% of the claims and complaints (285 files) were resolved and concluded during the same year (2014: 91%, 133 files), and 14 files were pending consideration at 2015 year-end (2014 year-end: 14 files). The detail, by type, of the claims and complaints filed is as follows:

	Number of Claims	
	2015	2014
Cards	13	12
Credits and loans	248	123
Insurance	20	3
Leasing and full-service leasing	9	9
Spanish Personal Data Protection Organic Law	5	-
Other	4	-

The detail of the responses to customers in 2015 and 2014 is as follows:

	Percentage	
	2015	2014
In favour of claimant	60%	50%
In favour of the Bank	40%	50%

The average handling period for claims was 22 days in 2015 (2014: 18 days).

The company paid EUR 38 thousand to its customers for claims resolved in their favour in 2015 (2014: EUR 16 thousand).

ii. Claims filed through the Bank of Spain and the Directorate-General of Insurance

The Customer Care Service received 8 claims through the Bank of Spain and the Directorate-General of Insurance in 2015 (2014: 13 claims). 50% of the claims received in 2015 (6 files) were resolved and concluded in the same year (all files received in 2014 were resolved and concluded in the same year), and two files were pending consideration at 2015 year-end. These claims were resolved as follows:

	Percentage	
	2015	2014
In favour of the customer	50%	50%
In favour of the company	50%	50%

Santander Consumer, E.F.C., S.A. paid EUR 395 to its customers for claims made through the Bank of Spain and the Directorate-General of Insurance which were resolved in the customers' favour in 2015 (2014: no amount was paid in this connection).

iii. Claims received by the Customer Ombudsman

In 2015 this company's Customer Ombudsman received 25 claims (2014: 27 claims) in addition to those indicated in sections i) and ii) above. These claims were resolved as follows:

	Percentage	
	2015	2014
In favour of the customer	56%	67%
In favour of the company	32%	8%
Other claims not giving rise to any loss for the customer	12%	25%
Claims rejected	-	-

The company paid approximately EUR 245 to its customers for claims resolved in their favour in 2015 (2014: EUR 1 thousand).

The most common claims received relate to past-due fees, debt claims by the entity, insurance rebates, inclusion of the customer in defaulter databases, incidents in direct debiting, release from the retention of title clause, and details of payments and the application thereof to outstanding debt.

iv. Recommendations or suggestions based on experience to improve customer service

With respect to all the claims included in this report, it does not seem necessary to make any recommendations or suggestions since no breach of the Bank of Spain's rules of conduct relating to transparency and the protection of financial services customers has been observed.

Financiera El Corte Inglés, E.F.C., S.A.

i. Claims received by the Customer Care Services and claims made through the Bank of Spain

26 claims were received by the Customer Care Services of this company in 2015 (2014: 29), of which 25 were admitted for consideration and 1 was rejected from consideration, and the customer was informed in writing of the reasons for the rejection. 23 of the claims considered in 2015 were resolved in the company's favour and 2 were resolved in the customer's favour. In all cases, customers were informed of the decisions taken and furnished with the requested documentation.

Also, two files were received through the Bank of Spain's Department of Market Conduct and Claims and the supervisory authority found for the customer. In both cases, the Legal Department of Financiera El Corte Inglés was informed.

It should be noted that, based on the process established in the aforementioned Ministry of Economy Order and in keeping with the company's desire to provide the utmost service to its customers, 9,535 transactions were processed and resolved by the company's operations departments in 2015 (2014: 5,173), with an average resolution period of 12.8 days, which represents an improvement of two days with respect to 2014, and were not subsequently processed by the company's Customer Care Service.

ii. Recommendations or suggestions based on experience to improve customer service

The measures adopted to improve the customer care service -this company's driving commitment- are managed within an integrated computer solution that enables the service to fully respond to the principles of speed, security, efficiency, coordination and monitoring that are required by the Ministerial Order, as evidenced throughout this company's extensive experience in the operation of this system, in which proper handling and personalised care are defined as just another goal for management efforts.

Also, this company's internal audit department -with a view to ensuring the correct operation of the entire claims process- performs reviews on an annual basis and issues a report on the basis of which the appropriate corrective measures are taken.

Furthermore, this company's Customer Care Service has continued to present suggestions to improve quality and customer satisfaction: The following recommendations were made in 2015:

- To the Operations Department and the Credit Committee:

  The advisability of keeping a documentary record of the notification of the blocking of an account when the reason is the deferral of a debt, and of not limiting this to a verbal communication, which can always be challenged.

- To the Management of the Legal and Compliance Department:

  The advisability of keeping a documentary record of the European Standardised Information Sheet (ESIS) signed by the customer so that, if necessary, it can be evidenced before the competent bodies. Certain considerations were also conveyed relating to the new document containing the general terms of use and other financing methods of the purchasing card, namely the size of the font, the charging of a fixed amount for claiming a returned bill, etc.

- It would be advisable that, when a debt recognition, renegotiation, restructuring or novation is formalised in hard-copy format, the customer be provided with a copy of the financing plan and a copy signed by the customer be kept in the document management system.

PSA Finance Spain, E.F.C., S.A.

i. Claims received by the Customer Complaints and Claims Services, claims made through the Bank of Spain and other

375 claims were received by this company's Customer Complaints and Claims Services in 2015, of which 374 were admitted for consideration. 172 of the claims considered were resolved in the customer's favour.

Of the 375 claims received in 2015, 6 were made through the Bank of Spain, 15 through the Municipal Consumer Office (OMIC), 10 through other customer care services, 5 through lawyers on behalf of customers, 310 were received directly from customers and 29 by other means.

The main reasons for and issues raised in the claims were, inter alia, the early termination and management of the end of contracts, the recovery of past-dues (fees and expenses), the delay or error in the management of files, the request for information and/or dispatch of documents and claims relating to credit insurance.

The company paid/forgave approximately EUR 12 thousand to its customers for claims resolved in their favour in 2015. The average resolution period was six calendar days.

It should be noted that this information relates to the entire 2015 calendar year and, accordingly, the period from 1 January to 30 September 2015 corresponds to the complaints and claims managed by Banque PSA Finance, Sucursal en España, and the period from 1 October 2015 onwards to those processed by PSA Financial Services, E.F.C., S.A. (see Note 3).

ii. Experience-based recommendations or suggestions

Claims considered as such by this service based on the requirements established in the Regulations display a steady trend. Comments and suggestions have been made to the operational services regarding the possible defects in processes that have given rise to these claims; these comments and suggestions were submitted at the company's quarterly quality committee meetings.

In addition, in 2015 the number of claims and complaints increased with respect to 2014 due to the launch and improvement of the customer website and e-mail service and the encouragement of customers to use them.

It should also be noted that there was a reduction in the number of claims received from the Bank of Spain and the public-sector Consumer Information Offices.

The functionality of the application is evolving to enable a differentiated processing of complaints and claims and to present the results in a way that distinguishes the economic impacts generated by the latter.

Other Spanish consolidated entities

The Customer Care Services of the other Spanish consolidated entities did not receive any claims, nor were any claims received through the Customer Ombudsman or through supervisory bodies.

2. Accounting policies

The accounting policies applied in preparing the consolidated financial statements were as follows:

a) *Foreign currency transactions*

i. Functional currency

The Group’s functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

ii. Translation of foreign currency to the functional currency

Transactions performed by the consolidated entities (or entities accounted for using the equity method) in currencies other than the functional currency of each entity in the scope of consolidation are initially recognised by applying the exchange rate prevailing at the time of the transaction. Assets and liabilities denominated in currencies other than the functional currency are subsequently translated to the respective functional currency (the currency of the economic environment in which the consolidated entity operates) using the closing rate, except as follows:

- Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.

- Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.

- The balances arising from non-hedging forward foreign currency/foreign currency and foreign currency/euro purchase and sale transactions are translated, where applicable, at the closing rates prevailing in the forward foreign currency market for the related maturity.

iii. Translation of functional currencies to euros

The balances in the financial statements of consolidated entities (or entities accounted for using the equity method) whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities, at the average official exchange rates ruling on the Spanish spot foreign currency market at year-end.

- Income and expenses, at the average exchange rates for the year, for all the transactions performed in the year.

- Equity items, at the historical exchange rates.

iv. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances, in accordance with the aforementioned methods, to the functional currency of each Group company are generally recognised at their net amount under “Exchange Differences (Net)” in the consolidated income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognised under “Gains/Losses on Financial Assets and Liabilities (Net)” in the consolidated income statement, without distinguishing them from other changes in the fair value of those instruments.

However, exchange differences arising on non-monetary items measured at fair value through equity are recognised, where appropriate, in consolidated equity under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet until they are realised. Exchange differences recognised in the Group's consolidated equity are taken to the consolidated income statement when realised.

Exchange differences arising on the translation to euros, on consolidation, of the financial statements of the consolidated entities whose presentation currency is not the euro are recognised in equity under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet.

v. Exposure to foreign currency risk

The equivalent euro value of the total assets and liabilities in foreign currency held by the Group at 31 December 2015 amounted to EUR 13,578 million and EUR 9,111 million, respectively (2014 year-end: EUR 12,445 million and EUR 8,995 million, respectively) (see Note 46). Approximately 92.2% of these assets and

96.6% of these liabilities at 31 December 2015 relate to Norwegian kroner and Swedish kronor. Virtually all the remainder

relates to other currencies traded in the Spanish market. The effect on the consolidated income statement and consolidated equity of variations of 1% in the various foreign currencies in which the Group holds significant balances, taking into account the exchange rate hedges arranged by the Group in this connection, would be scantly material.

b) *Definitions and classification of financial instruments*

i. Definitions

A "financial instrument" is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An "equity instrument" is a contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A "financial derivative" is a financial instrument whose value changes in response to the change in an observable market variable (such as an interest rate, foreign exchange rate, financial instrument price, market index or credit rating), whose initial investment is very small compared with the investment that would have to be made in other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a derivative, known as an embedded derivative, that is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in associates and jointly controlled entities (see Note 13).

- Rights and obligations under employee benefit plans (see Note 22).

ii. Classification of financial assets for measurement purposes

Financial assets are classified into the various categories used for management and measurement purposes, unless they have to be presented as "Non-Current Assets Held for Sale" or they relate to "Cash and Balances with Central Banks", "Hedging Derivatives" or "Investments", which are reported separately.

The Bank's financial assets are included for measurement purposes in one of the following categories:

- Financial assets at fair value through profit or loss - Financial assets held for trading: this category includes, where appropriate, the financial assets acquired for the purpose of generating a profit in the near term from fluctuations in their prices, financial assets that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking and financial derivatives that are not designated as hedging instruments.

- Available-for-sale financial assets: this category includes, where appropriate, debt instruments not classified as “Held-to-Maturity Investments”, “Loans and Receivables” or as “Financial Assets at Fair Value through Profit or Loss”, and equity instruments issued by entities other than subsidiaries, associates and jointly controlled entities, provided that such instruments have not been classified as “Financial Assets Held for Trading”.

- Loans and receivables: this category includes financing granted to third parties, based on the nature thereof, irrespective of the type of borrower and the form of financing, including finance lease transactions in which the consolidated entities act as the lessors.

  The consolidated entities generally intend to hold the loans and credits classified under “Loans and Receivables” granted by them until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortised cost (which includes any write-downs required to reflect the estimated impairment losses on their recovery).

iii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the consolidated balance sheet:

- Cash and balances with central banks: cash balances and balances receivable on demand relating to deposits with the Bank of Spain and other central banks.

- Loans and advances: includes the debit balances of all credit and loans granted by the Group, other than those represented by marketable securities, as well as finance lease receivables and other debit balances of a financial nature in favour of the Group, such as, if any, debit balances in bank accounts held at other entities, time deposits, reverse repurchase agreements, cheques drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organised markets, bonds given in cash, accrued dividends receivable by the Group, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originating in banking operations and services, such as the collection of rentals and similar items. They are classified, depending on the institutional sector to which they belong, under:

  - Loans and advances to credit institutions: credit of any nature in the name of credit institutions.

  - Loans and advances to customers: includes the debit balances of all the remaining credit and loans granted by the Group, other than those represented by marketable securities, including money market operations through central counterparties.

- Debt instruments: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.

- Equity instruments: financial instruments issued by other entities, such as shares and non-voting equity units, which have the nature of equity instruments for the issuer, other than investments in associates or jointly controlled entities.

- Trading derivatives: includes, where appropriate, the fair value in favour of the Group of derivatives which do not form part of hedge accounting.

- Changes in the fair value of hedged items in portfolio hedges of interest rate risk: this item is the balancing entry for the amounts credited to the consolidated income statement in respect of the measurement of the portfolios of financial instruments which are effectively hedged against interest rate risk through fair value hedging derivatives.

- Hedging derivatives: includes the fair value in favour of the Group of derivatives designated as hedging instruments in hedge accounting.

iv. Classification of financial liabilities for measurement purposes

In the consolidated balance sheet, financial liabilities are classified into the various portfolios used for management and measurement purposes, unless they have to be presented as “Liabilities Associated with Non-Current Assets Held for Sale” or they relate to “Hedging Derivatives”, which are reported separately.

Financial liabilities are classified for measurement purposes into one of the following categories:

- Financial liabilities at fair value through profit or loss - Financial liabilities held for trading: this category includes, where appropriate, the financial liabilities that have been issued for the purpose of repurchasing them in the near term or which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, financial derivatives not considered to qualify for hedge accounting and financial liabilities arising from the outright sale of financial assets acquired under reverse repurchase agreements or borrowed (“short positions”).

- Financial liabilities at amortised cost: financial liabilities, irrespective of their instrumentation and maturity, which are not considered to be financial liabilities at fair value through profit or loss (financial liabilities held for trading) and arise from the ordinary borrowing activities carried on by financial institutions.

v. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the consolidated balance sheet:

- Deposits: includes all repayable balances received in cash by the Group entities, other than those instrumented as marketable securities and those having the substance of subordinated liabilities. This item also includes, if any, cash bonds and cash consignments received the amount of which may be invested without restriction. Deposits are classified on the basis of the creditor's institutional sector into:

    - Deposits from central banks: deposits of any nature received from the Bank of Spain or other central banks.

    - Deposits from credit institutions: deposits of any nature, including credit received and money market operations in the name of credit institutions.

    - Customer deposits: includes the remaining deposits, including money market operations through central counterparties.

- Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than those having the substance of subordinated liabilities. This item includes, where appropriate, the component considered to be a financial liability of issued securities that are compound financial instruments.

- Trading derivatives: includes the fair value, with a negative balance for the Group, of derivatives which do not form part of hedge accounting.

- Subordinated liabilities: amount of financing received which, for the purposes of payment priority, ranks behind ordinary debt.

- Other financial liabilities: includes the amount of payment obligations having the substance of financial liabilities not included under any other item.

- Hedging derivatives: includes the fair value of the Group's liability in respect of derivatives designated as hedging instruments in hedge accounting.

c) *Measurement and recognition of financial assets and liabilities*

Financial assets and liabilities are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price. In the case of financial instruments not measured at fair value through profit or loss, fair value is adjusted, for financial liabilities, by the transaction costs that are directly attributable to the issue or arrangement of the financial liability; and, for financial assets, by the amount of the fees and commissions and transaction costs that are directly attributable to the acquisition or arrangement of the financial asset. Financial assets and liabilities are subsequently measured at each year-end as follows:

i. Measurement of financial assets

Financial assets are measured at fair value at the balance sheet date, without deducting any transaction costs that may be incurred on their disposal, except for loans and receivables, equity instruments whose fair value cannot be determined in a sufficiently objective manner and financial derivatives, if any, that have those equity instruments as their underlying and are settled by delivery of those instruments.

The fair value of a financial instrument on a given date is taken to be the price that would be received to sell an asset or paid to transfer a liability on an arm's length basis in an orderly transaction that is not forced between knowledgeable market participants. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Derivatives are recognised in the consolidated balance sheet at fair value from the trade date. If the fair value is positive, they are recognised as an asset and if the fair value is negative, they are recognised as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement. Specifically, the fair value of financial derivatives, if any, traded in organised markets included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV), option pricing models and other methods.

Financial derivatives, if any, that have as their underlying equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled through delivery of those instruments are measured at cost.

"Loans and Receivables" are measured at amortised cost using the effective interest method. Amortised cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortisation (taken to the consolidated income statement) of the difference between the initial cost and the maturity amount. In the case of financial assets, amortised cost also includes any reductions for impairment or uncollectibility. In addition, in the case of loans and receivables hedged in fair value hedges, the changes in the fair value of these assets related to the risk or risks being hedged are recognised as a valuation adjustment to these assets.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to the present value of all its estimated cash flows of all kinds over its remaining life, disregarding impairment losses. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date adjusted, where applicable, by the amount of the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate is re-estimated on the benchmark interest reset dates.

Equity instruments, if any, whose fair value cannot be determined in a sufficiently objective manner and financial derivatives that have those instruments as their underlying and are settled by delivery of those instruments are measured at acquisition cost adjusted, where appropriate, by any related impairment loss.

The amounts at which the financial assets are recognised represent, in all material respects, the Group's maximum exposure to credit risk at each reporting date. Also, the Group has received collateral and other credit enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees and securities in reverse repurchase agreements.

ii. Measurement of financial liabilities

Financial liabilities are measured at amortised cost, as defined above, except for those included under "Financial Liabilities Held for Trading" and "Hedging Derivatives" in the consolidated balance sheet, which are measured at fair value at each balance sheet date. Changes in the fair value of derivatives classified as financial liabilities held for trading are recognised using the same method as that explained above for derivatives recognised as financial assets held for trading. The carrying amount of financial liabilities measured at fair value and hedged in fair value hedges is adjusted by the amount of the changes in their fair value associated with the hedged risk.

Hedging derivatives are measured in accordance with the criteria explained in the following sections of this Note.

iii. Valuation techniques

The following table shows a summary of the fair values, at 31 December 2015 and 2014, of the financial instruments (assets and liabilities) that, as indicated above, are measured at fair value in these consolidated financial statements, classified on the basis of the various measurement methods used by the Group to determine their fair value:

	Thousands of Euros					
	31/12/15			31/12/14		
	Published Price Quotations in Active Markets	Internal Models (*)	Total	Published Price Quotations in Active Markets	Internal Models (*)	Total
Financial assets held for trading	-	125,807	125,807	-	149,444	149,444
Available-for-sale financial assets (**)	3,103,791	81,204	3,184,995	460,032	-	460,032
Hedging derivatives (assets)	70,815	173,557	244,372	-	265,125	265,125
Financial liabilities held for trading	-	122,761	122,761	859	410,895	411,754
Hedging derivatives (liabilities)	28,738	284,812	313,550	-	150,226	150,226

(*) Substantially all of the main variables (inputs) used by the models are obtained from observable market data (Level 2, pursuant to IFRS 7, Financial Instruments: Disclosures).

(**) In addition to the financial instruments measured at fair value shown in the foregoing table, at 31 December 2014, the Group held equity instruments classified as available-for-sale financial assets and carried at cost amounting to EUR 11,180 thousand.

The financial instruments at fair value, determined on the basis of published price quotations in active markets (Level 1), include government debt securities, private-sector debt securities and derivatives traded in organised markets, securitised assets and shares.

In cases where the fair value of a financial instrument cannot be obtained from its market price quotations, the Group makes its best estimate of fair value using its own internal models. In order to make these estimates, various techniques are employed, including the extrapolation of observable market data. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

Most of the instruments recognised at fair value in the consolidated balance sheet, calculated using internal models, are interest rate swaps (IRSs) and cross currency swaps, which are measured using the present value method. This valuation method is also used to calculate, for information purposes (see Note 46), the fair value of financial instruments measured at amortised cost in the consolidated balance sheet. Expected future cash flows are discounted using the yield curves of the related currencies. In general, the yield curves are observable market data and, therefore, this valuation method does not include the use of assumptions that could have a significant effect on the calculation of the fair value of these financial instruments.

The Group did not make any material transfers of financial instruments between one measurement method and another in 2015 or 2014. Also, there were no changes in the valuation techniques used to measure financial instruments.

General measurement bases-

The Santander Group has developed a formal process for the systematic valuation and management of financial instruments, which has been implemented worldwide across all units, including the Santander Consumer Finance Group's units. The governance scheme for this process distributes responsibilities between two independent divisions: Treasury (development, marketing and daily management of financial products and market data) and Risk (on a periodic basis, validation of pricing models and market data, computation of risk metrics, new transaction approval policies, management of market risk and implementation of fair value adjustment policies).

The approval of new products follows a sequence of steps (request, development, validation, integration in corporate systems and quality assurance) before the product is brought into production. This process ensures that pricing systems have been properly reviewed and are stable before they are used.

The following subsections set forth the most important products and families of derivatives, and the related valuation techniques and inputs, by asset class:

Fixed-income securities-

The fixed income asset class includes basic instruments such as interest rate swaps and cross currency swaps, which are valued using forward estimation of flows and calculating net present value by discounting those flows taking into account basis swap and cross currency spreads, depending on the payment frequency and currency of each leg of the derivative.

These pricing models are fed with observable market data such as deposits, futures, cross currency swap rates and basis swap spreads. These data allow us to calculate different yield curves depending on the payment frequency and discounting curves for each currency.

Foreign exchange-

The most important products in this asset class are forward and futures contracts, which include plain vanilla and OTC (over-the-counter) derivatives on exchange rates.

The inputs of foreign exchange models include the yield curve for each currency and the spot foreign exchange rate.

Valuation adjustment for counterparty risk or default risk

The credit valuation adjustment (CVA) is a valuation adjustment to OTC derivatives as a result of the risk associated with the credit exposure assumed to each counterparty.

The CVA is calculated taking into account potential exposure to each counterparty in each future period. The CVA for a specific counterparty is equal to the sum of the CVA for all periods. The following inputs are used to calculate the CVA:

- Expected exposure: including for each transaction the mark-to-market (MtM) value plus an add-on for the potential future exposure for each period. Mitigating factors such as collateral and netting agreements are taken into account, as well as a temporary impairment factor for derivatives with interim payments.

- LGD: percentage of final loss assumed in a counterparty credit event/default.

- Probability of default: for cases where there is no market information (the CDS quoted spread curve, etc.), probabilities based on ratings, preferably internal ones, are used.

- Discount factor curve.

The debit valuation adjustment (DVA) is a valuation adjustment similar to the CVA but, in this case, it arises as a result of the Group's own risk assumed by its counterparties in OTC derivatives.

Fair value of financial instruments measured using internal models-

The fair value of financial instruments obtained from the aforementioned internal models takes into account, inter alia, the contract terms and observable market data, which include interest rates, credit risk, exchange rates and prepayments. The valuation models are not significantly subjective, since they can be adjusted and recalibrated, where appropriate, through the internal calculation of the fair value and the subsequent comparison with the related actively traded price.

Set forth below are the financial instruments at fair value whose measurement was based on internal models (Level 2) at 31 December 2015 and 2014:

		Thousands of Euros	
		Fair Values Calculated Using Internal Models at 31/12/15	Valuation Techniques
ASSETS:			
Financial assets held for trading		**125,807**	
Trading derivatives		125,807	
	Swaps	*125,441*	Present Value Method
	Other	*366*	Present Value Method
Available-for-sale financial assets		**81,204**	
Debt instruments		81,204	Present Value Method
Hedging derivatives		**173,557**	
	Swaps	*81,124*	Present Value Method
	Other	*92,433*	Present Value Method
LIABILITIES:			
Financial liabilities held for trading		**122,761**	
Trading derivatives		122,761	
	Swaps	*122,233*	Present Value Method
	Other	*528*	Present Value Method
Hedging derivatives		**284,812**	
	Swaps	*103,273*	Present Value Method
	Other	*181,539*	Present Value Method

	Thousands of Euros	
	Fair Values Calculated Using Internal Models at 31/12/14	Valuation Techniques
ASSETS:		
Financial assets held for trading	**149,444**	
Trading derivatives	149,444	
Swaps	*149,444*	Present Value Method
Hedging derivatives	**265,125**	
Swaps	*263,598*	Present Value Method
Other	*1,527*	Present Value Method
LIABILITIES:		
Financial liabilities held for trading	**410,895**	
Trading derivatives	*410,895*	
Swaps	*410,895*	Present Value Method
Hedging derivatives	**150,226**	
Swaps	*149,926*	Present Value Method
Other	*300*	Present Value Method

iv. Recognition of fair value changes

As a general rule, the accrual of interest on financial assets and liabilities measured at amortised cost and on debt instruments classified as available-for-sale financial assets is recognised under “Interest and Similar Income” or “Interest Expense and Similar Charges”, as appropriate, in the consolidated income statement. The dividends accrued on equity instruments classified as available-for-sale financial assets are recognised under “Income from Equity Instruments” in the consolidated income statement. Changes in the fair value of trading derivatives are recognised at their net amount under “Gains/Losses on Financial Assets and Liabilities (Net)”. Foreign currency exchange differences are recognised as explained in Note 2-a and hedges as described in the section below. Impairment losses are recognised as explained in Note 2-f below.

Adjustments due to changes in fair value arising from:

- “Available-for-Sale Financial Assets” are recognised temporarily under “Valuation Adjustments - Available-for-Sale Financial Assets”, unless they relate to exchange differences, in which case they are recognised under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet (exchange differences arising on monetary financial assets are recognised under “Exchange Differences (Net)” in the consolidated income statement).

- Items charged or credited to “Valuation Adjustments - Available-for-Sale Financial Assets” and “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet remain in the Group’s consolidated equity until the asset giving rise to them is derecognised or becomes impaired, as appropriate, at which time they are recognised in the consolidated income statement.

v. Hedging transactions

The consolidated entities use financial derivatives to manage the risks of the Group entities’ own positions and assets and liabilities (“hedging derivatives”) or for the purpose of obtaining gains from changes in the prices of these derivatives.

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as trading derivatives.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure (and therefore can be classified in one of the following categories):

   - Changes in the fair value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");

   - Changes in the estimated cash flows arising from the hedged financial assets and liabilities, commitments and highly probable forecast transactions ("cash flow hedge");

   - The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:

   - At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness").

   - There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position ("retrospective effectiveness"). To this end, the Group checks that the results of the hedge were within a range of 80% to 125% of the results of the hedged item.

3. There must be adequate documentation of the hedging transaction that evidences the specific designation of the financial derivative to hedge certain balances or transactions and how this hedge was expected to be achieved and measured, provided that this is consistent with the Group's management of risks.

The changes in value of financial instruments qualifying for hedge accounting are recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognised directly in the consolidated income statement, under "Gains/Losses on Financial Assets and Liabilities (Net)" and, in respect of the rectification of the interest on the hedge, under "Interest and Similar Income".

  In fair value hedges of interest rate risk on a portfolio of financial instruments, the gains or losses that arise on measuring the hedging instruments are recognised directly in the consolidated income statement, whereas the gains or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recognised in the consolidated income statement with a balancing entry under "Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk" on the asset or liability side of the consolidated balance sheet, as appropriate.

- In cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recognised temporarily under "Valuation Adjustments - Cash Flow Hedges" in the consolidated balance sheet until the forecast transactions occur, when it is recognised in the consolidated income statement, unless, if the forecast transactions result in the recognition of non-financial assets or liabilities, it is included in the cost of the non-financial asset or liability. The ineffective portion, if any, of the change in value of hedging derivatives is recognised under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement. The measurement or recognition of the hedged item in this type of hedge is not changed as a result of its forming part of the hedging relationship.

When fair value hedge accounting is discontinued, the adjustments previously recognised as an adjustment to the carrying amount of the hedged asset or liability are amortised to profit or loss at the effective interest rate recalculated at the date of hedge discontinuation. The adjustments must be fully amortised at maturity.

When cash flow hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument recognised in equity under "Valuation Adjustments" in the consolidated balance sheet (from the period when the hedge was effective) remains in this equity item until the hedged forecast transaction occurs, at which time it is recognised in profit or loss, unless the transaction is no longer expected to occur, in which case the cumulative gain or loss is recognised immediately in the consolidated income statement.

Any derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as "Other Financial Assets/Liabilities at Fair Value through Profit or Loss" or as "Financial Assets/Liabilities Held for Trading".

d) Transfers of financial assets and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards to third parties -unconditional sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is derecognised and any rights and obligations created or retained in the transfer are recognised simultaneously.

- If the Group retains substantially all the risks and rewards associated with the transferred financial asset - sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitisation of assets in which the transferor retains a subordinated debt or grants a credit enhancement to the new holders that entails assuming substantially all the credit risk of the transferred assets, and other similar cases-, the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised:

  - An associated financial liability, for an amount equal to the consideration received; this liability is, in general, subsequently measured at amortised cost.

  - The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability.

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the risk of the transferred asset, and other similar cases- the following distinction is made:

  - If the transferor does not retain control of the transferred financial asset, the asset is derecognised and any rights and obligations created or retained in the transfer are recognised.

  - If the transferor retains control of the transferred financial asset, it continues to recognise it for an amount equal to its exposure to changes in value of the asset and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the rights to the cash flows they generate have expired or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired by the Group (with the intention either to cancel them or to resell them).

The Group habitually performs financial asset securitisation transactions in which it retains substantially all the risks and rewards of ownership of the assets. The detail, by consolidated entity, of the securitised assets retained on the consolidated balance sheets as at 31 December 2015 and 2014 is included in Note 10 to the accompanying consolidated financial statements.

e) Offsetting of financial instruments

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the consolidated entities currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

No material financial assets and liabilities were offset in the consolidated balance sheets as at 31 December 2015 and 2014.

f) Impairment of financial assets

i. Definition

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.

- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognised impairment losses is recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

The balances relating to non-performing or doubtful transactions continue to be recognised on the balance sheet, for their full amounts, until the Group considers that the recovery of those amounts is remote (write-offs).

In general, the Group considers recovery to be remote when there has been a substantial and irreversible deterioration of the borrower's solvency, when commencement of the liquidation phase of insolvency proceedings has been ordered or when more than four years have elapsed since the borrower's transaction was classified as non-performing due to arrears (the maximum period established by the Bank of Spain).

When the recovery of a financial asset is considered remote, it is written off, together with the related allowance, without prejudice to any actions that the consolidated entities may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The following sections explain the methods applied by the Group to estimate and recognise impairment losses for each category of financial assets:

ii. Debt instruments carried at amortised cost

When there is objective evidence that a financial asset measured at amortised cost has become impaired, the impairment loss is measured as the positive difference between the asset's carrying amount and the present value of the estimated future cash flows associated with it. The estimate of present value takes into account the type, status and characteristics of the transactions together with the existence of any models and local regulations that must be taken into consideration in estimating present value.

In this regard, for the purpose of determining impairment losses, the Group monitors its debtors as described below:

- Individually, for significant debt instruments and for instruments which, although not material, are not susceptible to being classified in a group of financial assets with similar credit risk characteristics - customers classified by the Group as “individualised”. This category includes wholesale banking enterprises, financial institutions and certain retail banking enterprises.

- Collectively, in all other cases -customers classified by the Group as “standardised”-, by grouping together instruments having similar credit risk characteristics indicative of the debtors' ability to pay all principal and interest amounts in accordance with the contractual terms. The credit risk characteristics considered for the purpose of grouping the assets are, inter alia, instrument type, debtor's industry and geographical location, type of guarantee or collateral, age of past-due amounts and any other relevant factor for the estimation of future cash flows. This category includes exposures to individuals, individual traders and retail banking enterprises not classified as individualised customers.

As regards impairment losses resulting from materialisation of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency when there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons.

The Group has certain policies, methods and procedures for estimating the coverage of its credit risk arising both from insolvency attributable to counterparties and from country risk. These policies, methods and procedures are applied in the granting, examination and documentation of debt instruments and contingent liabilities and commitments, and in the identification of their impairment and the calculation of the amounts required to cover the related credit risk.

With respect to the coverage of loss arising from credit risk, the Group must meet the Bank of Spain requirements, which establish that, until the Spanish regulatory authority has verified and approved the internal models for the calculation for accounting purposes of the allowance for the losses arising from credit risk, entities must calculate their credit risk coverage as set forth below:

a. Specific allowance (individual):

   The allowance for debt instruments not measured at fair value through profit or loss that are classified as non-performing is generally recognised in accordance with the criteria set forth below:

   i. Assets classified as non-performing due to counterparty arrears:

   Debt instruments, whoever the obligor and whatever the guarantee or collateral, with amounts more than three months past due are provisioned, taking into account the age of the past-due amounts, the guarantees or collateral provided and the financial situation of the counterparty and the guarantors.

   ii. Assets classified as non-performing for reasons other than counterparty arrears:

   Debt instruments which are not classifiable as non-performing due to arrears but for which there are reasonable doubts as to their repayment under the contractual terms are provisioned individually, and their allowance is the difference between the amount recognised in assets and the present value of the cash flows expected to be received. The estimate of present value takes into account the existence of any local regulatory models that are applicable and consistent with EU-IFRSs.

b. Allowance for inherent losses (collective):

   Based on its experience and on the information available to it on the Spanish banking industry, the Bank of Spain has established various categories of debt instruments and contingent liabilities, classified as standard risk, which are recognised at Spanish entities or relate to transactions performed on behalf of residents in Spain which are recognised in the accounting records of foreign subsidiaries, and has applied a range of required allowances to each category. In addition, the Group classifies as substandard risks - and estimates the necessary loan loss allowances- those risks which, featuring certain characteristics that make them similar, show weaknesses that may entail the Group assuming losses higher than those estimated for risks classified as standard.

However, the coverage of the Group's losses arising from credit risk must also meet the regulatory requirements of EU-IFRSs and, therefore, the Group checks the allowances calculated as described above against those obtained from internal models for the calculation of the coverage of losses arising from credit risk, in order to confirm that there are no material differences.

The Group's internal models determine the impairment losses on debt instruments not measured at fair value through profit or loss and on contingent liabilities taking into account the historical experience of impairment and other circumstances known at the time of assessment. For these purposes, impairment losses on loans are losses incurred at the reporting date, calculated using statistical methods.

The amount of the impairment losses incurred on these debt instruments (specific allowance) is equal to the difference between their respective carrying amounts and the present value of their estimated future cash flows, and is presented as a reduction of the balances of the assets adjusted. In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument; including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral). The impairment loss takes into account the likelihood of collecting accrued past-due interest receivable;

- The various types of risk to which each instrument is subject; and

- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable).

The incurred loss is calculated in the Group's internal models by multiplying three factors: exposure at default, probability of default and loss given default.

- Exposure at default (EAD) is the amount of risk exposure at the date of default by the counterparty.

- Probability of default (PD) is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The probability of default is associated with the rating/scoring of each counterparty/transaction.

  The definition of default used includes amounts past due by 90 days or more and cases in which there are no missed payments but there are doubts as to the solvency of the counterparty (subjective non-performing assets).

- Loss given default (LGD) is the loss arising in the event of default. It depends mainly on the discounting of the guarantees associated with the transaction and the future flows that are expected to be recovered.

In addition to all of the above, the calculation of the incurred loss takes into account the adjustment to the cycle of the aforementioned factors (PD and LGD), as well as historical experience and other specific information that reflects current conditions.

At 31 December 2015, the estimated incurred losses due to credit risk calculated by the Santander Group's internal models did not differ significantly from the allowances calculated on the basis of the Bank of Spain's requirements.

iii. Debt or equity instruments classified as available for sale

The amount of the impairment losses on these instruments, if any, is the positive difference between their acquisition cost (net of any principal repayment or amortisation in the case of debt instruments) and their fair value, less any impairment loss previously recognised in the consolidated income statement. Impairment losses on debt instruments in this category are estimated in a similar manner to that explained above for debt instruments measured at amortised cost.

When there is objective evidence at the date of measurement of these instruments that the aforementioned differences are due to permanent impairment, they are no longer recognised in consolidated equity under "Valuation Adjustments - Available-for-Sale Financial Assets" and are reclassified, for the cumulative amount at that date, to the consolidated income statement.

If all or part of the impairment losses are subsequently reversed, the reversed amount is recognised, in the case of debt instruments, in the consolidated income statement for the year in which the reversal occurs (or in equity under "Valuation Adjustments - Available-for-Sale Financial Assets" in the case of equity instruments).

iv. Equity instruments carried at cost

The amount of any impairment losses on equity instruments carried at cost is the positive difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognised in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

g) Repurchase agreements and reverse repurchase agreements

Any purchases (sales) of financial instruments under a non-optional resale (repurchase) agreement at a fixed price (repos) are recognised, where appropriate, in the consolidated balance sheet as financing granted (received), based on the nature of the debtor (creditor), under "Balances with Central Banks", "Loans and Advances to Credit Institutions" or "Loans and Advances to Customers" ("Deposits from Central Banks", "Deposits from Credit Institutions" or "Customer Deposits").

Differences between the purchase and sale prices are recognised as interest over the contract term using the effective interest method.

h) Non-current assets held for sale and Liabilities associated with non-current assets held for sale

"Non-Current Assets Held for Sale" includes the carrying amount of any individual items, disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations") whose sale in their present condition is highly likely to be completed within one year from the reporting date. Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably be recovered through the proceeds from their disposal rather than through their continuing use. Specifically, property or other non-current assets received by the consolidated entities as total or partial settlement of their debtors' payment obligations to them are deemed to be "Non-Current Assets Held for Sale", unless the consolidated entities have decided to make continuing use of these assets.

Similarly, "Liabilities Associated with Non-Current Assets Held for Sale" includes the balances payable relating to the assets held for sale or disposal groups and to discontinued operations.

Non-current assets held for sale -both individual items and disposal groups, if any- are generally measured at the lower of fair value less costs to sell and their carrying amount at the date of classification in this category. Non-current assets held for sale are not depreciated as long as they remain in this category. However, any financial instruments, assets arising from employee benefits, deferred tax assets and reinsurance assets classified as "Non-Current Assets Held for Sale" continue to be measured using the methods described in this

Note, with no changes being made thereto as a result of the classification of these items as non-current assets held for sale. The Group measures foreclosed property assets located in Spain by taking into consideration the appraisal value on the date of foreclosure and the length of time each asset has been recognised in the consolidated balance sheet.

The Group has in place a corporate policy that ensures the professional competence and the independence and objectivity of the external appraisal agencies, in accordance with the regulations, which require appraisal agencies to meet neutrality and credibility requirements, so that the use of their estimates does not reduce the reliability of its valuations. This policy establishes that all the appraisal companies and agencies with which the Group works in Spain should be registered in the Official Register of the Bank of Spain and that the appraisals performed by them should follow the methodology established in Ministry of Economy Order ECO/805/2003, of 27 March. The main appraisal companies and agencies with which the Group worked in Spain in 2015 are as follows: Ibertasa, Sociedad de Tasación, S.A., Compañía Hispania de Tasaciones y Valoraciones, S.A., Tinsa Tasaciones Inmobiliarias, S.A.U., Eurovaloraciones, S.A., Tasiberica, S.A., Técnicos en Tasación, S.A., Grupo Tasvalor, S.A. and Arco Valoraciones, S.A. Also, the aforementioned policy stipulates that the various subsidiaries abroad must work with appraisal companies that have recent experience in the local area and with the type of asset under appraisal and that meet the independence requirements established in the corporate policy. They should verify, inter alia, that the appraisal company is not a party related to the Group and that its billings to the Group in the last twelve months do not exceed 15% of the appraisal company's total billings.

Impairment losses on an asset or disposal group resulting from the write-down of its carrying amount to its fair value (less costs to sell) and gains or losses on the sale thereof are recognised under "Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the consolidated income statement. Any gains on a non-current asset held for sale resulting from increases in fair value (less costs to sell) subsequent to impairment increase its carrying amount and are recognised with a credit to the consolidated income statement up to an amount equal to the impairment losses previously recognised.

Assets and liabilities relating to discontinued operations are presented and measured in accordance with the criteria indicated for disposal groups. Revenue and expenses arising from these assets and liabilities are presented net of the related tax effect under "Loss from Discontinued Operations" in the consolidated income statement.

i) Tangible assets

"Tangible Assets" in the consolidated balance sheet includes any buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the consolidated entities or acquired under finance leases, for their own use. Tangible assets are classified by use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use -including any tangible assets received by the consolidated entities in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing own use and tangible assets acquired under finance leases- are presented at acquisition cost, less the related accumulated depreciation and any estimated impairment losses (carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated. The period depreciation charge is recognised under "Depreciation and

Amortisation Charge” in the consolidated income statement and is calculated using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	Annual Rate
Buildings for own use	1.5-2
Furniture	10
Computer hardware	25
Other	12

The consolidated entities assess at the reporting date whether there is any indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount with a charge to the consolidated income statement and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life has to be re-estimated).

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods with a credit to the consolidated income statement and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least at the end of each reporting period with a view to detecting possible significant changes therein. If changes are detected, the depreciation charges relating to the new useful lives of the assets are adjusted by correcting the charge to be recognised in the consolidated income statement in future years.

Upkeep and maintenance expenses are charged to the consolidated income statement for the year in which they are incurred.

ii. Investment property

“Tangible Assets - Investment Property” reflects the net values of any land, buildings and other structures held either to earn rentals or for capital appreciation.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use.

iii. Assets leased out under an operating lease

“Tangible Assets - Property, Plant and Equipment - Leased out under an Operating Lease” in the consolidated balance sheets includes the amount of the assets, other than land and buildings, leased out under an operating lease.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognise the impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use.

j) Leases

i. Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the consolidated entities act as the lessors of an asset, the sum of the present value of the lease payments receivable from the lessee and the guaranteed residual value –which is generally the exercise price of the lessee's purchase option at the end of the lease term– is recognised as lending to third parties and is therefore included under "Loans and Receivables" in the consolidated balance sheet.

When, if ever, the consolidated entities act as the lessees, they present the cost of the leased assets in the consolidated balance sheet, based on the nature of the leased asset, and, simultaneously, recognise a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, where applicable, the exercise price of the purchase option). The depreciation policy for these assets, if any, is consistent with that for property, plant and equipment for own use.

In both cases, any finance income and finance charges arising under finance lease agreements are credited and debited, respectively, to "Interest and Similar Income" and "Interest Expense and Similar Charges" in the consolidated income statement -depending on whether the consolidated entities act as lessors or lessees- so as to produce a constant rate of return over the lease term.

ii. Operating leases

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessors, they present the acquisition cost of the leased assets under "Tangible Assets" (see Note 14) in the consolidated balance sheet. The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment for own use (see Note 2-i), and income from operating leases is recognised on a straight-line basis under "Other Operating Income" in the consolidated income statement (see Note 38).

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight-line basis to "Administrative Expenses - Other General Administrative Expenses" in the consolidated income statement.

k) Intangible assets

"Intangible Assets" in the consolidated balance sheet includes identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated entities and goodwill other than that arising on acquisition of entities accounted for using the equity method. Only intangible assets whose cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated are recognised.

Intangible assets other than goodwill are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and/or any accumulated impairment losses.

i. Goodwill

Any differences between the cost of investments in consolidated entities, entities accounted for using the equity method and other types of business combinations and the corresponding net fair values of the assets and liabilities acquired, adjusted by the acquisition-date percentage of ownership acquired in these net assets and liabilities, in the case of acquisitions of equity interests, are accounted for as follows:

1. If there is an excess of the acquisition price over the aforementioned net fair value, it is recognised as goodwill under "Intangible Assets - Goodwill" on the asset side of the consolidated balance sheet. In the case of the acquisition of investments in associates or jointly controlled entities, any goodwill arising on their acquisition is recognised as part of the carrying amount of the investment, rather than separately under "Intangible Assets - Goodwill".

2. Any negative differences between the acquisition cost and the aforementioned net fair value of the investments in subsidiaries are recognised, after the measurement process has been reviewed, as income under "Gains from Bargain Purchases Arising in Business Combinations" in the consolidated income statement.

Goodwill is only recognised when it has been acquired for consideration and represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired entity or business that are not capable of being individually identified and separately recognised.

At the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in the recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment Losses on Other Assets (Net) - Goodwill and Other Intangible Assets" in the consolidated income statement, in the case of the goodwill on subsidiaries, and under "Impairment Losses on Other Assets (Net) - Other Assets", in the case of the goodwill on investments accounted for using the equity method. An impairment loss recognised for the goodwill relating to subsidiaries is not reversed in a subsequent period.

ii. Other intangible assets

Intangible assets can have an indefinite useful life –when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the consolidated entities– or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortised, but rather at the end of each reporting period the consolidated entities review the remaining useful lives of the assets in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives using methods similar to those used to depreciate tangible assets. The intangible asset amortisation charge is recognised under "Depreciation and Amortisation Charge" in the consolidated income statement.

In both cases the consolidated entities recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment Losses on Other Assets (Net) - Goodwill and Other Intangible Assets" in the consolidated income statement. The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for tangible assets (see Note 2-i).

Internally developed computer software is recognised as an intangible asset if, among other requisites (basically the Group's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated.

Any expenditure on research activities is recognised as an expense in the year in which it is incurred and cannot be subsequently capitalised.

l) Other assets and Other liabilities

"Other Assets" in the consolidated balance sheets includes the amount of any assets not recorded in other items, the breakdown being as follows:

- Inventories: this item includes the amount of assets, other than financial instruments, that are held for sale in the ordinary course of business, are in the process of production, construction or development for such sale, or are to be consumed in the production process or in the rendering of services. "Inventories" includes the assets that have been acquired for the purpose of leasing them to third parties and for which the related operating lease agreements had not been formalised at the date of the consolidated balance sheets.

  Inventories are measured at the lower of cost and net realisable value, which is the amount expected to be obtained from lease or sale thereof in the ordinary course of business, less the estimated costs of completion and the estimated costs required for operation.

  The amount of any write-down of inventories -such as that due to damage, obsolescence or reduction of selling price- to net realisable value and all other losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. Subsequent reversals are recognised in the consolidated income statement for the year in which they occur.

- Other: this item includes, as the case may be, the balance of all prepayments and accrued income (excluding accrued interest), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the Group's favour, when this net amount is to be reported in the consolidated balance sheet, and the amount of any other assets not included in other items.

"Other Liabilities" in the consolidated balance sheets includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other consolidated balance sheet line items.

m) Provisions and contingent assets and liabilities

Provisions are present obligations at the reporting date arising from past events which could give rise to a loss for the consolidated entities, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing, and the consolidated entities expect that an outflow of resources embodying economic benefits will be required to settle such obligations.

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities. They include present obligations of the consolidated entities when, although possible, it is not considered probable that an outflow of resources embodying economic benefits will be required to settle them and their amount cannot be measured with sufficient reliability.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. In accordance with current standards, contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed in the notes thereto.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are classified according to the obligations covered as follows:

- Provisions for pensions and similar obligations: includes the amount of the provisions made to cover defined-benefit post-employment benefits, commitments to pre-retirees and similar obligations (see Note 22).

- Provisions for contingent liabilities and commitments: includes the amount of the provisions made to cover contingent liabilities -defined as those transactions in which the Group guarantees the obligations of a third party, arising as a result of financial guarantees granted or contracts of another kind- and contingent commitments -defined as irrevocable commitments that may give rise to the recognition of financial assets (see Note 22).

- Provisions for taxes and other legal contingencies: includes the amount of the provisions made to cover tax and legal contingencies and litigation (see Note 22).

- Other provisions: includes the amount of other provisions made by the Group (see Note 22).

The provisions considered necessary pursuant to the foregoing criteria are recognised or released, as appropriate, with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement. The criteria applied to account for the provisions for pensions and similar obligations are described in Notes 2-q and 2-r.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Any contingent assets that arise are not recognised in the consolidated balance sheet or in the consolidated income statement, but rather are disclosed in the notes, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

n) *Court proceedings and/or claims in process*

At the end of 2015 and 2014 certain court proceedings and claims were in process against the consolidated entities arising from the ordinary course of their operations. The Group's legal advisers and the Bank's directors consider that any economic loss that might ultimately result from these court proceedings and claims has been adequately provided for (see Note 22) and, therefore, will not have a material effect on these consolidated financial statements.

o) Recognition of income and expenses

The most significant criteria used by the Group to recognise its income and expenses are summarised as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from companies other than subsidiaries, associates or jointly controlled entities are recognised as income when the right to receive them arises.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognised in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognised when paid.

- Those which meet the conditions to form part of the initial acquisition cost of the financial instruments (other than those measured at fair value through profit or loss) are recognised in the income statement using the effective interest method or at the time the instruments are sold, based on their nature.

- Those arising from transactions or services that are performed over a period of time are recognised over the life of these transactions or services.

- Those relating to services provided in a single act are recognised when the single act is carried out.

iii. Non-finance income and expenses

These are recognised for accounting purposes on an accrual basis.

iv. Deferred collections and payments

These are recognised for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination and application fees, are credited to the consolidated income statement, on a time-proportion basis, over the term of the loan. The related direct costs incurred in the loan arrangement can be deducted from this amount.

p) *Financial guarantees*

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, insurance policies or credit derivatives.

The Group initially recognises financial guarantees provided on the liability side of the consolidated balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and simultaneously the Group recognises, as a balancing entry on the asset side of the consolidated balance sheet, the amount of the fees, commissions and similar interest received at the inception of the transactions and an account receivable for the present value of the fees, commissions and interest outstanding.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost (described in Note 2-f above).

The provisions made for these transactions are recognised under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (see Note 22). These provisions are recognised and reversed with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement.

If a provision is required for these financial guarantees, the unearned commissions recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

q) *Post-employment benefits*

Under the collective agreements currently in force, the financial institutions included in the Group and certain other Spanish and foreign consolidated entities have undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability or death, and other welfare benefits.

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans" (see Note 22).

Defined contribution plans

The Group recognises the defined contributions accrued in the year under "Administrative Expenses - Staff Costs" in the consolidated income statement. At year-end any amount not yet contributed to the external plans funding the obligations is recognised at its present value under "Provisions - Provisions for Pensions and Similar Obligations" on the liability side of the consolidated balance sheet (see Note 22).

Defined benefit plans

The Group recognises under “Provisions - Provision for Pensions and Similar Obligations” on the liability side of the consolidated balance sheet (or under “Other Assets” on the asset side, as appropriate) the present value of its defined benefit post-employment obligations, net of the fair value of the plan assets (see Note 22).

“Plan assets” are defined as those that will be used directly to settle the obligations and that meet the following conditions:

- They are not owned by the consolidated entities, but by a legally separate third party that is not a party related to the Group.

- They are only available to pay or fund post-employment benefits and they cannot be returned to the consolidated entities unless the assets remaining in the plan are sufficient to meet all the benefit obligations of the plan or of the entity to current and former employees, or they are returned to reimburse employee benefits already paid by the Group.

If the Group can look to an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that said insurer will reimburse some or all of the expenditure required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Group recognises its right to reimbursement -which, in all other respects, is treated as a plan asset- under “Insurance Contracts Linked to Pensions” on the asset side of the consolidated balance sheet.

Post-employment benefits are recognised as follows:

- Service cost is recognised in the consolidated income statement and includes the following items:

  - Current service cost, i.e. the increase in the present value of the obligations resulting from employee service in the current period, is recognised under “Administrative Expenses - Staff Costs” (see Notes 22 and 40).

  - Any past service cost, which arises from changes to existing post-employment benefits or from the introduction of new benefits and includes the cost of curtailments, is recognised under “Provisions (Net)” (see Note 22).

  - Any gain or loss arising from plan settlements is recognised under “Provisions (Net)” (see Note 22).

Net interest on the net defined benefit liability (asset), i.e. the change in the year in the net defined benefit liability (asset) as a result of the passage of time, is recognised under “Interest Expense and Similar Charges” (“Interest and Similar Income” if it constitutes income) in the consolidated income statement (see Notes 22 and 32).

The remeasurement of the net defined benefit liability (asset) recognised in equity under “Valuation Adjustments - Other Valuation Adjustments” in the consolidated balance sheet includes:

  - Actuarial gains and losses generated in the year, arising from the effects of differences between the previous actuarial assumptions and what has actually occurred and from the effects of changes in actuarial assumptions.

  - The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).

- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

None of the above amounts recognised as valuation adjustments are reclassified to the consolidated income statement following their recognition as such.

r) *Other long-term benefits and other obligations*

Other long-term employee benefits, defined as obligations to pre-retirees -taken to be those employees who have ceased to render services at the consolidated entities but who, without being legally retired, continue to have economic rights vis-à-vis the entities until they acquire the legal status of retiree- and long-service bonuses assumed by the consolidated entities are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that actuarial gains and losses and the other aforementioned changes to the defined benefit post-employment obligations that are recognised in equity as valuation adjustments in the consolidated balance sheet are, for this type of long-term benefit, in no case recognised as valuation adjustments but rather are recognised immediately in the consolidated income statement (see Note 22).

Certain Spanish Group entities' obligations for death or disability of current employees until they reach retirement age are covered by an internal fund with renewable temporary annual coverage and, therefore, no contributions are made to plans.

s) *Termination benefits*

Termination benefits are recognised when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed. At 2015 and 2014 year-end there were no objective reasons for, and circumstances had not arisen requiring, the recognition of material provisions in this connection.

t) *Income tax*

The expense for Spanish income tax and other similar taxes applicable to the foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction recognised directly in consolidated equity, in which case the tax effect is also recognised in consolidated equity.

The current income tax expense is calculated as the tax payable in respect of the taxable profit, adjusted by the amount of the period changes in the assets and liabilities resulting from temporary differences relating to any tax credit or tax loss carryforwards recognised that had not been recognised in prior years by the Group.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and any tax loss and tax credit carryforwards that have been recognised.

"Tax Assets" in the consolidated balance sheet includes the amount of all tax assets, which are broken down into "current" -amounts of tax to be recovered within the next twelve months- and "deferred" -amounts of tax to be recovered in future years, including those arising from tax loss and tax credit carryforwards, if any.

“Tax Liabilities” in the consolidated balance sheet includes the amount of all tax liabilities (except provisions for taxes), which are broken down into “current” -the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months- and “deferred” -the amount of income tax payable in future years.

The Group only recognises deferred tax assets arising from deductible temporary differences and from tax credit and tax loss carryforwards, if any, when the following conditions are met:

- It is considered likely that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised; or, in the case of Spanish companies, the deferred tax assets may in the future be converted into credits receivable from the tax authorities in accordance with Article 130 of Spanish Income Tax Law 27/2014, of 27 November; or, in the case of foreign consolidated companies, the deferred tax assets relate to tax assets that are subject to other tax regimes which, in a manner similar to Article 130 of Law 27/2014, guarantee their recovery from the related tax authorities in accordance with the requirements and conditions established in the corresponding countries, such as in the case of Italian tax law (Italian Decree-Law no 225 of 29 December 2010, as amended by Law no 10 of 26 February 2011). At 31 December 2015, the Group had recognised monetisable tax assets (“monetisable assets”) amounting to EUR 353,535 thousand (31 December 2014: EUR 324,223 thousand) (see Note 23); and

- In the case of deferred tax assets arising from tax loss carryforwards, if any, the tax losses result from identifiable causes which are unlikely to recur.

Deferred tax assets and liabilities are not recognised if they arise from the initial recognition of an asset or liability (other than in a business combination) that at the time of recognition affects neither accounting profit nor taxable profit (tax loss).

The deferred tax assets and liabilities recognised are reassessed at each reporting date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Bank files consolidated tax returns under Chapter VI of Title VII of Spanish Income Tax Law 27/2014, of 27 November, as part of the Santander Group, of which Banco Santander is the parent. The criterion applied by the Santander Group is that each entity filing consolidated tax returns recognises the income tax expense that would have corresponded to it had it filed its returns separately, adjusted by the amount of any tax losses, tax credits or tax relief generated by each entity that are used by other Santander Group companies, taking into consideration the tax consolidation adjustments to be made.

Deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognised.

u) Residual maturity periods and average interest rates

The analysis of the maturities of the balances of certain items in the consolidated balance sheets as at 31 December 2015 and 2014 and of the average annual interest rates in 2015 and 2014 is provided in Note 46.

v) Consolidated statement of recognised income and expense

This statement presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the consolidated income statement for the year and the other income and expenses recognised directly in consolidated equity.

The statement presents the various items separately by nature, grouping them into those items which, in accordance with the applicable accounting standards, will not be reclassified subsequently to profit or loss, and those items which will be reclassified subsequently to profit or loss since the requirements established by the corresponding accounting standards are met.

Accordingly, this statement presents:

a. Consolidated profit for the year.

b. The net amount of the income and expenses recognised temporarily in consolidated equity under "Valuation Adjustments".

c. The net amount of the income and expenses recognised definitively in consolidated equity.

d. The income tax incurred in respect of the items indicated in b) and c) above, except for the valuation adjustments arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented net.

e. Total consolidated recognised income and expense, calculated as the sum of a) to d) above, presenting separately the amount attributable to the Parent and the amount relating to non-controlling interests.

The amount of the income and expenses relating to entities accounted for using the equity method recognised directly in equity is presented in this statement, irrespective of the nature of the related items, under "Valuation Adjustments - Entities Accounted for Using the Equity Method" in the consolidated balance sheet.

w) Consolidated statement of changes in total equity

This statement presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors, if any. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes are grouped together on the basis of their nature into the following items:

a. Adjustments due to changes in accounting policies and to errors: include the changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors, if any.

b. Income and expense recognised in the year: includes, in aggregate form, the total of the aforementioned items recognised in the consolidated statement of recognised income and expense.

c. Other changes in equity: includes the remaining changes, if any, recognised in consolidated equity, including, inter alia, increases and decreases in the Bank's capital, distribution of profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between equity items and any other increases or decreases in consolidated equity.

x) *Consolidated statements of cash flows*

The following terms are used in the consolidated statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the consolidated equity and liabilities that are not operating activities.

For the purposes of preparing the consolidated statement of cash flows, "cash and cash equivalents" were considered to be short-term, highly liquid investments that are subject to an insignificant risk of changes in value. Accordingly, the Group considers the following financial assets to be cash and cash equivalents:

- Net cash balances and net balances with central banks, which are recognised under "Cash and Balances with Central Banks" in the consolidated balance sheet and amounted to EUR 3,628,400 thousand at 31 December 2015 (31 December 2014: EUR 1,345,368 thousand).

- Balances receivable on demand from credit institutions other than central banks, which are recognised under "Loans and Receivables - Loans and Advances to Credit Institutions" in the consolidated balance sheet and amounted to EUR 1,388,562 thousand at 31 December 2015 (31 December 2014: EUR 680,818 thousand) (see Note 6).

3. Santander Consumer Finance Group

a) *Santander Consumer Finance, S.A.*

The Bank is the parent of the Santander Consumer Finance Group (see Note 1). For information purposes, following are the condensed balance sheets, income statements, statements of changes in equity and statements of cash flows of the Bank for 2015 and 2014:

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED BALANCE SHEETS AS AT 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

ASSETS	2015	2014	LIABILITIES AND EQUITY	2015	2014
CASH AND BALANCES WITH CENTRAL BANKS	1,069,693	66,210	**LIABILITIES**		
FINANCIAL ASSETS HELD FOR TRADING	-	-			
OTHER FINANCIAL ASSETS AT FAIR VALUE			FINANCIAL LIABILITIES HELD FOR TRADING	109	2,528
THROUGH PROFIT OR LOSS	-	-	OTHER FINANCIAL LIABILITIES AT FAIR		
AVAILABLE-FOR-SALE FINANCIAL ASSETS	1,268,006	-	VALUE THROUGH PROFIT OR LOSS	-	-
LOANS AND RECEIVABLES	20,072,951	14,712,080	FINANCIAL LIABILITIES AT AMORTISED COST	23,700,086	14,919,284
HELD-TO-MATURITY INVESTMENTS	-	-	CHANGES IN THE FAIR VALUE OF HEDGED		
CHANGES IN THE FAIR VALUE OF HEDGED			ITEMS IN PORTFOLIO HEDGES OF INTEREST		
ITEMS IN PORTFOLIO HEDGES OF INTEREST			RATE RISK	-	-
RATE RISK	-	-	HEDGING DERIVATIVES	15,631	22,343
HEDGING DERIVATIVES	106,459	128,365	LIABILITIES ASSOCIATED WITH NON-CURRENT		
NON-CURRENT ASSETS HELD FOR SALE	9,875	10,959	ASSETS HELD FOR SALE		-
INVESTMENTS	10,445,007	8,934,522	PROVISIONS	59,720	56,652
INSURANCE CONTRACTS LINKED TO			TAX LIABILITIES	65,689	204,723
PENSIONS	-	-	OTHER LIABILITIES	23,378	23,588
TANGIBLE ASSETS	75	38	**TOTAL LIABILITIES**	**23,864,613**	**15,229,118**
INTANGIBLE ASSETS	4,740	722			
TAX ASSETS	245,400	295,498	SHAREHOLDERS' EQUITY	9,360,294	8,926,352
OTHER ASSETS	1,098	2,289	VALUATION ADJUSTMENTS	(1,603)	(4,787)
			TOTAL EQUITY	**9,358,691**	**8,921,565**
TOTAL ASSETS	**33,223,304**	**24,150,683**	**TOTAL LIABILITIES AND EQUITY**	**33,223,304**	**24,150,683**
MEMORANDUM ITEMS:					
CONTINGENT LIABILITIES	1,013,105	1,097,330			
CONTINGENT COMMITMENTS	3,629,640	8,441,299			

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	Income/(Expenses)	
	2015	2014
INTEREST AND SIMILAR INCOME	340,557	362,839
INTEREST EXPENSE AND SIMILAR CHARGES	(147,366)	(189,203)
NET INTEREST INCOME	**193,191**	**173,636**
INCOME FROM EQUITY INSTRUMENTS	274,238	41,571
FEE AND COMMISSION INCOME	31,234	34,505
FEE AND COMMISSION EXPENSE	(47,821)	(50,292)
GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)	(369)	7,238
EXCHANGE DIFFERENCES (net)	131	(6,384)
OTHER OPERATING INCOME	434	63
OTHER OPERATING EXPENSES	(6,608)	(1,844)
GROSS INCOME	**444,430**	**198,493**
ADMINISTRATIVE EXPENSES	(55,036)	(52,044)
DEPRECIATION AND AMORTISATION CHARGE	(236)	(392)
PROVISIONS (net)	(7,441)	(6,520)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)	(26,747)	238
PROFIT FROM OPERATIONS	**354,970**	**139,775**
IMPAIRMENT LOSSES ON OTHER ASSETS (net)	-	-
GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NON-CURRENT ASSETS HELD FOR SALE	-	267,437
GAINS FROM BARGAIN PURCHASES ARISING IN BUSINESS COMBINATIONS	-	-
GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS	(4,715)	(6,035)
PROFIT BEFORE TAX	**350,255**	**401,177**
INCOME TAX	63,740	(23,170)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**413,995**	**378,007**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)	-	-
PROFIT FOR THE YEAR	**413,995**	**378,007**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

A) CONDENSED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	2015	2014
PROFIT FOR THE YEAR	**413,995**	**378,007**
OTHER RECOGNISED INCOME AND EXPENSE	**3,184**	**7,389**
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	**(816)**	**(1,280)**
ACTUARIAL GAINS AND LOSSES ON DEFINED BENEFIT PENSION PLANS	*(1,166)*	*(1,829)*
NON-CURRENT ASSETS HELD FOR SALE	-	-
INCOME TAX RELATING TO ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	350	549
ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS	**4,000**	**8,669**
AVAILABLE-FOR-SALE FINANCIAL ASSETS	*730*	-
CASH FLOW HEDGES	*4,984*	*12,384*
HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS	-	-
EXCHANGE DIFFERENCES	-	-
NON-CURRENT ASSETS HELD FOR SALE	-	-
OTHER RECOGNISED INCOME AND EXPENSE	-	-
INCOME TAX	*(1,714)*	*(3,715)*
TOTAL RECOGNISED INCOME AND EXPENSE	**417,179**	**385,396**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CHANGES IN EQUITY

B) CONDENSED STATEMENTS OF CHANGES IN TOTAL EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

2015	SHAREHOLDERS' EQUITY									
	Share Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2014	**5,338,639**	**1,139,990**	**2,367,534**	**-**	**-**	**378,007**	**(297,818)**	**8,926,352**	**(4,787)**	**8,921,565**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**5,338,639**	**1,139,990**	**2,367,534**	**-**	**-**	**378,007**	**(297,818)**	**8,926,352**	**(4,787)**	**8,921,565**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**413,995**	**-**	**413,995**	**3,184**	**417,179**
Other changes in equity	**300,000**	**-**	**80,189**	**-**	**-**	**(378,007)**	**17,765**	**19,947**	**-**	**19,947**
Capital increases	300,000	-	-	-	-	-	-	300,000	-	300,000
Distribution of dividends	-	-	-	-	-	-	(280,053)	(280,053)	-	(280,053)
Transfers between equity items	-	-	80,189	-	-	(378,007)	297,818	-	-	-
Ending balance at 31 December 2015	**5,638,639**	**1,139,990**	**2,447,723**	**-**	**-**	**413,995**	**(280,053)**	**9,360,294**	**(1,603)**	**9,358,691**

2014	SHAREHOLDERS' EQUITY									
	Share Capital	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	Total Shareholders' Equity	VALUATION ADJUSTMENTS	TOTAL EQUITY
Ending balance at 31 December 2013	**4,963,639**	**1,139,990**	**2,174,850**	**-**	**-**	**495,123**	**-**	**8,773,602**	**(12,176)**	**8,761,426**
Adjustments due to changes in accounting policies	-	-	(257)	-	-	-	-	(257)	-	(257)
Adjustments due to errors	-	-	-	-	-	-	-	-	-	-
Adjusted beginning balance	**4,963,639**	**1,139,990**	**2,174,593**	**-**	**-**	**495,123**	**-**	**8,773,345**	**(12,176)**	**8,761,169**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**378,007**	**-**	**378,007**	**7,389**	**385,396**
Other changes in equity	**375,000**	**-**	**192,941**	**-**	**-**	**(495,123)**	**(297,818)**	**(225,000)**	**-**	**(225,000)**
Capital increases	375,000	-	-	-	-	-	-	375,000	-	375,000
Distribution of dividends	-	-	(302,182)	-	-	-	(297,818)	(600,000)	-	(600,000)
Transfers between equity items	-	-	495,123	-	-	(495,123)	-	-	-	-
Ending balance at 31 December 2014	**5,338,639**	**1,139,990**	**2,367,534**	**-**	**-**	**378,007**	**(297,818)**	**8,926,352**	**(4,787)**	**8,921,565**

SANTANDER CONSUMER FINANCE, S.A.

CONDENSED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Thousands of Euros)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES	**2,816,329**	**704,287**
Profit for the year	413,995	378,007
Adjustments made to obtain the cash flows from operating activities	(33,323)	9,790
Net (increase)/decrease in operating assets	(6,486,004)	77,239
Net increase/(decrease) in operating liabilities	8,921,661	239,251
Income tax recovered/paid	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	**(1,539,807)**	**(737,193)**
(Payments)	(1,544,898)	(992,607)
Proceeds	5,091	255,414
CASH FLOWS FROM FINANCING ACTIVITIES	**(282,235)**	**75,513**
(Payments)	(582,235)	(299,487)
Proceeds	300,000	375,000
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**994,287**	**42,607**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	81,219	38,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,075,506	81,219
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash		-
Cash equivalents at central banks	1,069,693	66,210
Other financial assets	5,813	15,009
Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year	**1,075,506**	**81,219**

b) Acquisitions and disposals

The most significant acquisitions and disposals of equity investments in Group entities in 2015 and 2014 and other relevant corporate transactions which modified the Group's scope of consolidation in these years were as follows:

Bank Zachodni WBK S.A. and Santander Consumer Bank S.A. (Poland)

As part of a corporate restructuring at the Santander Group, on 30 June 2014, the shareholders at the Annual General Meeting of Bank Zachodni WBK S.A. (a Santander Group entity) resolved to increase the share capital by PLN 53,839 thousand through the issue of 5,383,902 new shares of PLN 10 par value each and a share premium of PLN 390.53 per share. This increase was subscribed in full by the Bank through the non-monetary contribution of a 60% ownership interest in the share capital of the Polish entity Santander Consumer Bank S.A., which also represented 67% of the voting rights at the Annual General Meeting of this entity. This capital increase was subscribed by the Bank on 1 July 2014. Following this transaction, the Bank's ownership interest in Bank Zachodni WBK S.A. amounted to 5.425% of the share capital and voting rights thereof.

On 12 August 2014, the Bank entered into an agreement with Banco Santander, S.A. for the sale in full of the aforementioned ownership interest in the Polish entity Bank Zachodni WBK S.A. The selling price amounted to PLN 2,156,414 thousand and gave rise to a gain of EUR 140,081 thousand, which was recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the consolidated income statement for 2014 (see Note 43).

Following this transaction, the Group holds a 40% ownership interest in the share capital of the Polish entity Santander Consumer Bank S.A. As a result of the loss of control over this entity, in 2014 the Group recognised a gain amounting to EUR 106,389 thousand under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the consolidated income statement for 2014 relating to the recognition at fair value of the investment retained in this entity, in accordance with IFRS 10 (see Note 43).

Financiera El Corte Inglés E.F.C., S.A. (Spain)

On 7 October 2013, the Bank announced that it had entered into an agreement with El Corte Inglés, S.A. in the area of consumer finance, which provided for the acquisition by the Bank of 51% of the share capital and voting rights at the Annual General Meeting of Financiera El Corte Inglés E.F.C., S.A., with El Corte Inglés, S.A. retaining the remaining 49%. Completion of this transaction was subject, among other conditions, to obtainment of the relevant authorisations from the regulatory and competition authorities, which were obtained in the first quarter of 2014. On 27 February 2014, the Bank paid EUR 140,301 thousand to acquire the aforementioned ownership interest in this company.

In the first half of 2014 the structure of the governing bodies of Financiera El Corte Inglés E.F.C., S.A. and the Group's ability to direct its relevant activities were evaluated and it was concluded that the Group exercises control over this investee in accordance with the requirements provided for in current standards (IFRS 10).

The detail of the estimated fair value of the assets acquired and liabilities assumed at the date of the business combination, based on the nature of the related items, is as follows:

	Millions of Euros
Loans and advances to credit institutions	29
Loans and receivables - Loans and advances to customers (*)	1,291
Intangible assets	2
Other assets	22
Total assets (I)	1,344
Deposits from credit institutions	173
Customer deposits	81
Marketable debt securities	585
Provisions	3
Other liabilities	290
Total liabilities (II)	1,132
Net asset value (III=I-II)	212
Non-controlling interests (IIIx49%)	(104)
Cost of investment	(140)
Goodwill at acquisition date (**)	**32**

(*) Impairment losses of EUR 146 million were considered in estimating the fair value of the acquired loans.

(**) Belongs to the Spain and Portugal cash-generating unit.

On the date of the business combination, the Group recognised an increase in non-controlling interests of EUR 104 million under "Non-Controlling Interests - Other" in the consolidated balance sheet. These non-controlling interests relate to the percentage still owned by El Corte Inglés, S.A. of the carrying amount of the net assets included in the balance sheet following this business combination.

The amounts contributed by the acquired business to gross income and profit before tax in the consolidated income statement for 2014 were EUR 145 million and EUR 78 million, respectively.

Santander Benelux, S.A.

On 18 December 2014, Santander Consumer Holding GmbH sold in full the ownership interest that it held in Santander Benelux, S.A. at that date, which represented 16.8% of the share capital of this company, to Banco Santander, S.A. for EUR 200 million, which did not give rise to any material gain or loss for the Group in 2014.

Santander Consumer Bank AB (Sweden) and Santander Consumer Bank AS (Norway)

On 20 June 2014, the Bank announced that it had reached an agreement with the Swedish entity GE Money Nordic Holding AB to acquire all the share capital of the Swedish entity Santander Consumer Bank AB (formerly GE Money Bank AB), which carried on GE Capital's consumer finance business in Sweden, Norway and Denmark.

On 6 November 2014 -the closing date of the transaction, following the obtainment of the relevant authorisations from the regulatory and competition authorities- the Bank paid SEK 6,408 million (EUR 693 million) to acquire all the voting rights of the aforementioned investee, which generated goodwill of EUR 391 million on the date control was obtained (see Note 15-a).

The detail of the estimated fair value of the assets acquired and liabilities assumed at the date of the business combination, based on the nature of the related items, considering the adjustments made in 2015 during the measurement period established in IFRS 3, which entailed the recognition of an additional amount of EUR 17 million of intangible assets in 2015 and the reduction, by the same amount, of the goodwill initially estimated in 2014, is as follows:

	Millions of Euros
Cash and balances with central banks	28
Loans and advances to credit institutions	179
Loans and receivables - Loans and advances to customers (*)	2,099
Intangible assets	22
Other assets	62
Total assets	**2,390**
Deposits from credit institutions (**)	1,159
Customer deposits	769
Subordinated liabilities	81
Other liabilities	79
Total liabilities	**2,088**
Net asset value	**302**
Cost of investment	**693**
Goodwill at acquisition date (***)	**391**

(*) In estimating their fair value, the value of the loans was reduced by EUR 75 million.

(**) Includes mainly the financing provided by the Santander Consumer Finance Group to the acquired entity.

(***) Belongs to the Nordics (Scandinavia) cash-generating unit.

The amounts contributed by the acquired business to gross income and profit before tax in the consolidated income statement for 2014 were EUR 44 million and EUR 11 million, respectively.

On 1 July 2015, the merger by absorption of the Group companies Santander Consumer Bank A.S. (absorbing company) and Santander Consumer Bank AB (absorbed company) was executed. This transaction did not have any impact on the Group's accounting figures presented in these consolidated financial statement for 2015.

Agreements with Banque PSA Finance

Within the framework of the agreements entered into in 2014 by the Bank, Peugeot, S.A. and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, the following events and transactions took place in 2015:

- In January 2015 the relevant regulatory authorisations were obtained for the commencement of activities in France.

  On 30 January 2015, the subsidiary Santander Consumer France, S.A. (formerly Santander Consumer France, S.A.S.) carried out a capital increase which was subscribed and paid in full by the Bank through a monetary contribution of EUR 476.7 million. In addition, on 3 November 2015, a EUR 12.7 million capital increase was subscribed and paid in full by the Bank.

  On 2 February 2015, Santander Consumer France, S.A. acquired 50% of the share capital of Société Financière de Banque - SOFIB, S.A. ("SOFIB"), which until that time was part of the Banque PSA Finance Group, for EUR 463 million.

  Following the aforementioned acquisition of 50% of the share capital of SOFIB and pursuant to the aforementioned agreements entered into, SOFIB, together with its subsidiaries, became Group subsidiaries as from that date. At the date control was obtained by the Consumer Group, the total assets and liabilities acquired in this transaction, measured in accordance with the applicable legislation, amounted to approximately EUR 8,708 million and EUR 7,782 million, respectively; consequently, taking into account the cost of the aforementioned consideration transferred by the Group and the effect of the related non-controlling interests, no goodwill or gain from a bargain purchase arose thereon. With regard to the main classes of assets and liabilities acquired on the date control was obtained as a result of this transaction, it should be noted that they consist mainly of loans and receivables (loans and advances to customers) and financial liabilities at amortised cost (deposits from credit institutions, customer deposits and marketable debt securities), respectively.

- On 7 January 2015, the Bank made a contribution of EUR 2 million to the capital of the newly-created company Finance Professional Services, S.A.S. (a subsidiary, with no relevant impact for the Group), of which it is the sole shareholder.

- Also, on 16 March 2015, the Group incorporated PSA Life Insurance Europe Limited and PSA Non-Life Limited, both of which are insurance companies with registered office in Malta (and jointly controlled entities with no relevant impact for the Group), in which it holds 50% ownership interests, for a total investment of approximately EUR 3 million.

- On 3 August 2015, the Bank and the subsidiary Banco Santander Consumer Portugal, S.A. acquired all the share capital of Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.), a company with registered office in Portugal which until that time was part of the Banque PSA Finance Group, for EUR 10,444 thousand; however, this price might change as a result of the various review processes currently under way, pursuant to the terms of the aforementioned agreements. 80% of the shares in the entity's share capital were acquired by the Bank and the remaining 20% were acquired by Banco Santander Consumer Portugal, S.A.

  Following the aforementioned acquisition of the entire capital of Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.), and pursuant to the terms of the aforementioned agreements entered into, this company became a Group subsidiary as from the aforementioned date, contributing a lending portfolio totalling approximately EUR 250 million to the consolidated Group.

  Also, Banco Santander Consumer Portugal, S.A. acquired the lending business of the Portuguese branch of Banque PSA Finance, S.A. for approximately EUR 24,941 thousand, contributing a lending portfolio totalling approximately EUR 265 million to the consolidated Group.

- On 2 October 2015, the Bank subscribed to a capital increase carried out by PSA Financial Services Spain, E.F.C., S.A. (a company incorporated in 2015 by Banque PSA Finance to which the latter had spun off its vehicle financing business in Spain prior to the Bank's entry in the share capital). The Bank paid a total of EUR 181,485 thousand in this connection, of which EUR 132,566 thousand related to the creation and issue of 13,256,600 new shares of EUR 10 par value each acquired by the Bank and EUR 48,919 thousand to the share premium on the shares acquired. This capital increase was subscribed and paid in full by the Bank. Following this capital increase, the Bank holds a 50% ownership interest in the share capital of this entity, over which, in view of the terms of the shareholder agreements entered into, it exercises control. Also, prior to its joining the Group, this company performed a securitisation transaction involving receivables that were transferred to the securitisation special-purpose vehicle Auto ABS 2012-3, Fondo de Titulización de Activos.

  PSA Financial Services Spain, E.F.C., S.A. owns all the share capital of PSA Finance Suisse, S.A. (Switzerland), which, in turn, prior to its joining the Group performed a securitisation transaction involving receivables that were transferred to the securitisation special-purpose vehicle Auto ABS Swiss Leases 2013 GmbH.

  Since the Group has retained substantially all the risks and rewards associated with the securitised portfolios, and has control thereof, the financial statements of these special-purpose vehicles were included in these consolidated financial statements.

  At the date control was obtained by the Consumer Group, the total assets and liabilities acquired in this transaction, measured in accordance with the applicable legislation, amounted to approximately EUR 3,286 million and EUR 2,924 million, respectively; consequently, taking into account the cost of the aforementioned consideration transferred by the Group and the effect of the related non-controlling interests, no goodwill or gain from a bargain purchase arose thereon. With regard to the main classes of assets and liabilities acquired on the date control was obtained as a result of this transaction, it should be noted that they consist mainly of loans and receivables (loans and advances to customers and loans and advances to credit institutions) and financial liabilities at amortised cost (deposits from credit institutions, customer deposits and marketable debt securities), respectively.

  It should be noted that, pursuant to EU-IFRS 3, Business Combinations, although the foregoing business combination did not give rise to any goodwill or gain from a bargain purchase, the definitive measurement of the assets and liabilities acquired in the business combination is being reviewed, since it is within the one-year maximum measurement period established in IFRS 3. During this one-year measurement period, should any additional relevant information arise relating to the date control was obtained by the Group which might affect the initial measurement of the assets and liabilities acquired, the provisional amounts at which these assets and liabilities were initially recognised in these consolidated financial statements would be adjusted accordingly.

In 2015 the businesses acquired by the Santander Consumer Finance Group in relation to the agreements entered into with the PSA Finance Group contributed EUR 85 million to the Group's profit. Had the above business combinations taken place on 1 January 2015, the profit contributed to the Santander Consumer Finance Group in 2015 would have been approximately EUR 108 million.

Santander Consumer Holding GmbH (Germany)

On 4 November 2015, the subsidiary Santander Consumer Holding GmbH (Germany), following its merger by absorption with the subsidiary Santander Consumer Beteiligungsverwaltungsgesellschaft mbH (Germany), reached an agreement with the Bank to sell to the latter all the shares of Santander Consumer Finance Benelux, B.V. (Netherlands) and Santander Consumer Holding Austria GmbH (Austria) held by it at that date, for EUR 190 million and EUR 518 million, respectively. Since this transaction was carried out between Group companies, the effects thereof were eliminated on consolidation and had no impact whatsoever on these consolidated financial statements for 2015.

Santander Consumer Bank S.p.A. (Italy) and Unifin S.p.A. (Italy)

On 1 December 2015, the merger by absorption of the Group companies Santander Consumer Bank S.p.A. (absorbing company) and Unifin S.p.A. (absorbed company) was executed. This transaction did not have any impact on the Group's accounting figures presented in these consolidated financial statement for 2015.

Andaluza de Inversiones, S.A.

On 18 December 2015, following the obtainment of the appropriate authorisations from the regulatory and competition authorities, the subsidiary Andaluza de Inversiones, S.A. sold its entire holdings in the associates Grupo Konectanet, S.L. and Konecta Activos Inmobiliarios, S.L. (44.77% and 45.62% of the shares, respectively) to Brendembury, S.L., in which Banco Santander, S.A. indirectly holds 40% of the share capital, for EUR 103,300 thousand and EUR 4,562 thousand, respectively. As a result, the Group obtained a gain of EUR 69,526 thousand which was recognised under “Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale” in the accompanying consolidated income statement for 2015 (see Note 43).

Capital increases

In 2015 and 2014, in addition to the transactions described above, certain investees carried out capital increases that were fully subscribed and paid. The most significant of these were as follows:

	Millions of Euros (*)	
	2015	2014
Transolver Finance, E.F.C., S.A. (**)	3	3.5
Santander Consumer Bank A.S. (Norway)	125.5	121
Santander Consumer Finance Zrt. (Hungary)	2.9	24.7
PSA Life Insurance Europe Ltd (Malta) (***)	2.4	-
PSA Insurance Europe Ltd (Malta) (***)	17.2	-
Fortune Auto Finance Co., Ltd (China)	-	33
	151	**182.2**

(*) Includes only the disbursements made by the Group in these capital increases.

(**) Relates to a capital increase of EUR 6 million (2014: EUR 7 million) carried out by this jointly controlled entity 50% owned by the Bank, following which the Bank retained its 50% ownership interest therein.

(***) Relates to the subscription of 50% of the capital increases at PSA Insurance Europe Ltd (EUR 34.4 million) and PSA Life Insurance Europe Ltd (EUR 4.8 million), both of which are jointly controlled entities 50% owned by the Bank, following which the Bank retained its 50% ownership interest in the share capital of these entities.

Notifications of acquisitions of investments

The notifications of acquisitions of ownership interests which, as the case may be, must be disclosed in the notes to the consolidated financial statements in accordance with Article 155 of the Spanish Limited Liability Companies Law and Article 125 of Legislative Royal Decree 4/2015, of 23 October, approving the Spanish Consolidated Securities Market Law, are included, as appropriate, in Appendix III.

4. Distribution of the Bank's profit and Earnings per share

a) Distribution of the Bank's profit

The distribution of the Bank's net profit for 2015 that the Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
Distributable profit:	
Balance per the income statement	413,995
Appropriation:	
Interim dividends	280,052
To legal reserve	41,399
To voluntary reserves	92,544
Total	**413,995**

At the Bank's Extraordinary General Meeting held on 18 December 2014, it was resolved to distribute a dividend of EUR 302,182 thousand out of voluntary reserves. This dividend had not yet been paid at 2014 year-end and, accordingly, it was recognised under "Financial Liabilities at Amortised Cost - Other Financial Liabilities" in the accompanying consolidated balance sheet as at 31 December 2014 (see Note 21). This dividend was paid on 21 January 2015.

Also, at the Board Meeting held on 11 December 2014, the Bank's directors resolved to distribute an interim dividend out of 2014 profit of EUR 297,818 thousand. This dividend was paid on 23 December 2014 and was recognised in equity under "Shareholders' Equity - Less- Dividends and Remuneration" in the consolidated balance sheet as at 31 December 2014.

The distribution of the Bank's net profit for 2014 that the Board of Directors proposed at its meeting held on 25 March 2015, which was included in Note 4 to the Group's consolidated financial statements for 2014, was approved by the shareholders at the Annual General Meeting of the Bank on 27 April 2015.

At the Board Meeting held on 18 December 2015, the Bank's directors resolved to distribute an interim dividend out of 2015 profit of EUR 280,052 thousand. This dividend was paid on 28 December 2015 and was recognised in equity under "Shareholders' Equity - Less- Dividends and Remuneration" in the consolidated balance sheet as at 31 December 2015.

The provisional accounting statement prepared by the Bank’s directors in accordance with Article 277 of the Consolidated Spanish Limited Liability Companies Law evidencing the existence of sufficient liquidity for the distribution of the interim dividend is as follows:

	Thousands of Euros
	30/11/15
Estimated profit before tax	260,785
Less:	
Estimated income tax	56,035
Appropriation to legal reserve	(31,682)
Distributable profit	**285,138**
Interim dividend to be distributed	**280,052**
Gross dividend per share (euros) (*)	**0.15**

(*) Estimate made based on the number of Bank shares existing at the date of approval of the interim dividend.

b) *Basic earnings per share*

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent by the weighted average number of the Bank's shares outstanding during the year, excluding the average number of treasury shares, if any, held in the year.

In calculating diluted earnings per share, the amount of profit attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted to take into account all the dilutive effects inherent to any potential ordinary shares (share options, warrants and convertible debt instruments, if any).

At 31 December 2015, there were no share option plans on Bank shares or issues convertible into Bank shares conferring privileges or rights which might, due to any contingency, make them convertible into shares. Therefore, there is no dilutive effect on net profit and diluted earnings per share coincide with basic earnings per share in 2015.

Accordingly:

	Thousands of Euros	
	2015	2014
Consolidated profit for the year attributable to the Parent (thousands of euros)	1,059,788	638,317
Of which:		
From discontinued operations:	-	*(26,282)*
Weighted average number of shares outstanding	1,852,148,912	1,654,888,638
Basic and diluted earnings per share (euros)	0.5722	0.3857
Of which:		
From discontinued operations (euros)	-	*(0.0159)*
From continuing operations (euros)	*0.5722*	*0.4016*

5. Remuneration and other benefits of the Bank's directors and senior managers

a) Bylaw-stipulated emoluments and other fees

In 2015 the members of the Bank's Board of Directors received remuneration amounting to EUR 231 thousand in the form of bylaw-stipulated emoluments and attendance fees (2014: EUR 201 thousand), which related in full to two external directors of the Bank at 31 December 2015, the detail being as follows:

	Thousands of Euros	
	2015	2014
Mr Antonio Escámez Torres	180	192
Mr Luis Alberto Salazar-Simpson Bos	51	9

In 2015 the Bank’s directors received approximately EUR 14,484 thousand from Banco Santander, S.A. (2014: approximately EUR 17,510 thousand), basically in respect of fixed and variable remuneration earned by certain directors for discharging executive duties at Banco Santander, S.A. and in their capacity as members of the Boards of Directors of other Santander Group entities. Also, the Bank’s directors received EUR 18 thousand in 2015 (2014: EUR 26 thousand) from a Group subsidiary in this connection. The variable remuneration of certain directors is subject to a three-year deferral period for payment thereof, as appropriate, in cash and/or in shares of Banco Santander, S.A., provided that certain conditions are met.

Remuneration in kind paid by Banco Santander, S.A. to the Bank's directors amounted to approximately EUR 331 thousand in 2015 (2014: approximately EUR 380 thousand).

b) Post-employment and other long-term benefits

The Santander Group’s supplementary pension obligations to its current and retired employees include the obligations to current and former directors of the Bank who discharge (or have discharged) executive functions at the Santander Group. The total defined benefits accruing to these directors, together with the sum insured under life and other insurance policies, amounted to EUR 28,556 thousand at 31 December

2015 (31 December 2014: EUR 32,531 thousand). This amount is covered basically by provisions recorded at Santander Group entities that do not belong to the Santander Consumer Finance Group.

The contributions made for the Bank's directors to pension plans amounted to EUR 1,759 thousand in 2015, of which EUR 7 thousand related to defined benefit plans and EUR 1,752 thousand to defined contribution plans externalised at the Santander Group subsidiary Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. (2014: EUR 2,346 thousand, of which EUR 7 thousand related to defined benefit plans and EUR 2,339 thousand to defined contribution plans). These contributions were made by other Santander Group entities that do not belong to the Group.

The pension payments made to former members of the Bank's Board of Directors amounted to EUR 13,751 thousand in 2015 (2014: EUR 5,808 thousand) and were made mainly by other Santander Group entities that do not belong to the Group.

c) Share option plans for directors and other remuneration

The plans that include share-based payments and were in force in 2015 and 2014 are as follows: (i) target-based share plan; (ii) deferred conditional delivery share plan; (iii) deferred conditional variable remuneration plan and (iv) performance share plan. The characteristics of the plans are set forth below:

(i) Target-based share plan

This deferred share-based variable remuneration was instrumented through a multiannual incentive plan payable in shares of Banco Santander, S.A. ("Banco Santander"). The beneficiaries of the plan were the executive directors and other members of senior management, together with any other Santander Group executives determined by the Board of Directors of Banco Santander or, when delegated by it, the Executive Committee, except for Plan PI14 (approved in 2011), of which the executive directors and senior executives who participated in the deferred conditional variable remuneration plan were not beneficiaries.

This plan involved successive three-year cycles of share deliveries to the beneficiaries. In June 2010 and 2011 the fifth and sixth and final cycles (PI13 and Pl14, respectively) were approved. On 31 July 2013 and 2014 the fifth and sixth cycles (PI13 and PI14, respectively) were cancelled.

For each cycle a maximum number of shares was established for each beneficiary who remained in the Santander Group's employ for the duration of the plan. The target, which, if met, determined the number of shares to be delivered, was defined by comparing the Total Shareholder Return (TSR) performance of the shares of Banco Santander, S.A. with the TSR of a benchmark group of financial institutions.

The ultimate number of shares to be delivered in the aforementioned cycles was determined by the degree of achievement of the targets on the third anniversary of commencement of each cycle, and the shares would be delivered within a maximum period of seven months from the beginning of the year in which the corresponding cycle ended.

Plans I14 and I13 expired in 2014 and 2013, without any shares having been delivered to the plan beneficiaries, since the minimum target for shares to be delivered had not been achieved.

(ii) Deferred conditional delivery share plan

In 2013 the Board of Directors of Banco Santander, at the proposal of the Appointments and Remuneration Committee, approved the fourth cycle of the deferred conditional delivery share plan to instrument payment of the share-based bonus of Santander Group executives or employees whose variable remuneration or annual bonus for 2013 exceeded, in general, EUR 0.3 million (gross), with a view to deferring a portion of the aforementioned variable remuneration or bonus over a period of three years in which it would be paid in Banco Santander shares. Since this cycle entailed the delivery of Banco Santander shares, the shareholders at the Annual General Meeting of 22 March 2013 approved the application of the fourth cycle of the deferred conditional delivery share plan. This cycle is not applicable to the executive directors and other members of senior management or other executives who are beneficiaries of the deferred conditional variable remuneration plan described below.

The share-based bonus is being deferred over three years and will be paid, where appropriate, in three instalments starting after the first year. The amount in shares is calculated based on the tranches of the following scale established by the Board of Directors on the basis of the gross variable cash-based remuneration or annual bonus for the year:

Benchmark Bonus (Thousands of Euros)	Percentage (Deferred)
300 or less	0%
More than 300 to 600 (inclusive)	20%
More than 600	30%

In addition to the requirement that the beneficiary remains in the Santander Group's employ, with the exceptions included in the plan regulations, the accrual of the share-based deferred remuneration is conditional upon none of the following circumstances existing during the period prior to each of the deliveries: (i) poor financial performance of the Santander Group; (ii) breach by the beneficiary of internal regulations, including, in particular, those relating to risks; (iii) material restatement of the Santander Group's financial statements, except when it is required pursuant to a change in accounting standards; or (iv) significant changes in the Santander Group’s economic capital or risk profile.

(iii) Deferred conditional variable remuneration plan

In 2013, 2014 and 2015 the Board of Directors of Banco Santander, at the proposal of the Appointments and Remuneration Committee (currently the Remuneration Committee), approved the third, fourth and fifth cycles of the deferred conditional variable remuneration plan to instrument payment of the bonus for 2013, 2014 and 2015, respectively, of the executive directors and certain executives (including senior management) and employees who assume risks, who perform control functions or receive an overall remuneration which puts them on the same remuneration level as senior executives and employees who assume risks (all of whom are referred to as the "Identified Staff", in accordance with the Guidelines on Remuneration Policies and Practices approved by the Committee of European Banking Supervisors on 10 December 2010 for 2013; in 2014, pursuant to Article 92(2) of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, and the related implementing legislation; and in 2015, pursuant to Article 32.1 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, and the related implementing legislation).

Since the aforementioned cycles entail the delivery of Banco Santander shares, the shareholders at the Annual General Meetings of 22 March 2013, 28 March 2014 and 27 March 2015 approved, respectively, the application of the third, fourth and fifth cycles of the deferred conditional variable remuneration plan.

The purpose of these cycles is to defer a portion of the bonus of the beneficiaries thereof over a period of three years for the third and fourth cycles, and over three or five years for the fifth cycle, for it to be paid, where appropriate, in cash and in Banco Santander shares; the other portion of the variable remuneration is also to be paid in cash and Banco Santander shares, upon commencement of the cycles, in accordance with the rules set forth below.

The bonus will be paid in accordance with the following percentages, based on the timing of the payment and the group to which the beneficiary belongs (the “immediate payment percentage” identifies the portion of the bonus for which payment is not deferred, and the “deferred percentage” identifies the portion of the bonus for which payment is deferred):

	2015	
	Immediate Payment Percentage (*)	Deferred Percentage (*)
Executive directors and members of the Identified Staff with total variable remuneration ≥ EUR 2.6 million	40%	60%
Division managers, country heads of countries that represent at least 1% of the Group's economic capital, other executives of the Group with a similar profile and members of the Identified Staff with total variable remuneration ≥ EUR 1.7 million (< EUR 2.6 million)	50%	50%
Other beneficiaries	60%	40%

	2014	
	Immediate Payment Percentage (*)	Deferred Percentage (*)
Executive directors and members of the Identified Staff with total variable remuneration ≥ EUR 2.6 million	40%	60%
Division managers, country heads, other executives of the Group with a similar profile and members of the Identified Staff with total variable remuneration ≥ EUR 1.8 million (< EUR 2.6 million)	50%	50%
Other beneficiaries	60%	40%

	2013	
	Immediate Payment Percentage (*)	Deferred Percentage (*)
Executive directors	40%	60%
Division managers and other executives of the Group with a similar profile	50%	50%
Other executives subject to supervision	60%	40%

(*) Generally applicable percentages. In some countries deferred percentages may be higher for certain categories of executives, thereby giving rise to lower immediate payment percentages.

For the third and fourth cycles, the payment of the deferred percentage of the bonus applicable in each case will be deferred over a period of three years and will be paid in three instalments, within 30 days following the anniversaries of the initial date (the date on which the immediate payment percentage is paid) in 2015, 2016 and 2017 for the third cycle, and in 2016, 2017 and 2018 for the fourth cycle, 50% being paid in cash and 50% in shares, provided that the conditions described below are met.

For the fifth cycle, the payment of the deferred percentage of the bonus applicable in each case based on the group to which the beneficiary belongs will be deferred over a period of three or five years and will be paid in three or five instalments, as appropriate, within 30 days following the anniversaries of the initial date in 2017, 2018 and 2019 and, where appropriate, in 2020 and 2021, provided that the conditions described below are met.

In addition to the requirement that the beneficiary remains in the Santander Group's employ, with the exceptions included in the plan regulations, the accrual of the deferred remuneration is conditional upon none of the following circumstances existing -in the opinion of the Board of Directors following a proposal of the Remuneration Committee- during the period prior to each of the deliveries, pursuant to the provisions set forth in each case in the plan regulations: (i) poor financial performance of the Santander Group; (ii) breach by the beneficiary of internal regulations, including, in particular, those relating to risks; (iii) material restatement of the Santander Group's financial statements, except when it is required pursuant to a change in accounting standards; or (iv) significant changes in the Santander Group's economic capital or risk profile.

On each delivery, the beneficiaries will be paid an amount in cash equal to the dividends paid on the deferred amount in shares and the interest on the amount accrued in cash. If the Santander Dividendo Elección scrip dividend scheme is applied, they will be paid the price offered by Banco Santander for the bonus share rights corresponding to those shares.

The maximum number of shares to be delivered is calculated taking into account the amount resulting from applying the applicable taxes and the volume-weighted average prices for the 15 trading sessions prior to the date on which the Board of Directors approves the bonus for the executive directors of Banco Santander for 2013, 2014 and 2015 for the third, fourth and fifth cycles, respectively.

(iv) Performance share plan

In 2014 and 2015 the Board of Directors of Banco Santander approved the first and second cycles, respectively, of the performance share plan through which to instrument a portion of the variable remuneration of the executive directors and other members of the Identified Staff, consisting of a long-term incentive (ILP) in shares based on Banco Santander's performance over a multiannual period. In addition, the second cycle also applies to other Banco Santander employees not included in the Identified Staff, in respect of whom it is deemed appropriate that the potential delivery of Banco Santander shares be included in their remuneration package in order to better align the employee's interests with those of Banco Santander.

Since the aforementioned plans entail the delivery of Banco Santander shares, the Annual General Meetings of 28 March 2014 and 27 March 2015 approved the application of the first and second cycles of the plan, respectively.

The maximum amounts of the plan and, consequently, the maximum number of shares to which a beneficiary may be entitled under this plan were set at 15% and 20% of the beneficiaries' benchmark bonus for 2014 and 2015, respectively.

The Board of Directors of Banco Santander, following a proposal of the Remuneration Committee, set the amount of the ILP for each beneficiary for 2014 and 2015.

For the second cycle, the following coefficients were applicable to 20% of the benchmark bonus, taking into account (i) the Group's earnings per share (EPS) and (ii) the Santander Group's return on tangible equity (ROTE) for 2015 with respect to those budgeted for the year.

Both items had the same weighting when setting the ILP and each of them were measured based on the following scales of target achievement:

Scale applicable to the Santander Group's EPS in 2015 with respect to the EPS budgeted for the year:

EPS in 2015 (% of Budgeted 2015 EPS)	2015 EPS Coefficient
≥ 90%	1
> 75% but < 90%	0.75 - 1 (*)
≤ 75%	0

(*) Straight-line increase of the 2015 EPS coefficient based on the specific percentage that the 2015 EPS represents of the budgeted EPS within this line of the scale.

Scale applicable to the Santander Group's 2015 ROTE with respect to the ROTE budgeted for the year:

ROTE in 2015 (% of Budgeted 2015 ROTE)	2015 ROTE Coefficient
≥ 90%	1
> 75% but < 90%	0.75 - 1 (*)
≤ 75%	0

(*) Straight-line increase of the 2015 ROTE coefficient based on the specific percentage that the 2015 ROTE represents of the budgeted ROTE within this line of the scale.

Based on the Santander Group's performance, the coefficient to be applied was 91.5%.

For the first cycle, the following percentages were applicable to 15% of the benchmark bonus based on the relative performance of the Bank's Total Shareholder Return (TSR) in 2014 as compared with that of a benchmark group:

Santander's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered
1st to 8th	100%
9th to 12th	50%
13th and below	0%

Since Banco Santander's TSR was in fourth place, the applicable percentage was 100%.

Also, for the second cycle, the agreed-upon amount of the ILP for each beneficiary will be deferred over a period of three years and will be paid, where appropriate, at the beginning of 2019 (foreseeably, in the first quarter) subject to achievement of the multiannual targets and compliance with the other terms and conditions of the plan. Thus, prior to the payment date, the Bank's Board of Directors, following a proposal of the Remuneration Committee, will calculate the amount, if any, to be received by each beneficiary based on the agreed-upon amount of the ILP. The multiannual targets, the related metrics and scales of achievement are as follows:

Relative performance of the Santander Group's EPS growth for 2015-2017 with respect to a benchmark group of 17 credit institutions:

Position of Santander's EPS Growth 2015-2017	EPS Coefficient
1st to 5th	1
6th	0.875
7th	0.75
8th	0.625
9th	0.50
10th and below	0

Santander Group's 2017 ROTE:

ROTE in 2017 (%)	ROTE Coefficient
≥ 12% > 11% but < 12% ≤ 11%	1 0.75 - 1 (*) 0

(*) Straight-line increase of the ROTE coefficient based on the specific percentage, within this line of the scale, of the Santander Group's ROTE in 2017.

Employee satisfaction, measured by the inclusion or non-inclusion of the corresponding Santander Group company among the "Top 3" best banks to work for in 2017.

- o Scale of achievement at country level:

Position Among the Best Banks to Work for in 2017	Employee Coefficient
1st to 3rd 4th or below	1 0

- o Scale of achievement at Santander Group level:

No. of Main Markets in which Santander is Ranked in the Top Three of the Best Banks to Work for in 2017	Employee Coefficient
6 or more 5 or less	1 0

Customer satisfaction, measured by the inclusion or non-inclusion of the corresponding Santander Group company among the top three best banks in the customer satisfaction index in 2017.

- Scale of achievement at country level:

Position Among the Best Banks as per the Customer Satisfaction Index in 2017	Customer Coefficient
1st to 3rd 4th or below	1 0

- Scale of achievement at Santander Group level:

No. of Main Markets in which Santander is Ranked in the Top Three of the Best Banks in the Customer Satisfaction Index in 2017	Customer Coefficient
10 Between 6 and 9 5 or less	1 0.2 - 0.8 (*) 0

(*) Straight-line increase of customer coefficient, whereby, within this line of the scale, the coefficient is increased by 0.2 for each additional main market in which Santander ranks in the top three in the customer satisfaction index.

Customer loyalty, taking into account that the targets at Santander Group level are 17 million loyal individual customers and 1.1 million loyal SME and business customers at 31 December 2017.

- Scales of achievement at country level:

Loyal Individual Customers (% of the Budget for the Related Market)	Individual Coefficient
≥ 100%	1
> 90% but < 100%	0.5 - 1 (*)
≤ 90%	0

Loyal SME and Business Customers (% of the Budget for the Related Market)	Business Coefficient
≥ 100%	1
> 90% but < 100%	0.5 - 1 (*)
≤ 90%	0

(*) Straight-line increase of the individual coefficient and business coefficient based on the specific percentage, within these lines of each scale, that the number of loyal customers of each type represents of the budgeted number at 31 December 2017.

- o Scales of achievement at Santander Group level:

Loyal Individual Customers (Millions)	Individual Coefficient
≥ 17	1
> 15 but < 17	0.5 - 1 (*)
≤ 15	0

Loyal SME and Business Customers (Millions)	Business Coefficient
≥ 1.1	1
> 1 but < 1.1	0.5 - 1 (*)
≤ 1	0

(*) Straight-line increase of the individual coefficient and business coefficient based on the number of loyal customers of each type at 31 December 2017.

Based on the foregoing metrics and achievement scales and the data relating to the end of 2017, the amount accrued of the ILP for each beneficiary (the “Accrued Amount of the ILP”) will be calculated by weighting the above coefficients by 0.25, 0.25, 0.2, 0.15, 0.075 and 0.075, respectively.

For the first cycle, the agreed-upon amount of the ILP for each beneficiary will be deferred over a period of three years and will be paid, where appropriate, in three instalments in June 2016, 2017 and 2018 based on achievement of the multiannual TSR targets. Thus, for each ILP payment date, the Board of Directors, following a proposal of the Remuneration Committee, will calculate the amount, if any, to be received by each beneficiary by applying to the third of the agreed-upon amount of the ILP for that year the percentage resulting from the following table:

Santander's Place in the TSR Ranking	Percentage of Maximum Shares to Be Delivered
1st to 4th	100.0%
5th	87.5%
6th	75.0%
7th	62.5%
8th	50.0%
9th and below	0%

For the accrual for 2016, the benchmark TSR will be that accumulated between 1 January 2014 and 31 December 2015, for the accrual for 2017, the benchmark TSR will be that accumulated between 1 January 2014 and 31 December 2016 and for the accrual for 2018, the benchmark TSR will be that accumulated between 1 January 2014 and 31 December 2017.

In addition to the requirement that the beneficiary remains in the Santander Group's employ, with the exceptions included in the plan regulations, the delivery of shares to be made on each ILP payment date based on achievement of the related multiannual target is conditional upon none of the following circumstances existing -in the opinion of the Board of Directors following a proposal of the Remuneration Committee- during the period prior to each of the deliveries as a result of the actions taken in 2014 and 2015, respectively: (i) poor financial performance of the Santander Group; (ii) breach by the beneficiary of internal regulations, including, in particular, those relating to risks; (iii) material restatement of the Santander Group's financial statements, except when it is required pursuant to a change in accounting standards; or (iv) significant changes in the Santander Group's economic capital or risk profile.

d) Loans and deposits

At 31 December 2015 and 2014, the Group was not exposed to direct risks in connection with loans, credits and guarantees provided to Bank directors (see Note 48). At the end of 2015 and 2014, the Bank's directors did not hold any customer deposits with the Group.

All the transactions with the Group were performed on an arm's-length basis or the related remuneration in kind was recognised.

e) Senior managers

For the purposes of the preparation of these consolidated financial statements, senior managers are considered to be those persons that have formed part of the Executive Committee or the Management Committee of the Bank.

The remuneration received by the Bank's non-director senior managers (ten persons in 2015 and 2014) amounted to EUR 4,462 thousand in 2015 (2014: EUR 4,961 thousand) and was paid in full by other Santander Group entities that do not belong to the Group.

The remuneration in kind paid to the Bank's non-director senior managers totalled approximately EUR 90 thousand in 2015 (2014: EUR 79 thousand), which were paid by other Santander Group entities that do not belong to the Group.

In 2015 contributions amounting to EUR 722 thousand (2014: EUR 600 thousand) were made to defined contribution pension plans for the Bank's non-director senior managers. These contributions were made by other Santander Group entities that do not belong to the Group. In 2015 payments were made in this connection amounting to EUR 57 thousand (2014: no payments were made in this connection).

The principles governing the share options granted to the Bank's senior managers, excluding directors, are the same as those explained in Note 5-c. The Bank's direct risk exposure to senior managers who are not Bank directors amounted to EUR 3 thousand at 31 December 2015 (31 December 2014: EUR 2 thousand). It should also be noted that these senior managers held deposits at the Bank totalling EUR 196 thousand at 31 December 2015 (31 December 2014: EUR 154 thousand) (see Note 48).

All the transactions with the Group were performed on an arm's-length basis or the related remuneration in kind was recognised.

f) Termination benefits

The executive directors and senior executives at Santander Group entities have indefinite-term employment contracts. Executive directors or senior executives whose contracts are terminated voluntarily or due to breach of duties are not entitled to receive any economic compensation. If the contract is terminated for any other reason, they will be entitled only to the corresponding legally-stipulated termination benefit.

Certain non-director members of the Bank's senior management have contracts which entitle them, in certain circumstances, to an extraordinary contribution to their welfare benefit scheme in the event of termination for reasons other than voluntary redundancy, retirement, disability or serious breach of duties. These benefits are recognised as a provision for pensions and similar obligations and as a staff cost only when the employment relationship between Banco Santander and its executives is terminated before the normal retirement date.

g) Information on investments held by the directors in other companies and conflicts of interest

None of the members of the Board of Directors or persons related to them perform, as independent professionals or as employees, activities that involve effective competition, be it present or potential, with the activities of the Group, or that, in any other way, place the directors in an ongoing conflict with the interests of the Group.

Without prejudice to the foregoing, following is a detail of the declarations by the Bank's directors at 31 December 2015 with respect to their investments and the investments of persons related to them in the share capital of companies whose object is banking, financing or lending; and of the management or governing functions, if any, that the directors discharge thereat:

Director	Corporate Name	Line of Business	Ownership Interest (%)	Functions
Mr Antonio Escámez Torres	Open Bank, S.A.	Financial institution	-	Deputy Chairman
	Attijariwafa Bank, S.A. (Morocco)	Financial institution	Less than 0.001%	Deputy Chairman
	Santander UK plc	Financial institution	-	Director
	Banco Santander, S.A.	Financial institution	0.004%	-
Mr Juan Rodríguez Inciarte	Banco Santander, S.A.	Financial institution	0.012%	Executive Vice President
	Santander UK Group Holding Ltd	Financial institution	-	Director
	SAM Investment Holding Ltd	Financial institution	-	Director
	Santander UK plc	Financial institution	-	Deputy Chairman
Ms Magdalena Salarich Fernández de Valderrama	Banco Santander, S.A.	Financial institution	0.001%	Executive Vice President
	Financiera El Corte Inglés E.F.C, S.A.	Financial institution	-	Director
	Santander Consumer Holding GmbH	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Bank AG	Financial institution	-	Member of the Supervisory Board
Mr David Turiel López	Santander Consumer, E.F.C., S.A.	Financial institution	-	Director
	Banco Santander Consumer Portugal, S.A.	Financial institution	-	Director
	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Bank, S.p.A.	Financial institution	-	Director
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
Mr Luis Alberto Salazar-Simpson Bos	Santander Investment, S.A.	Financial institution	-	Director
	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
Mr Bruno Montalvo Wilmot	Santander Consumer Bank, S.A. (Poland)	Financial institution	-	Member of the Supervisory Board
	Santander Consumer Bank A.S. (Norway)	Financial institution	-	Deputy Chairman of the Board
	Santander Consumer UK plc	Financial institution	-	Chairman
	Banco Santander, S.A.	Financial institution	0.001%	-
Ms Inés Serrano González	Santander Consumer Holding GmbH	Financial institution	-	Member of the Supervisory Board
	Société Financière de Banque, S.A.- SOFIB	Financial institution	-	Chair
	Compagnie Générale de Crédit aux Particuliers - CREDIPAR	Financial institution	-	Director
	Santander Consumer France, S.A.S.	Financial institution	-	Member of the Supervisory Board
	PSA LionDeutschland GmbH	Financial institution	-	Member of the Supervisory Board
	Financiera El Corte Inglés E.F.C, S.A.	Financial institution	-	Director
	Santander Consumer Bank AG	Financial institution		Member of the Supervisory Board
	Banco Santander, S.A.	Financial institution	0.001%	-

Director	Corporate Name	Line of Business	Ownership Interest (%)	Functions
Mr Javier Francisco Gamarra Antón	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
	Santander Consumer Bank Spólka Ackyjna	Financial institution	-	Director
	Santander Consumer Bank S.p.A.	Financial institution	-	Director
	Santander Consumer Finance Zrt.	Financial institution	-	Director
Mr Jose Luis De Mora Gallardo (*)	Banco Santander, S.A.	Financial institution	Less than 0.001%	-
	Bank Zachodni WBK S.A.	Financial institution	-	Director

(*) Appointed director by the shareholders at the Bank's Universal General Meeting held on 26 November 2015.

With regard to situations of conflict of interest, as stipulated in Article 18 of the Rules and Regulations of the Board, the directors must notify the Board of any direct or indirect conflict of interest that they might have with the Bank. If the conflict arises from a transaction, the director shall not be allowed to conduct it unless the Board, following a report from the Appointments Committee, approves such transaction.

The director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers, and the body responsible for resolving conflicts of interest is the Board of Directors itself.

In 2015 the Bank's directors did not report to the Board of Directors or to the General Meeting any direct or indirect conflict of interest that they or persons related to them might have.

6. Loans and advances to credit institutions

The detail, by type and currency, of "Loans and Receivables - Loans and Advances to Credit Institutions" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Type:		
Reciprocal accounts (Note 2-x)	1,388,562	680,818
Time deposits	740,105	2,869,206
Reverse repurchase agreements	270,273	243,547
Other accounts	963,818	1,687,196
	3,362,758	5,480,767
Currency:		
Euro	2,827,298	4,475,334
Foreign currency	535,460	1,005,433
	3,362,758	5,480,767
Add - Valuation adjustments	3,429	5,735
Of which:		
Accrued interest	*3,666*	*6,600*
Transaction costs	*(237)*	*(865)*
	3,366,187	**5,486,502**

Note 46 contains a detail of the terms to maturity and estimated fair value of these assets at 31 December 2015 and 2014 and of the related average interest rates in the years then ended.

A significant portion of the loans and advances to credit institutions relates to balances with associates and Santander Group entities (see Note 48).

7. Debt instruments

The detail, by classification, type and currency, of "Loans and Receivables - Debt Instruments" and "Available-for-Sale Financial Assets - Debt Instruments" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Classification:		
Loans and receivables	2,023	87,561
Available-for-sale financial assets	3,154,400	460,032
	3,156,423	**547,593**
Type:		
Spanish government debt securities	1,268,006	-
Foreign government debt securities	871,823	227,496
Issued by financial institutions	1,016,594	320,088
Other fixed-income securities	-	9
	3,156,423	**547,593**
Currency:		
Euro	2,220,843	321,667
Foreign currency	935,580	225,926
	3,156,423	**547,593**
Less - Impairment losses	-	-
	3,156,423	**547,593**

The balance of "Spanish Government Debt Securities" at 31 December 2015 in the foregoing table relates to treasury bills maturing at one year acquired by Santander Consumer Finance, S.A.

The balance of "Foreign Government Debt Securities" at 31 December 2015 in the foregoing table relates mainly to: Norwegian treasury bonds purchased by the subsidiary Santander Consumer Bank AS (Norway) for approximately EUR 289,759 thousand; Italian treasury bonds purchased by the subsidiary Santander Consumer Bank S.p.A. (Italy) for approximately EUR 407,389 thousand; French treasury bonds purchased by the French subsidiaries Société Financière de Banque (SOFIB), Compagnie Pour la Location de Vehicules (CLV) and Compagnie Générale de Crédit Aux Particuliers (Credipar S.A.) for approximately EUR 132,953 thousand; and Finnish treasury bonds purchased by the subsidiary Santander Consumer Finance Oy (Finland) for approximately EUR 40,721 thousand. The balance of "Foreign Government Debt Securities" at 31 December 2014 in the foregoing table relates to Norwegian treasury bonds purchased by the subsidiary Santander Consumer Bank AS (Norway) for approximately EUR 227,496 thousand.

The balance of “Issued by Financial Institutions” at 31 December 2015 in the foregoing table includes mainly: bonds issued by the financial institutions Nordea Eiendomskredi AS and DNB Boligkreditt AS (Norway), Nordea Bank Finland PLC (Finland), Nykredit Realkredit A/S and Realkredit Danmark A/S (Denmark), Kreditanstalt für Wiederaufbau (Germany), Swedbank Hypotek AB and SEB Kortrantefond SEK (Sweden), purchased by the subsidiary Santander Consumer Bank AS (Norway) for EUR 645,821 thousand; bonds issued by the financial institutions Kreditanstalt für Wiederaufbau (Germany), Landesbank Rheinland-Pfalz and European Investment Bank (Luxembourg) purchased by the subsidiary Santander Consumer Bank AG (Germany) for EUR 348,097 thousand; and bonds issued by the financial institutions European Investment Bank and Danske Bank A/S (Luxembourg) purchased by the subsidiary Santander Consumer Finance Oy (Finland) for EUR 20,652 thousand. The balance of “Issued by Financial Institutions” at 31 December 2014 in the foregoing table includes mainly commercial paper issued by Abbey National Treasury Services (UK) and purchased by the subsidiary Santander Consumer Bank S.p.A. (Italy) for EUR 85,494 thousand and bonds issued by KfW Bankengruppe, LandesBank Berlin AG and LandesBank Rheinland-Pfalz purchased by the subsidiary Santander Consumer Bank AG (Germany) for EUR 232,536 thousand.

At 31 December 2015 and 2014, none of the debt instruments held by the Group was assigned to own or third-party commitments.

Note 46 contains a detail of the terms to maturity of these financial assets at 31 December 2015 and 2014 and of the related average interest rates in the years then ended.

8. Equity instruments

The detail, by classification, type and currency, of “Available-for-Sale Financial Assets - Equity Instruments” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Classification:		
Available-for-sale financial assets	11,394	11,180
	11,394	**11,180**
Type:		
Shares of foreign companies	11,394	11,180
	11,394	**11,180**
Currency:		
Euro	11,394	11,180
Foreign currency	-	-
	11,394	**11,180**
Add - Valuation adjustments	19,201	-
Of which:		
Measurement of assets at fair value	*19,201*	-
	30,595	**11,180**

The changes in 2015 and 2014 in “Available-for-Sale Financial Assets - Equity Instruments” in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	11,180	5,519
Net additions (disposals)	-	5,661
Valuation adjustments	19,201	-
Exchange rate and other changes	214	-
Balance at end of year	**30,595**	**11,180**

9. Trading derivatives (assets and liabilities)

The detail, by type of inherent risk, of the fair value of the trading derivatives arranged by the Group at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Asset Balance	Liability Balance	Asset Balance	Liability Balance
Interest rate risk	2,551	4,699	10,687	292,254
Foreign currency risk	123,256	118,062	138,757	119,500
	125,807 (*)	**122,761 (*)**	**149,444 (*)**	**411,754 (*)**

(*) Of which EUR 65,388 thousand and EUR 65,871 thousand of asset and liability balances, respectively, relate to amounts held with Santander Group companies at 31 December 2015 (31 December 2014: EUR 97,709 thousand and EUR 360,275 thousand of asset and liability balances, respectively, related to Santander Group companies) (see Note 48).

The foregoing table shows the maximum credit risk exposure of the asset balances.

10. Loans and advances to customers

Following is a detail, by loan type and status, borrower sector, geographical area of residence, interest rate formula and currency, of “Loans and Receivables - Loans and Advances to Customers” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014, which reflect the Group’s exposure to credit risk in its core business:

	Thousands of Euros	
	2015	2014
Loan type and status:		
Commercial credit	1,859,287	72,048
Secured loans	8,405,378	8,059,150
Other term loans	47,872,377	39,598,514
Finance leases	8,265,039	3,801,780
Receivable on demand and other	1,017,706	2,648,330
Credit card receivables	2,495,191	2,763,397
Impaired assets	2,266,389	2,709,789
Valuation adjustments for accrued interest receivable and other items	809,545	450,041
	72,990,912	60,103,049
Borrower sector:		
Public sector - Spain	568	58
Public sector - Other countries	109,991	46,699
Individuals	56,173,183	52,801,019
Energy	10,676	1,319
Construction	223,315	239,305
Manufacturing	1,936,525	1,997,741
Services	4,144,943	3,446,574
Other sectors	10,391,711	1,570,334
	72,990,912	60,103,049
Geographical area:		
Spain and Portugal	12,562,101	9,448,355
Italy	5,013,805	5,168,959
Germany and Austria	33,147,547	32,470,863
France	8,583,656	-
Scandinavia	12,113,015	11,875,590
Other	1,570,788	1,139,282
	72,990,912	60,103,049
Interest rate formula:		
Fixed rate	56,846,283	44,312,768
Floating rate	16,144,629	15,790,281
	72,990,912	60,103,049
Currency:		
Euro	62,055,435	49,696,744
Foreign currency	10,935,477	10,406,305
	72,990,912	60,103,049
Less - *Impairment losses*	*(2,434,564)*	*(2,657,489)*
	70,556,348	**57,445,560**

Note 46 contains a detail of the terms to maturity and estimated fair value of loans and advances to customers at 31 December 2015 and 2014 and of the related average annual interest rates in the years then ended.

On 22 May 2014, the Bank subscribed 4,152 mortgage participation certificates issued by Banco Santander, S.A. for EUR 424,397 thousand, which were recognised under "Loans and Receivables - Loans and Advances to Customers" in the consolidated balance sheet. These mortgage participation certificates relate to loans maturing at between 3 and 39 years and earn annual interest of between 0.58% and 5.34%.

On 26 April 2012, the Bank subscribed 3,425 mortgage participation certificates issued by Banco Santander, S.A. for EUR 416,625 thousand, which were recognised under "Loans and Receivables - Loans and Advances to Customers" in the consolidated balance sheet. These mortgage participation certificates relate to loans maturing at between 1 and 38 years and earn annual interest of between 0.54 % and 4.67%.

The outstanding balance of these mortgage participation certificates amounted to EUR 680,790 thousand at 31 December 2015 (31 December 2014: EUR 739,954 thousand).

At 31 December 2015 and 2014, there were no loans and advances to customers for material amounts without fixed maturity dates. Loans and advances to customers assigned to own or third-party commitments totalled EUR 1,350,000 thousand at 31 December 2015 and 2014 (see Notes 18 and 19), without taking into consideration for these purposes the consolidated loan portfolio held through various securitisation special-purpose vehicles included in the Group's scope of consolidation (see Appendix I).

Note 49 contains certain information relating to the restructured/refinanced loan book.

Impairment losses

The changes in "Impairment Losses" in the foregoing table in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	2,657,489	2,466,064
Net impairment losses charged to consolidated profit for the year (*)	676,239	694,580
Of which:		
Identified losses	*646,804*	*618,019*
Inherent losses	*29,435*	*76,561*
Exclusions from the scope of consolidation	-	(399,837)
Write-off of impaired balances against recorded impairment allowance (***)	(1,196,887)	(825,337)
Exchange differences and other (**)	297,723	722,019
Balance at end of year	**2,434,564**	**2,657,489**
Of which:		
By method of assessment-		
Identified losses (***)	*1,570,683*	*1,993,185*
Inherent losses	*863,881*	*664,304*
By geographical location of risk-		
Spain	*517,983*	*474,658*
Other (***)	*1,916,581*	*2,182,831*

(*) Recognised under “Impairment Losses on Financial Assets (Net) - Loans and Receivables” in the accompanying consolidated income statements for 2015 and 2014.

(**) Includes the effect of exchange differences and the adjustments made in the calculation of the fair value of the loans and advances to customers acquired in business combinations performed in 2015 and 2014 due to the credit risk on the related nominal values. They are disclosed in this detail for information purposes only and to facilitate the comparability of the information.

(***) In the context of the standardisation of the criteria for the derecognition of non-performing transactions from the consolidated balance sheet by the consolidated companies, in 2015 non-performing assets of the Group's Scandinavian subsidiaries amounting to approximately EUR 540 thousand were derecognised from the consolidated balance sheet. These assets had been fully provisioned at the time they were written off and, as a result, the impairment losses covering them were reduced accordingly.

Previously written-off assets recovered, including sales of portfolios of written-off and non-performing assets, amounted to EUR 183,053 thousand in 2015 (2014: EUR 173,224 thousand) and are presented as a deduction from “Impairment Losses on Financial Assets - Loans and Receivables” in the accompanying consolidated income statements for 2015 and 2014.

In 2015 the Group sold the following portfolios of written-off loans:

Company	Thousands of Euros	
	Nominal Value of the Portfolio Sold	Selling Price (*)
Santander Consumer, E.F.C., S.A. (Spain)	21,439	429
Santander Consumer Bank S.p.A. (Italy)	227,390	39,310
Santander Consumer Finance Benelux B.V. (Netherlands)	25,070	9,520
Santander Consumer Bank AS (Norway)	140,746	39,974
Santander Consumer Finance Oy (Finland)	7,959	5,969
Banco Santander Consumer Portugal, S.A. (Portugal)	23,580	2,370
Santander Consumer Bank GmbH (Austria)	26,640	8,180
	472,824	**105,752**

(*) The gain on these sales was recognised with a credit to "Impairment Losses on Financial Assets (Net) - Loans and Receivables" in the accompanying consolidated income statement for 2015.

In 2014 the Group sold the following portfolios of written-off loans:

Company	Thousands of Euros	
	Nominal Value of the Portfolio Sold	Selling Price (**)
Santander Consumer Finance, S.A. (Spain)	47,085	3,258
Santander Consumer, E.F.C., S.A. (Spain)	214,072	14,814
Santander Consumer Bank S.p.A. (Italy)	2,274	252
Santander Consumer Bank AG (Germany) (*)	598,744	72,289
Santander Consumer Finance Benelux B.V. (Netherlands)	31,309	10,803
Santander Consumer Bank S.A. (Poland)	48,634	8,650
Santander Consumer Bank AS (Norway)	11,338	3,783
Santander Consumer Finance Oy (Finland)	16,220	6,673
Banco Santander Consumer Portugal, S.A. (Portugal)	29,173	2,333
	998,849	**122,855**

(*) Of which EUR 22,700 thousand were not previously classified as written-off loans.

(**) The gain on these sales was recognised with a credit to "Impairment Losses on Financial Assets (Net) - Loans and Receivables" in the consolidated income statement for 2014.

Impaired assets

The changes in 2015 and 2014 in the balance of the financial assets classified as loans and receivables and considered to be impaired due to credit risk (non-performing assets) at 31 December 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	2,709,789	2,348,338
Additions net of recoveries	431,065	703,902
Written-off assets	(1,196,887)	(825,337)
Changes in the scope of consolidation and exchange differences (net)	322,422	482,886
Balance at end of year	**2,266,389**	**2,709,789**

Following is a detail of the financial assets classified as loans and receivables and considered to be impaired due to credit risk (non-performing assets) at 31 December 2015 and 2014, classified by geographical location of risk and by age of the oldest past-due amount at those dates:

2015						
	Thousands of Euros					
	With No Past-Due Balances or Less than 3 Months Past Due	With Balances Past Due by				
		3 to 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Spain and Portugal	97,271	61,625	33,268	42,585	226,503	461,252
Germany and Austria	157,797	87,756	80,845	76,745	669,914	1,073,057
Italy	24,666	35,758	28,551	23,278	64,290	176,543
Scandinavia (1)	97,564	47,372	22,331	9,747	76,724	253,738
France (2)	72,796	15,986	12,623	11,476	138,349	251,230
Other	7,396	2,160	2,160	38,853	-	50,569
	457,490	**250,657**	**179,778**	**202,684**	**1,175,780**	**2,266,389**

(1) It should be borne in mind that the change in the balance of non-performing assets in this geographical location in 2015 includes the write-off of assets amounting to approximately EUR 540 thousand during the year for the purpose of standardising the policies of the Group's consolidated companies, as mentioned above.

(2) Relates to the Group's French subsidiaries, which were included in the scope of consolidation in 2015.

2014						
	Thousands of Euros					
	With No Past-Due Balances or Less than 3 Months Past Due	With Balances Past Due by				
		3 to 6 Months	6 to 9 Months	9 to 12 Months	More than 12 Months	Total
Spain and Portugal	98,185	63,054	35,598	32,354	191,647	420,838
Germany and Austria	7,122	370,478	82,504	82,706	568,746	1,111,556
Italy	24,191	51,518	40,912	39,779	100,973	257,373
Scandinavia	56,228	141,363	17,096	42,165	594,714	851,566
Other	-	6,991	3,060	3,370	55,035	68,456
	185,726	**633,404**	**179,170**	**200,374**	**1,511,115**	**2,709,789**

The non-performing loans ratio is calculated by dividing the impaired (non-performing) loans recognised in the consolidated balance sheet at year-end by the total balance of loans and advances to customers disregarding any impairment losses recognised. The ratio stood at 3.14% at 31 December 2015 (31 December 2014: 4.54%).

The accrued interest receivable on impaired assets amounted to EUR 3,361 thousand at 31 December 2015 (31 December 2014: EUR 2,239 thousand). This interest has not been recognised in the accompanying consolidated income statements as there are doubts as to its collection.

Loans classified as standard: past-due amounts receivable

In addition, at 31 December 2015 and 2014, there were assets with amounts receivable that were past due by three months or less, the detail of which, by age of the oldest past-due amount, is as follows:

2015			
	Thousands of Euros		
	Less than 1 Month	1 to 2 Months	2 to 3 Months
Loans and advances to customers	116,486	34,277	37,735
Public sector	*1,794*	-	-
Private sector	*114,692*	*34,277*	*37,735*
Total	**116,486**	**34,277**	**37,735**

2014			
	Thousands of Euros		
	Less than 1 Month	1 to 2 Months	2 to 3 Months
Loans and advances to customers	223,251	45,147	33,546
Public sector	-	-	-
Private sector	*223,251*	*45,147*	*33,546*
Total	**223,251**	**45,147**	**33,546**

Written-off assets

The changes in 2015 and 2014 in the balance of the financial assets classified as loans and receivables and considered to be written-off assets at 31 December 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	1,618,644	2,149,236
Changes in the scope of consolidation (net) (*)	-	(189,241)
Additions	1,196,887	825,337
Disposals	(445,879)	(1,166,688)
Balance at end of year	**2,369,652**	**1,618,644**

(*) Includes the net effect of the additions to and exclusions from the Group's scope of consolidation.

Home purchase loans granted to households by the main businesses in Spain

The quantitative information on the home purchase loans granted to households by the Group's main businesses in Spain at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Home purchase loans:	2,381,638	2,555,327
Without mortgage guarantee	-	-
Of which:		
- *Non-performing*	-	-
With mortgage guarantee	2,381,638	2,555,327
Of which:		
- *Non-performing*	89,562	94,564

The detail, by loan-to-value ratio, of the home purchase mortgage loans granted by the Group to households in Spain at 31 December 2015 and 2014 is as follows:

	2015					
	Loan-to-Value Ratio					
	Millions of Euros					
	From 0% to 40%	From 40% to 60%	From 60% to 80%	From 80% to 100%	More than 100%	Total
Gross amount	*291*	*405*	*701*	*246*	*739*	*2,382*
Of which: Non-performing	*5*	*5*	*21*	*13*	*46*	*90*

	2014					
	Loan-to-Value Ratio					
	Millions of Euros					
	From 0% to 40%	From 40% to 60%	From 60% to 80%	From 80% to 100%	More than 100%	Total
Gross amount	*341*	*505*	*818*	*170*	*721*	*2,555*
Of which: Non-performing	*5*	*5*	*14*	*13*	*58*	*95*

Securitisation

The balance of “Loans and Receivables - Loans and Advances to Customers” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes, inter alia, the securitised loans transferred to third parties on which the Group has retained risks, albeit partially, and which therefore, in accordance with current regulations, cannot be derecognised. The breakdown of the securitised amounts at 31 December 2015 and 2014, classified by the subsidiaries which originated the securitised portfolio, and on the basis of whether the requirements for derecognition had been met (see Note 2-d), is as follows:

	Thousands of Euros	
	2015	2014
Derecognised	**-**	**-**
Retained on the balance sheet:	**23,492,851**	**17,619,116**
Of which:		
Santander Consumer, E.F.C., S.A. (Spain)	*1,117,936*	*1,632,629*
Santander Consumer Bank AG (Germany)	*7,741,240*	*6,729,585*
Santander Consumer Bank S.p.A. (Italy)	*2,228,793*	*3,705,349*
Santander Consumer Bank A.S. (Norway)	*4,328,497*	*2,605,377*
Banco Santander Consumer Portugal, S.A.	*611,958*	*460,977*
Santander Consumer Finance Oy (Finland)	*1,416,444*	*694,666*
Financiera El Corte Inglés, E.F.C., S.A. (Spain)	*995,041*	*1,019,021*
Santander Consumer Bank GmbH (Austria)	*310,191*	*448,612*
Compagnie Générale de Crédit Aux Particuliers-CREDIPAR (France)	*3,708,091*	-
PSA Financial Services Spain, E.F.C., S.A.	*517,263*	-
PSA Finance Suisse, S.A.	*240,247*	-
Santander Consumer Finance Benelux B.V. (Netherlands)	*277,150*	*322,900*
Total	**23,492,851**	**17,619,116**

The securitised assets relate basically to vehicle financing and consumer finance.

In 2015 the subsidiaries mentioned in the foregoing table securitised receivables amounting to EUR 4,675,808 thousand (2014: EUR 8,265,667 thousand). Since substantially all the risks and rewards associated with these receivables had not been transferred, they were not derecognised.

Note 19 details the liabilities associated with these securitisation transactions.

11. Hedging derivatives

The detail, by type of hedge, of the fair value of the derivatives qualifying for hedge accounting at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Fair value hedges	78,112	302,043	72,254	124,339
Cash flow hedges (*)	148,748	9,996	192,871	22,528
Hedges of net investments in foreign operations (**)	17,512	1,511	-	3,359
	244,372	**313,550**	**265,125**	**150,226**

(*) Of which EUR 2,005 thousand of losses, net of tax, were recognised under "Valuation Adjustments - Cash Flow Hedges" in the consolidated balance sheet as a reduction of consolidated equity at 31 December 2015 (31 December 2014: EUR 8,525 thousand) (see Note 27).

(**) Of which EUR 21,893 thousand of gains, net of tax, were recognised under "Valuation Adjustments - Hedges of Net Investments in Foreign Operations" in the consolidated balance sheet as an increase in consolidated equity at 31 December 2015 (31 December 2014: EUR 3,391 thousand of losses, net of tax) (see Note 27).

Note 30 includes a description of the hedges arranged by the Group.

12. Non-current assets held for sale and Liabilities associated with non-current assets held for sale

The balance of “Non-Current Assets Held for Sale” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes the amount of foreclosed assets (recovered by the consolidated entities on non-performing loans), net of impairment losses, and the assets of subsidiaries classified as discontinued operations, the detail being as follows:

	Thousands of Euros	
	2015	2014
Loans and advances to credit institutions(*)	-	21,950
Loans and advances to customers(*)	-	32,010
Other assets(*)	-	245
	-	54,205
Foreclosed tangible assets	53,778	55,973
Other tangible assets held for sale	1,001	1,297
	54,779	57,270
Less - Impairment losses	(40,173)	(42,432)
	14,606	**69,043**

(*) The change in these items in 2015 was a result of the reclassification of the Group's Hungarian subsidiary Santander Consumer Finance Zrt.; this did not have any significant impact on these consolidated financial statements, since the figures contributed by this entity to the Group are immaterial (approximately 0.03% of the Group's total assets) and, accordingly, the corresponding comparative information for 2014 was not modified, there being no significant effect on the comparability of the information.

The changes in “Impairment Losses” in the foregoing table in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balances at beginning of year	42,432	42,658
Net impairment losses charged to consolidated profit for the year (Note 44)	3,928	2,008
Amounts used	(6,187)	(2,234)
	40,173	**42,432**

The consolidated entities incurred a net loss of EUR 5,068 thousand in 2015 on the sale of non-current assets held for sale (2014: a net loss of EUR 374 thousand) (see Note 44).

The balance of “Liabilities Associated with Non-Current Assets Held for Sale” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes the amount of the balances payable of the subsidiaries classified as discontinued operations, the detail being as follows:

	Thousands of Euros	
	2015	2014 (1)
Other financial liabilities	-	121
Tax liabilities	-	15
Accrued expenses and deferred income	-	124
Other liabilities	-	21,212
	-	**21,472**

(1) These items relate in full to the liabilities contributed by the Group subsidiary Santander Consumer Finance Zrt. (Hungary), which, as mentioned earlier in these notes, was reclassified as a continuing operation in 2015 without any material effect on the figures shown in the Group's consolidated financial statements.

Disclosures on assets received by the businesses in Spain in payment of debts

The detail of the foreclosed assets of the Group's businesses in Spain, based on the purpose of the initially granted loans or credit facilities giving rise to them, at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	31 December 2015		31 December 2014	
	Carrying Amount	Of which: Impairment Losses	Carrying Amount	Of which: Impairment Losses
Property assets arising from financing granted for construction and property development	742	2,214	753	2,479
- Completed buildings	27	81	50	151
Residential	-	-	-	-
Other	*27*	*81*	*50*	*151*
- Buildings under construction	-	-	-	-
Residential	-	-	-	-
Other	-	-	-	-
- Land	715	2,133	703	2,328
Developed land	*644*	*1,930*	*630*	*2,109*
Other land	*71*	*203*	*73*	*219*
Property assets arising from home purchase mortgage financing granted to households	9,270	31,635	10,546	34,987
Other property assets received in payment of debts	2,706	2,856	717	1,754
Equity instruments of, ownership interests in and financing to non-consolidated companies holding these assets	-	-	-	-

13. Investments - Associates and jointly controlled entities

The detail, by company, of “Investments - Associates” and “Investments - Jointly Controlled Entities” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Associates:		
Bank of Beijing Consumer Finance Company	66,132	50,624
Konecta B.T.O., S.L.	-	21,524
Reintegra, S.A.	2,681	2,569
Santander Consumer Bank S.A. (Poland)	348,088	300,813
Santander Consumer Finanse S.A. (Poland)	6,578	12,044
Other associates	8,124	23,905
	431,603	411,479
Of which:		
Goodwill		
Bank of Beijing Consumer Finance Company	*3,658*	*3,428*
Konecta B.T.O., S.L.	-	*1,619*
Grupo Konectanet, S.L.	-	*1,947*
Santander Consumer Bank S.A. (Poland)	*106,621*	*106,389*
Other	-	*340*
	110,279	*113,723*
Jointly controlled entities:		
Fortune Auto Finance Co. Ltd. (China)	71,271	62,345
Transolver Finance, E.F.C., S.A.	17,007	12,295
PSA Insurance Europe Ltd (Malta)	18,737	-
Other jointly controlled entities	6,921	2,485
	113,936	77,125
	545,539	**488,604**

The changes in 2015 and 2014 in “Investments - Associates” and “Investments - Jointly Controlled Entities” in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	488,604	306,915
Purchases and capital increases	26,250	41,800
Sales	(38,336)	(199,276)
Dividends paid	(4,097)	(37,058)
Effect of equity accounting (Note 33)	71,130	41,531
Changes in the scope of consolidation	(5,312)	331,643
Exchange differences and other	7,300	3,049
Balance at end of year	**545,539**	**488,604**

Impairment losses

In 2015 and 2014 there was no evidence of material impairment on the Group's investments.

The financial information on the associates and jointly controlled entities is summarised below:

	Millions of Euros	
	2015 (*)	2014
Data at 31 December		
Total assets	9,188	8,673
Total liabilities	(7,978)	(7,604)
Equity	(1,210)	(1,069)
Group's share of the net assets of associates	436	375
Goodwill	110	114
Total Group share	**546**	**489**
Data for the year		
Total income	1,331	1,397
Total profit	197	179
Group's share of the profit of associates	71	42

(*) This information was obtained from the financial statements of each of the investees, which had not yet been approved by the respective control bodies at the date of preparation of these consolidated financial statements. However, the Bank’s directors consider that they will be approved without any changes.

14. Tangible assets

The changes in 2015 and 2014 in the balance of “Tangible Assets” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 were as follows:

	Thousands of Euros			
	Property, Plant and Equipment for Own Use	Other Assets Leased out under an Operating Lease	Investment Property	Total
Cost:				
Balances at 1 January 2014	474,536	250,661	80	725,277
Additions / disposals (net)	(14,289)	(4,894)	-	(19,183)
Net additions/disposals due to change in the scope of consolidation	(24,588)	(18)	-	(24,606)
Exchange differences	(630)	(67)	(2)	(699)
Transfers and other	(4,492)	(2,356)	(78)	(6,926)
Balances at 31 December 2014	**430,537**	**243,326**	-	**673,863**
Additions / disposals (net)	(19,661)	(13,848)	-	(33,509)
Additions	*43,192*	*681*	-	*43,873*
Disposals	*(62,853)*	*(14,529)*	-	*(77,382)*
Net additions/disposals due to change in the scope of consolidation	9,225	-	-	*9,225*
Exchange differences	(324)	-	-	(324)
Transfers and other	(12,831)	-	-	(12,831)
Balances at 31 December 2015	**406,946**	**229,478**	-	**636,424**
Accumulated depreciation:				
Balances at 1 January 2014	(308,911)	(84,025)	-	(392,936)
Net additions/disposals due to change in the scope of consolidation	13,395	-	-	13,395
Charge for the year (1)	(26,132)	(153)	-	(26,285)
Disposals and retirements	34,617	7,733	-	42,350
Exchange differences	958	24	-	982
Transfers and other	2,535	224	-	2,759
Balances at 31 December 2014	**(283,538)**	**(76,197)**	-	**(359,735)**
Net additions/disposals due to change in the scope of consolidation	(3,904)	-	-	(3,904)
Charge for the year (1)	(25,313)	-	-	(25,313)
Disposals and retirements	60,461	4,255	-	64,716
Exchange differences	130	-	-	130
Transfers and other	11,188	2,661	-	13,849
Balances at 31 December 2015	**(240,976)**	**(69,281)**	-	**(310,257)**
Impairment losses:				
Balance at 1 January 2014	(894)	(3,201)	-	(4,095)
Net additions/disposals due to change in the scope of consolidation	894	-	-	894
Net charge for the year (Note 42)	-	-	-	-
Disposals and retirements	-	-	-	-
Transfers and other	-	335	-	335
Balance at 31 December 2014	-	**(2,866)**	-	**(2,866)**
Net additions/disposals due to change in the scope of consolidation	-	-	-	-
Net charge for the year (Note 42)	-	-	-	-
Disposals and retirements	-	-	-	-
Transfers and other	-	(416)	-	(416)
Balances at 31 December 2015	-	**(3,282)**	-	**(3,282)**
Net tangible assets:				
Balances at 31 December 2014	**146,999**	**164,263**	-	**311,262**
Balances at 31 December 2015	**165,970**	**156,915**	-	**322,885**

(1) The period depreciation charges are recognised under "Depreciation and Amortisation Charge" in the consolidated income statement.

The balance of tangible assets acquired under finance leases amounted to EUR 51,485 thousand at 31 December 2015 (31 December 2014: EUR 52,648 thousand).

The Group incurred a net loss of EUR 4,108 thousand in 2015 (2014: a loss of EUR 3,990 thousand) on sales of property, plant and equipment, relating mainly to assets leased out under an operating lease (see Note 43).

The detail, by class of asset, of "Property, Plant and Equipment - For Own Use" in the consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	Cost	Accumulated Depreciation	Impairment Losses	Carrying Amount
Buildings	74,884	(12,940)		61,944
Furniture	197,504	(142,174)	-	55,330
IT equipment	116,234	(105,590)	-	10,644
Other	41,915	(22,834)	-	19,081
Balances at 31 December 2014	**430,537**	**(283,538)**	**-**	**146,999**
Buildings	74,957	(14,337)	-	60,620
Furniture	199,002	(123,017)	-	75,985
IT equipment	100,334	(86,642)	-	13,692
Other	32,653	(16,980)	-	15,673
Balances at 31 December 2015	**406,946**	**(240,976)**	**-**	**165,970**

The net balance of "Property, Plant and Equipment for Own Use" at 31 December 2015 includes approximately EUR 162,483 thousand (31 December 2014: EUR 144,752 thousand) relating to property, plant and equipment owned by Group entities and branches located abroad.

15. Intangible assets

a) Goodwill

The detail of "Goodwill" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014, based on the cash-generating units giving rise thereto, is as follows:

	Thousands of Euros	
	2015	2014
Germany	1,186,315	1,186,315
Austria	98,074	98,074
Nordic countries (Scandinavia)	545,902	563,804
The Netherlands	35,550	35,550
Spain/Portugal	32,354	32,354
Other	158	158
Total	**1,898,353**	**1,916,255**

At least once per year (or whenever there is any indication of impairment), the Group reviews goodwill for impairment (i.e. a potential reduction in its recoverable amount to below its carrying amount). The first step that must be taken in order to perform this analysis is the identification of the cash-generating units, i.e. the Group's smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The amount to be recovered of each cash-generating unit is determined taking into consideration the carrying amount (including any fair value adjustment arising on the business combination) of all the assets and liabilities of all the independent legal entities composing the cash-generating unit, together with the related goodwill.

The Group assesses the existence of any indication that might be considered to be evidence of impairment of the cash-generating unit by reviewing certain information, including the following: (i) various macroeconomic variables that might affect its investments (population data, political situation and economic situation - including bankarisation-, among others) and (ii) various microeconomic variables comparing the investments of the Group with the financial services industry of the country in which the cash-generating unit carries on most of its business activities (balance sheet composition, total funds under management, results, efficiency ratio, capital adequacy ratio and return on equity, among others).

Regardless of whether there is any indication of impairment, every year the Group calculates the recoverable amount of each cash-generating unit to which goodwill has been allocated and, to this end, it uses price quotations, if available, market references (multiples), internal estimates, and appraisals performed by independent experts.

Firstly, the Group determines the recoverable amount by calculating the fair value of each cash-generating unit on the basis of the quoted price of the cash-generating units, if available, and of the price earnings ratios of comparable local entities.

In addition, the Group performs estimates of the recoverable amounts of certain cash-generating units by calculating their value in use using discounted cash flows. The main assumptions used in this calculation are: (i) earnings projections based on the financial budgets approved by the directors which normally cover a five-year period (unless a longer time horizon can be justified), (ii) discount rates determined as the cost of capital taking into account the risk-free rate of return plus a risk premium in line with the market and the business in which the units operate and (iii) growth rates to estimate earnings to perpetuity that do not exceed the long-term average growth rate for the market in which the cash-generating unit in question operates.

The cash flow projections used by Group management to obtain the values in use are based on the financial budgets approved by both local management of the related units and the Group's directors. The Group's budgetary estimation process is common for all the cash-generating units. The local management teams prepare their budgets using the following key assumptions:

a) Microeconomic variables of the cash-generating unit: management takes into consideration the current balance sheet structure, the product mix on offer and the business decisions taken by local management in this regard.

b) Macroeconomic variables: growth is estimated on the basis of the changing environment, taking into consideration expected GDP growth in the unit's geographical location and forecast trends in interest and exchange rates. These data, which are based on external information sources, are provided by the Group's economic research service.

c) Past performance variables: in addition, management takes into consideration in the projection the difference (both positive and negative) between the cash-generating unit's past performance and that of the market.

Following is a detail of the main assumptions used in determining the recoverable amount, at 2015 year-end, of the most significant cash-generating units valued using the discounted cash flow method:

	Projected Period	Discount Rate (*)	Nominal Perpetuity Growth Rate
Germany	5 years	8.7%	2.5%
Nordic countries (Scandinavia)	5 years	9.0%	2.5%

(*) Post-tax discount rate for the purpose of consistency with the earnings projections used.

Given the degree of uncertainty of these assumptions, the Group performs a sensitivity analysis thereof using reasonable changes in the key assumptions on which the recoverable amount of the cash-generating units is based in order to confirm whether their recoverable amount still exceeds their carrying amount. The sensitivity analysis involved adjusting the discount rate by +/- 50 bp and the perpetuity growth rate by +/-50 bp. Following the sensitivity analysis performed, the value in use of these cash-generating units still exceeds their recoverable amount.

Based on the foregoing and on the estimates, projections and sensitivity analyses available to the Bank's directors, in 2015 and 2014 the Group did not recognise any impairment loss on goodwill.

The changes in 2015 and 2014 in the balance of "Goodwill" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	1,916,255	1,522,760
Additions (Note 3-b)	-	440,428
Of which:		
Financiera El Corte Inglés, E.F.C., S.A. (Spain)	-	*32,354*
Santander Consumer Bank AB (Sweden)(*)	-	*408,074*
Disposals (Note 3-b)	-	(32,183)
Of which:		
Santander Consumer Bank S.A. (Poland)	-	*(32,183)*
Impairment losses (Note 42)	-	-
Exchange differences and other	(17,902)	(14,750)
Balance at end of year	**1,898,353**	**1,916,255**

(*) Merged with Santander Consumer Bank AS (Norway) in 2015.

At 31 December 2015 and 2014, the Group had goodwill associated with cash-generating units located in non-euro currency countries (mainly Scandinavia), which gives rise to exchange differences on the translation to euros, at closing rates, of the amounts of goodwill denominated in foreign currencies. In accordance with current legislation, these exchange differences are recognised with a charge to "Valuation Adjustments - Exchange Differences" in consolidated equity. The changes in this line item are disclosed in the accompanying consolidated statement of recognised income and expense.

b) Other intangible assets

The detail of “Other Intangible Assets” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Estimated Useful Life	Thousands of Euros	
		2015	2014
With finite useful lives:			
Customer base	2 years	12,686	1,700
IT developments	3 years	340,441	371,548
Other		1,444	712
		354,571	**373,960**

The changes in 2015 and 2014 in “Other Intangible Assets” in the accompanying consolidated balance sheets were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	373,960	522,419
Net additions	133,437	109,749
Amortisation charge (1)	(151,892)	(143,392)
Impairment losses (Note 42)	(934)	(114,816)
Balance at end of year	**354,571**	**373,960**

(1) The period amortisation charges are recognised under “Depreciation and Amortisation Charge” in the consolidated income statement.

Most of the additions in 2015 and 2014 relate to the implementation of management and accounting software at certain Group companies in Germany for their commercial banking business.

In 2015 impairment losses of EUR 934 thousand were recognised under “Impairment Losses on Other Assets (Net) - Goodwill and Other Intangible Assets” in the consolidated income statement (2014: EUR 114,816 thousand). The impairment losses recognised in 2014 related mainly to the decline in or loss of the recoverable amount of certain computer systems and software as a result of the processes initiated by the Group to adapt to the various regulatory changes and to transform or integrate businesses.

16. Other assets and Other liabilities

The detail of “Other Assets” and “Other Liabilities” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2015	2014	2015	2014
Inventories	73,758	3,790	-	-
Prepaid expenses	39,610	47,832	-	-
Accrued expenses	-	-	496,492	375,743
Transactions in transit	15,733	6,104	87,388	85,358
Other	759,551	963,254	618,365	836,056
	888,652	**1,020,980**	**1,202,245**	**1,297,157**

17. Deposits from central banks and Deposits from credit institutions

The balance of "Financial Liabilities at Amortised Cost - Deposits from Central Banks" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 corresponds mainly to the information received in connection with asset-backed securities discounted at European central banks.

The detail, by type and currency, of the balance of "Financial Liabilities at Amortised Cost - Deposits from Credit Institutions" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Type:		
Reciprocal accounts	31,916	6,606
Time deposits	8,479,797	5,784,940
Other demand accounts	871,451	1,235,555
	9,383,164	7,027,101
Currency:		
Euro	8,638,876	4,229,674
Foreign currency	744,288	2,797,427
	9,383,164	7,027,101
Add - Valuation adjustments	28,295	33,989
Of which:		
Accrued interest	*30,806*	*36,061*
Other	*(2,511)*	*(2,072)*
	9,411,459	**7,061,090**

A significant portion of these deposits from credit institutions at 31 December 2015 and 2014 relates to transactions performed with Santander Group entities (see Note 48).

Note 46 contains a detail of the terms to maturity and estimated fair value of these financial liabilities at amortised cost at 31 December 2015 and 2014 and of the related average annual interest rates in the years then ended.

At 31 December 2015, the consolidated entities had unused credit facilities amounting to EUR 349,570 thousand (31 December 2014: EUR 305,669 thousand).

18. Customer deposits

The detail, by type, geographical area and currency, of "Customer Deposits" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Type:		
On demand-		
Current accounts	14,632,337	13,325,581
Savings accounts	6,778,320	5,744,405
Other demand deposits	3,033	2,039
Time deposits-		
Fixed-term deposits	9,311,840	9,851,943
Home-purchase savings accounts	2	9
Other time deposits	150,527	150,264
	30,876,059	29,074,241
Geographical area:		
Spain and Portugal	349,055	286,279
Germany	23,902,651	24,946,461
Italy	373,428	208,286
France	1,321,621	-
Scandinavia	3,892,593	2,754,083
Austria	1,024,493	879,132
Other	12,218	-
	30,876,059	29,074,241
Currency:		
Euro	26,971,248	26,320,200
Foreign currency	3,904,811	2,754,041
	30,876,059	29,074,241
Add - Valuation adjustments	160,552	223,812
Of which:		
Accrued interest	*160,943*	*224,260*
Other	*(391)*	*(448)*
	31,036,611	**29,298,053**

The amount recognised under "Other Time Deposits" at 31 December 2015 and 2014 in the foregoing table relates basically to single mortgage-backed bonds ("cédulas hipotecarias") issued by the Bank on 17 July 2007 for a principal amount of EUR 150,000 thousand, which mature on 20 July 2022 and are secured by mortgages registered in the Bank's favour (see Note 10). These bonds were subscribed by Santander Investment Bolsa, Sociedad de Valores, S.A., which in turn transferred them to the securitisation special-purpose vehicle Programa Independiente de Titulización de Cédulas Hipotecarias. The annual interest rate on these bonds is 5.135% and they mature on 20 July 2022. There are no early redemption options on these bonds for the Bank or for the holder, except in the legally stipulated circumstances.

Note 46 contains a detail of the terms to maturity and estimated fair value of these financial liabilities at amortised cost at 31 December 2015 and 2014 and of the related average annual interest rates in the years then ended.

19. Marketable debt securities

The detail, by type, of "Marketable Debt Securities" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Bonds and debentures outstanding	17,033,517	12,347,409
Mortgage-backed bonds	1,193,952	1,193,952
Notes and other securities	6,926,751	4,807,774
	25,154,220	18,349,135
Add- Valuation adjustments-	88,739	143,320
Of which:		
Accrued interest	88,538	98,391
Issue premiums/discounts	139	827
Micro-hedges (Note 30) (*)	12,601	47,444
Other	(12,539)	(3,342)
	25,242,959	**18,492,455**

(*) Of which EUR 1,813 thousand relate to a micro-hedge that was discontinued in 2015 (31 December 2014: EUR 9,707 thousand). This amount is deferred with a credit to "Interest Expense and Similar Charges" in the consolidated income statement until the mortgage-backed bonds included in the foregoing table mature.

Bonds and debentures outstanding

The balance of "Bonds and Debentures Outstanding" in the foregoing table includes, inter alia, the outstanding balance of the bonds and debentures issued by Group subsidiaries -Santander Consumer Bank S.p.A. (Italy) and Santander Consumer Bank AS (Norway)- amounting to EUR 2,357,089 thousand at 31 December 2015 (31 December 2014: EUR 953,733 thousand). At 31 December 2015, "Bonds and Debentures Outstanding" also included the balance of the financing obtained by the Group in the securitisation transactions performed by Group subsidiaries (see Note 10) amounting to EUR 6,980,787 thousand (31 December 2014: EUR 6,259,557 thousand).

The shareholders at the Annual General Meeting of the Bank on 4 April 2014 resolved to empower the Bank's Board of Directors to issue fixed-income securities up to an amount of EUR 30,000 million. In turn, at the Board meeting held on 23 April 2014, the directors delegated these powers to the Bank's Executive Committee. At its meeting held on 12 June 2014, the Board of Directors resolved to launch a Euro Medium Term Notes programme with a maximum principal amount outstanding that may not exceed EUR 10,000 million. The programme was listed on the Irish Stock Exchange on 24 June 2014.

Also, the shareholders at the Annual General Meeting of the Bank on 27 April 2015 resolved to empower the Bank's Board of Directors to issue fixed-income securities up to an amount of EUR 30,000 million. In turn, at the Board meeting held on 2 June 2015, the directors delegated these powers to the Bank's Executive Committee. At its meeting held on 11 June 2015, the Board of Directors resolved to launch a Euro Medium Term Notes programme, replacing the programme described above, with a maximum principal amount outstanding that may not exceed EUR 10,000 million. The programme was listed on the Irish Stock Exchange on 12 June 2015.

At 31 December 2015, the outstanding balance of these notes amounted to EUR 7,695,641 thousand (31 December 2014: EUR 5,134,119 thousand), and they mature between 29 January 2016 and 12 November 2020. The annual interest rate on these financial liabilities is between 0.08% and 1.80%.

Mortgage-backed bonds

The balance of "Mortgage-Backed Bonds" in the foregoing table includes the amount of the mortgage-backed bonds issued by the Bank on 23 March 2006. These bonds, which are listed on the Spanish AIAF fixed-income market, are secured by mortgages registered in the Bank's favour (see Note 10), have a principal amount of EUR 1,200,000 thousand and mature on 23 March 2016. The annual interest rate on these liabilities is 3.875% and there are no early redemption options on these bonds for the Bank or for the holders, except in the legally stipulated circumstances.

Notes and other securities

"Notes and Other Securities" in the foregoing table relates to issues launched by the Bank, admitted to trading, which bore average annual interest of 0.14% in 2015 (2014: 0.40%), the detail being as follows:

- At its meeting held on 18 September 2014, the Bank's Executive Committee resolved to issue a Notes Programme with a maximum principal amount outstanding that may not exceed EUR 5,000 million. These notes, whose unit nominal value is EUR 100,000, have maturities ranging from a minimum of 3 business days to a maximum of 731 calendar days (2 years and 1 day). This programme is registered in the Official Registers of the Spanish National Securities Market Commission (CNMV).

  Also, at its meeting held on 25 September 2015, the Bank's Executive Committee resolved to issue a Notes Programme, replacing the programme described above, with a maximum principal amount outstanding that may not exceed EUR 5,000 million. These notes, whose unit nominal value is EUR 100,000, have maturities ranging from a minimum of 3 business days to a maximum of 731 calendar days (2 years and 1 day). This programme is registered in the Official Registers of the Spanish National Securities Market Commission (CNMV). Subsequently, at its meeting held on 12 November 2015, the Bank's Executive Committee resolved to change the limit of the aforementioned Notes Programme to EUR 10,000 million.

  The balance of the notes traded on the Spanish AIAF fixed-income market amounted to EUR 2,430,299 thousand at 31 December 2015 (31 December 2014: EUR 2,057,457 thousand).

- At its meeting held on 12 June 2014, the Bank's Executive Committee resolved to launch a Euro Commercial Paper programme, replacing the programme described above, with a maximum principal amount outstanding that may not exceed EUR 5,000 million. The maturities of this commercial paper range from a minimum of 1 day to a maximum of 364 days. The programme was listed on the Irish Stock Exchange on 16 June 2014.

  Lastly, at its meeting held on 11 June 2015, the Bank's Executive Committee resolved to launch a Euro Commercial Paper programme with a maximum principal amount outstanding that may not exceed EUR 5,000 million. The maturities of this commercial paper range from a minimum of 1 day to a maximum of 364 days. The programme was listed on the Irish Stock Exchange on 15 June 2015.

  The outstanding balance of this commercial paper recognised in these consolidated financial statements amounted to EUR 4,496,452 thousand at 31 December 2015 (31 December 2014: EUR 2,750,317 thousand).

Other information

At 31 December 2015 and 2014, none of these issues was convertible into Bank shares or granted privileges or rights which, in certain circumstances, make them convertible into shares.

Note 46 contains a detail of the terms to maturity and estimated fair value of these financial liabilities at amortised cost at 31 December 2015 and 2014 and of the related average annual interest rates in the years then ended.

Information on issues, repurchases or redemptions of debt instruments

Following is a detail, by trading market, if any, of the outstanding balance of the debt instruments issued by the Bank or by any other Group entity at 31 December 2015 and 2014, and of the changes in this balance in 2015 and 2014:

	Thousands of Euros				
	2015				
	Outstanding Balance at 01/01/15	Issues	Repurchases or Redemptions	Exchange Rate and Other Adjustments (*)	Outstanding Balance at 31/12/15
Debt instruments issued in an EU Member State for which it was necessary to file a prospectus	17,754,653	26,689,644	(22,318,844)	2,161,982	24,287,435
Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus	275,968	300,000	(135,400)	-	440,568
Other debt instruments issued outside EU Member States	318,514	239,508	(115,068)	(16,737)	426,217
	18,349,135	**27,229,152**	**(22,569,312)**	**2,145,245**	**25,154,220**

(*) Includes, inter alia, the additions to and exclusions from the Group's scope of consolidation.

	Thousands of Euros				
	2014				
	Outstanding Balance at 01/01/14	Issues	Repurchases or Redemptions	Exchange Rate and Other Adjustments (*)	Outstanding Balance at 31/12/14
Debt instruments issued in an EU Member State for which it was necessary to file a prospectus	12,574,961	24,397,588	(19,343,388)	125,492	17,754,653
Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus	-	422,750	(146,782)	-	275,968
Other debt instruments issued outside EU Member States	-	318,514	-	-	318,514
	12,574,961	**25,138,852**	**(19,490,170)**	**125,492**	**18,349,135**

(*) Includes, inter alia, the additions to and exclusions from the Group's scope of consolidation.

Other issues guaranteed by the Group

At 31 December 2015 and 2014, the Group guaranteed certain debt securities issued by Group companies.

Spanish mortgage-market issues

The members of the Bank's Board of Directors state that the relevant Group companies have specific policies and procedures in place that cover all mortgage market issue activities and guarantee strict compliance with the mortgage market regulations applicable thereto, as stipulated in Royal Decree 716/2009, of 24 April, implementing certain provisions of Mortgage Market Law 2/1981, of 25 March, and, by application thereof, in Bank of Spain Circulars 7/2010 and 5/2011, and other financial and mortgage system regulations. Also, financial management defines the Group entities' funding strategy.

The risk policies applicable to mortgage market transactions envisage maximum loan-to-value (LTV) ratios, and specific policies adapted to each mortgage product are also in place, which occasionally require the application of stricter limits.

The Bank's general policies in this respect require the repayment capacity of each potential customer to be analysed using set indicators that must be met (the debt-to-income ratio in loan approval). This analysis must determine whether each customer's income is sufficient to meet the repayments of the loan requested. In addition, the analysis of each customer must include a conclusion on the stability over time of the customer's income considered with respect to the life of the loan. The aforementioned indicator used to measure the repayment capacity (debt-to-income ratio) of each customer considers mainly the relationship between the potential debt and the income generated, taking into account, on the one hand, the monthly repayments of the loan requested and other transactions and, on the other, the monthly salary income and other duly supported income.

The Group entities have specialised document comparison procedures and tools for verifying customer information and solvency.

The Group entities' procedures envisage that each mortgage originated in the mortgage market must be individually valued by an appraisal company not related to the Group.

In accordance with Article 5 of Mortgage Market Law 41/2007, any appraisal company approved by the Bank of Spain may issue valid appraisal reports. However, as permitted by this same article, the Group entities perform several checks and select, from among these companies, a small group with which they enter into cooperation agreements with special conditions and automated control mechanisms. The Group's internal regulations detail the internally approved companies, the approval requirements and procedures, and the controls established to uphold them. In this connection, the regulations establish the functions of an appraisal company committee on which the various areas of the Santander Group related to these companies are represented. The aim of the committee is to regulate and adapt the internal regulations and the activities of the appraisal companies to the current market and business situation.

Essentially, the companies wishing to cooperate with the Group must have a significant level of activity in the mortgage market in the geographical area in which they operate, pass a preliminary screening process based on criteria of independence, technical capacity and solvency -in order to ascertain the continuity of their business- and, lastly, they must pass a series of tests prior to obtaining definitive approval.

In order to comply in full with the legislation, any appraisal provided by the customer is reviewed, irrespective of the issuing appraisal company, to verify whether the appraiser formally meets the requirements, procedures and methods established in current legislation and whether the values reported are customary in the market.

Summarised below is the information required by Bank of Spain Circulars 7/2010 and 5/2011, pursuant to the aforementioned Royal Decree 716/2009, of 24 April:

	Millions of Euros	
	2015	2014
Face value of the outstanding mortgage loans and credits that support the issuance of mortgage-backed and mortgage bonds pursuant to Royal Decree 716/2009 (excluding securitised loans and credits) (*)	2,403	2,590
Of which:		
Loans eligible to cover issues of mortgage-backed securities	*1,441*	*1,706*
Non-eligible mortgage loans and credits	*962*	*884*

(*) At 31 December 2015 and 2014, the only issues of this type related to the mortgage-backed bond issues launched by the Bank.

Mortgage-backed bonds

The mortgage-backed bonds ("cédulas hipotecarias") issued by the Group entities are securities the principal and interest of which are specifically secured by mortgages, there being no need for registration in the Property Register, without prejudice to the issuer's unlimited liability.

The mortgage-backed bonds include the holder's financial claim on the issuer, secured as indicated in the preceding paragraph, and may be enforced to claim payment from the issuer after maturity. The holders of these securities have the status of special preferential creditors vis-à-vis all other creditors (established in Article 1923.3 of the Spanish Civil Code) in relation to all the mortgage loans and credits registered in the issuer's favour and, where appropriate, in relation to the cash flows generated by the derivative financial instruments associated with the issues.

In the event of insolvency, the holders of mortgage-backed bonds will enjoy the special privilege established in Article 90.1.1 of Insolvency Law 22/2003, of 9 July. Without prejudice to the foregoing, in accordance with Article 84.2.7 of the Insolvency Law, during the insolvency proceedings, the payments relating to the repayment of the principal and interest of the bonds issued and outstanding at the date of the insolvency filing will be settled up to the amount of the income received by the insolvent party from the mortgage loans and credits and, where appropriate, from the replacement assets backing the bonds and from the cash flows generated by the financial instruments associated with the issues (Final Provision 19 of the Insolvency Law). If, due to a timing mismatch, the income received by the insolvent party is insufficient to meet the payments described in the preceding paragraph, the insolvency managers must settle them by realising the replacement assets set aside to cover the issue and, if this is not sufficient, they must obtain financing to meet the mandated payments to the holders of the mortgage-backed bonds, and the finance provider must be subrogated to the position of the bond-holders. In the event that the measure indicated in Article 155.3 of the Insolvency Law were to be adopted, the payments to all holders of the mortgage-backed bonds issued would be made on a pro-rata basis, irrespective of the issue dates of the bonds.

The Group had EUR 1,350 million of mortgage-backed bonds outstanding at 31 December 2015 and 2014 relating to issues launched by the Bank, which is the only Spanish entity in the Group to have launched this type of issue.

Mortgage-backed bond issuers have an early redemption option solely for the purpose of complying with the limits on the volume of outstanding mortgage-backed bonds stipulated by mortgage market regulations.

None of the mortgage-backed bonds issued by the Group entities had replacement assets assigned to them.

Appendix VI contains the additional disclosures required pursuant to Mortgage Market Law 2/1981, of 25 March, and to Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law, implemented by Bank of Spain Circular 5/2011.

Case-by-case information on certain issues, repurchases or redemptions of debt instruments

The main characteristics of the most significant issues of asset-backed securities launched by the Group in 2015 and 2014, or guaranteed by the Bank or Group entities in those years, are as follows:

Issuer Data				Data on the Issues Launched in 2015								
Name	Relation ship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/15 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
Golden Bar (Securitisation) S.r.l.	(*)	Italy	DBRS A (sf) / Moody's A1 (sf)	IT0005137580	Senior debt	09/10/15	825,000	825,000	1.5%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l.	(*)	Italy	DBRS BBB (sf) / Moody's Baa2 (sf)	IT0005137598	Senior debt	09/10/15	65,000	65,000	1.9%	Luxembourg Stock Exchange	-	-
Golden Bar (Securitisation) S.r.l.	(*)	Italy	N/A	IT0005137606	Junior debt	09/10/15	110,000	110,000	N/A	Luxembourg Stock Exchange	-	-
Bilkreditt 7 Designated Activity Company	(*)	Norway	S&P AAA (sf) / Moody's Aaa (sf)	XS1318344386	Senior debt	24/11/15	500,000	500,000	EURIBOR + 0.48%	Irish Stock Exchange	-	-
Bilkreditt 7 Designated Activity Company	(*)	Norway	S&P A (sf) / Moody's A2 (sf)	XS1318345946	Senior debt	24/11/15	43,150	43,341	NIBOR + 1%	Irish Stock Exchange	-	-
Bilkreditt 7 Designated Activity Company	(*)	Norway	N/A	N/A	Junior debt	24/11/15	28,725	27,521	NIBOR + 1.1%	N/A	-	-
SC Germany Vehicles 2015-1 UG (haftungsbeschränkt)	(*)	Germany	S&P A (sf) Rating / Fitch A (sf) Rating	XS1217133815	Senior debt	20/04/15	633,500	633,500	0.978%	Luxembourg Stock Exchange	-	-
SC Germany Vehicles 2015-1 UG (haftungsbeschränkt)	(*)	Germany	N/A	XS1217140356	Junior debt	20/04/15	66,500	66,500	2.167%	Luxembourg Stock Exchange	-	-
SC Germany Consumer 2015-1 UG (haftungsbeschränkt)	(*)	Germany	S&P AA (sf) Rating / DBRS AA (sf)	XS1324497830	Senior debt	15/12/15	1,155,000	1,155,000	0.35%	Luxembourg Stock Exchange	-	-
SC Germany Consumer 2015-1 UG (haftungsbeschränkt)	(*)	Germany	S&P A (sf) Rating / DBRS A (sf)	XS1324497913	Senior debt	15/12/15	101,500	101,500	1%	Luxembourg Stock Exchange	-	-
SC Germany Consumer 2015-1 UG (haftungsbeschränkt)	(*)	Germany	S&P A-(sf) Rating / DBRS BBB (sf)	XS1324498051	Senior debt	15/12/15	39,200	39,200	1.75%	Luxembourg Stock Exchange	-	-

Issuer Data				Data on the Issues Launched in 2015								
Name	Relation ship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/15 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
SC Germany Consumer 2015-1 UG (haftungsbeschränkt)	(*)	Germany	S&P BB+ Rating / DBRS BB	XS1324498135	Senior debt	15/12/15	45,500	45,500	1M EURIBOR + 5.45% per annum	Luxembourg Stock Exchange	-	-
SC Germany Consumer 2015-1 UG (haftungsbeschränkt)	(*)	Germany	NO RATING	XS1324498481	Junior debt	15/12/15	58,800	58,800	1M EURIBOR + 10.7% per annum	Luxembourg Stock Exchange	-	-
Silk Finance No. 4	(*)	Portugal	S&P A Rating / DBRS A	PTTGCAOM0007	Senior debt	16/11/15	509,400	509,400	1.2%	Euronext Lisbon	-	-
Silk Finance No. 4	(*)	Portugal	N/A	PTTGCBOM0006	Junior debt	16/11/15	101,500	101,500	2.4%	Euronext Lisbon	-	-
Silk Finance No. 4	(*)	Portugal	N/A	PTTGCCOM0005	Senior debt	16/11/15	3,700	3,700	N/A	Euronext Lisbon	-	-
Silk Finance No. 4	(*)	Portugal	N/A	PTTGDCOM0004	Senior debt	16/11/15	-	-	N/A	Euronext Lisbon	-	-
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	Fitch AAA (sf) / Moody's Aaa (sf)	XS1309542436	Senior debt	29/10/15	338,700	315,952(**)	EURIBOR + 0.45%	Irish Stock Exchange	-	-
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	Fitch AA (sf) / Moody's Aa2 (sf)	XS1309543244	Senior debt	29/10/15	27,200	27,200	0.85%	Irish Stock Exchange	-	-
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	Fitch A (sf) / Moody's A2 (sf)	XS1309544309	Senior debt	29/10/15	5,800	5,800	1.3%	Irish Stock Exchange	-	-
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	Fitch AAA (sf) / Moody's Aaa (sf)	XS1309550371	Senior debt	29/10/15	3,800	3,800	2.1%	Irish Stock Exchange	-	-

Issuer Data				Data on the Issues Launched in 2015								
Name	Relationship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/15 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	Fitch BBB (sf) / Moody's Baa1 (sf)	XS1309556907	Senior debt	29/10/15	6,600	6,600	3.5%	Irish Stock Exchange	-	-
SCF Rahoituspalvelut Designated Activity Company	(*)	Finland	N/A	XS1309557624	Junior debt	29/10/15	7,300	7,300	9%	Irish Stock Exchange	-	-

(*) The collection rights acquired by these securitisation special-purpose vehicles were not derecognised since substantially all the risks and rewards associated with these rights were not transferred.

(**) These bonds had been redeemed in part at the end of the related year.

Issuer Data				Data on the Issues Launched in 2014								
Name	Relationship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/14 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
SC Germany Consumer 2014 -1 UG (haftungsbeschränkt)	(*)	Germany	DBRS A (Sf) Rating / S&P A (Sf) Rating	Xs1043161667	Senior debt	20/03/14	1,205,000	1,205,000	2.301 %	Luxembourg Stock Exchange	-	-
SC Germany Consumer 2014 -1 UG (haftungsbeschränkt)	(*)	Germany	N/A	Xs1043162046	Junior debt	20/03/14	145,000	145,000	3.384 %	Luxembourg Stock Exchange	-	-
SC Germany Auto 2014 -1 UG (haftungsbeschränkt)	(*)	Germany	Fitch Aaasf Rating / Moody’s Aaa (Sf) Rating / S&P AAA (Sf) Rating	Xs1041499283	Senior debt	20/03/14	553,500 (**)	374,667	Euribor + 0.42%	Luxembourg Stock Exchange	-	-
SC Germany Auto 2014 -1 UG (haftungsbeschränkt)	(*)	Germany	N/A	Xs1041500551	Junior debt	20/03/14	46,500	46,500	2.25 %	Luxembourg Stock Exchange	-	-
SC Austria 2013-1, S.A.	(*)	Austria	N/A	N/A	Senior debt	31/10/14	300,000	275,968	3M Euribor + 0.90%	N/A	-	-
SCc Austria 2013-1, S.A.	(*)	Austria	N/A	N/A	Junior debt	31/10/14	122,750	122,750	3M Euribor + Spread	N/A	-	-
Golden Bar (Securitisation) S.R.L.	(*)	Italy	DBRS A (High) (Sf) Rating/ Moody’s A2 (Sf) Rating	It0005026163	Senior debt	11/06/14	646,800	646,800	Euribor + 1.1%	Irish Stock Exchange	-	-
Golden Bar (Securitisation) S.R.L.	(*)	Italy	DBRS A (low) (sf) Rating / Moody’s Baa2 (sf) Rating	IT0005026189	Senior debt	11/06/14	30,100	30,100	1.30 %	Irish Stock Exchange	-	-

Issuer Data				Data on the Issues Launched in 2014								
Name	Relationship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/14 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
Golden Bar (Securitisation) S.R.L.	(*)	Italy	N/A	IT0005026197	Junior debt	11/06/14	75,100	75,100	N/A	N/A	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1	(*)	Spain	DBRS A (sf) Rating/Fitch A (sf) Rating	ES0305053003	Senior debt	20/11/14	703,000	703,000	2%	AIAF Fixed-Income Market	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1	(*)	Spain	DBRS BBB (sf) Rating/Fitch BBB (sf) Rating	ES0305053011	Junior debt	20/11/14	27,400	27,400	2.5%	AIAF Fixed-Income Market	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1	(*)	Spain	DBRS BB (low) (sf) Rating/Fitch BB+ (sf) Rating	ES0305053029	Junior debt	20/11/14	15,200	15,200	3.5%	AIAF Fixed-Income Market	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1	(*)	Spain	DBRS B (low) (sf) Rating/Fitch BB (sf) Rating	ES0305053037	Junior debt	20/11/14	14,400	14,400	5%	AIAF Fixed-Income Market	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1	(*)	Spain	DBRS C (sf) Rating/Fitch CC (sf) Rating	ES0305053045	Junior debt	20/11/14	38,000	38,000	5%	AIAF Fixed-Income Market	-	-
SC Germany Auto 2014 -2 UG (haftungsbeschränkt)	(*)	Germany	S&P A (sf) Rating/DBRS A (sf) Rating	XS1107063676	Senior debt	17/09/14	2,895,000	2,895,000	1.209%	Luxembourg Stock Exchange	-	-
SC Germany Auto 2014 -2 UG (haftungsbeschränkt)	(*)	Germany	N/A	XS1107063593	Junior debt	17/09/14	105,000	105,000	2.505%	Luxembourg Stock Exchange	-	-

Issuer Data				Data on the Issues Launched in 2014								
Name	Relationship with the Bank	Country of Origination	Issuer or Issue Credit Rating	ISIN Code	Type of Security	Transaction Date	Amount of the Issue (Thousands of Euros)	Balance Outstanding at 31/12/14 (Thousands of Euros)	Interest Rate	Market Where Quoted	Type of Guarantee Given	Risks Additional to the Guarantee that the Group would Assume
Bilkreditt 6 Limited	(*)	Norway	S&P AAA (sf) Rating/Moody's Aaa (sf) Rating	XS1101828561	Senior debt	12/09/14	715,000(**)	637,972	Euribor + 0.37%	Irish Stock Exchange	-	-
Bilkreditt 6 Limited	(*)	Norway	S&P A (sf) Rating/Moody's A1 (sf) Rating	XS1101831516	Junior debt	12/09/14	67,350	67,350	Nibor + 1.10%	Irish Stock Exchange	-	-
Bilkreditt 6 Limited	(*)	Norway	N/A	N/A	Junior debt	12/09/14	42,867	42,867	Nibor + 1.20%	N/A	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	Fitch AAA sf Rating/Moody's Aaa (sf) Rating	XS1116626141	Senior debt	05/11/14	442,800(**)	408,098	0.472%	Irish Stock Exchange	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	Fitch AA sf Rating/Moody's Aa2 (sf) Rating	XS1116626497	Junior debt	05/11/14	43,500	43,500	0.75%	Irish Stock Exchange	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	Fitch A+ sf Rating/Moody's A2 (sf) Rating	N/A	Junior debt	05/11/14	6,700	6,700	1%	Irish Stock Exchange	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	Fitch A sf Rating/Moody's Baa1 (sf) Rating	N/A	Junior debt	05/11/14	7,200	7,200	1.75%	Irish Stock Exchange	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	Fitch BB+ sf Rating/ Moody's Ba1 (sf) Rating	N/A	Junior debt	05/11/14	8,200	8,200	3.5%	Irish Stock Exchange	-	-
SCFI Rahoituspalvelut Limited	(*)	Finland	N/A	N/A	Junior debt	05/11/14	9,300	9,300	7%	Irish Stock Exchange	-	-

(*) The collection rights acquired by these securitisation special-purpose vehicles were not derecognised since substantially all the risks and rewards associated with these rights were not transferred.

(**) These bonds had been redeemed in part at the end of the related year.

20. Subordinated liabilities

The detail, by currency of issue, of “Subordinated Liabilities” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros		31 December 2015		31 December 2014	
Currency of Issue	2015	2014	Outstanding Issue Amount in Foreign Currency	Annual Interest Rate at 31/12/15	Outstanding Issue Amount in Foreign Currency	Annual Interest Rate at 31/12/14
Euro	1,092,62	1,192,420	-	2.93%	-	3.03%
Norwegian krone (*)	18,74	43,148	180	1.78%	390	2.79%
Balance at end of year	**1,111,37**	**1,235,568**				

(*) Including, at 31 December 2015, a subordinated loan granted to the subsidiary Santander Consumer Bank AS by a Santander Group entity for NOK 180 million, which may not be repaid early (31 December 2014: two subordinated loans granted to the subsidiary Santander Consumer Bank AS by a Santander Group entity for NOK 180 million and NOK 210 million, respectively).

The detail of subordinated liabilities denominated in euros at 31 December 2015 and 2014 is as follows:

2015				
Company	Thousands of Euros	Counterparty	Early Redemption Date	Maturity Date
Santander Consumer E.F.C., S.A. (1)	34,000	Santander Benelux, S.A./N.V.	16/12/14	16/12/19
Santander Consumer Finance, S.A. (1)	86,000	Banco Santander, S.A.	28/11/11	28/09/16
Santander Consumer Bank S.p.A.	9,750	Open Bank, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	9,750	Open Bank, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	6,500	Open Bank, S.A.	(2)	22/06/16
Santander Consumer Bank S.p.A.	16,250	Open Bank, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	16,250	Open Bank, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	32,500	Open Bank, S.A.	(2)	22/06/16
Santander Consumer Bank AG	22,000	Open Bank, S.A.	(3)	20/01/16
Santander Consumer Bank S.p.A.	20,000	Santander Benelux, S.A./N.V.	(2)	31/12/19
Santander Consumer Bank S.p.A.	16,000	Santander Benelux, S.A./N.V.	(2)	31/12/19
Santander Consumer Holding GmbH	600,000	Banco Santander, S.A.	(3)	22/03/21
Santander Consumer Holding GmbH	200,000	Banco Santander, S.A.	(3)	22/03/21
Santander Consumer Bank S.p.A.	22,500	Banco Madesant, Sociedade Unipessoal, S.A.	(2)	30/09/19
	1,091,500			
Add - Valuation adjustments	1,122			
Total	**1,092,622**			

(1) May not be redeemed early without authorisation from the Bank of Spain.

(2) May be fully or partially redeemed on or after the first principal repayment date, subject to authorisation from the Bank of Italy.

(3) May not be redeemed early.

2014				
Company	Thousands of Euros	Counterparty	Early Redemption Date	Maturity Date
Santander Consumer E.F.C., S.A. (1)	34,000	Santander Benelux, S.A./N.V.	16/12/14	16/12/19
Santander Consumer Finance, S.A. (1)	86,000	Banco Santander, S.A.	28/11/11	28/09/16
Santander Consumer Bank S.p.A.	13,000	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	13,000	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	13,000	Open Bank Santander Consumer, S.A.	(2)	22/06/16
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	16,250	Open Bank Santander Consumer, S.A.	(2)	31/10/18
Santander Consumer Bank S.p.A.	32,500	Open Bank Santander Consumer, S.A.	(2)	22/06/16
Santander Consumer Bank AG	20,000	Open Bank Santander Consumer, S.A.	(3)	20/04/15
Santander Consumer Bank AG	22,000	Open Bank Santander Consumer, S.A.	(3)	20/01/16
Santander Consumer Bank S.p.A.	6,500	Santander Benelux, S.A./N.V.	(2)	22/04/15
Santander Consumer Bank S.p.A.	3,500	Santander Benelux, S.A./N.V.	(2)	30/06/15
Santander Consumer Bank S.p.A.	20,000	Santander Benelux, S.A./N.V.	(2)	31/12/19
Santander Consumer Bank S.p.A.	32,500	Santander Benelux, S.A./N.V.	(2)	22/04/15
Santander Consumer Bank S.p.A.	17,500	Santander Benelux, S.A./N.V.	(2)	30/06/15
Santander Consumer Bank S.p.A.	20,000	Santander Benelux, S.A./N.V.	(2)	31/12/19
Santander Consumer Holding GmbH	600,000	Banco Santander, S.A.	(3)	22/03/21
Santander Consumer Holding GmbH	200,000	Banco Santander, S.A.	(3)	22/03/21
Santander Consumer Bank S.p.A.	25,000	Banco Madesant, Sociedade Unipessoal, S.A.	(2)	30/09/19
	1,191,000			
Add - Valuation adjustments	1,420			
Total	**1,192,420**			

(1) May not be redeemed early without authorisation from the Bank of Spain.

(2) May be fully or partially redeemed on or after the first principal repayment date, subject to authorisation from the Bank of Italy.

(3) May not be redeemed early.

The changes in 2015 and 2014 in “Subordinated Liabilities” in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	1,235,568	1,343,818
Additions	-	128,750
Of which:		
Italy	-	*128,750*
Redemptions	(123,900)	(196,750)
Of which:		
Norway	*(24,400)*	-
Germany	*(20,000)*	*(45,000)*
Italy	*(79,500)*	*(151,750)*
Exchange differences and other (*)	(298)	(40,250)
Balance at end of year	**1,111,370**	**1,235,568**

(*) Includes, if any, the additions to and exclusions from the Group's scope of consolidation.

Note 46 contains a detail of the terms to maturity and estimated fair value of these subordinated liabilities at 31 December 2015 and 2014 and of the related average annual interest rates in the years then ended.

21. Other financial liabilities

The detail of "Other Financial Liabilities" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Declared dividends payable (Note 4-a)	-	302,182
Trade payables	174,734	159,377
Tax collection accounts	18,521	18,928
Unsettled financial transactions	3,402	3,929
Other financial liabilities (*)	443,548	283,986
	640,205	**768,402**

(*) This item included EUR 208,671 thousand at 31 December 2015 relating to balances payable arising from tax consolidation with Banco Santander, S.A. (31 December 2014: EUR 160,546 thousand in this connection) (see Note 48).

Note 46 contains a detail of the terms to maturity and estimated fair value of these financial liabilities at 31 December 2015 and 2014.

Disclosures on the average period of payment to suppliers. Additional Provision Three "Disclosure obligation" provided for in Law 15/2010, of 5 July

Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, amended by Final Provision Two of Law 31/2014, of 3 December, establishes the obligation for companies to expressly disclose their average periods of payment to suppliers in the notes to their financial statements, and stipulates that the Spanish Accounting and Audit Institute ("ICAC") shall indicate, by way of a resolution, such adaptations as may be required, in accordance with the provisions of this Law, in order for companies not covered by Article 2.1 of Organic Law 2/2012, of 27 April, on Budgetary Stability and Financial Sustainability to correctly apply the methodology for calculating the average period of payment to suppliers established by the Ministry of Finance and Public Administration. This disclosure obligation is also applicable to the consolidated financial statements of such companies as prepare them, although solely in respect of the fully consolidated companies located in Spain.

The aforementioned ICAC Resolution (*Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements on the average period of payment to suppliers in commercial transactions*), which was published in the Spanish Official State Gazette on 4 February 2016, implements, inter alia, the methodology that must be applied to calculate the average period of payment to suppliers. Therefore, this methodology was applied for the first time by the Bank for the purpose of preparing the disclosures included in this connection in these consolidated financial statements and, accordingly, pursuant to the Single Additional Provision of the aforementioned Resolution, no comparative information is presented for 2014 in connection with this new disclosure obligation.

In order to ensure a proper understanding of the disclosures contained in this Note, as provided for in the aforementioned applicable legislation, it should be noted that "suppliers" are considered to be only those suppliers of goods and services to the Group's Spanish companies for which the related expense is recognised, mainly, under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement; this Note does not include, therefore, any information on payments in financial transactions constituting the Group's object and core activity or on payments to any non-current asset suppliers, which in any case were made in accordance with the periods established in the corresponding agreements and in current legislation.

Also, it should be noted that, in accordance with the provisions of the aforementioned ICAC Resolution, only transactions for goods or services received for which payment has accrued since the entry into force of Law 31/2014 were taken into consideration and that, given the nature of the services that the Group's consolidated Spanish entities receive, for the purpose of preparing this information "period of payment (days)" was deemed to be the period between the date of receipt of the invoices and the payment date.

The information for 2015 required under the aforementioned legislation, in the format required by the ICAC Resolution mentioned above for the Spanish consolidated Group companies in these consolidated financial statements, is as follows:

	2015
	Days
Average period of payment to suppliers	3.90
Ratio of transactions settled	3.66
Ratio of transactions not yet settled	27.91
	Thousands of Euros
Total payments made	141,954
Total payments outstanding	1,441

It should be noted that although under Law 3/2014, of 29 December, the maximum period for payment to suppliers is 60 days, Law 11/2013, of 26 July, established a maximum payment period of 30 days, extendable by agreement between the parties to a maximum of 60 days.

The average period and the ratios of transactions settled and transactions not yet settled shown in the table above were calculated on the basis of the definitions and methodology established in the aforementioned ICAC Resolution of 29 January 2016. However, due to the recent publication of this Resolution and, therefore, the scant amount of time that entities have had to prepare these disclosures, the processes, information sources and procedures used by the Bank for the purpose of preparing them will be reviewed in the course of the coming year.

22. Provisions

The detail of "Provisions" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Provisions for pensions and similar obligations	558,128	564,648
Provisions for taxes and other legal contingencies	38,184	51,480
Provisions for contingent liabilities and commitments	7,547	4,636
Other provisions	126,961	313,954
	730,820	**934,718**

The changes in 2015 and 2014 in the balances of these items in the accompanying consolidated balance sheets were as follows:

	2015					2014				
	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total	Pensions and Similar Obligations	Taxes and Other Contingencies	Contingent Liabilities and Commitments	Other Provisions	Total
Balances at beginning of year	564,648	51,480	4,636	313,954	934,718	453,323	82,971	7,233	99,177	642,704
Net inclusion (exclusion) of entities in (from) the Group	15,806		4,011	253	20,070	10,908	(2,678)	(1,285)	(10,144)	(3,199)
Additions/(Reversals) charged (credited) to income:										
Interest expense and similar charges (Note 32)	11,004				11,004	15,333	-	-	-	15,333
Staff costs (Note 40)	14,490				14,490	10,373	-	-	-	10,373
Net additions to provisions (amounts used) (**) (****)	4,288	(2,876)	(1,100)	72,918	73,230	(397)	(9,977)	(1,311)	482,327 (*)	470,642
	45,588	(2,876)	2,911	73,171	118,794	36,217	(12,655)	(2,596)	472,183	493,149
Changes in value recognised in equity	(20,324)	-	-	-	(20,324)	104,162	-	-	-	104,162
Payments to retired employees and pre-retirees with a charge to internal provisions (***)	(25,877)	-	-	-	(25,877)	(25,613)	-	-	-	(25,613)
Insurance premiums paid, return premiums received and payments to external funds	(4,022)	-	-	-	(4,022)	(4,343)	-	-	-	(4,343)
Payments to retired employees by insurance companies	-	-	-	-	-	-	-	-	-	-
Amounts used	-	(12,979)	-	(255,588)	(268,567)	-	(20,465)	-	(233,847)	(254,312)
Transfers, exchange differences and other changes	(1,885)	2,559	-	(4,576)	(3,902)	902	1,629	(1)	(23559)	(21,029)
	(52,108)	(10,420)	-	(260,164)	(322,692)	75,108	(18,836)	(1)	(257,406)	(201,135)
Balances at end of year	**558,128**	**38,184**	**7,547**	**126,961**	**730,820**	**564,648**	**51,480**	**4,636**	**313,954**	**934,718**

(*) Most of the German banking industry has been affected by two German Supreme Court decisions in 2014 in relation to handling fees in consumer loan agreements.

In May 2014 the German Supreme Court held handling fees in loan agreements to be null and void. The Court subsequently handed down a ruling at the end of October 2014 extending from three to ten years the statute-of-limitations period on claims relating to old transactions. As a result of the ruling, claims relating to handling fees paid between 2004 and 2011 became statute-barred in 2014. This situation gave rise to numerous claims at the end of 2014 which affected the income statements of banks in Germany.

Santander Consumer Bank AG stopped including these handling fees in agreements from 1 January 2013 and ceased charging these fees definitively at that date, i.e. before the Supreme Court handed down its judgment on the issue.

In 2014 Santander Consumer Bank AG recognised provisions totalling approximately EUR 455 million to cover the estimated cost of the claims relating to handling fees, considering both the claims already received and the estimated claims that might be received in 2015 relating to fees paid in 2012; no new claims were expected to be received for fees paid earlier than 2012 since they were statute-barred. The provisions recognised to cover the claims received were used progressively throughout 2014 and 2015.

(**) The detail of "Net Additions to Provisions (Amounts Used)" with respect to pensions and similar obligations in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
	Expense/(Income)	
Post-employment benefits - Spanish entities:		
Past service cost	122	279
Pre-retirements	-	-
Curtailments/settlements	-	-
Return premiums received on defined contribution pension plans	(38)	(43)
	84	236
Other long-term benefits - Spanish entities:		
Recognised actuarial losses/(gains) (obligations and assets)	349	3,449
Pre-retirements	3,436	3,246
Past service cost	-	-
Curtailments/settlements	(316)	-
	3,469	6,695
Foreign entities:		
Recognised actuarial losses/(gains) (obligations and assets)	219	-
Past service cost	834	4
Pre-retirements	(152)	-
Curtailments/settlements	(166)	(7,332)
	735	(7,328)
	4,288	**(397)**

(***) The detail of "Payments to Retired Employees and Pre-retirees with a Charge to Internal Provisions" is as follows:

	Thousands of Euros	
	2015	2014
Post-employment benefits - Spanish entities	2,593	2,644
Other long-term benefits - Spanish entities	11,721	11,934
Foreign entities	11,563	11,035
	25,877	**25,613**

(****) This amount is recognised with a charge to "Provisions (Net)" in the consolidated income statement.

Provisions for pensions and similar obligations

i. Post-employment benefits: Defined contribution plans - Spanish entities

The Group has classified the following obligations of the Spanish consolidated entities as defined contribution plans:

Santander Consumer Finance, S.A.

Obligations guaranteed from the date of effective retirement to employees who took pre-retirement after May 1996, which were externalised through an insurance policy taken out with a non-related entity (Generali España, Sociedad Anónima de Seguros y Reaseguros).

In 2015 the Bank received return premiums amounting to EUR 38 thousand from the insurance company (2014: EUR 43 thousand). No premiums were paid to the insurance company in 2015 (see Note 2-q).

Santander Consumer, E.F.C., S.A.

Obligations guaranteed to employees who retired after May 1996 and the disability and surviving spouse/child benefits of employees who took pre-retirement after May 1996, which were externalised through an insurance policy taken out with a non-related entity (Generali España, Sociedad Anónima de Seguros y Reaseguros).

No premiums were paid to the insurance company in 2015 and 2014 (see Note 2-q).

Spanish entities

The Collective Agreement of the Group's Spanish entities entered into on 2 February 2012 established a supplementary employee welfare system for current employees meeting certain conditions, which was instrumented through a defined contribution pension plan. This pension plan covers the following contingencies: retirement, death and permanent disability (total, absolute or severe disability). The Group's Spanish entities assumed the obligation of making an annual contribution of EUR 640 for each employee participating in the plan (the amount of this contribution may be reviewed subject to mutual agreement between the parties). In 2015 the contributions made in this connection amounted to EUR 337 thousand (2014: EUR 341 thousand) and were recognised with a charge to “Administrative Expenses - Staff Costs” in the accompanying consolidated income statement (see Note 40).

ii. Post-employment benefits: Defined benefit plans - Spanish entities

The Group has classified the following obligations of the Spanish entities as defined benefit plans:

Santander Consumer Finance, S.A.

- Pension obligations under the Banking Collective Agreement to current employees, employees who took pre-retirement prior to May 1996 (including future insurance premiums for disability and surviving spouse/child benefits) and retired employees, which are covered in full by an internal provision.

- Life insurance guaranteed to retired employees from Banco de Fomento, S.A., covered by an insurance policy (that does not meet the requirements for externalisation) taken out with a non-related entity (Axa España, S.A.). The present value of future premiums is covered by an internal provision.

- Company store and coal and gas benefits guaranteed to retired employees by virtue of the Internal Regulations of Banking Company Stores, which are covered by an internal provision.

Santander Consumer, E.F.C., S.A.

- Pension obligations under the Banking Collective Agreement to pre-retirees (including future insurance premiums for disability and surviving spouse/child benefits for employees who took pre-retirement prior to May 1996) and employees who retired prior to May 1996, which are covered in full by an internal provision.

The present value of the obligations assumed by the Spanish consolidated entities in relation to post-employment benefits at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations:		
To current employees	179	161
Vested obligations to retired employees and pre-retirees	32,223	32,491
Other obligations to retired employees	186	198
Provisions - Provisions for pensions and similar obligations (Note 2-q)	**32,588**	**32,850**

The present value of the obligations was determined by independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

	2015	2014
Annual discount rate	1%	1.5%
Mortality tables	PERM/F-2000P	PERM/F-2000P
Cumulative annual CPI growth	1%	1.5%
Annual salary increase rate	1%	2.5%
Annual social security pension increase rate	1%	1.5%

The discount rate used for the flows was determined by reference to high-quality corporate bonds.

3. The estimated retirement age of each employee is the earliest at which the employee is entitled to retire or the agreed-upon age, as appropriate.

The amounts recognised in the consolidated income statements in relation to these pension obligations in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
	Expense/(Income)	
Current service cost (Notes 2-q and 40)	82	81
Net interest cost (Note 32)	406	798
Extraordinary charges		
Past service cost	122	279
Return premiums received on defined contribution pension plans	(38)	(43)
Amount recognised in the year	**572**	**1,115**

In addition, in 2015 a net charge of EUR 1,205 thousand with respect to defined benefit obligations was recognised under "Valuation Adjustments - Other Valuation Adjustments" (2014: a net charge of EUR 2,031 thousand).

The changes in 2015 and 2014 in the present value of the accrued defined benefit obligations of the Spanish entities in the Group were as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations at beginning of year	32,850	31,435
Current service cost (Notes 40 and 2-q)	82	81
Interest cost (Note 32)	406	798
Pre-retirements	-	-
Effect of curtailments/settlements	-	-
Benefits paid	(2,593)	(2,644)
Past service cost	122	279
Actuarial (gains)/losses (Note 2-q) (*)	1,721	2,901
Other	-	-
Present value of the obligations at end of year	**32,588**	**32,850**

(*) Including in 2015 demographic actuarial losses of EUR 272 thousand (2014: gains of EUR 753 thousand) and financial actuarial losses of EUR 1,449 thousand (2014: losses of EUR 3,654 thousand) in the post-employment plans.

iii. Other long-term benefits - Spanish entities

The long-term benefit obligations (other than post-employment benefit obligations) guaranteed by the Spanish subsidiaries of the Group and classified as defined benefit plans are as follows:

Santander Consumer Finance, S.A.

- Obligations to pre-retirees until the effective date of retirement, which are covered by an internal provision.

- Life insurance guaranteed to pre-retirees, by virtue of the Group's Collective Agreement, taken out with a non-related entity (Generali España, Sociedad Anónima de Seguros y Reaseguros). The present value of future premiums is covered by an internal provision.

- Health insurance guaranteed to pre-retirees by virtue of the Group's Collective Agreement. The present value of future premiums is covered by an internal provision.

- Long-service bonus guaranteed to current employees, by virtue of the Group's Collective Agreement, which is covered by an internal provision.

Santander Consumer, E.F.C., S.A.

- Obligations to pre-retirees until the effective date of retirement, which are covered by an internal provision.

- Life insurance guaranteed to pre-retirees, by virtue of individual pre-retirement agreements and/or the Group's Collective Agreement, taken out with a non-related entity (Generali España, Sociedad Anónima de Seguros y Reaseguros). The present value of future premiums is covered by an internal provision.

- Health insurance guaranteed to pre-retirees by virtue of the Group's Collective Agreement. The present value of future premiums is covered by an internal provision.

- Long-service bonus guaranteed to current employees, by virtue of the Group's Collective Agreement, which is covered by an internal provision.

Santander Consumer Renting, S.L.

- Obligations to pre-retirees until the effective date of retirement, which are covered by an internal provision.

- Life insurance guaranteed to pre-retirees, by virtue of the Group's Collective Agreement, taken out with a non-related entity (Generali España, Sociedad Anónima de Seguros y Reaseguros). The present value of future premiums is covered by an internal provision.

- Health insurance guaranteed to pre-retirees by virtue of the Group's Collective Agreement. The present value of future premiums is covered by an internal provision.

The present value of the aforementioned obligations at 31 December 2015 and 2014 was as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations:		
To pre-retirees	61,290	68,800
Long-service bonuses	193	188
Provisions - Provisions for pensions and similar obligations (Note 2-r)	**61,483**	**68,988**

The present value of the obligations was determined by qualified independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method.

2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

	2015	2014
Annual discount rate	1%	1.5%
Mortality tables	PERM/F-2000P	PERM/F-2000P
Cumulative annual CPI growth	1%	1.5%
Annual increase in pre-retirements	1%	0% - 1.5%
Annual bonus increase rate	1%	1.5%

   The discount rate used for the flows was determined by reference to high-quality corporate bonds.

3. The estimated retirement age of each employee is the earliest at which the employee is entitled to retire or the agreed-upon age, as appropriate.

The amounts recognised in the consolidated income statements for 2015 and 2014 in relation to these long-term obligations were as follows:

	Thousands of Euros	
	2015	2014
	Expense/(Income)	
Current service cost (Note 40)	10	9
Net interest cost (Note 32)	809	1,756
Expected return on insurance contracts linked to pensions	-	-
Extraordinary charges		
Actuarial (gains)/losses recognised in the year	349	3,449
Past service cost	-	-
Pre-retirement cost	3,436	3,246
Curtailments/settlements	(316)	-
Amount recognised in the year	**4,288**	**8,460**

The changes in 2015 and 2014 in the present value of the accrued obligations for other long-term benefits at the Spanish entities in the Group were as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations at beginning of year	68,988	72,280
Current service cost (Note 40)	10	9
Interest cost (Note 32)	809	1,756
Pre-retirement cost	3,436	3,246
Effect of curtailments/settlements	(316)	-
Benefits paid	(11,721)	(11,934)
Past service cost	-	-
Actuarial (gains)/losses recognised in the year	349	3,449
Other	(72)	182
Present value of the obligations at end of year	**61,483**	**68,988**

iv. Post-employment benefits – Other foreign subsidiaries

Certain of the consolidated foreign entities have acquired obligations to their employees similar to post-employment benefits and other long-term benefits. The technical assumptions **applied** by these companies (discount rates, mortality tables, cumulative annual CPI growth, etc.) in their actuarial estimates of these obligations are consistent with the economic and social conditions prevailing in the countries in which they are located.

The detail of the present value of these obligations at 31 December 2015 and 2014, net of the assets that meet the requirements established in the applicable legislation in order to qualify as plan assets, is as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations:	520,541	506,475
Of which:		
Germany	*410,171*	*401,512*
Less-		
Plan assets	(56,484)	(43,665)
Provisions - Provisions for pensions and similar obligations (Note 2-q)	**464,057**	**462,810**

The most significant actuarial assumptions used by the Group companies located in Germany in estimating the value of their obligations were as follows:

	2015	2014
Annual discount rate	2.20%	2.20%
Mortality tables	R2005G of Heubeck-Richttafeln	R2005G of Heubeck-Richttafeln
Cumulative annual CPI growth	2.00%	2.00%
Annual salary increase rate	2.75%	2.75%
Annual social security pension increase rate	2.00%	2.00%
Estimated retirement age	60/63(M/F)	60/63(M/F)

The discount rate used for the flows was determined by reference to high-quality corporate bonds.

The amounts recognised in the consolidated income statements for 2015 and 2014 in relation to these defined benefit pension obligations of the Group's foreign entities were as follows:

	Thousands of Euros	
	2015	2014
	Expense/(Income)	
Current service cost (Note 40)	14,398	10,283
Net interest cost (*)	10,777	13,960
Extraordinary charges		
Past service cost	834	4
Pre-retirements	(152)	-
Effect of curtailments/settlements	(166)	(7,332)
Expected return on plan assets (*)	(988)	(1,181)
Amount recognised in the year	**24,703**	**15,734**

(*) These items are recognised at their net amount (2015: EUR 9,789 thousand; 2014: EUR 12,779 thousand) under "Interest Expense and Similar Charges" in the consolidated income statement (see Note 32).

In addition, in 2015 a net credit of EUR 11,582 thousand with respect to the defined benefit obligations of the Group's foreign companies was recognised under "Valuation Adjustments – Other Valuation Adjustments" (2014: a net charge of EUR 65,514 thousand).

The changes in 2015 and 2014 in the present value of the accrued defined benefit obligations of the Group's foreign companies, and in the plan assets, were as follows:

	Thousands of Euros	
	2015	2014
Present value of the obligations at beginning of year	506,475	379,635
Net inclusion/(exclusion) of entities in/(from) the Group	25,527	24,443
Current service cost (Note 40)	14,398	10,283
Interest cost (Note 32)	10,777	13,960
Pre-retirements	(152)	-
Effect of curtailments/settlements	(166)	(7,332)
Benefits paid	(13,865)	(11,712)
Past service cost	834	4
Actuarial (gains)/losses (*)	(22,045)	97,998
Exchange differences, transfers and other items	(1,242)	(804)
Present value of the obligations at end of year	**520,541**	**506,475**

(*) Including in 2015 demographic actuarial losses of EUR 1,951 thousand (2014: losses of EUR 16,843 thousand) and financial actuarial gains of EUR 23,996 thousand (2014: financial actuarial losses of EUR 85,763 thousand).

The changes in 2015 and 2014 in the fair value of the plan assets associated with these defined benefit obligations of the Group's foreign subsidiaries were as follows:

	Thousands of Euros	
	2015	2014
Fair value of plan assets at beginning of year	43,665	30,027
Net inclusion (exclusion) of entities in (from) the Group	9,721	13,535
Expected return on plan assets	988	1,181
Actuarial gains/(losses) arising in the year	561	(3,263)
Contributions	4,022	4,343
Benefits paid	(2,302)	(677)
Exchange differences and other items	(171)	(1,481)
Fair value of plan assets at end of year	**56,484**	**43,665**

Also, certain foreign entities have defined contribution plans (mainly Santander Consumer Bank, S.p.A., Santander Consumer Bank AS, Santander Consumer Bank, AG, Santander Consumer Finance Benelux, B.V. and Santander Consumer France, S.A.). The contributions made to these plans in 2015 amounted to EUR 17,040 thousand (2014: EUR 9,285 thousand), which were recognised under “Administrative Expenses - Staff Costs” in the consolidated income statement (see Note 40).

v. Sensitivity analysis

Changes in the main assumptions used in the valuation can affect the calculation of the obligations. At 31 December 2015, if the discount rate used had been decreased or increased by 50 bp, there would have been an increase or decrease in the present value of the post-employment obligations of +/-10% and an increase or decrease in the present value of the long-term obligations of +/-5%.

vi. Statement of provisions for pensions in 2015 and the four preceding years

The situation of the defined benefit obligations at the end of 2015 and the four preceding years was as follows:

Spanish entities-

	Thousands of Euros									
	Post-Employment Benefits					Other Long-Term Employee Benefits				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Present value of the obligations:										
To current employees	179	161	115	78	73	-	-	-	-	-
Vested obligations to retired employees	32,223	32,491	31,131	30,610	31,308	-	-	-	-	-
To pre-retirees	-	-	-	-	-	61,290	68,800	72,108	73,386	83,481
Long-service bonuses and other obligations	-	-	-	-	-	193	180	172	155	151
Other	186	198	189	189	780	-	-	-	-	-
Provisions - Provisions for pensions	**32,588**	**32,850**	**31,435**	**30,877**	**32,161**	**61,483**	**68,988**	**72,280**	**73,541**	**83,632**
Of which:										
Insurance contracts linked to pensions	-	-	-	-	*27,316*	-	-	-	-	*422*

Foreign entities-

	Thousands of Euros				
	2015	2014	2013	2012	2011
Present value of the obligations	520,541	506,475	379,635	360,981	299,773
Less-					
Fair value of plan assets	(56,484)	(43,665)	(30,027)	(25,544)	(22,578)
Provisions - Provisions for pensions	**464,057**	**462,810**	**349,608**	**335,437**	**277,195**

23. Tax matters

a) Current tax receivables and payables

The balance of “Tax Assets - Current” in the consolidated balance sheets as at 31 December 2015 and 2014 includes basically income tax prepayments made by the consolidated entities to the public authorities of the countries in which they reside. The balance of “Tax Liabilities - Current” in the consolidated balance sheet includes the liability for the various taxes applicable to the Group.

b) Reconciliation of the accounting profit to the income tax expense recognised in the consolidated income statement

The reconciliation of the consolidated accounting profit to the income tax expense in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Consolidated profit (loss) before tax	1,501,925	-	824,299	*(26,282)*
Accounting profit multiplied by income tax rate (*)	*450,578*	-	*247,290*	*(7,884)*
Permanent differences and adjustments (**)	(119,428)	-	(112,835)	(7,884)
Consolidated income tax expense	331,150	-	134,455	-
Effective tax rate	**22.0%**	-	**16.3%**	-

(*) Calculated using the nominal tax rate applicable to the Bank (30%)

(**) These include the net tax effect of permanent differences at the consolidated entities, differences resulting from the existence of different tax rates in the countries in which the Group operates, the effects of consolidation, prior years' tax adjustments, and the effect of considering the exemptions, tax credits and tax relief based on the jurisdictions in which the Group companies carry on their business.

c) *Deferred taxes*

The balance of “Tax Assets - Deferred” in the consolidated balance sheets as at 31 December 2015 and 2014 includes the balances receivable from the tax authorities in respect of deferred income tax assets. The balance of “Tax Liabilities - Deferred” in the consolidated balance sheets includes the liability for the various deferred taxes at 31 December 2015 and 2014.

The detail of the two balances is as follows:

	Thousands of Euros					
	2015			2014		
	Monetisable	Other	Total	Monetisable	Other	Total
Tax assets	**353,535 (*)**	**427,152**	**780,687**	**324,224 (*)**	**504,668**	**828,892**
Tax losses and tax credits	-	*73,171*	*73,171*	-	68,212	68,212
Temporary differences	*353,535*	*353,981*	*707,516*	324,224	436,456	760,680
Of which:						
Non-deductible provisions	-	*38,457*	*38,457*	-	*32,156*	*32,156*
Valuation of financial instruments	-	*88,462*	*88,462*	-	*108,494*	*108,494*
Tax credit for reinvestment and double taxation of gains on disposal of investments	-	-	-	-	*56,637*	*56,637*
Credit losses	*307,289*	*21,242*	*328,531*	*288,639*	*28,188*	*316,827*
Pensions	*34,229*	*81,995*	*116,224*	*31,208*	*92,005*	*123,213*
Valuation of tangible and intangible assets	*12,017*	*35,686*	*47,703*	*4,378*	*60,854*	*65,232*
Tax liabilities	-	**522,588**	**522,588**	-	**378,086**	**378,086**
Temporary differences	-	*522,588*	*522,588*	-	378,086	378,086
Of which:						
Valuation of financial instruments	-	*94,899*	*94,899*	-	*90,920*	*90,920*
Valuation of tangible and intangible assets	-	*323,664*	*323,664*	-	*66,789*	*66,789*
Gains on disposal of investments	-	-	-	-	*139,193*	*139,193*
Valuation of Group investments	-	*42,699*	*42,699*	-	*41,440*	*41,440*

(*) At 31 December 2015, EUR 133 million of the monetisable tax assets corresponded to Spain (31 December 2014: EUR 123 million) and EUR 221 million corresponded to Italy (31 December 2014: EUR 201 million).

d) Tax recognised in equity

In addition to the income tax recognised in the consolidated income statements, in 2015 and 2014 the Group recognised the following amounts in consolidated equity:

	Thousands of Euros	
	Credits (Charges) to Consolidated Equity	
	2015	2014
Actuarial gains and losses on pension plans	(4,726)	36,617
Cash flow hedges	(2,209)	(6,092)
Available-for-sale financial assets	(1,535)	(387)
Total	**(8,470)**	**(30,138)**

e) Years open for review by the tax authorities

The Bank forms part of the Tax Group headed by Banco Santander, S.A. Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired.

In 2015 notification was received of the final agreed payments relating to the assessments arising from the outcome of the tax audit of the Consolidated Tax Group of the years 2005 to 2007, which were signed partly on an uncontested basis and partly on a contested basis. As the Parent of the Consolidated Tax Group, in accordance with the advice of its external lawyers, Banco Santander, S.A. considers that the aforementioned final agreed payments should not have a material impact on the financial statements as there are sound defence arguments in relation to the appeals filed against them. As a result, no provision has been recognised in this connection.

Also, in 2014 an audit by the tax authorities was initiated at the Consolidated Tax Group in relation to the years up to 2011, and the Consolidated Tax Group has the years subject to that audit and the subsequent years up to and including 2015 open for review in relation to the main taxes applicable to it.

The other entities have the corresponding years open for review, pursuant to their respective tax regulations.

The notes to the separate financial statements of the Group's consolidated entities include other salient information in relation to the tax matters affecting those entities.

Because of the possible different interpretations which can be made of the tax regulations, the outcome of the tax audits of the years open for review may give rise to contingent tax liabilities. However, the Group's tax advisers and the Bank's directors consider that it is unlikely that such tax liabilities will arise, and that in any event the tax charge arising therefrom would not materially affect the Group's consolidated financial statements.

In 2015 there were no developments with a significant impact in connection with the tax disputes at various instances which were pending resolution at 31 December 2015.

24. Registered share capital

On 23 December 2014, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 375,000 thousand by issuing at par 125,000,000 ordinary shares of EUR 3 par value each. This capital increase, which was fully subscribed and paid by the Bank's shareholders on 23 December 2014, was executed in a public deed on 23 December 2014 and registered in the Mercantile Register on 30 December 2014.

Accordingly, at 31 December 2014, the Bank's share capital consisted of 1,779,546,172 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

On 25 March 2015, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 300,000 thousand by issuing at par 100,000,000 ordinary shares of EUR 3 par value each. This capital increase, which was fully subscribed and paid by the Bank's shareholders on 25 March 2015, was executed in a public deed on 26 March 2015 and registered in the Mercantile Register on 10 April 2015.

Consequently, at 31 December 2015, the Bank's share capital, the only share capital included in the accompanying consolidated balance sheet as at that date as a result of the consolidation process, consisted of 1,879,546,172 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. At that date, the Bank’s shareholders were as follows:

	Ownership Interest
Banco Santander, S.A.	63.19%
Holneth, B.V. (*)	25.00%
Fomento e Inversiones, S.A. (*)	11.81%
	100.00%

(*) Santander Group companies.

At 31 December 2015, the capital increases in progress at Group companies and the additional capital authorised by their shareholders at the respective Annual General Meetings were not material at Group level.

25. Share premium

The balance of “Share Premium” in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes the amount paid up by the Bank's shareholders in capital issues in excess of the par value. The Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital at the entities at which it is recognised and does not establish any specific restrictions as to its use.

26. Reserves

The balance of “Shareholders’ Equity - Reserves - Accumulated Reserves” in the accompanying consolidated balance sheets includes the net amount of the accumulated profit or loss attributable to the Group recognised in previous years through the consolidated income statement that, in the distribution of profit, was appropriated to consolidated equity, as well as any own equity instrument issuance expenses and the differences between the selling price of treasury shares and the cost of acquisition thereof, should the Bank perform such transactions, and the distribution of profits to the Bank's shareholders recognised with a charge to reserves.

The balance of “Shareholders' Equity - Reserves - Reserves of Entities Accounted for Using the Equity Method” in the accompanying consolidated balance sheets includes the net amount corresponding to the Group of the undistributed accumulated profit or loss generated in previous years by entities accounted for using the equity method, recognised through the consolidated income statement.

The detail of “Shareholders’ Equity - Reserves - Accumulated Reserves” and “Shareholders' Equity - Reserves - Reserves of Entities Accounted for Using the Equity Method” in the consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Accumulated reserves:		
Legal reserve of the Bank	475,601	437,800
Unrestricted, voluntary and other reserves	1,972,122	1,929,735
Consolidation reserves attributable to the Bank	69,099	73,860
Reserves of subsidiaries	(1,388,245)	(1,629,890)
	1,128,577	**811,505**
Reserves of entities accounted for using the equity method:		
Associates and jointly controlled entities	**198,380**	**174,862**

Legal reserve

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Reserves of subsidiaries

The detail, by company, of “Reserves of Subsidiaries”, based on the subsidiaries' contribution to the Group (considering the effect of consolidation adjustments), is as follows:

	Thousands of Euros	
	2015	2014
Santander Consumer, E.F.C., S.A. (Spain)	(132,354)	(155,165)
Santander Consumer Holding GmbH (Germany)	(1,993,682)	(2,027,603)
Santander Consumer Bank S.p.A. (Italy)	(265,987)	(289,220)
Santander Consumer Bank AS (Norway)	247,345	115,845
Santander Consumer Bank AG (Germany)	416,779	421,349
Other companies	339,654	304,904
	(1,388,245)	**(1,629,890)**

27. Valuation adjustments

The balances of "Valuation Adjustments" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 include the amounts, net of any related tax effect, of the adjustments to assets and liabilities recognised temporarily in consolidated equity through the consolidated statement of recognised income and expense until they are extinguished or realised, when they are recognised definitively in the consolidated income statement, with the exception of actuarial gains and losses arising from defined benefit post-employment obligations, which will not be transferred to the consolidated income statement.

"Valuation Adjustments" includes the following items:

a) Available-for-sale financial assets

The balance of "Valuation Adjustments - Available-for-Sale Financial Assets" includes the net amount of unrealised changes in the fair value of financial assets classified as available for sale.

The changes in 2015 and 2014, disregarding the valuation adjustments attributable to non-controlling interests, were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	(1,637)	(1,145)
Revaluation gains/(losses)	20,529	8
Amounts transferred to consolidated income statement	913	(113)
Income tax	(1,535)	(387)
Balance at end of year	**18,270**	**(1,637)**
Of which:		
Equities	*17,799*	-
Fixed-income securities	*471*	*(1,637)*

b) Cash flow hedges

The balance of “Valuation Adjustments - Cash Flow Hedges” includes the net amount of the changes in value of financial derivatives designated as hedging instruments in cash flow hedges, in respect of the portion of these changes considered to be effective hedges (see Note 11).

The changes in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	(8,525)	(12,502)
Revaluation gains/(losses)	(19,685)	(32,607)
Amounts transferred to consolidated income statement	28,414	42,676
Income tax	(2,209)	(6,092)
Balance at end of year (Note 30)	**(2,005)**	**(8,525)**

c) Exchange differences

The balance of “Valuation Adjustments - Exchange Differences” includes the net amount of exchange differences arising on non-monetary items whose fair value is adjusted against equity and the differences arising on the translation to euros of the balances of the consolidated entities whose functional currency is not the euro (see Note 2-a).

d) Other valuation adjustments

The balance of “Valuation Adjustments - Other Valuation Adjustments” includes the actuarial gains and losses and the return on plan assets, less the administrative expenses and taxes inherent to the plan, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net liability (asset) relating to the defined benefit post-employment obligations of the consolidated companies.

Changes in “Valuation Adjustments - Other Valuation Adjustments” are recognised in the consolidated statement of recognised income and expense. The most significant changes in 2015 related mainly to the variations in the main actuarial assumptions of the Norwegian subsidiary, namely the increase in the discount rate from 2.30% to 2.50%, a 0.25% reduction in the salary growth rate assumption, a higher-than-estimated return on plan assets, and a staff turnover and a salary increase rate that were higher and lower, respectively, than initially estimated (2014: the changes related mainly to the variations in the main actuarial assumptions of the German subsidiary (decrease in the discount rate from 3.50% to 2.20%) and to exchange rate fluctuations (depreciation of the Norwegian krone)).

e) Hedges of net investments in foreign operations

The balance of “Valuation Adjustments - Hedges of Net Investments in Foreign Operations” in consolidated equity includes the net amount of the changes in the derivatives arranged by the Group and designated as hedging instruments considered to be effective in hedges of this type. The changes therein in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	(3,391)	-
Revaluation gains/(losses)	25,284	(3,391)
Amounts transferred to consolidated income statement	-	-
Balance at end of year	**21,893**	**(3,391)**

28. Non-controlling interests

"Non-Controlling Interests" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes the net amount of the equity of subsidiaries attributable to equity instruments that are not held, directly or indirectly, by the Group, including the portion attributed to them of the consolidated profit for the year.

The detail, by Group company, of "Non-Controlling Interests" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Santander Consumer Finance Media, S.r.L.	2,639	2,699
Suzuki Servicios Financieros, S.L.	1,857	1,520
Banca PSA Italia S.p.A.	5,000	-
Société Financière de Banque - SOFIB, S.A.	461,683	-
Financiera El Corte Inglés, E.F.C., S.A.	105,039	103,713
PSA Lion Deutschland GmbH	3,452	-
PSA Financial Services, Spain, E.F.C., S.A.	180,802	-
	760,472	107,932
Profit (loss) for the year attributable to non-controlling interests:		
Santander Consumer Finance Media, S.r.l.	*(47)*	*(60)*
Suzuki Servicios Financieros, S.L.	*157*	*337*
Société Financière de Banque - SOFIB, S.A.	*77,937*	-
Financiera El Corte Inglés, E.F.C., S.A.	*26,100*	*24,968*
PSA Financial Services, Spain, E.F.C., S.A.	*6,840*	-
	110,987	25,245
	871,459	**133,177**

The changes in 2015 and 2014 in "Non-Controlling Interests" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2015	2014
Balance at beginning of year	133,177	4,219
Change in percentages of ownership	652,730 (*)	103,713 (**)
Dividends	(23,643)	-
Exchange differences and other	(1,792)	-
Profit for the year attributable to non-controlling interests	110,987	25,245
Balance at end of year	**871,459**	**133,177**

(*) Relates to the 50% ownership interest in the subsidiaries Société Financière de Banque - SOFIB, S.A., PSA Lion Deutschland GmbH, Banca PSA Italia S.p.A. and PSA Financial Services, Spain, E.F.C., S.A. held by the Banque PSA Finance Group (see Note 3-b).

(**) Corresponds to the 49% of the subsidiary Financiera El Corte Inglés, E.F.C., S.A. held by El Corte Inglés, S.A. (see Note 3-b).

29. Memorandum items

The detail of the balances recognised under "Memorandum Items" in the consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Contingent liabilities:		
Bank guarantees and other indemnities	658,933	753,761
Of which:		
Credit institutions	*534,790*	*616,355*
Other sectors	*124,143*	*137,406*
Other contingent liabilities	-	696
	658,933	**754,457**
Contingent commitments:		
Drawable by third parties	20,224,591	18,931,917
Of which:		
Drawable by credit institutions (*)	921,603	1,606,780
Other sectors	19,302,988	17,325,137
Other contingent commitments	231,996	189,928
	20,456,587	**19,121,845**

(*) Relates mainly to credit facilities granted to Group associates and jointly controlled entities, and to Banco Santander, S.A.

a) Contingent liabilities

"Contingent Liabilities" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes the amounts that would be payable by the consolidated entities on behalf of third parties as a result of the commitments assumed by those entities in the course of their ordinary business, if the parties who are originally liable to pay failed to do so.

A significant portion of these guarantees will expire without any payment obligation materialising for the consolidated entities and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

Income from guarantee instruments is recognised under "Fee and Commission Income" in the accompanying consolidated income statements and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

b) Contingent commitments

"Contingent Commitments" in the accompanying consolidated balance sheets as at 31 December 2015 and 2014 includes those irrevocable commitments that could give rise to the recognition of financial assets.

30. Notional amounts of trading and hedging derivatives

The detail of the notional and/or contractual amounts and market values of the trading and hedging derivatives held by the Group at 31 December 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Notional Amount	Net Market Value: Debit/(Credit) Balance	Notional Amount	Net Market Value: Debit/(Credit) Balance
Trading derivatives:				
Interest rate risk-				
Interest rate swaps	3,451,562	(4,003)	7,659,033	(281,567)
Options and futures	-	-	-	-
Foreign currency risk-				
Currency swaps	2,202,707	7,049	2,174,109	19,257
	5,654,269	3,046	9,833,142	(262,310)
Hedging derivatives:				
Interest rate risk-				
Interest rate swaps	16,354,824	(228,927)	13,798,737	113,672
Foreign currency risk-				
Foreign currency purchases and sales	2,107,030	110,876	1,277,891	1,227
Currency swaps	3,425,767	48,873	1,849,728	-
	21,887,621	(69,178)	16,926,356	114,899
	27,541,890	**(66,132)**	**26,759,498**	**(147,411)**

The detail, by residual maturity period, of the notional and/or contractual amounts of the trading and hedging derivatives held by the Group at 31 December 2015 and 2014 is as follows:

Trading derivatives-

	2015				
	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Interest rate swaps (IRSs)	908,067	1,338,350	1,100,845	104,300	3,451,562
Currency swaps	1,100,753	1,101,954	-	-	2,202,707
Total	**2,008,820**	**2,440,304**	**1,100,845**	**104,300**	**5,654,269**

	2014				
	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Interest rate swaps (IRSs)	2,408,052	5,169,919	81,062	-	7,659,033
Currency swaps	863,965	1,310,144	-	-	2,174,109
Total	**3,272,017**	**6,480,063**	**81,062**	**-**	**9,833,142**

Hedging derivatives-

	2015				
	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Interest rate swaps (IRSs)	5,457,607	7,265,795	1,721,623	1,909,799	16,354,824
Currency swaps	3,945,496	1,587,301	-	-	5,532,797
Total	**9,403,103**	**8,853,096**	**1,721,623**	**1,909,799**	**21,887,621**

	2014				
	Thousands of Euros				
	Less than 1 Year	1 to 5 Years	5 to 10 Years	More than 10 Years	Total
Interest rate swaps (IRSs)	6,007,750	7,440,987	350,000	-	13,798,737
Currency swaps	2,137,008	910,764	79,847	-	3,127,619
Total	**8,144,758**	**8,351,751**	**429,847**	**-**	**16,926,356**

The notional and/or contractual amounts of the contracts entered into (shown above) do not reflect the actual risk assumed by the Group, since the net position in these financial instruments is the result of offsetting and/or combining them. This net position is used by the Group basically to hedge the interest rate, underlying asset price or foreign currency risk. The results on these financial instruments are recognised under “Gains/Losses on Financial Assets and Liabilities (Net)” in the consolidated income statements or increase or offset, as appropriate, the gains or losses on the investments hedged.

The fair value of the derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement.

Following is a description of the main hedges (including the results of the hedging instrument and the hedged item attributable to the hedged risk):

i. Fair value hedges

Fair value hedges are used to reduce the changes in the fair value (attributable to interest rate risk) of the hedged items. The overall aim of these hedges is to use interest rate derivatives to convert the fixed interest rate of net hedged assets to a floating interest rate.

At 2015 year-end, the Group held IRS contracts with a nominal amount of EUR 3,700 million (31 December 2014: EUR 2,700 million), the fair value of which represented a gain of EUR 9,674 thousand at that date (31 December 2014: EUR 37,737 thousand), which was offset by the loss of the same amount on the hedged items, which is recognised under “Financial Liabilities at Amortised Cost - Marketable Debt Securities” in the consolidated balance sheet (see Note 19).

In addition, at consolidated level the Group has arranged fair value macrohedges of the interest rate risk of portfolios of financial assets granted. The adjustment to the fair value of the hedged financial assets (long-term, fixed rate loans) was recognised under “Changes in the Fair Value of Hedged Items in Portfolio Hedges of Interest Rate Risk” on the asset side of the accompanying consolidated balance sheets with a charge or credit to “Gains/Losses on Financial Assets and Liabilities (Net)” in the accompanying consolidated income statements. This adjustment is offset by an adjustment of the opposite sign -arising from the measurement of the hedging derivatives (IRSs) associated with the hedged financial assets, the notional amount of which was EUR 12,305 million at 31 December 2015- recognised in “Gains/Losses on Financial Assets and Liabilities (Net)” in the accompanying consolidated income statement.

In 2015 the Group recognised losses amounting to EUR 4,951 thousand under “Gains/Losses on Financial Assets and Liabilities (Net) - Other” in the accompanying consolidated income statement for 2015 (2014: losses amounting to EUR 9,564 thousand), which relate to the ineffective portions of these macrohedges (see Note 36).

ii. Cash flow hedges

Cash flow hedges are used to reduce the variability in the cash flows of the hedged transactions. These hedges use interest rate swaps to convert the variability of the interest rates at which short-term financial liabilities are amortised.

The changes in the fair value of the IRSs associated with the hedged items, discounting the portion already accrued and recognised in the consolidated income statement, amounted to EUR -2,005 thousand at 31 December 2015 (31 December 2014: EUR -8,525 thousand). This amount was recognised in the Group’s consolidated equity at 31 December 2015 (see Note 27).

iii. Hedges of net investments in foreign operations

As part of its financial strategy, the Group hedges the foreign currency risk arising from its investments in non-euro-zone countries. To this end, it arranges foreign currency derivatives in order to take a long position in euros vis-à-vis the local currency of the investment.

At 31 December 2015, the notional amount of the hedging instruments associated with these investments had a total euro equivalent value of EUR 795,111 thousand.

31. Interest and similar income

"Interest and Similar Income" in the consolidated income statements for 2015 and 2014 includes the interest accruing in the year on all financial assets whose implicit or explicit return is calculated by applying the effective interest method, irrespective of measurement at fair value, with the exception of trading derivatives; and the rectifications of income as a result of hedge accounting. Interest is recognised gross, without deducting any tax withheld at source.

The detail of the main items of interest and similar income earned by the Group in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Balances with the Bank of Spain and other central banks	206	1,152
Loans and advances to credit institutions	33,430	70,046
Debt instruments	4,552	9,326
Loans and advances to customers	3,562,017	3,232,612
Non-performing assets	12,332	24,014
Rectification of income as a result of hedging transactions and other interest	(137,183)	205
	3,475,354	**3,337,355**

Most of the interest and similar income was generated by the Group's financial assets that are measured at amortised cost.

32. Interest expense and similar charges

"Interest Expense and Similar Charges" in the consolidated income statements for 2015 and 2014 includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value, with the exception of trading derivatives; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to provisions for pensions.

The detail of the main items of interest expense and similar charges incurred by the Group in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Deposits from the Bank of Spain and other central banks	5,003	2,709
Deposits from credit institutions	100,665	161,290
Customer deposits	319,051	468,078
Marketable debt securities	246,132	258,194
Subordinated liabilities	35,717	40,933
Provisions for pensions (Notes 2-q, 2-r and 22) (*)	11,004	15,333
Rectification of expenses as a result of hedging transactions	(20,292)	153,554
Other interest	15,063	20,503
	712,343	**1,120,594**

(*) Includes the interest on post-employment and other long-term benefits of Spanish entities, amounting to EUR 406 thousand and EUR 809 thousand, respectively, in 2015 (2014: EUR 798 thousand and EUR 1,756 thousand, respectively), and of foreign entities, amounting to EUR 9,789 thousand (2014: EUR 12,779 thousand) (see Note 22).

Most of the interest expense and similar charges were generated by the Group's financial liabilities that are measured at amortised cost.

33. Share of results of entities accounted for using the equity method

“Share of Results of Entities Accounted for Using the Equity Method” in the consolidated income statements for 2015 and 2014 includes the amount of profit or loss attributable to the Group generated during the year by associates and jointly controlled entities.

The detail of this item at 31 December 2015 and 2014 is as follows (see Note 13):

	Thousands of Euros	
	2015	2014
Santander Consumer Bank S.A. (Poland)	40,186	18,272
Bank of Beijing Consumer Finance Company	14,129	7,688
Santander Benelux, S.A./N.V.	-	7,241
Fortune Auto Finance Co., Ltd	4,796	-
Konecta BTO, S.L.	4,130	3,691
Other companies	7,889	4,639
	71,130	**41,531**

34. Fee and commission income

The balance of “Fee and Commission Income” in the consolidated income statements for 2015 and 2014 comprises the amount of the fees and commissions earned in the year, except those that form an integral part of the effective interest rate on financial instruments, which are recognised under “Interest and Similar Income” in the accompanying consolidated income statements.

The detail of “Fee and Commission Income” in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Collection and payment services:		
Bills	1,584	1,732
Demand accounts	14,011	15,215
Cards	83,859	100,684
Cheques and orders	28,491	53,438
	127,945	171,069
Marketing of non-banking financial products:		
Investment and pension funds	13,594	11,363
Insurance	712,187	644,370
Other	7,787	4,940
	733,568	660,673
Securities services:		
Securities trading	21,614	-
Administration and custody	3,783	4,401
	25,397	4,401
Other:		
Financial guarantees	4,480	3,797
Other fees and commissions	226,910	240,761
	231,390	244,558
	1,118,300	**1,080,701**

35. Fee and commission expense

The balance of “Fee and Commission Expense” in the consolidated income statements for 2015 and 2014 comprises the amount of fees and commissions paid or payable by the Group accruing in the year, except those that form an integral part of the effective interest rate on financial instruments, which are recognised under “Interest Expense and Similar Charges” in the accompanying consolidated income statements.

The detail of “Fee and Commission Expense” in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Brokerage fees on lending and deposit transactions	20,680	17,875
Fees and commissions assigned in respect of off-balance-sheet risks	30	926
Fees and commissions assigned for collection and return of bills	10,073	6,312
Fees and commissions assigned in other connections	9,746	8,254
Fees and commissions assigned for cards	29,414	31,416
Fees and commissions assigned for securities	19,256	19,761
Fees and commissions assigned to intermediaries	50,566	51,692
Other fees and commissions for placement of insurance	65,437	52,011
Other fees and commissions	87,314	80,271
	292,516	**268,518**

36. Gains/losses on financial assets and liabilities (net)

The detail, by origin, of "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
	Income/(Expenses)	
Financial assets/liabilities held for trading	2,325	5,879
Other financial instruments at fair value through profit or loss	-	-
Financial instruments not measured at fair value through profit or loss	(3,566)	7,918
Other (Note 30)	(4,951)	(9,564)
	(6,192)	**4,233**

37. Exchange differences (net)

"Exchange Differences (Net)" in the consolidated income statements for 2015 and 2014 includes basically the gains or losses on currency trading, the differences that arise on translating monetary items in foreign currencies to the functional currency, and those disclosed on non-monetary assets in foreign currency at the time of their disposal.

38. Other operating income

The detail of “Other Operating Income” in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Sales and income from the provision of non-financial services (*)	228,977	72,161
Other	56,903	52,463
	285,880	**124,624**

(*) Relates mainly to the income from vehicle operating leases in Spain; as from 2015 this item also includes the income from vehicle operating leases of the subsidiary Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.).

39. Other operating expenses

The detail of “Other Operating Expenses” in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Contributions to deposit guarantee funds and other national resolution funds (Note 1-g)	47,497	27,835
Changes in inventories (*)	217,208	61,159
Other	38,860	38,692
	303,565	**127,686**

(*) Relates mainly to the expenses associated with the vehicle operating lease business in Spain; as from 2015 this item also includes the expenses associated with the vehicle operating lease business of the subsidiary Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.).

40. Staff costs

“Staff Costs” in the consolidated income statements for 2015 and 2014 includes the remuneration accruing in the year in any respect to permanent or temporary employees on the payroll, regardless of their functions or duties.

The detail of “Staff Costs” at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Wages and salaries	468,099	396,328
Social security costs	86,760	75,358
Additions to pension provisions (Note 22) (*)	14,490	10,373
Contributions to defined contribution pension funds (Note 22)	17,377	9,626
Contributions to plans - Spanish entities	*337*	*341*
Contributions to plans - foreign entities	*17,040*	*9,285*
Share-based payment costs	201	916
Other staff costs	52,914	23,698
Termination benefits	1,567	3,496
	641,408	**519,795**

(*) Of which:

- In 2015, EUR 82 thousand relate to "current service cost of defined benefit post-employment obligations - Spanish entities" (2014: EUR 81 thousand) (see Notes 2-q and 22).
- In 2015, EUR 14,398 thousand relate to "current service cost of defined benefit post-employment obligations - foreign entities" (2014: EUR 10,283 thousand) (see Notes 2-q and 22).
- In 2015, EUR 10 thousand relate to "current service cost of other long-term defined benefit obligations - Spanish entities" (2014: EUR 9 thousand) (see Notes 2-r and 22).

The average number of employees at the Group in 2015 and 2014, by professional category, was as follows:

	Average Number of Employees	
	2015	2014
The Bank:		
Senior executives	1	1
Middle management	-	-
Clerical staff	7	6
	8	7
Other companies (*)	8,834	8,726
	8,842	**8,733**

(*) The number for 2014 does not include the personnel assigned to discontinued operations.

The functional breakdown, by gender, of the number of employees at the Group at 31 December 2015 and 2014 is as follows:

	2015			2014		
	Total	Men	Women	Total	Men	Women
Senior executives	103	88	15	97	82	15
Middle management	681	485	196	464	344	120
Clerical staff and other	8,564	3,942	4,622	7,567	3,534	4,033
	9,348	**4,515**	**4,833**	**8,128**	**3,960**	**4,168**

At 31 December 2015 and 2014, the Board of Directors of the Bank had ten members, of whom two were women.

The labour relations between employees and the various Group companies are governed by the related collective agreements or similar regulations.

41. Other general administrative expenses

The detail of "Other General Administrative Expenses" in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Property, fixtures and supplies	104,335	96,168
Other administrative expenses	37,157	39,243
Communications	48,460	49,554
Taxes other than income tax	26,448	14,989
Technology and systems	189,346	155,593
Public relations, advertising and publicity	86,862	75,808
Per diems and travel expenses	15,886	12,206
Outside services	229,775	187,386
Technical reports	56,062	52,717
Insurance premiums	3,925	2,885
Surveillance and cash courier services	398	526
	798,654	**687,075**

"Technical reports" in the foregoing table includes the fees paid for the services provided by the auditor of the Bank and of certain Group companies, the detail being as follows:

	Millions of Euros	
	2015	2014
Audit fees	5.4	4.6
Other attest services	4.4	2.0
Tax counselling services	0.4	-
Other services	0.8	0.3
Total	**11**	**6.9**

The services commissioned from the auditor of the Bank and of the consolidated financial statements meet the independence requirements stipulated in the Consolidated Spanish Audit Law (Legislative Royal Decree 1/2011, of 1 July) and in the related implementing regulations, and in the Sarbanes-Oxley Act of 2002, and they did not involve the performance of any work that is incompatible with the audit function.

42. Impairment losses on other assets

The detail of "Impairment Losses on Other Assets" in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Goodwill and other intangible assets:		
Goodwill (Note 15)	-	-
Other intangible assets (Note 15)	934	114,816
	934	114,816
Other assets:		
Other (*)	979	4,895
	1,913	**119,711**

(*) In 2015 and 2014 no impairment losses or any reversals thereof were recognised with respect to property, plant and equipment (see Note 14).

43. Gains (losses) on disposal of assets not classified as non-current assets held for sale

The detail of "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
	Income/(Expenses)	
Gains:		
Property, plant and equipment and intangible assets (Note 14)	693	2,009
Investments (1)	69,526	246,470
	70,219	248,479
Losses:		
Property, plant and equipment and intangible assets (Note 14)	(4,801)	(5,999)
Investments (Note 3-b)	-	(460)
	(4,801)	(6,459)
	65,418	**242,020**

(1) The balance in 2014 includes EUR 140,081 thousand relating to the sale of the investment in Bank Zachodni WBK, S.A. and EUR 106,389 thousand arising from the measurement at fair value of the Group's 40% ownership interest in Santander Consumer Bank, S.A. (Poland) (see Note 3-b). The figure for 2015 relates to the gain of EUR 69,526 thousand on the sale of the Group's investments in the capital of Grupo Konectanet, S.L. and Konecta Activos Inmobiliarios, S.L. (see Note 3-b).

44. Gains (losses) on non-current assets held for sale not classified as discontinued operations

The detail of "Gains (Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the consolidated income statements for 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
	Income/(Expenses)	
Net gains (losses) on disposals (Note 12):	(5,068)	374
Tangible assets	*(1,051)*	*(1,860)*
Other	*(4,017)*	*2,234*
Impairment losses (net) (Note 12)	(3,928)	(2,008)
	(8,996)	**(1,634)**

45. Discontinued operations

As indicated in Note 12, in 2014 the Bank's directors considered the investment in the subsidiary Santander Consumer Finance Zrt. (Hungary) to be a “discontinued operation”. In 2015 this company was classified as a continuing operation, although this classification did not have a material effect on the consolidated financial statements (see Note 1).

The results generated by discontinued operations in 2014 were as follows:

	Thousands of Euros	
	2015	2014
Interest and similar income	-	3,949
Interest expense and similar charges	-	(5)
Net interest income	-	3,944
Income from equity instruments	-	-
Fee and commission expense	-	(67)
Fee and commission income	-	137
Exchange differences	-	(239)
Other operating income	-	-
Other operating expenses	-	(99)
Gross income	-	3,676
Administrative expenses	-	(4,102)
Depreciation and amortisation charge	-	(23)
Provisions (net)	-	(21,351)
Impairment losses on financial assets (net)	-	(4,481)
Loss from operations	-	(26,281)
Impairment losses on other assets (net)	-	-
Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	(1)
Loss before tax	-	(26,282)
Income tax	-	-
Gains/Losses on disposal of investments	-	-
Loss from discontinued operations	**-**	**(26,282)**

Additionally, following is a detail of the net cash flows attributable to the operating, investing and financing activities of discontinued operations in 2014:

	Thousands of Euros	
	2015	2014
Cash and cash equivalents at beginning of year	-	-
Cash flows from operating activities	-	(24,530)
Cash flows from investing activities	-	10
Cash flows from financing activities	-	24,520
Cash and cash equivalents at end of year	-	-

Loss per share from discontinued operations

The loss per share from discontinued operations, which coincides with the diluted loss per share from those operations, was EUR 0.0159 in 2014 (see Note 4).

46. Other disclosures

a) *Residual maturity periods and average interest rates*

The detail, by maturity, of the balances of certain items in the consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	2015								
	Thousands of Euros								
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2015
Assets:									
Cash and balances with central banks	3,622,250	6,150	-	-	-	-	-	3,628,400	0.01%
Available-for-sale financial assets-									
Debt instruments (Note 7)	1,667	132,953	280,667	2,287,396	450,716	1,001	-	3,154,400	1.68%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	1,759,373	589,390	118,871	381,430	464,663	52,460	-	3,366,187	1.08%
Loans and advances to customers (Note 10)	884,014	4,143,275	7,682,124	12,714,922	32,945,356	12,186,657	-	70,556,348	6.55%
Debt instruments (Note 7)	-	-	-	-	2,023	-	-	2,023	0.01%
	6,267,304	4,871,768	8,081,662	15,383,748	33,862,758	12,240,118	-	80,706,547	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from central banks (Note 17)	-	-	-	417	6,440,666	-	-	6,441,083	0.43%
Deposits from credit institutions (Note 17)	6,333,732	879,981	241,397	365,651	1,212,533	378,165	-	9,411,459	1.24%
Customer deposits (Note 18)	15,670,843	4,837,898	1,580,077	4,100,036	3,207,167	1,640,590	-	31,036,611	0.74%
Marketable debt securities (Note 19)	1,130,376	2,597,931	3,576,519	2,956,180	6,287,752	8,694,201	-	25,242,959	2.13%
Subordinated liabilities (Note 20)	-	22,000	-	143,748	144,500	801,122	-	1,111,370	3.00%
Other financial liabilities (Note 21)	193,355	389,291	10,539	1,736	10,574	34,710	-	640,205	-
	23,328,306	8,705,101	5,408,532	7,466,099	17,277,184	11,548,788	-	73,847,266	
Difference (assets less liabilities)	**(17,061,002)**	**(3,833,333)**	**2,673,130**	**7,917,649**	**16,585,574**	**577,263**	**-**	**6,859,281**	

	2014								
	Thousands of Euros								
	On Demand	Less than 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 Years	Undetermined or Undefined Maturity	Total	Average Interest Rate in 2014
Assets:									
Cash and balances with central banks	1,339,123	6,245	-	-	-	-	-	1,345,368	0.04%
Available-for-sale financial assets-									
Debt instruments (Note 7)	34	579	33	316,100	142,319	967	-	460,032	1.28%
Loans and receivables-									
Loans and advances to credit institutions (Note 6)	2,279,982	1,480,581	541,999	301,182	882,756	2	-	5,486,502	0.97%
Loans and advances to customers (Note 10)	1,397,834	2,151,646	3,078,709	9,014,991	27,629,972	14,172,408	-	57,445,560	6.21%
Debt instruments (Note 7)	-	85,546	-	2,015	-	-	-	87,561	1.91%
	5,016,973	3,724,597	3,620,741	9,634,288	28,655,047	14,173,377	-	64,825,023	
Liabilities:									
Financial liabilities at amortised cost-									
Deposits from central banks (Note 17)	-	570,002	986,149	-	1,400,475	-	-	2,956,626	0.35%
Deposits from credit institutions (Note 17)	139,074	1,689,745	1,565,695	2,258,614	987,711	420,251	-	7,061,090	1.53%
Customer deposits (Note 18)	14,199,314	5,074,408	1,770,511	4,158,170	3,783,916	311,734	-	29,298,053	1.27%
Marketable debt securities (Note 19)	86	1,567,634	2,070,558	5,868,107	2,742,425	6,243,645	-	18,492,455	2.03%
Subordinated liabilities (Note 20)	-	-	-	80,000	354,148	801,420	-	1,235,568	5.61%
Other financial liabilities (Note 21)	72,841	446,411	9,668	24,815	175,196	39,471	-	768,402	-
	14,411,315	9,348,200	6,402,581	12,389,706	9,443,871	7,816,521	-	59,812,194	
Difference (assets less liabilities)	**(9,394,342)**	**(5,623,603)**	**(2,781,840)**	**(2,755,418)**	**19,211,176**	**6,356,856**	**-**	**5,012,829**	

For a proper understanding of the information included in the foregoing tables it should be noted that the tables were prepared taking into consideration the contractual maturities of the financial instruments detailed therein and, therefore, they do not take into account the stability of certain liabilities, such as the current accounts of customers, and the potential for renewal which has historically been a feature of the Group's financial liabilities. Since the tables include only financial instruments at year-end, they do not show the Group's investments or the cash flows generated therefrom, or the cash flows relating to the Bank's results.

b) Equivalent euro value of assets and liabilities

The detail of the equivalent euro value of the main foreign currency balances in the accompanying consolidated balance sheets as at 31 December 2015 and 2014, based on the nature of the related items, is as follows:

	Equivalent Value in Millions of Euros			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Cash and balances with central banks	6	-	34	-
Financial assets/liabilities held for trading	118	113	110	-
Available-for-sale financial assets	940	-	226	-
Loans and receivables	11,175	-	10,693	-
Hedging derivatives	114	1	139	-
Non-current assets held for sale	1	-	55	-
Investments	500	-	434	-
Tangible assets	7	-	5	-
Intangible assets	537	-	548	-
Financial liabilities at amortised cost	-	8,674	-	8,566
Liabilities associated with non-current assets held for sale	-	-	-	21
Other assets and liabilities	180	323	201	408
	13,578	**9,111**	**12,445**	**8,995**

c) Fair value of financial assets and liabilities not measured at fair value

The financial assets owned by the Group are carried at fair value in the accompanying consolidated balance sheets, except for items included under cash and balances with central banks, loans and receivables, equity instruments whose market value, if any, cannot be estimated reliably and derivatives that have these instruments as their underlyings and are settled by delivery thereof, if any.

Similarly, the Group’s financial liabilities -except for financial liabilities held for trading and derivatives-are carried at amortised cost in the accompanying consolidated balance sheets.

i. Financial assets measured at other than fair value

Following is a comparison of the carrying amounts at 31 December 2015 and 2014 of the Group's financial assets measured at other than fair value and their respective fair values at the end of 2015 and 2014:

Assets	Millions of Euros									
	2015					2014				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Loans and receivables:										
Loans and advances to credit institutions	3,366	3,366	-	1,761	1,605	5,486	5,486	-	2,988	2,498
Loans and advances to customers	70,556	71,115	-	11,808	59,307	57,446	59,905	-	9,658	50,247
Debt instruments	2	2	-	2	-	88	88	-	88	-
	73,924	**74,483**	**-**	**13,571**	**60,912**	**63,020**	**65,479**	**-**	**12,734**	**52,745**

ii. Financial liabilities measured at other than fair value

Following is a comparison of the carrying amounts of the Group's financial liabilities measured at other than fair value and their respective fair values at year-end:

Liabilities	Millions of Euros									
	2015					2014				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial liabilities at amortised cost:										
Deposits from central banks and credit institutions	15,853	15,827	-	9,410	6,417	10,018	10,006	-	7,053	2,953
Customer deposits	31,037	31,035	-	-	31,035	29,298	29,355	-	-	29,355
Marketable debt securities	25,243	25,269	2,066	23,203	-	18,492	18,536	2,135	16,401	-
Subordinated liabilities	1,111	1,111	513	598	-	1,236	1,236	-	1,236	-
Other financial liabilities	640	640	-	-	640	768	761	-	-	761
	73,884	**73,882**	**2,579**	**33,211**	**38,092**	**59,812**	**59,894**	**2,135**	**24,690**	**33,069**

iii. Valuation methods and inputs used

The main valuation methods and inputs used in the estimates at 31 December 2015 of the fair values of the financial assets and liabilities in the foregoing tables were as follows:

- Loans and receivables: the fair value was estimated using the present value method. The estimates were made considering factors such as the expected maturity of the portfolio, market interest rates, spreads on newly approved transactions or market spreads -when available-.

- Financial liabilities at amortised cost:

i) The fair value of deposits from central banks was taken to be their carrying amount since they are mainly short-term balances.

ii) Deposits from credit institutions: the fair value was obtained by the present value method using market interest rates and spreads.

iii) Customer deposits: the fair value was estimated using the present value method. The estimates were made considering factors such as the expected maturity of the transactions and the Group's current cost of funding in similar transactions.

iv) Marketable debt securities and subordinated liabilities: the fair value was calculated based on market prices for these instruments -when available- or by the present value method using market interest rates and spreads.

47. Geographical and business segment reporting

a) Geographical segments

This primary level of segmentation, which is based on the Group's management structure, comprises six segments relating to six operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain, Italy, Germany, Scandinavia, France and Other.

The financial statements of each operating segment are prepared by aggregating the figures for the Group's various business units. The basic information used for segment reporting comprises the accounting data of the legal units composing each segment and the data available from the management information systems. All segment financial statements have been prepared on a basis consistent with the accounting policies used by the Group. Consequently, the sum of the figures in the income statements of the various segments is equal to those in the consolidated income statements. With regard to the balance sheet, due to the required segregation of the various business units (included in a single consolidated balance sheet), the amounts lent and borrowed between the units are shown as increases in the assets and liabilities of each business. These amounts relating to intra-Group liquidity are eliminated and are shown in the "Intra-Group Eliminations" column in the table below in order to reconcile the amounts contributed by each business unit to the consolidated Group's balance sheet.

Additionally, for segment presentation purposes, the shareholders' equity shown for each geographical unit is that reflected in the related separate financial statements and is offset as a capital endowment made by the Spain area, which acts as the holding unit for the other businesses; thus, the Group's total shareholders' equity is reflected.

The condensed balance sheets and income statements of the various geographical segments are as follows:

Consolidated Balance Sheet (Condensed)	Thousands of Euros															
	2015								2014							
	Spain	Italy	Germany	Scandinavia	France	Other	Intra-Group Eliminations (*)	Total	Spain	Italy	Germany	Scandinavia	France	Other	Intra-Group Eliminations (*)	Total
Loans and advances to customers	10,803,121	4,820,586	30,575,569	11,808,256	8,359,53	3,575,830	613,447	70,556,34	8,212,235	4,944,893	29,922,924	11,114,222	-	4,899,299	(1,648,013)	57,445,560
Financial assets held for trading	135	-	2,458	57,961		-	65,253	125,80	-	-	5,280	47,055	-	-	97,109	149,444
Debt instruments	1,270,028	407,389	348,097	996,954	132,95	1,000	2	3,156,42	2,023	35	232,536	225,926	-	517,392	(430,319)	547,593
Loans and advances to credit institutions	13,950,905	449,170	1,545,772	1,173,407	699,45	539,331	(14,991,857)	3,366,18	9,823,027	788,485	1,974,337	1,373,236	-	711,007	(9,183,592)	5,486,502
Tangible and intangible assets	139,870	10,672	356,776	83,933	9,81	15,789	1,958,956	2,575,80	200,920	16,007	424,602	88,975	-	47,121	1,823,852	2,601,477
Other asset accounts	1,519,408	345,732	2,915,801	432,454	206,78	320,448	907,512	6,648,14	443,801	348,726	1,935,391	489,183	600	400,297	983,415	4,601,414
Total assets	**27,683,467**	**6,033,549**	**35,744,473**	**14,552,965**	**9,408,55**	**4,452,398**	**(11,446,687)**	**86,428,71**	**18,682,007**	**6,098,146**	**34,495,070**	**13,338,598**	**600**	**6,575,117**	**(8,357,548)**	70,831,990
Customer deposits	267,511	373,904	24,004,458	3,892,593	1,328,17	1,053,595	116,378	31,036,61	243,584	214,110	25,120,938	2,754,085	-	2,494,291	(1,528,955)	29,298,053
Marketable debt securities	15,426,508	300,044	505,433	4,329,293	1,543,14	358,192	2,780,348	25,242,95	9,867,453	136,933	1,012,244	3,538,775	-	1,090,270	2,846,779	18,492,455
Subordinated liabilities	69,844	-	-	-		-	1,041,526	1,111,37	66,178	-	-	2	-	1	1,169,388	1,235,568
Deposits from central banks and credit institutions	11,051,402	4,548,725	6,756,507	4,345,430	4,814,81	2,226,563	(17,890,899)	15,852,54	7,013,407	4,956,013	3,304,490	5,349,187	-	2,044,677	(12,650,058)	10,017,716
Other liability and equity accounts	1,084,891	242,900	895,703	397,304	1,162,41	203,038	313,658	4,299,91	783,419	252,314	1,460,629	358,551	-	(8,812)	1,136,602	3,982,703
Shareholders' equity	(216,689)	567,976	3,582,372	1,588,345	560,00	611,010	2,192,302	8,885,32	707,967	538,775	3,596,769	1,337,997	600	954,690	668,696	7,805,495
Total funds under management	**27,683,467**	**6,033,549**	**35,744,473**	**14,552,965**	**9,408,55**	**4,452,398**	**(11,446,687)**	**86,428,71**	**18,682,007**	**6,098,146**	**34,495,070**	**13,338,598**	**600**	**6,575,117**	**(8,357,548)**	70,831,990

Consolidated Income Statement (Condensed)	2015							2014						
	Spain	Italy	Germany	Scandinavia	France	Other (*)	Total	Spain	Italy	Germany	Scandinavia	France	Other (*)	Total
NET INTEREST INCOME	**429,409**	**215,457**	**943,921**	**684,040**	**330,372**	**159,812**	**2,763,011**	**390,745**	**229,595**	**936,773**	**462,176**	**-**	**197,517**	**2,216,806**
Share of results of entities accounted for using the equity method	4,990	525	8,267	112	281	56,955	71,130	2,150	-	1,435	-	-	37,946	41,531
Net fee and commission income	85,263	36,878	530,344	40,572	72,195	60,532	825,784	87,520	33,082	555,200	25,198	-	111,183	812,183
Gains/losses on financial assets and liabilities (net)	-1,778	269	809	-3,926	-6,623	5,057	-6,192	674	-1,329	-4,574	8,244	-	1,218	4,233
Other operating income and expenses	31,806	-1,675	-28,557	-775	-46	-23,387	-22,634	21,584	2,429	-20,852	6,545	-	-12,291	-2,585
GROSS INCOME	**549,690**	**251,454**	**1,454,784**	**720,023**	**396,179**	**258,969**	**3,631,099**	**502,673**	**263,777**	**1,467,982**	**502,163**	**-**	**335,573**	**3,072,168**
Administrative expenses	-185,781	-86,085	-628,897	-288,790	-147,916	-102,593	-1,440,062	-176,992	-82,519	-622,294	-180,245	-	-144,820	-1,206,870
Staff costs	-71,441	-39,881	-293,118	-141,505	-59,233	-36,230	-641,408	-65,707	-35,913	-273,531	-82,756	-	-61,888	-519,795
Other general administrative expenses	-114,340	-46,204	-335,779	-147,285	-88,683	-66,363	-798,654	-111,285	-46,606	-348,763	-97,489	-	-82,932	-687,075
Depreciation and amortisation charge	-4,151	-6,383	-131,294	-15,206	-2,228	-17,943	-177,205	-3,914	-7,192	-134,032	-11,527	-	-13,012	-169,677
Provisions (net)	-5,685	-31,137	37,809	-1,497	-2,244	-490,432	-493,186	-18,562	-4,586	-2,050	-627	-	-495,531	-521,356
Impairment losses on financial assets (net)	-72,365	-93,842	-150,538	-105,340	-22,296	371,151	-73,230	-67,205	-168,594	-115,086	-102,952	-	-16,805	-470,642
PROFIT OR LOSS FROM OPERATIONS	**281,708**	**34,007**	**581,864**	**309,190**	**221,495**	**19,152**	**1,447,416**	**236,000**	**886**	**594,520**	**206,812**	**-**	**-334,595**	**703,623**
Other gains and losses	-471	-165	-	-934	-405	56,484	54,509	-838	-2,624	17	-	-	124,120	120,675
PROFIT OR LOSS BEFORE TAX	**281,237**	**33,842**	**581,864**	**308,256**	**221,090**	**75,636**	**1,501,925**	**235,162**	**-1,738**	**594,537**	**206,812**	**-**	**-210,475**	**824,298**
PROFIT OR LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**206,621**	**26,186**	**392,743**	**234,255**	**144,944**	**166,026**	**1,170,775**	**174,571**	**6,574**	**402,142**	**149,504**	**-**	**-42,947**	**689,844**
Loss from discontinued operations (net)	-	-	-	-	-	-	-	-	-	-	-	-	-26,282	-26,282
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**206,621**	**26,186**	**392,743**	**234,255**	**144,944**	**166,026**	**1,170,775**	**174,571**	**6,574**	**402,142**	**149,504**	**-**	**-69,229**	**663,562**
Profit or loss attributable to the Parent	**167,901**	**26,233**	**392,743**	**234,255**	**67,007**	**282,636**	**1,170,775**	**144,504**	**6,634**	**402,142**	**149,504**	**-**	**-64,467**	**638,317**

(*) Includes the reconciliation of the segment information to the consolidated financial statements of the Group and corporate activities.

Also, pursuant to the legislation applicable to the Bank, following is a detail:

1. By the geographical areas indicated in the aforementioned legislation, of the balance of "Interest and Similar Income" recognised in the consolidated income statements for 2015 and 2014:

	Thousands of Euros	
	2015	2014
Spain	497,655	492,521
Abroad:		
European Union	2,348,964	2,505,240
OECD countries	628,736	339,594
Other countries	-	-
	2,977,699	2,844,834
Total	**3,475,355**	**3,337,355**

2. Of revenue, by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under "Interest and Similar Income", "Income from Equity Instruments", "Fee and Commission Income", "Gains/Losses on Financial Assets and Liabilities (Net)" and "Other Operating Income" in the consolidated income statements for 2015 and 2014:

	Revenue (Thousands of Euros)					
	Revenue from External Customers		Inter-Segment Revenue		Total Revenue	
	2015	2014	2015	2014	2015	2014
Spain and Portugal	957,192	750,665	280,450	254,364	1,237,642	1,005,029
Italy	376,696	439,489	480	2,516	377,176	442,005
Germany	1,868,194	2,143,528	259,819	212,042	2,128,013	2,355,570
Scandinavia	802,576	533,160	158,957	161,462	961,533	694,620
France	474,112	-	413,148	-	887,260	-
Other	394,651	680,119	36,857	51,705	431,508	731,824
Inter-segment revenue adjustments and eliminations	-	-	(1,149,711)	(682,088)	(1,149,711)	(682,088)
Total	**4,873,421**	**4,546,960**	**-**	**-**	**4,873,421**	**4,546,960**

b) *Business segments*

At the secondary level of segment reporting, the Group is structured into three businesses, one for each of the main products marketed.

The "Automotive" business segment comprises all the businesses related to the financing of new and used vehicles, including operating and finance lease transactions.

The “Consumer Finance and Cards” business segment reflects the income from the consumer finance business not included in the Direct Finance segment, as well as the card financing, issue and management business.

The “Direct Finance” business segment includes the results from the consumer finance business conducted through own channels, with no dealer intermediation.

“Other Business” includes operations that are not included in any of the aforementioned categories, mainly mortgages and the contribution to consolidated results of all the activities performed by the Group related to secured lending, as well as the inventory credit (“crédito stock”) business, which includes the contribution to the Group of all the transactions related to the “crédito stock” product.

The condensed consolidated income statements for 2015 and 2014, by business, are as follows:

Consolidated Income Statement (Condensed)	Thousands of Euros				
	2015				
	Automotive	Consumer Finance and Cards	Direct Finance	Other Business (*)	Total
NET INTEREST INCOME	**1,093,547**	**420,620**	**883,841**	**365,003**	**2,763,011**
Share of results of entities accounted for using the equity method	-	-	-	71,130	71,130
Net fee and commission income	286,377	129,585	255,295	154,527	825,784
Gains/losses on financial assets and liabilities (net)	(78)	(18)	(30)	(6,066)	(6,192)
Other operating income (expenses)	15,412	2,403	947	(41,396)	(22,634)
GROSS INCOME	**1,395,258**	**552,590**	**1,140,053**	**543,198**	**3,631,099**
Administrative expenses	(348,105)	(205,279)	(289,246)	(597,432)	(1,440,062)
Staff costs	(155,047)	(91,432)	(128,831)	(266,098)	(641,408)
Other general administrative expenses	(193,058)	(113,847)	(160,415)	(331,334)	(798,654)
Depreciation and amortisation charge	(42,836)	(25,260)	(35,593)	(73,516)	(177,205)
Provisions	(3,513)	557	(6,562)	(483,668)	(493,186)
Impairment losses on financial assets (net)	(108,893)	(64,448)	(220,313)	320,424	(73,230)
PROFIT (LOSS) FROM OPERATIONS	**891,911**	**258,160**	**588,339**	**(290,994)**	**1,447,416**
Other gains/(losses)	-	-	-	54,509	54,509
PROFIT (LOSS) BEFORE TAX	**891,910**	**258,158**	**588,339**	**(236,482)**	**1,501,925**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**630,311**	**189,025**	**414,941**	**(63,502)**	**1,170,775**
Profit/Loss from discontinued operations (net)	-	-	-	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**630,311**	**189,025**	**414,941**	**(63,502)**	**1,170,775**

Consolidated Income Statement (Condensed)	Thousands of Euros				
	2014				
	Automotive	Consumer Finance and Cards	Direct Finance	Other Business (*)	Total
NET INTEREST INCOME	**1,034,194**	**234,942**	**754,024**	**193,601**	**2,216,761**
Share of results of entities accounted for using the equity method	-	-	-	41,531	41,531
Net fee and commission income	272,904	90,700	262,991	185,588	812,183
Gains/losses on financial assets and liabilities (net)	-	(9)	(15)	4,257	4,233
Other operating income (expenses)	18,076	(2,159)	2,536	(20,992)	(2,539)
GROSS INCOME	**1,325,174**	**323,474**	**1,019,536**	**403,985**	**3,072,169**
Administrative expenses	(325,693)	(119,163)	(237,933)	(524,081)	(1,206,870)
Staff costs	(140,275)	(51,323)	(102,477)	(225,720)	(519,795)
Other general administrative expenses	(185,418)	(67,840)	(135,456)	(298,361)	(687,075)
Depreciation and amortisation charge	(45,790)	(16,753)	(33,452)	(73,682)	(169,677)
Provisions	(6,202)	(1,040)	(3,098)	(460,302)	(470,642)
Impairment losses on financial assets (net)	(168,752)	(92,230)	(288,301)	27,927	(521,356)
PROFIT (LOSS) FROM OPERATIONS	**778,737**	**94,288**	**456,752**	**(626,153)**	**703,624**
Other gains/(losses)	-	-	-	120,675	120,675
PROFIT (LOSS) BEFORE TAX	**778,737**	**94,288**	**456,752**	**(505,478)**	**824,299**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**551,304**	**69,217**	**314,837**	**(245,514)**	**689,844**
Loss from discontinued operations (net)	-	-	-	(26,282)	(26,282)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**551,304**	**69,217**	**314,837**	**(271,796)**	**663,562**

(*) "Other Business" includes mainly the results from the deposit and managed asset businesses, which are not individually material for the Group as a whole, and those arising from the Group's financial management activity.

48. Related parties

Following is a detail of the transactions performed by the Group with its related parties at 31 December 2015 and 2014, distinguishing between associates, Santander Group entities, members of the Bank's Board of Directors and the Bank's senior managers, and of the income and expenses arising from the transactions with these related parties in 2015 and 2014. Related party transactions were made on terms equivalent to those prevailing in arm's-length transactions.

	Thousands of Euros							
	2015				2014			
	Associates	Santander Group Entities (*)	Members of the Board of Directors (**)	Senior Managers (**)	Associates	Santander Group Entities (*)	Members of the Board of Directors (**)	Senior Managers (**)
Assets:								
Loans and advances to credit institutions (Note 6)	271,930	1,057,050	-	-	246,196	3,412,643	-	-
Loans and receivables-								
Loans and advances to customers	287,679	350	-	3	215,564	343	-	2
Debt instruments	-	-	-	-	-	85,494	-	-
Trading derivatives (Note 9)	-	65,388	-	-	-	97,709	-	-
Hedging derivatives	-	137,444	-	-	-	136,220	-	-
Other assets	694	1,398	-	-	11,605	20,700	-	-
Liabilities:								
Deposits from credit institutions (Note 17)	-	7,246,367	-	-	-	4,536,938	-	-
Customer deposits	35,531	68,213	-	196	8,942	59,312	-	154
Marketable debt securities	-	2,582,059	-	-	-	3,406,014	-	-
Subordinated liabilities (Note 20)	-	1,111,370	-	-	-	1,235,568	-	-
Other financial liabilities	2,053	209,622	-	-	661	463,918	-	-
Trading derivatives (Note 9)	-	65,871	-	-	-	360,275	-	-
Hedging derivatives	-	287,759	-	-	-	147,074	-	-
Other liabilities	352	3,870	-	-	2,640	16,496	-	-
Income statement:								
Interest and similar income	4,769	19,285	-	-	9,278	62,825	-	-
Interest expense and similar charges	(57)	(135,562)	-	2	(5,803)	(180,011)	-	(4)
Share of results of entities accounted for using the equity method (Note 34)	64,699	6,431	-	-	34,290	7,241	-	-
Fee and commission income	1,662	1,410	-	-	39,418	16,584	-	-
Fee and commission expense	(6,740)	(2,071)	-	-	(6,111)	(3,213)	-	-
Gains/losses on financial assets and liabilities (net)	-	22,446	-	-	-	(26,603)	-	-
Exchange differences	-	50,870	-	-	-	51,754	-	-
Other operating income	1,666	991	-	-	648	813	-	-
Other general administrative expenses	(6,747)	(240,753)	-	-	(8,403)	(241,523)	-	-
Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	-	-	-	-	246,396	-	-
Memorandum items:								
Contingent liabilities	365,920	166,235	-	-	454,813	159,036	-	-
Contingent commitments	337,989	586,319	-	-	13,462	1,595,925	-	-

(*) Excluding those entities belonging to the Santander Group that were classified as associates in these notes to the consolidated financial statements.

(**) See Notes 5-d and 5-e.

49. Risk management

Corporate principles

As a member of the Santander Group, Santander Consumer Finance has set itself the strategic objective of achieving excellence in risk management. This has been a focal point of the Santander Group's activities throughout its history spanning more than 150 years.

The pace of change in risk management increased in 2015 in order to anticipate and meet the main challenges presented by a constantly changing economic, social and regulatory environment.

Consequently, the risk function is of greater significance than ever if the Santander Group is to continue to be a solid, safe and sustainable bank, an example for all the financial sector and a reference point for all who aspire to convert leadership in risks into a competitive advantage.

The Group aims to build a future based on advance management of all risks and protect its present through a robust control environment. Accordingly, the Group has determined that the risk function should be based on the following cornerstones, which are in line with the Santander Group's strategy and business model and take into account the recommendations of the supervisory and regulatory bodies and the best market practices:

1. The business strategy is defined by the risk appetite. The Santander Group's board determines the amount and type of risk that it considers reasonable to assume in implementing and developing its business strategy, in the form of objective verifiable limits that are consistent with the risk appetite for each significant activity.

2. All risks must be managed by the units that generate them using advanced models and tools that are integrated in the various businesses. The Santander Group is fostering advanced risk management, using innovative models and metrics together with a control, reporting and escalation framework to ensure that risks are identified and managed from different perspectives.

3. A forward-looking vision of all types of risks should be included in the risk identification, assessment and management processes.

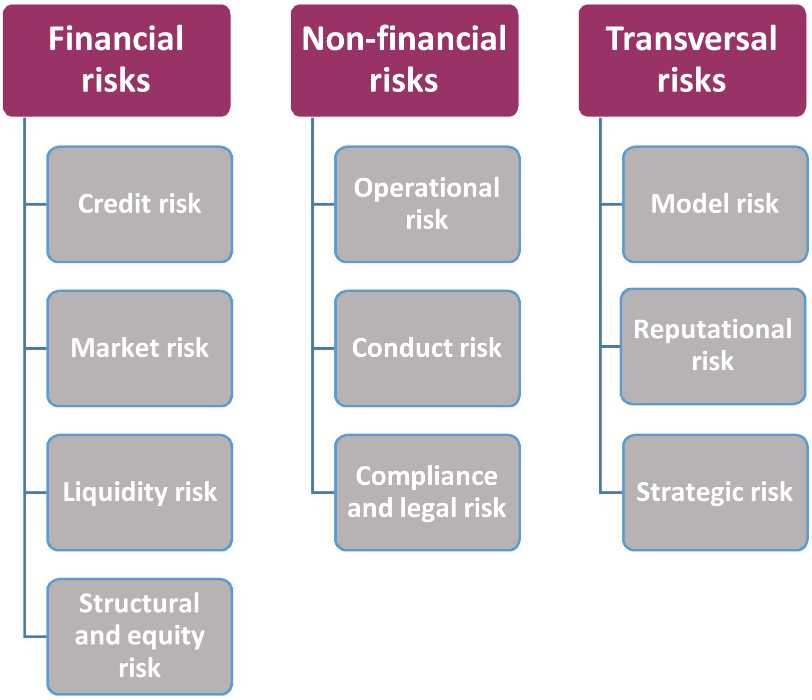
4. The independence of the risk function encompasses all risks and establishes an appropriate separation of the risk generating units from those responsible for risk control. Implies having sufficient authority and direct access to management and governing bodies responsible for setting and supervising risk strategy and policies.

5. The best processes and infrastructure must be used for risk management. The Santander Group aims to be a reference model in the development of infrastructures and processes supporting risk management.

6. A risk culture integrated throughout the organisation, consisting of a series of attitudes, values, skills and guidelines for action vis-à-vis all risks. The Santander Group understands that advanced risk management cannot be achieved without a strong and stable risk culture being present in each of its activities.

Risk map

The identification and assessment of all risks is fundamental to their control and management. The risk map covers the main risk categories in which the Santander Group has its most significant current and/or potential exposures, thus facilitating the identification thereof.



At its top level the risk map includes the following:

Financial risks

- Credit risk: risk that might arise from the failure to meet agreed-upon contractual obligations in financial transactions.
- Market risk: that which is incurred as a result of the possibility of changes in market factors affecting the value of positions in the trading portfolios.
- Liquidity risk: risk of not complying with payment obligations on time or of complying with them at an excessive cost.
- Structural and capital risks: risk caused by the management of the various balance sheet items, including those relating to the adequacy of capital and those arising from the insurance and pensions businesses.

Non-financial risks

- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

- Conduct risk: the risk caused by inappropriate practices vis-à-vis the Bank's relationship with its customers, the treatment and products offered to customers, and their suitability for each particular customer.

- Compliance and legal risk: risk arising from non-compliance with the legal framework, internal rules or the requirements of regulators and supervisors.

Transversal risks

- Model risk: includes losses arising from decisions based mainly on the results of models, due to errors in the design, application or use of those models.

- Reputational risk: risk of negative perception of the Bank on the part of public opinion, its customers, investors or any other stakeholder.

- Strategic risk: the risk that results may diverge significantly from the entity's strategy or business plan due to changes in general business conditions and risks associated with strategic decisions. This includes the risk of poor implementation of decisions or lack of capacity to respond to changes in the business environment.

In order to manage and control risks and the information relating to them, all risks should be referenced to the basic types of risk established in the risk map.

Corporate governance of risks

Governance of the risk function should seek to ensure that risk decisions are taken appropriately and efficiently and that risks are effectively controlled, and also guarantee that risks are managed in accordance with the risk appetite level defined by senior management of the Group and the units.

For this purpose, the following principles were established:

- Separation of decision-making from risk control.

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

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

- Ensuring an aggregate view of all risks.

- Strengthening of the risk control committees.

- Maintenance of a simple committee structure.

Lines of defence

As a member of the Santander Group, Santander Corporate Finance follows a risk management and control model based on three lines of defence.

The business functions or activities that take on or generate risk exposure constitute the first line of defence against it. The assumption or generation of risks in the first line of defence must comply with the defined risk appetite and limits. In order to perform its function, the first line of defence must have available the means to identify, measure, handle and report the risks assumed.

The second line of defence comprises the risk control and oversight function and the compliance function. This second line seeks to ensure effective control of risks and guarantees that risks are managed in accordance with the defined risk appetite level.

Internal audit, as the third line of defence and in its role as the last control layer, performs regular assessments to ensure that the policies, methods and procedures are appropriate and checks their effective implementation.

The risk control function, the compliance function and the internal audit function are sufficiently separate and independent of each other and of the other functions that they control or supervise for the performance of their duties, and they have access to the Board of Directors and/or its committees, through their presiding officers.

Risk committee structure

Responsibility for the control and management of risk rests ultimately with the Board of Directors, which has the powers delegated to the various committees. The Board is supported by the risk, regulation and compliance oversight committee in its role as an independent risk control and supervision committee. In addition, the Group's executive committee pays particular attention to the management of the Group's risks. These bylaw-established bodies constitute the top level of risk governance.

Independent control bodies

Risk, regulation and compliance oversight committee:

This committee's mission is to assist the Board in the oversight and control of risk, the definition of the Group's risk policies, relationships with supervisory bodies and matters of regulation and compliance.

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

The functions of the risk, regulation and compliance oversight committee are as follows:

- To support and advise the Board in defining and assessing risk policies affecting the Group and in establishing the risk propensity and risk strategy.

- To provide the Board with assistance in the oversight of the application of the risk strategy.

- To conduct systematic reviews of the Group's exposure to its main customers, economic activity sectors, geographical areas and types of risk.

- To be acquainted with and assess the management tools, improvement initiatives, project development and any other relevant risk control actions, including the policy on internal risk models and their internal validation.

- To support and advise the Board in its relationships with supervisors and regulators in the various countries in which the Group has a presence.

- To supervise compliance with the general code of conduct, with the anti-money laundering and financing of terrorism manuals and procedures and, in general, with the Bank's rules of governance and compliance programme, and to make the required proposals for improvement. In particular, the committee is responsible for receiving information and, where appropriate, issuing reports on disciplinary measures against members of senior management.

- To supervise the Group's governance and compliance policies and rules and, in particular, the adoption of the steps and measures arising from the reports or inspections conducted by the administrative supervision and control authorities.

- To monitor and assess legislative proposals and regulatory developments that may be applicable and the possible consequences for the Group.

Risk control committee (CCR):

This collective body is responsible for the effective control of risks, ensuring that risks are managed in accordance with the risk appetite level approved by the Board, while taking into account at all times an overall view of all the risks included in the general risk framework. This involves identifying and monitoring current and emerging risks and their impact on the Group's risk profile.

This committee is chaired by the Group's CRO and is composed of executives of the entity. At least, the risk function, which holds the chairmanship, and the compliance, financial, controller's unit and management control functions, inter alia, are represented. The CROs of local entities participate periodically in order to report, inter alia, on the various entities' risk profiles.

The risk control committee reports to the risk, regulation and compliance oversight committee and assists it in its function of supporting the Board.

Decision-making bodies

Executive risk committee (CER):

This collective body is responsible for risk management pursuant to the powers delegated by the Board of Directors and, in its sphere of action and decision-making, it addresses all risks.

It participates in decision-making on the assumption of risks at the highest level, guarantees that these are within the limits set in the Group's risk appetite and reports on its activities to the Board or its committees when so required.

This committee is chaired by an executive deputy chairman of the Board, comprises the CEO, executive directors and other executives of the entity, and the risk, financial, and compliance functions, inter alia, are represented. The Group CRO has the right of veto over this committee's decisions.

Organisational risk function structure

The Group chief risk officer (GCRO) is the head of the Group's risk function and reports to an executive deputy chairman of the Bank who is a member of the Board of Directors and chairman of the executive risk committee.

The GCRO, whose duties include advising and challenging the executive line, also reports separately to the risk, regulation and compliance oversight committee and to the Board.

Advanced risk management has a holistic forward-looking vision of risks, based on the intensive use of models, aimed at constructing a sound control environment while complying with the requirements of the regulator and supervisor.

The risk management and control model at SCF shares a set of basic Group principles, implemented through a series of corporate frameworks. These emanate from the Group itself and SCF has adhered to them through its respective managing bodies, thus configuring the relationship between the subsidiary and the Group, including the participation of the latter in important decisions through the validation thereof.

In line with Group and corporate governance best practice, the Group-subsidiaries governance model and good governance practice for subsidiaries recommend that each subsidiary have a by-law stipulated risk committee and an executive risk committee chaired by the CEO. Santander Consumer Finance will adapt to this framework in 2016.

Santander Consumer Finance's managing bodies, in accordance with the internal governance framework in place at the Group, have their own model of (quantitative and qualitative) risk management powers and must adhere to the principles of conduct contained in the benchmark models and frameworks developed at corporate level.

Given its ability to take an aggregate, comprehensive view of all risks, corporate headquarters reserves for itself the powers to validate and question the operations and management policies at the various units, to the extent that they affect the Group’s risk profile.

The identification and assessment of all risks is fundamental to their control and management. Following is an analysis of the main types of risk at Santander Consumer Finance, which are as follows: credit risk, market risk, operational risk and compliance and reputational risk.

Introduction to the treatment of credit risk

Credit risk is the possibility of loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Group.

The specialisation of Santander Consumer Finance’s risk function is based on the type of customer and, accordingly, a distinction is made between individualised customers and standardised customers in the risk management process:

Individualised customers are defined as those to which a risk analyst has been assigned, basically because of the risk assumed. This category includes wholesale banking enterprises and certain retail banking enterprises. Risk management is performed through expert analysis supplemented by decision-making support tools based on internal risk assessment models.

Standardised customers are those which have not been expressly assigned a risk analyst. This category generally includes exposures to individuals, individual traders, and retail banking enterprises not classified as individualised customers. Management of these exposures is based on internal risk assessment and automatic decision-making models, supplemented subsidiarily, when the model is not comprehensive enough or is not sufficiently accurate, by teams of analysts specialising in this type of risk.

Main aggregates and variations

The profile of the credit risk assumed by Santander Consumer Finance is characterised by a diversified geographical distribution and the prevalence of retail banking operations.

a) Global credit risk map - 2015

The following table details, by borrower geographical area, the Group's global credit risk map:

SCF Group - Gross Credit Risk Exposure			
	2015 (Millions of Euros)	Change on December 2014	% of Portfolio
Spain and Portugal	12,534	32.96%	17.17%
Italy	5,014	-3.00%	6.87%
France	8,584	-	11.76%
Germany and Austria	33,141	2.08%	45.40%
Scandinavia	12,113	2.00%	16.60%
Other	1,605	37.88%	2.20%
SCF Group	**72,991**	**21.44%**	**100.00%**

Credit risk exposure rose by 21.44% in year-on-year terms, mainly as a result of the acquisition of the business in France and Spain following the agreement with Banque PSA.

The largest proportion of credit risk exposure continues to be concentrated in Germany, representing 45.40% of the total if Austria is included. For their part, the Nordic countries accounted for slightly more than 13% of the Santander Consumer Finance Group's total credit risk in 2015.

b) Variations in main aggregates in 2015

The changes in non-performing loans and the cost of credit reflect the impact of the deterioration of the economic environment, mitigated by prudent risk management, which has generally enabled the Group to keep these data at levels below those of its competitors in recent years. As a result, Santander Consumer Finance has a significant coverage ratio and a high level of available general reserves.

The non-performing loans ratio was 3.14% at 31 December 2015 (31 December 2014: 4.54%), a 140 basis point decrease in year-on-year terms, mainly as a result of using the same criteria for write-offs in the portfolios acquired from GE Bank as in the other portfolios. The NPL coverage ratio stood at 107%.

Following is a detail, by activity, of the loans and advances to customers at 31 December 2015:

	Thousands of Euros								
				Secured Loans. Loan-to-Value Ratio					
	Unsecured Loans	Property Collateral	Other Collateral	Less than or Equal to 40%	More than 40% and Less than or Equal to 60%	More than 60% and Less than or Equal to 80%	More than 80% and Less than or Equal to 100%	More than 100%	Total
Public sector	110,558	-	-	-	-	-	-	-	110,558
Other financial institutions	305,051	-	-	-	-	-	-	-	305,051
Non-financial companies and individual traders	14,012,418	1,126,497	141,900	147,346	172,791	147,929	211,398	588,933	15,280,815
Of which:									
Construction and property development	*21,170*	-	-	-	-	-	-	-	*21,170*
Civil engineering construction	*6,429*	-	-	-	-	-	-	-	*6,429*
Large companies	*7,260,689*	*42,165*	-	*16*	*15,904*	*757*	*24,281*	*1,207*	*7,302,854*
SMEs and individual traders	*6,724,130*	*1,084,332*	*141,900*	*147,330*	*156,887*	*147,172*	*187,117*	*587,726*	*7,950,362*
Other households and non-profit institutions serving households	48,272,783	7,292,259	158,763	1,059,283	1,527,252	2,971,997	722,746	1,169,744	55,723,805
Of which:									
Residential	4,638	7,292,259	107,340	1,055,730	1,524,006	2,967,568	717,061	1,135,234	7,404,237
Consumer loans	*48,087,017*	-	*42,789*	*2,254*	3,241	*4,417*	*5,679*	*27,198*	*48,129,806*
Other purposes	*181,128*	-	*8,634*	*1,299*	*5*	*12*	*6*	*7,312*	*189,762*
Less: Impairment losses on assets not allocated to specific transactions	-	-	-	-	-	-	-	-	(863,881)
Total	**62,700,810**	**8,418,756**	**300,663**	**1,206,629**	**1,700,043**	**3,119,926**	**934,144**	**1,758,677**	**70,556,348**
Memorandum item									
Refinancing, refinanced and restructured transactions	*684,074*	*134,178*	*142,771*	*8,438*	*20,711*	*77,013*	*64,923*	*105,864*	*961,023*

Following is a detail, by activity, of the loans and advances to customers at 31 December 2014:

	Thousands of Euros								
				Secured Loans. Loan-to-Value Ratio					
	Unsecured Loans	Property Collateral	Other Collateral	Less than or Equal to 40%	More than 40% and Less than or Equal to 60%	More than 60% and Less than or Equal to 80%	More than 80% and Less than or Equal to 100%	More than 100%	Total
Public sector	46,756	-	-	-	-	-	-	-	46,756
Other financial institutions	208,702	-	-	-	-	-	-	-	208,702
Non-financial companies and individual traders	6,097,459	326,964	173,037	81,471	100,019	93,363	202,198	22,950	6,597,460
Of which:									
Construction and property development	*22,399*	-	-	-	-	-	-	-	*22,399*
Civil engineering construction	*270,635*	-	-	-	-	-	-	-	*270,635*
Large companies	*1,947,693*	*26,987*	-	-	*14,104*	*12,883*	-	-	*1,974,680*
SMEs and individual traders	*3,856,732*	*299,977*	*173,037*	*81,471*	*85,915*	*80,480*	*202,198*	*22,950*	*4,329,746*
Other households and non-profit institutions serving households	43,335,523	7,688,335	233,088	1,188,024	2,137,204	2,491,455	1,046,855	1,057,885	51,256,946
Of which:									
Residential	350,086	7,632,599	149,916	1,173,099	2,120,227	2,466,910	1,017,640	1,004,639	8,132,601
Consumer loans	*42,950,895*	*55,736*	*83,172*	*14,925*	16,977	*24,545*	*29,215*	*53,246*	*43,089,803*
Other purposes	*34,542*	-	-	-	-	-	-	-	*34,542*
Less: Impairment losses on assets not allocated to specific transactions	-	-	-	-	-	-	-	-	(664,304)
Total	**49,688,440**	**8,015,299**	**406,125**	**1,269,495**	**2,237,223**	**2,584,818**	**1,249,053**	**1,080,835**	**57,445,560**
Memorandum item									
Refinancing, refinanced and restructured transactions	*429,150*	*128,768*	*138,425*	*39,109*	*54,148*	*81,498*	*21,616*	*70,822*	*696,343*

Forborne loan portfolio

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

The Santander Group has a detailed customer debt forbearance policy that serves as a reference for the various local adaptations made for all the financial institutions forming part of the Group. This policy shares the principles laid down in both Bank of Spain Circular 6/2012 and the technical standards published by the European Banking Authority in 2014, which it develops in greater detail based on the level of customer impairment.

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

- The use of this practice is restricted, and any actions that might defer the recognition of impairment must be avoided.
- The main aim must be to recover the amounts owed, and any amounts deemed unrecoverable must be recognised as soon as possible.
- Forbearance must always envisage maintaining the existing guarantees and, if possible, enhance them. Not only can effective guarantees serve to mitigate losses given default, but they might also reduce the probability of default.
- This practice must not give rise to the granting of additional funding, or be used to refinance debt of other entities or as a cross-selling instrument.
- All the alternatives to forbearance and their impacts must be assessed, making sure that the results of this practice will exceed those which would foreseeably be obtained if it were not performed.
- Forborne transactions are classified using more stringent criteria which prudentially ensure that the customer's ability to pay is restored from the date of forbearance and for an adequate period of time thereafter.
- In addition, in the case of customers that have been assigned a risk analyst, it is particularly important to conduct an individual analysis of each specific case, for both the proper identification of the transaction and its subsequent classification, monitoring and adequate provisioning.

The forbearance policy also sets out various criteria for determining the scope of transactions qualifying as forborne exposures by defining a detailed series of objective indicators that permit identification of situations of financial difficulty.

Accordingly, transactions not classified as non-performing at the date of forbearance are generally considered to be experiencing financial difficulty if at that date they were more than one month past due. Where no payments have been missed or there are no payments more than one month past due, other indicators of financial difficulty are taken into account, including most notably the following:

- Transactions with customers who are already experiencing difficulties in other transactions.
- Situations where a transaction has to be modified prematurely, and the Group has not yet had a previous satisfactory experience with the customer.

- Cases in which the necessary modifications entail the grant of special conditions, such as the establishment of a grace period, or where these new conditions are deemed to be more favourable for the customer than those which would have been granted for an ordinary loan approval.

- Where a customer submits successive loan modification requests at unreasonable time intervals.

- In any case, if once the modification has been made any payment irregularity arises during a given probation period (as evidenced by backtesting), even in the absence of any other symptoms, the transaction will be deemed to be within the scope of forborne exposures.

Once it has been determined that the reasons for the modification relate to financial difficulties, for management purposes a distinction is made between two types of forbearance based on the original management status of the transactions: ex-ante forbearance, when the original transaction was classified as other than non-performing; and ex-post forbearance, when it had previously been classified as non-performing.

In addition, within the category of ex-post forbearance, distinct treatments are established for cases of advanced impairment, the classification requirements and criteria for which are even more stringent than those for other forborne transactions.

Once forbearance measures have been adopted, transactions that have to remain classified as non-performing because at the date of forbearance they do not meet the regulatory requirements to be reclassified to a different category must comply with a continuous prudential payment schedule in order to assure reasonable certainty as to the recovery of the ability to pay.

If there is any (non-technical) default in payments during that period, the aforementioned payment schedule starts again.

On successful completion of the period, the duration of which depends on the customer's situation and the transaction features (term and guarantees provided), the transaction is no longer considered to be non-performing, although it continues to be subject to a probation period during which it undergoes special monitoring.

This monitoring continues until a series of requirements have been met, including most notably: a minimum observation period; repayment of a substantial percentage of the outstanding amounts; and settlement of the amounts that were past due at the time of forbearance.

When forbearance is applied to a transaction classified as non-performing, the original default dates continue to be considered for all purposes, irrespective of whether as a result of forbearance the transaction becomes current in its payments. Also, the forbearance of a transaction classified as non-performing does not give rise to any release of the related provisions.

Set forth below is the quantitative information required by Bank of Spain Circular 4/2004 on the restructured/refinanced transactions in force at 31 December 2015, taking into consideration the above definitions:

Current restructuring balances at 31 December 2015 (a)

	Thousands of Euros																						
	Standard (b)						Substandard							Non-Performing							Total		
	Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral		Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral			Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral					
	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Specific Allowance	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Specific Allowance	Number of Transactions	Gross Amount	Specific Allowance
Public sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	410	410	**-**	**410**	**410**
Other legal entities and individual traders	49	4,275	33	2,982	1,693	17,357	35	5,908	25	4,153	800	10,475	2,405	30	3,633	25	3,212	1,515	16,110	12,831	**4,205**	**68,105**	**15,236**
Of which: Financing for construction and property development	-	-	-	-	*15*	*94*	-	-	-	-	*10*	*65*	*4*	-	-	-	-	*33*	*234*	*203*	***58***	***393***	***207***
Other individuals	601	42,184	2,772	60,279	69,292	347,249	456	61,740	403	51,377	20,525	155,105	30,890	301	26,799	537	32,441	75,186	341,573	212,998	**170,073**	**1,118,747**	**243,888**
Total	**650**	**46,459**	**2,805**	**63,291**	**70,985**	**364,606**	**491**	**67,648**	**428**	**55,530**	**21,325**	**165,580**	**33,295**	**301**	**30,432**	**562**	**35,653**	**76,701**	**358,093**	**226,239**	**174,278**	**1,187,262**	**259,534**

(a) Including all refinancing, refinanced or restructured transactions as defined in section 1.g) of Annex IX of Bank of Spain Circular 4/2004.
(b) Standard risks classified as under special monitoring pursuant to section 7.a) of Annex IX of Bank of Spain Circular 4/2004.
(c) Including transactions without a full property mortgage guarantee, i.e. with a loan-to-value ratio of more than 1, and transactions with collateral other than a real estate mortgage, irrespective of their loan-to-value ratio.

Current restructuring balances at 31 December 2014 (a)

	Thousands of Euros																						
	Standard (b)						Substandard							Non-Performing							Total		
	Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral		Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral			Full Property Mortgage Guarantee		Other Collateral (c)		Without Collateral					
	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Specific Allowance	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Number of Transactions	Gross Amount	Specific Allowance	Number of Transactions	Gross Amount	Specific Allowance
Public sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Other legal entities and individual traders	7	348	-	-	456	3,375	2	203	-	-	315	8,412	1,135	5	1,009	-	-	952	17,600	11,521	**1,737**	**30,947**	**12,656**
Of which: Financing for construction and property development	-	-	-	-	*21*	*74*	-	-	-	-	*9*	*66*	*15*	-	-	-	-	*68*	*528*	*407*	***98***	***668***	***422***
Other individuals	410	31,628	340	27,961	54,233	269,773	499	63,415	617	79,803	14,923	104,920	28,373	191	21,249	311	38,342	91,874	395,454	252,226	**163,398**	**1,032,545**	**280,599**
Total	**417**	**31,976**	**340**	**27,961**	**54,689**	**273,148**	**501**	**63,618**	**617**	**79,803**	**15,238**	**113,332**	**29,508**	**196**	**22,258**	**311**	**38,342**	**92,826**	**413,054**	**263,747**	**165,135**	**1,063,492**	**293,255**

(a) Including all refinancing, refinanced or restructured transactions as defined in section 1.g) of Annex IX of Bank of Spain Circular 4/2004.
(b) Standard risks classified as under special monitoring pursuant to section 7.a) of Annex IX of Bank of Spain Circular 4/2004.
(c) Including transactions without a full property mortgage guarantee, i.e. with a loan-to-value ratio of more than 1, and transactions with collateral other than a real estate mortgage, irrespective of their loan-to-value ratio.

The transactions presented in the foregoing table were classified at 31 December 2015, by nature, as follows:

- Non-performing: transactions that are in the process of being returned to performing status, those for which advantageous conditions had to be granted that would not have been granted for an ordinary loan approval or those which, having been classified as standard or substandard, have again encountered payment difficulties during the term of the transaction.

- Substandard: transactions previously classified as non-performing with respect to which, following forbearance, sustained payments have been made for a certain period, depending on the transaction features and the type of guarantee, and transactions previously classified as standard: i) which have been granted an initial grace period and will remain in this category until three monthly instalments (or the equivalent) have been paid after the grace period, or ii) that following forbearance have become irregular (missed payment).

- Standard: transactions previously classified as non-performing or substandard which have successfully completed the precautionary observation periods established in the corporate policy evidencing that payment capacity pursuant to the terms established has been restored, and transactions classified as standard at the date of forbearance, until they meet the requirements to cease to be subject to the special monitoring described above.

The table below shows the changes in 2015 in the Spanish forborne loan portfolio:

	Thousands of Euros
Balance at beginning of year	484,943
Of which:	
Other than non-performing	298,069
Non-performing assets	186,874
New additions	133,151
Reductions (*)	(142,706)
Balance at end of year	475,388
Of which:	
Other than non-performing	320,104
Non-performing assets	155,284

(*) Including, mainly, debt repayments, foreclosures and write-offs and transactions that have ceased to be subject to special monitoring because the aforementioned requirements have been met.

Measurement metrics and tools

Credit rating tools

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

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

In addition to the scoring models used for the approval and management of portfolios (rating of the transactions composing the portfolios in order to assess their credit quality and estimate their potential losses), other tools are available to assess existing accounts and customers which are used in the defaulted loan recovery process. The intention is to cover the entire "loan cycle" (approval, monitoring and recovery) by means of statistical rating models based on the Bank's internal historical data.

For individualised corporates and institutions, which at Santander Consumer Finance include mainly dealers/retailers, the assessment of the level of credit risk is based on expert rating models that combine in the form of variables the most relevant factors to be taken into account in the assessment, in such a way that the rating process generates appraisals that are consistent and comparable among customers and summarise all the relevant information. In 2015 all the units conducted reviews of the aforementioned portfolios, involving the participation of all areas of the Bank. The review meetings covered the largest exposures, companies under special surveillance and the main credit indicators of these portfolios.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

To a lesser extent, certain exposures are also assessed using the global rating tools which cover the global wholesale banking segment. Management of this segment is centralised at the Risk Division of the Santander Group, for both rating calculation and risk monitoring purposes. These tools assign a rating to each customer, which is obtained from a quantitative or automatic module, based on balance sheet ratios or macroeconomic variables, supplemented by the analyst's expert judgement.

Santander Consumer Finance's portfolio of individualised corporates is scarcely representative of the total risks managed, since it relates mainly to vehicle dealer stock financing.

Credit risk parameters

The assessment of customers or transactions using rating or scoring systems constitutes a judgement of their credit quality, which is quantified through the probability of default (PD).

In addition to customer assessment, the quantification of credit risk requires the estimation of other parameters, such as exposure at default (EAD) and the percentage of EAD that will not be recovered (loss given default or LGD). Therefore, other relevant aspects are taken into account in estimating the risk involved in transactions, such as the quantification of off-balance-sheet exposures, which depends on the type of product, or the analysis of expected recoveries, which is related to the guarantees provided and other characteristics of the transaction: type of product, term, etc.

These factors are the main credit risk parameters. Their combination facilitates calculation of the probable loss or expected loss (EL). This loss is considered to be an additional cost of the activity which is reflected in the risk premium and must be charged in the transaction price.

These risk parameters also make it possible to calculate regulatory capital in accordance with the regulations deriving from the new Basel Capital Accord (BIS II). Regulatory capital is determined as the difference between unexpected loss and expected loss.

Unexpected loss is the basis for the capital calculation and refers to a very high, albeit scantly probable, level of loss, which is not deemed to be recurring and must be catered for using capital.

For portfolios with scant internal default experience, such as banks, sovereigns or global wholesale banking, risk parameter estimates (PD, LGD and EAD) are based on external sources: market prices or studies conducted by rating agencies gathering the shared experience of a sufficient number of entities. These portfolios are known as low default portfolios.

For all other portfolios, parameter estimates are based on the entity’s internal experience. PD is calculated by observing the cases of new arrears in relation to the final rating assigned to the customers or to the scoring assigned to the related transactions.

LGD calculation is based on the observation of the recoveries of defaulted loans, taking into account not only the income and expenses associated with the recovery process, but also the timing thereof and the indirect costs arising from the recovery process.

EAD is estimated by comparing the use of committed facilities at the time of default and their use under normal (performing) circumstances, so as to identify the actual use of the facilities at the time of default.

The parameters estimated for the global portfolios are the same for all the Group’s units. Therefore, a financial institution with an 8.5 rating will have the same PD, regardless of the Group unit in which its exposure is accounted for. By contrast, the retail portfolios have specific rating and scoring systems in each of the Group's units, which require separate estimates and specific assignment of parameters in each case.

The parameters are then assigned to the units' on-balance-sheet transactions in order to calculate the expected losses and the capital requirements associated with their exposure.

Observed loss: measurement of cost of credit

To supplement the predictiveness provided by the advanced models described above, other habitual metrics are used to facilitate prudent and effective management of credit risk based on observed loss.

At Santander Consumer Finance, as part of the Santander Group, the cost of credit risk is measured using different approaches: change in non-performing loans (ending non-performing assets - beginning non-performing assets + assets written off - recovery of assets written off); net credit loss provisions (gross provisions to specific allowances - recovery of assets written off); and net assets written off (assets written off - recovery of assets written off).

The three approaches measure the same reality and, consequently, converge in the long term although they represent successive moments in credit cost measurement: flows of non-performing loans (change in NPLs), coverage of non-performing loans (net credit loss provisions) and classification as write-offs (net write-offs), respectively. Although they converge in the long term within the same economic cycle, the three approaches show differences at certain times, which are particularly significant at the start of a change of cycle. These differences are due to the different timing of recognition of losses, which is basically determined by accounting rules (for example, mortgage loans have a longer coverage schedule and are classified as write-offs more "slowly" than consumer loans). In addition, the analysis can be complicated due to changes in the policy of coverage and classification as write-offs, the composition of the portfolio, non-performing loans of entities acquired, changes in accounting rules, sale of portfolios, etc.

Credit risk cycle

The risk management process consists of identifying, measuring, analysing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Group's operations. The parties involved in this process are the risk-taking areas, senior management and the risk function.

As Santander Consumer Finance is part of the Santander Group, the process begins at senior management level, through the Board of Directors and the executive risk committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale. The process is being permanently updated, with the findings and conclusions of the post-sale phase being fed back into the risk analysis and planning of the pre-sale phase.

Pre-sale

- **Risk analysis and credit rating process**

  In general, the risk analysis consists of examining the customer's ability to meet its contractual obligations to the Bank and to other creditors. This involves analysing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

  Since 1993 the Group has used rating models for this purpose. These mechanisms are used in both the wholesale segment (sovereigns, financial institutions and corporate banking) and the other companies and institutions segment.

  The rating is obtained from a quantitative module based on balance sheet ratios or macroeconomic variables and supplemented by the analyst's expert judgement.

  Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

  In contrast to the use of ratings in the wholesale and other companies and institutions segments, in the individuals and SMEs segment scoring techniques predominate; in general, these tools automatically assign a customer a score for decision-making purposes, as detailed in the transaction decision-making section below.

- **Risk limit planning and setting**

  The purpose of this phase is to efficiently and comprehensively limit the risk levels that SCF assumes. The credit risk planning process is used to establish the budgets and limits at subsidiary portfolio level. Risk limit planning is instrumented through a balanced scorecard, thus ensuring the coordination of the business plan, the lending policy and the resources required to implement them. Thus, it was created as a joint initiative between the commercial and risk units and is not only a management tool but also a form of teamwork.

  An important aspect of the planning phase is the consideration of the volatility of the macroeconomic variables that affect the performance of the portfolios. The Group simulates their performance in various adverse and stress scenarios (stress testing), which enables it to assess the Group's capital adequacy in the event of certain future circumstantial situations.

  The scenario analysis enables senior management to gain a clearer understanding of the performance of the portfolio in response to changing market and circumstantial conditions and it is a basic tool for assessing the sufficiency of the provisions recognised to cater for stress scenarios.

  The risk limits are planned and set using documents agreed upon by the business areas and risk units and approved by SCF, which contain the expected results of transactions in terms of risk and return, as well as the limits applicable to the activity and the management of the related risk by group/customer.

Sale

- **Transaction decision-making**

  The sale phase comprises the decision-making process, the aim of which is to analyse and resolve upon transactions, since approval by the risk unit is a pre-requisite for the arrangement of any risk transaction. This process must consider the transaction approval policies defined and take into account both the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

  In the sphere of standardised customers (lower-revenue individuals, businesses and SMEs), the management of large volumes of loan transactions is facilitated by the use of automatic decision-making models that rate the customer/loan relationship. Thus, loans are classified in homogeneous risk groups using the rating assigned to the transaction by the model on the basis of information on the features of the transaction and the borrower.

Post-sale

- **Monitoring**

  The monitoring function is founded on a process of ongoing observation, which makes it possible to detect early any changes that might arise in customers' credit quality, so that action can be taken to correct any deviations with an adverse impact.

  Monitoring is based on the segmentation of customers, is performed by dedicated local and global risk teams and is complemented by the work performed by internal audit.

  The function involves, inter alia, identifying and monitoring companies under special surveillance, reviewing ratings and the ongoing monitoring of indicators.

  The system called "**companies under special surveillance**" (FEVE) distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a position in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for the position in question, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are reviewed at least every six months, or every three months for those classified in the most severe categories. A company can be classified as FEVE as a result of the monitoring process itself, a review performed by internal audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

  Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

  For exposures to lower-revenue individuals, businesses and SMEs, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts made in the credit management programmes.

- **Measurement and control**

  In addition to monitoring customers' credit quality, Santander Consumer Finance establishes the control procedures required to analyse the current credit risk portfolio and the changes therein over the various credit risk phases.

  The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, management model, product, etc., thus facilitating the early detection of specific areas requiring attention and the preparation of action plans to correct possible impairment.

  Each control pillar can be analysed in two ways:

  1.- Quantitative and qualitative analysis of the portfolio

  In the analysis of the portfolio, any variances in the Group's risk exposure with respect to budgets, limits and benchmarks are controlled on an ongoing and systematic basis, and the impacts of these variances in certain future situations, both those of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures aimed at placing the profile and amount of the risk portfolio within the parameters set by the Group.

In addition to the traditional metrics, the following, inter alia, are used in the credit risk control phase:

- **Change in non-performing loans (VMG)**

  VMG measures the change in non-performing loans in the period, discounting the loans written off and taking recoveries into account. It is an aggregate measure at portfolio level that enables action to be taken in the event of deteriorations in the trend of non-performing loans.

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

  Expected loss is the estimated financial loss that will occur over the next twelve months on the portfolio existing at any given time. It is an additional cost of the activity and must be charged in the transaction price.

2.- Assessment of the control processes

This includes a systematic periodic review of the procedures and methodology, and is performed over the entire credit risk cycle to ensure that they are in force and effective.

In 2006, within the corporate framework established in the Group for compliance with the Sarbanes-Oxley Act, a corporate tool was made available on the Group's intranet for the documentation and certification of all the subprocesses, operational risks and related mitigating controls. In this connection, the risk division assesses the efficiency of the internal control of its activities on an annual basis.

Furthermore, the internal validation function, as part of its mission to supervise the quality of the Group's risk management, guarantees that the systems for the management and control of the risks inherent to its activity comply with the strictest criteria and the best practices observed in the industry and/or required by the regulators. Also, internal audit is responsible for ensuring that the policies, methods and procedures are appropriate, effectively implemented and regularly reviewed.

- **Recovery management**

Recovery is a significant function within the sphere of the Group's risk management. This function is performed by the Recovery and Collection Unit, which defines a global strategy and an integral approach to recovery management.

Santander Consumer Finance combines a global model with a local implementation, considering the specific features of the business in each area of activity.

The main objective of loan recovery is to recover outstanding obligations through customer management, thereby helping to reduce the need for provisions and the costs associated with risk.

Thus, the specific aims of the recovery process are as follows:

  - To seek collection or regularisation of unpaid balances, so that accounts can return to their normal status; if this is not possible, the aim is to fully or partially recover the debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the relationship with customers, paying attention to their payment behaviour and offering refinancing products to meet their needs in accordance with the corporate approval and control policies carefully established by the risk areas.

In the recovery process, large-scale or standardised customers are segregated or differentiated from individualised customers, using specific integral management models in each case, in accordance with certain basic specialisation criteria.

Recovery management involves the use of a multichannel customer relationship strategy. The telephone channel is aimed at large-scale, standardised management and involves high levels of activity in contacting customers and monitoring their payment agreements, with management actions being prioritised and adapted on the basis of the status of their debts (in arrears, doubtful or non-performing), their balances and their payment commitments.

The commercial recovery management network, which complements the telephone channel, is geared towards establishing close relationships with selected customers. It consists of teams of highly commercially-oriented agents with specific training and excellent negotiating skills who carry out a personalised management of their own portfolios of high impact customers (high balances, special products and specially managed customers).

The recovery activity for advanced stages of default involves both in- and out-of-court management and the continuation of commercial and monitoring activities through the telephone channels and agent networks, applying specific strategies and practices based on the particular stage of default.

The management model favours proactiveness and targeted management, achieved through ongoing recovery campaigns specifically designed for particular groups of customers and stages of default. Predefined objectives are pursued using specific strategies and intensive actions conducted through the appropriate channels within limited time frames.

Adequate local production and analysis of daily and monthly management information, aligned with the Bank's corporate models, were defined as the basis for the business intelligence required in order to take management-oriented decisions on an ongoing basis and to monitor the results thereof.

Concentration risk

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

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

The Group is subject to Bank of Spain regulations on large exposures (defined as those exceeding 10% of eligible capital). In accordance with Bank of Spain Circular 3/08, no exposure to a single individual or economic group, including all types of credit and equity risks, should exceed 25% of the Group’s capital. Also, the total amount of large exposures may not exceed eight times the Group’s capital. Exposures to governments and central banks belonging to the OECD are excluded from this treatment.

The Santander Group’s Risk Division works closely with the Finance Division in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitisation transactions, in order to optimise the risk/return ratio of the total portfolio.

The detail, by activity and geographical area of the counterparty, of the concentration of the Group's risk (*) at 31 December 2015 and 2014 is as follows:

At 31 December 2015:

	Thousands of Euros				
	Spain	Other EU Countries	Americas	Rest of the World	Total
Credit institutions	617,239	4,692,889	-	376,255	5,686,383
Public sector	1,268,574	949,474	-	34,040	2,252,088
Of which:					
Central government	*1,268,008*	*897,381*	-	-	*2,165,389*
Other	*566*	*52,093*	-	*34,040*	*86,699*
Other financial institutions	*310,527*	54,669	-	74,523	439,719
Non-financial companies and individual traders	2,104,726	12,400,074	-	922,417	15,427,217
Of which:					
Construction and property development	-	*21,607*	-	-	*21,607*
Civil engineering construction	-	*6,429*	-	-	*6,429*
Large companies	*1,161,817*	*6,270,322*	-	-	*7,432,139*
SMEs and individual traders	*942,909*	*6,101,716*	-	*922,417*	*7,967,042*
Other households and non-profit institutions serving households	8,785,819	42,986,816	34	3,970,009	55,742,678
Of which:					
Residential	*2,263,116*	*5,141,121*	-	-	*7,404,237*
Consumer loans	*6,465,304*	*37,713,276*	*34*	*3,970,009*	*48,148,623*
Other purposes	*57,399*	*132,419*	-	-	*189,818*
Less: Impairment losses on assets not allocated to specific transactions					(863,881)
Total					**78,684,204**

(*) For the purposes of this table, the definition of risk includes the following items in the public consolidated balance sheet: “Loans and Advances to Credit Institutions”, “Loans and Advances to Customers”, “Debt Instruments”, “Trading Derivatives”, “Hedging Derivatives”, “Investments”, “Equity Instruments” and “Contingent Liabilities”.

At 31 December 2014:

	Thousands of Euros				
	Spain	Other EU Countries	Americas	Rest of the World	Total
Credit institutions	3,058,301	2,989,030	71,647	337,164	6,456,142
Public sector	57	236,549	-	39,738	276,344
Of which:					
Central government	-	*225,941*	-	-	*225,941*
Other	*57*	*10,608*	-	*39,738*	*50,403*
Other financial institutions	227,877	42,555	-	65,231	335,663
Non-financial companies and individual traders	1,385,247	5,108,801	429	953,966	7,448,443
Of which:					
Construction and property development	-	*22,533*	-	-	*22,533*
Civil engineering construction	-	*270,765*	-	-	*270,765*
Large companies	*237,592*	*1,737,089*	-	-	*1,974,681*
SMEs and individual traders	*1,147,655*	*3,078,414*	*429*	*953,966*	*5,180,464*
Other households and non-profit institutions serving households	7,382,843	40,460,063	346	3,452,925	51,296,177
Of which:					
Residential	*2,518,241*	*5,614,360*	-		*8,132,601*
Consumer loans	*4,830,321*	*34,845,320*	*346*	*3,452,925*	*43,128,912*
Other purposes	*34,281*	*383*	-		*34,664*
Less: Impairment losses on assets not allocated to specific transactions					664,304
Total					**65,148,465**

(*) For the purposes of this table, the definition of risk includes the following items in the public consolidated balance sheet: “Loans and Advances to Credit Institutions”, “Loans and Advances to Customers”, “Debt Instruments”, “Trading Derivatives”, “Hedging Derivatives”, “Investments”, “Equity Instruments” and “Contingent Liabilities”.

Sovereign risk

As a general rule, the Group considers sovereign risk to be the risk assumed in transactions with central banks, the issuer risk of the Treasury or Republic and the risk arising from transactions with public entities (those whose funds are obtained from fiscal income, which are legally recognised as entities included in the government sector and whose activities are of a non-commercial nature). Following is the Group's total risk exposure to the so-called peripheral countries of the euro zone, distinguishing between sovereign risk and private sector exposure based on the country of the issuer or borrower:

Sovereign Risk by Country of Issuer/Borrower at 31 December 2015 (*)								
	Thousands of Euros							
	Debt Instruments						Derivatives (***)	
	Financial Assets Held for Trading and Other Financial Assets at FVTPL	Short Positions	Available-for-Sale Financial Assets	Loans and Receivables	Loans and Advances to Customers (**)	Total Net Direct Exposure	Other than CDSs	CDSs
Spain	-	-	1,268,006	-	568	1,268,574	-	-
Portugal	-	-	-	-	357	357	-	-
Italy	-	-	407,389	-	-	407,389	-	-
Ireland	-	-	-	-	233	233	26,478	-

(*) Information prepared under EBA standards.

(**) Presented without taking into account the valuation adjustments recognised (EUR 4 thousand).

(***) "Other than CDSs" refers to the exposure to derivatives based on the location of the counterparty, irrespective of the location of the underlying. "CDSs" refers to the exposure to CDSs based on the location of the underlying.

Sovereign Risk by Country of Issuer/Borrower at 31 December 2014 (*)								
	Thousands of Euros							
	Debt Instruments						Derivatives (***)	
	Financial Assets Held for Trading and Other Financial Assets at FVTPL	Short Positions	Available-for-Sale Financial Assets	Loans and Receivables	Loans and Advances to Customers (**)	Total Net Direct Exposure	Other than CDSs	CDSs
Spain	-	-	-	-	57	57	-	-
Italy	-	-	-	-	45	45	-	-

(*) Information prepared under EBA standards.

(**) Presented without taking into account the valuation adjustments recognised (EUR 11 thousand).

(***) "Other than CDSs" refers to the exposure to derivatives, if any, based on the location of the counterparty, irrespective of the location of the underlying. "CDSs" refers to the exposure to CDSs based on the location of the underlying.

The detail of the Group's other exposure to other counterparties (private sector, central banks and other public entities that are not considered to be sovereign risks) in the aforementioned countries at 31 December 2015 and 2014 is as follows:

Exposure to Other Counterparties by Country of Issuer/Borrower at 31 December 2015 (*)									
	Thousands of Euros								
			Debt Instruments					Derivatives (***)	
	Balances with Central Banks	Reverse Repurchase Agreements	Financial Assets Held for Trading and Other Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Loans and Advances to Customers (**)	Total Net Direct Exposure	Other than CDSs	CDSs
Spain	1,071,860	-	-	-	2,022	11,292,770	12,366,652	(29,436)	-
Portugal	-	-	-	-	-	1,270,561	1,270,561	-	-
Italy	4,711	-	-	-	-	5,013,896	5,018,607	-	-
Ireland	-	-	-	61,374	-	-	61,374	-	-

(*) Also, the Group had off-balance-sheet exposure other than derivatives –contingent liabilities and commitments– amounting to EUR 16,376,450 thousand, EUR 284,069 thousand and EUR 119,365 thousand to counterparties in Spain, Portugal and Italy, respectively.

(**) Presented without taking into account valuation adjustments and impairment losses recognised (EUR 821,644 thousand).

(***) "Other than CDSs" refers to the exposure to derivatives based on the location of the counterparty, irrespective of the location of the underlying. "CDSs" refers to the exposure to CDSs based on the location of the underlying.

Exposure to Other Counterparties by Country of Issuer/Borrower at 31 December 2014 (*)									
	Thousands of Euros								
			Debt Instruments					Derivatives (***)	
	Balances with Central Banks	Reverse Repurchase Agreements	Financial Assets Held for Trading and Other Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Loans and Advances to Customers (**)	Total Net Direct Exposure	Other than CDSs	CDSs
Spain	66,261	-	-	-	2,023	8,534,503	8,602,787	(58,607)	-
Portugal	-	-	-	-	-	913,741	913,741	-	-
Italy	4,442	-	-	-	35	5,168,959	5,173,436	-	-
Ireland	-	-	-	-	8	5,657	5,665	-	-

(*) Also, the Group had off-balance-sheet exposure other than derivatives –contingent liabilities and commitments– amounting to EUR 16,381,183 thousand, EUR 284,431 thousand and EUR 10 thousand to counterparties in Spain, Portugal and Italy, respectively.

(**) Presented without taking into account valuation adjustments and impairment losses recognised (EUR 753,740 thousand).

(***) "Other than CDSs" refers to the exposure to derivatives based on the location of the counterparty, irrespective of the location of the underlying. "CDSs" refers to the exposure to CDSs based on the location of the underlying.

At 31 December 2015 and 2014, the Group had not arranged any credit default swaps (CDSs).

Market risk

The Market Risk department measures, controls and monitors all operations in which net worth risk is assumed. This risk arises from changes in the risk factors -interest rate, exchange rate, equities and the volatility thereof- and from the liquidity risk of the various products and markets in which the Santander Consumer Finance Group operates.

The activities are segmented by risk purpose as follows:

a) *Trading.* This category includes financial services for customers and the trading and taking of positions in fixed-income, equity and foreign currency products.

The Santander Consumer Group does not carry out trading activities at local level, and the scope of its treasury operations is confined to managing and hedging its structural balance sheet risk and managing the liquidity required to finance its business.

b) *Balance-sheet management.* This activity includes the management of the following structural risks:

- Interest rate risk: defined as the probability of incurring losses as a result of the impact of interest rate changes on the company's equity structure.

- Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the euro (hedges of results).

- Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk. Structural equities risk does not apply to the Company.

c) *Liquidity risk.* This category comprises the activities aimed at managing structural liquidity risk, which relates to the entity's ability to meet its payment obligations on maturity without incurring unacceptable losses and to finance increases in the volume of assets.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

The Financial Management area is responsible for managing the balance sheet management risk and liquidity risk centrally through the application of uniform methodologies adapted to the situation of each market in which the Group operates. The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the Group's economic value, whilst maintaining adequate liquidity and solvency levels.

The Market Risk department supports business management, defines risk measurement methodologies, assists in establishing limits and controls the structural market risks arising from the Group's operations, ensuring that the risks assumed are within the risk appetite limits established by the Executive Risk Committee.

Decisions affecting the management of these risks are taken through the ALCO Committees in the respective countries and, ultimately, by the Parent’s ALCO Committee.

Methodologies

<u>Balance-sheet management</u>

Interest rate risk

The Group analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Group to control interest rate risk in these activities are the interest rate gap and the sensitivity of net interest margin and market value of equity to changes in interest rates.

- *Interest rate gap of assets and liabilities*

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various repricing buckets to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. For those aggregates that do not have a contractual maturity date, their duration and sensitivity are analysed and estimated using the Santander Group's internal model.

- *Net interest margin (NIM) sensitivity*

The sensitivity of the net interest margin measures the change in the expected net interest income for a specific period (twelve months) given a shift in the yield curve.

- *Market value of equity (MVE) sensitivity*

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

<u>Liquidity management</u>

Liquidity risk is associated with the Santander Consumer Finance Group's ability to fund its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance-sheet management are the liquidity gap, liquidity ratios, the structural liquidity table and liquidity stress tests.

In addition, Santander Consumer Finance S.A. prepares the liquidity statements required by the Bank of Spain, which must be completed every month with month-end data, as well as the Liquidity Coverage Ratio (LCR), also to be reported on a monthly basis, and the Net Stable Funding Ratio (NSFR), to be reported on a quarterly basis. The last two ratios were implemented by the European Banking Authority (EBA) through Directive 2013/36/EU, EU Regulation No 575/2013 (CRR) and successive technical standards published subsequently, known collectively as CRD IV/CRR. The requirement to achieve the Liquidity Coverage Ratio (LCR) came into force on 1 October 2015. A minimum ratio of 60% must generally be achieved, although the ratio may be higher if so determined by the competent national banking authority.

- *Liquidity gap*

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

In the contractual liquidity gap, all cash-flow generating balance sheet items are analysed and placed at the point of contractual maturity. For assets and liabilities without contractual maturities, the Santander Group's internal analysis model is used, based on a statistical study of the time series of the products, and the so-called stable or unstable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares the liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than twelve months with the liabilities maturing in twelve months or less.

- *Structural liquidity table*

The aim of this analysis is to determine the structural liquidity position on the basis of the liquidity profile (more or less stable) of the various asset and liability instruments.

- *Liquidity stress tests*

The purpose of the liquidity stress tests conducted by the Santander Consumer Finance Group is to determine the impact of a severe, but plausible, liquidity crisis. In these stress scenarios, internal factors that might affect the Group's liquidity are simulated, such as a fall in the institutional credit rating or the value of on-balance-sheet assets, restrictions on transfers between Group entities or factors external to the SCF Group such as, inter alia, a scarcity of liquidity in the banking system, banking crises, regulatory factors, changes in consumption trends and/or a loss of depositor confidence.

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

Each year, a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on new securitisations, considering the eligible assets available, and of the potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

Structural foreign currency risk / Hedges of results / Structural equities risk

Structural foreign currency risk arises mainly from investments in banks in currencies other than the euro.

Structural foreign currency risk is managed centrally at Santander Group level as part of the general corporate procedures. Since the end of 2014, hedges of this foreign currency risk exposure have been recognised in the books of both Banco Santander S.A. and Santander Consumer Finance S.A.

Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities of each business activity.

Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

Objectives of the limits structure

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

- To identify and delimit, in an efficient and comprehensive manner, the main types of market risk incurred, so that they are consistent with business management and the defined strategy.

- To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

- To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

- To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

- To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as valuation model and systems, liquidity of the instruments involved, etc.

Definition and objectives

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

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

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

The Santander Group's priority, therefore, is to identify and mitigate any clusters of operational risk, irrespective of whether or not they have given rise to any losses. Measurement of this risk also contributes to the establishment of priorities in operational risk management.

For the purpose of calculating regulatory capital for operational risk, Santander Consumer Finance has been applying the Standardised Approach provided for under Basel II standards.

However, in 2015 Santander Consumer Finance commenced a project aimed at shifting to an advanced operational risk management (AORM) approach.

Operational risk management and control model

Operational risk management cycle

The components of operational risk management at Santander Consumer Finance are as follows:

The various phases of the operational risk management and control model involve:

- Identification of the operational risk inherent in all Santander Consumer Finance's activities, products, processes and systems. This process is carried out through a Risk and Control Self-Assessment (RCSA).
- Definition of the target operational risk profile, specifying the strategies by unit and time horizon, through the establishment of the operational risk appetite and tolerance, the budget and the related monitoring.
- Encouragement of the involvement of all employees in the operational risk culture, through appropriate training for all areas and levels of the organisation.

  - Objective and ongoing measurement and assessment of operational risk, consistent with industry and regulatory standards (Basel, Bank of Spain, etc.).
  - Continuous monitoring of operational risk exposures, implementation of control procedures, improvement of internal awareness and mitigation of losses.
- Establishment of mitigation measures to eliminate or minimise operational risk.
- Preparation of periodic reports on the exposure to operational risk and its level of control for Santander Consumer Finance's senior management and its areas/units, and reporting to the market and the regulatory authorities.
- Definition and implementation of the methodology required for calculating capital in terms of expected and unexpected loss.

The following is required for each of the key processes indicated above:

- Definition and implementation of systems enabling Santander Consumer Finance to monitor and control operational risk exposures. These systems must be integrated into daily management, using the current technology and maximising the automation of applications.

  This objective is shared with the other Santander Group entities. Therefore, the Group is currently developing and implementing a single tool called Heracles for the management and control of operational risk, compliance and internal control. Implementation of this tool began in the second half of 2015 and will be completed in 2016.
- Definition and documentation of operational risk management and control policies and implementation of the related methodologies consistent with current regulations and best practices.

  The process of adapting the corporate risk regulations to SCF's circumstances began in 2015 with the adoption of the related corporate framework and will be completed in the first quarter of 2016 with the approval at the appropriate level of the committee's model, policies, procedures, guides and rules.

The operational risk management and control model implemented by Santander Consumer Finance provides the following benefits:

- It encourages the development of an operational risk culture.
- It enables a comprehensive and effective management of operational risk (identification, measurement/assessment, control/mitigation and reporting).
- It improves knowledge of actual and potential operational risks and their assignment to business and support lines.
- The information on operational risk helps improve processes and controls and reduce losses and income volatility.
- It facilitates the setting of limits for operational risk appetite.

Compliance with the new regulatory framework

The regulations known as Basel III, which establish new global capital, liquidity and leverage standards for financial institutions, came into force in 2014.

From the capital standpoint, Basel III redefines what is considered to be available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), increases the minimum capital requirements, requires financial institutions to operate permanently with capital buffers, and adds new requirements in relation to the risks considered.

In Europe, the new standards were implemented through Directive 2013/36/EU, known as the Capital Requirements Directive ("CRD IV"), and the related Capital Requirements Regulation 575/2013 ("CRR"), which is directly applicable in all EU Member States (as part of the Single Rulebook). In addition, these standards are subject to Implementing Technical Standards commissioned from the European Banking Authority (EBA).

CRD IV was transposed into Spanish legislation through Law 10/2014 on the regulation, supervision and capital adequacy of credit institutions, and its subsequent implementing regulations contained in Royal Decree 84/2015. The CRR is directly applicable in EU Member States as from 1 January 2014 and repeals all lower-ranking rules providing for additional capital requirements.

The CRR establishes a phase-in that will permit a progressive adaptation to the new requirements in the European Union. The phase-in arrangements were incorporated into Spanish regulations through Bank of Spain Circular 2/2014. They affect both the new deductions and the issues and items of own funds which cease to be eligible as such under this new regulation. The capital buffers provided for in CRD IV are also subject to phase-in; they are applicable for the first time in 2016 and must be fully implemented by 2019.

At the end of 2015 the ECB established the minimum prudential capital requirements for each bank for the following year. In 2016, at sub-consolidated level, Santander Consumer Finance must have a minimum CET1 capital ratio of 9.75%[1].

At the end of 2015 Santander Consumer Finance comfortably exceeded the ECB's prudential requirement, with a fully-loaded CET1 capital ratio of 12.18% (the phase-in ratio was 12.79%) and a total capital ratio of 13.07%.

With regard to credit risk, Santander Consumer Finance is continuing to adopt its plan to implement the Basel advanced internal ratings-based (AIRB) approach. Progress in this connection is conditioned both by the acquisitions of new entities and the need for coordination among supervisors of the validation processes for the internal approaches.

The Santander Consumer Finance Group is present mainly in geographical areas where there is a common legal framework among supervisors, as is the case in Europe through the Capital Requirements Directive.

To date Santander Consumer Finance has obtained authorisation from the supervisory authorities to use AIRB approaches for the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, Germany, the Nordic countries and France. In 2015 authorisation was obtained for the Santander Consumer Nordics auto loan portfolios to switch from the standardised approach to the AIRB approach, while the IRB approach was maintained for the corporate and retail portfolios of PSA France, following the acquisition of this investee.

With regard to operational risk, the Santander Consumer Finance Group currently uses the standardised approach for regulatory capital calculation provided for in the European Capital Directive.

[1] This requirement includes: (i) the minimum Common Equity Tier 1 capital that must be held at all times pursuant to Article 92.1-a of Regulation (EU) No 575/2013; (ii) the excess Common Equity Tier 1 capital that must be held at all times pursuant to Article 16.2-a of Regulation (EU) No 1024/2013; and (iii) the capital conservation buffer pursuant to Article 129 of Directive 2013/36/EU.

Using the standardised approach and in comparison with the other risks explicitly referred to in Basel Pillar 1, market risk is not significant at Santander Consumer Finance, since its business object does not include market transactions.

Leverage ratio

The leverage ratio was established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital that financial institutions are required to hold. CRD IV was amended on 17 January 2015 through the modification of Regulation (EU) No 575/2013 to harmonise the calculation criteria with those specified in the Basel Committee's document entitled "Basel III leverage ratio framework and disclosure requirements". This ratio is calculated as Tier 1 capital divided by leverage exposure.

The leverage ratio is still in the calibration phase and there is no obligation to comply with it until 2018. The reference ratio was set at 3% and at December 2015 Santander Consumer Finance had a fully-loaded leverage ratio of 7.58% at sub-consolidated level.

Economic capital

With regard to capital adequacy, in the context of Pillar 2 of the Basel Capital Accord, the Santander Consumer Finance Group conducts the internal capital adequacy assessment process (ICAAP) using its economic capital model. To this end, it plans the evolution of the business and the capital requirements under a central scenario and under alternative stress scenarios. With this planning the Group ensures that it will continue to meet its capital adequacy targets, even in adverse economic scenarios.

Economic capital is the capital required, based on an internally-developed model, to support all the risks of the Group's business activity with a given solvency level. In the Group's case, the solvency level is determined by the A long-term target rating (two notches above the rating for Spain), which results in the application of a 99.95% confidence level (higher than the regulatory 99.90%) for the purpose of calculating the required capital.

The Group's economic capital model includes in its measurement all the significant risks incurred by it in its operations. Accordingly, it considers risks such as concentration risk, structural interest rate risk, business risk, pension risk and other risks outside the scope of regulatory Pillar 1 capital requirements. Economic capital also includes the diversification effect, which in the Group's case, owing to the multinational, multibusiness nature of its operations, is of key importance in determining its overall risk and solvency profile.

In its risk management, the Santander Consumer Finance Group uses the RORAC methodology for the calculation of the economic capital requirements and of the return thereon for the Group's business units, segments, portfolios and customers, with a view to regularly analysing value creation and facilitating an optimal allocation of capital.

The RORAC methodology permits the comparison, on a like-for-like basis, of the performance of transactions, customers, portfolios and businesses, and identifies those which achieve a risk-adjusted return higher than the Group's cost of capital, thus aligning risk management and business management with the aim of maximising value creation, which is the ultimate objective of Santander Consumer Finance's senior management.

The RORAC and value creation figures are shaped by the varying trends in the economic cycle at the Santander Consumer Finance Group units.

50. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Appendix I

Subsidiaries

Company	Registered Office	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)		Line of Business	Millions of Euros		
			Direct	Indirect	2015	2014		Capital and Reserves (a)	Net Profit (Loss) (a)	Amount of Ownership Interest (b)
SANTANDER CONSUMER BANK AG	Santander Platz I, 41061 (Mönchengladbach)	Germany	0%	100%	100%	100%	Banking	2,695	582	4,820
SANTANDER CONSUMER LEASING GMBH	Santander Platz I, 41061 (Mönchengladbach)	Germany	0%	100%	100%	100%	Leasing	12	40	101
SANTANDER CONSUMER HOLDING GMBH	Santander Platz I, 41061 (Mönchengladbach)	Germany	100%	0%	100%	100%	Holding company	4,219	557	5,677
SANTANDER CONSUMER HOLDING AUSTRIA GMBH	Rennweg 17, A 1030 (Vienna)	Austria	100%	0%	100%	100%	Holding company	363	34	518
HISPAMER RENTING, S.A.U.	Ciudad Grupo Santander, Av Cantabria, 28660 (Boadilla del Monte- Madrid)	Spain	0%	100%	100%	100%	Full-service leasing	12	-	1
GUARANTY CAR, S.A.	Nacional II, Km 16,500 San Fernando de Henares (Madrid)	Spain	0%	100%	100%	100%	Automotive	1	-	1
SANTANDER CONSUMER FINANCE ZRT.	Kapas Center, Kapas U6-12H-1027 (Budapest)	Hungary	0%	100%	100%	100%	Finance	5	-	-
SANTANDER CONSUMER BANK S.P.A.	Vía Nizza 262, I-10126 (Turin)	Italy	100%	0%	100%	100%	Banking	541	22	523
SANTANDER CONSUMER, EFC, S.A.	Ciudad Grupo Santander, Av Cantabria, 28660 (Boadilla del Monte- Madrid)	Spain	100%	0%	100%	100%	Finance	356	61	505
ANDALUZA DE INVERSIONES, S.A.	Ciudad Gupo Santander, Av. Cantabria, 28660 (Boadilla del Monte- Madrid)	Spain	100%	0%	100%	100%	Holding company	52	108	27
SANTANDER CONSUMER BANK A.S.	Strandveien 18, 1366 Lysaker, 0219 (Baerum)	Norway	100%	0%	100%	100%	Banking	1,527	131	1,762
BANCO SANTANDER CONSUMER PORTUGAL S.A.	Rua Castilho 2/4 1269-073 (Lisbon)	Portugal	80%	20%	100%	100%	Finance	148	14	128
SANTANDER CONSUMER RENTING, S.L.	Santa Bárbara 1, 28180 (Torrelaguna)	Spain	0%	100%	100%	100%	Full-service leasing	61	4	39
SUZUKI SERVICIOS FINANCIEROS, S.L.	C/Carlos Sainz 35, Pol. Ciudad del Automóvil (Leganés - Madrid)	Spain	0%	100%	51%	51%	Intermediation	4	-	-
Santander Consumer Finance Media S.r.l. - in liquidazione	Vía Nizza 262, I-10126 (Turin)	Spain	0%	100%	65%	65%	Finance	8	-	5

Company	Registered Office	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)		Line of Business	Millions of Euros		
			Direct	Indirect	2015	2014		Capital and Reserves (a)	Net Profit (Loss) (a)	Amount of Ownership Interest (b)
SANTANDER CONSUMER FINANCE OY	Hermannin Rantatie 10, 00580 (Helsinki)	Finland	0%	100%	100%	100%	Finance	160	38	130
SANTANDER CONSUMER FINANCE BENELUX B.V.	Guldensporenpark 81, 9820 (Merelbeke)	The Netherlands	100%	0%	100%	100%	Finance	125	20	190
SANTANDER CONSUMER BANK GMBH	Andromeda Tower, Donan City, Strów-Wien	Austria	0%	100%	100%	100%	Banking	281	33	363
SANTANDER CONSUMER SERVICES GMBH	Thomas Alva Edison Str. I, Eisendstadt	Austria	0%	100%	100%	100%	Services	-	-	-
FINANCIERA EL CORTE INGLÉS, E.F.C., S.A.	C/ Hermosilla 112, 28009 (Madrid)	Spain	51%	49%	51%	51%	Finance	214	53	140
SILK FINANCE NO. 3 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 1 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 2 LTD (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF RAHOITUSPALVELUT LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF AJONEUVOHALLINTO LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SVENSK AUTOFINANS 1 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 3 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
DANSK AUTO FINANSIERING 1 LTD (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
BCLF 2013-1 B.V. (d)	-	The Netherlands	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY AUTO 2013-1 UG (HAFTUNGSBESCHRAENKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY CONSUMER 2013-1 UG (HAFTUNGSBESCHRAENKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY AUTO 2013-2 UG (HAFTUNGSBESCHRAENKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 4 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF AJONEUVOHALLINTA LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF RAHOITUSPALVELUT 2013 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-

Company	Registered Office	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)		Line of Business	Millions of Euros		
			Direct	Indirect	2015	2014		Capital and Reserves (a)	Net Profit (Loss) (a)	Amount of Ownership Interest (b)
SC GERMANY VEHICLES 2013-1 UG (HAFTUNGSBESCHRÄNKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 5 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SVENSK AUTOFINANS WH 1 LTD (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY AUTO 2014-1 UG (HAFTUNGSBESCHRÄNKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY CONSUMER 2014-1 UG (HAFTUNGSBESCHRÄNKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 6 LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCFI RAHOITUSPALVELUT LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCFI AJONEUVOHALLINTO LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SC GERMANY AUTO 2014-2 UG (HAFTUNGSBESCHRÄNKT) (d)	-	Germany	0%	100%	100%	-	Securitisation	-	-	-
SC AUSTRIA FINANCE 2013-1 S.A. (d)	-	Austria	0%	100%	100%	-	Securitisation	-	-	-
Auto ABS FCT Compartiment 2011-1 (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
Auto ABS FCT Compartiment 2012-1 (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
AUTO ABS DFP MASTER - COMPARTMENT FRANCE 2013 (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
AUTO ABS FRENCH LOANS MASTER (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
Auto ABS2 FCT Compartiment 2013-A (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
Auto ABS FCT Compartiment 2013-2 (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
Auto ABS3 FCT Compartiment 2014-1 (d)	-	France	0%	50%	100%	-	Securitisation	-	-	-
SC GERMANY VEHICLES 2015-1 UG (HAFTUNGSBESCHRÄNKT) (d)	Steinweg 3-5, 60313 Frankfurt am Main, Germany	Germany	0%	100%	100%	-	Securitisation	-	-	-

Company	Registered Office	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)		Line of Business	Millions of Euros		
			Direct	Indirect	2015	2014		Capital and Reserves (a)	Net Profit (Loss) (a)	Amount of Ownership Interest (b)
SECUCOR FINANCE 2013-I LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF RAHOITUSPALVELUT I DAC (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SCF AJONEUVOHALLINTO I LIMITED (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SILK FINANCE NO. 4 (d)	-	Portugal	0%	100%	100%	-	Securitisation	-	-	-
BILKREDITT 7 DESIGNATED ACTIVITY (d)	-	Ireland	0%	100%	100%	-	Securitisation	-	-	-
SANTANDER CONSUMER FRANCE, S.A	26 Quai Michelet 92300 Levallois Perret Levallois Perret, 92300 France	France	100%	0%	100%	100%	Holding company	490	8	490
Banca PSA ITALIA S.P.A.	Via Gallarate 199 20151 Milan Italy	Italy	0%	100%	50%	-	Banking	10	-	5
Compagnie Générale de Crédit aux Particuliers - Credipar S.A.	12 av. André Malraux 92300 Levallois-Perret France	France	0%	100%	50%	-	Banking	849	122	855
Compagnie Pour la Location de Vehicules - CLV	12 Avenue Andre Malraux 92300 Levallois Perret France	France	0%	100%	50%	-	Full-service leasing	66	7	41
Société Financière de Banque - SOFIB	29 rue Ernest Cognacq 92300 LEVALLOIS-PERRET France	France	0%	100%	50%	-	Banking	925	12	463
PSA LION DEUTSCHLAND GMBH	Siemensstraße 10 63263 Neu-Isenburg Hesse (Germany)	Germany	0%	100%	50%	-	Banking	7	-	4
FINANCE PROFESSIONAL SERVICES SAS	26 Quai Michelet 92300 Levallois Perret France	France	100%	0%	100%	-	Services	2	-	2
Santander Consumer Service, S.A.	Rua Castilho no. 2 | 1269-073 Lisbon | Portugal	Portugal	80%	20%	100%	-	Full-service leasing	11	-	10
SANTANDER CONSUMER MEDIACIÓN OPERADOR DE BANCA-SEGUROS VINCULADO, S.L.	Ciudad Grupo Santander, Av Cantabria, 28660 (Boadilla del Monte- Madrid)	Spain	78%	22%	95%	-	Insurance	-	-	-
PSA FINANCIAL SERVICES, SPAIN, EFC, S.A.	c/ Eduardo Barreiros no. 110. 28041 Madrid.	Spain	50%	50%	50%	-	Finance	363	11	181
PSA FINANCE SUISSE, S.A.	Brandstrasse 24, 8952 Schlieren	Switzerland	0%	100%	50%	-	Banking	46	3	46

Company	Registered Office	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (c)		Line of Business	Millions of Euros		
			Direct	Indirect	2015	2014		Capital and Reserves (a)	Net Profit (Loss) (a)	Amount of Ownership Interest (b)
Fondo de Titulización de Activos Santander Consumer Spain Auto 2011-1 (d)	-	Spain	0%	100%	-	-	Securitisation	-	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2012-1 (d)	-	Spain	0%	100%	-	-	Securitisation	-	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2013-1 (d)	-	Spain	0%	100%	-	-	Securitisation	-	-	-
Fondo de Titulización de Activos Santander Consumer Spain Auto 2014-1 (d)	-	Spain	0%	100%	-	-	Securitisation	-	-	-
Golden Bar Stand Alone 2012-1 (d)	-	Italy	0%	100%	-	-	Securitisation	-	-	-
Golden Bar Whole Loan Note VFN 2013-1 (d)	-	Italy	0%	100%	-	-	Securitisation	-	-	-
Golden Bar Stand Alone 2014-1 (d)	-	Italy	0%	100%	-	-	Securitisation	-	-	-
Golden Bar Stand Alone 2015-1 (d)	-	Italy	0%	100%	-	-	Securitisation	-	-	-
SC GERMANY CONSUMER 2015-1 (d)	-	Germany	0%	100%	-	-	Securitisation	-	-	-
AUTO ABS 2012-3 (d)	-	Spain	0%	50%	-	-	Securitisation	-	-	-

(a) Data obtained from the financial statements of each subsidiary for 2015. These financial statements have not yet been approved by the respective governing bodies. However, the Bank's directors consider that they will be ratified without any changes.

(b) Carrying amount of the investments in each subsidiary per the books of the holding company, net of the related impairment allowance, if any.

(c) Pursuant to Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of consolidated financial statements, in order to determine voting power, the voting power relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies was added to the voting power directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the subsidiary holding a direct ownership interest in such companies.

(d) Vehicles over which effective control is exercised.

Appendix II

Associates and jointly controlled entities

Name	Entity	Country	Percentage of Ownership Interest Held by the Bank		Percentage of Voting Power (b)		Line of Business	Millions of Euros (a)		
			Direct	Indirect	2015	2014		Assets	Capital and Reserves	Profit (Loss)
SANTANDER CONSUMER BANK S.A	Associate	Poland	40%	60%	40%	40%	Banking	4,262	4,157	626
AKB MARKETING SERVICES SP. Z.O.O.	Associate	Poland	0%	100%	40%	100%	Marketing	7	7	7
OMEGA FINANCIAL SERVICES GMBH	Jointly controlled entity	Germany	0%	100%	50%	50%	Services	1	0	1
REINTEGRA, S.A.	Associate	Spain	0%	100%	45%	100%	Services	17	17	6
TRANSOLVER FINANCE EFC, S.A.	Jointly controlled entity	Spain	50%	50%	50%	50%	Leasing	351	347	34
SANTANDER CONSUMER FINANSE SPÓLKA AKCYJNA	Associate	Poland	0%	100%	40%	100%	Services	20	19	16
SANTANDER CONSUMER MULTIRENT	Associate	Poland	0%	100%	40%	100%	Leasing	162	158	14
HYUNDAI CAPITAL GERMANY GMBH	Jointly controlled entity	Germany	0%	100%	50%	100%	Services	5	3	4
FORTUNE AUTO FINANCE CO., LTD	Jointly controlled entity	China	50%	50%	50%	50%	Finance	1,137	1,128	143
BANK OF BEIJING CONSUMER FINANCE COMPANY	Associate	China	20%	80%	20%	20%	Banking	3,173	3,102	312
PSA Life Insurance Europe Ltd	Jointly controlled entity	Malta	50%	50%	50%	-	Insurance	11	11	9
PSA Insurance Europe Ltd	Jointly controlled entity	Malta	50%	50%	50%	-	Insurance	42	42	37
VCFS GERMANY GMBH	Jointly controlled entity	Germany	0%	100%	50%	-	Services	0	0	0

(a) Data obtained from the financial statements of each associate and/or jointly controlled entity for 2015. These financial statements have not yet been approved by the respective governing bodies. However, the Bank's directors consider that they will be ratified without any changes.

(b) Pursuant to Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of consolidated financial statements, in order to determine voting power, the voting power relating to subsidiaries or to other parties acting in their own name but on behalf of Group companies was added to the voting power directly held by the Parent. Accordingly, the number of votes corresponding to the Parent in relation to companies in which it has an indirect interest is the number corresponding to the company holding a direct ownership interest in such companies.

Appendix III

Changes and notifications of acquisitions and disposals of investments in 2015

(Article 155 of the Consolidated Spanish Limited Liability Companies Law and Article 125 of Legislative Royal Decree 4/2015, of 23 October, approving the Consolidated Spanish Securities Market Law).

Investee	Line of Business	Percentage of Net Ownership Interest		Effective Date of the Transaction (or the Date of Notification as appropriate)
		Acquired/Sold in the Year	At Year-End	
Acquisitions in 2015:				
PSA Insurance Europe Limited (Malta)	Insurance	50%	50%	09/02/15
PSA Life Insurance Europe Limited (Malta)	Insurance	50%	50%	09/02/15
Finance Professional Services, S.A.S. (France)	Services	100%	100%	15/01/15
Santander Consumer Service, S.A. (Portugal)	Full-service leasing	80%	80%	01/08/15
Santander Consumer Finance Benelux B.V. (The Netherlands)	Finance	100%	100%	04/11/15
Santander Consumer Holding Austria GmbH	Holding company	100%	100%	04/11/15
PSA Financial Services Spain, E.F.C., S.A.	Finance	50%	50%	02/10/15

No sales of ownership interests were made in 2015 that must be disclosed pursuant to the reporting requirements of Article 155 of the Consolidated Spanish Limited Liability Companies Law and Article 125 of Consolidated Spanish Securities Market Law 20/2014.

Appendix IV

List of agents as required by Article 21 of Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions, at 31 December 2015

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Álvarez y Garrúes Dos, S.L.	Av. de Vigo, 65 - Pontevedra	27003	B027380799	01/08/08	31/07/13	Pontevedra, Villagarcía de Arosa, O Grove, Sanxenxo, Cambados, Lalín, La Estrada, Silleda and Caldas de Rey	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing.
Álvarez y Garrúes, S.L.	Av. A Coruña, 439 - Lugo	27003	B27274216	01/12/03	-	Lugo and its province	Mortgage loans, consumer loans, finance leases.
Álvarez y Garrúes Tres, S.L.	C/ Salvador Dalí, 12 - Ourense	27003	B27412816	01/11/10	31/10/15	Ourense and its province	Consumer loans and automotive financing, leasing and full-service leasing
Antonio García Fernández Servicios Financieros, S.L.	Av. Argentina 1, Pozoblanco	14400	B14771554	01/10/06	-	Alcaracejos, Añora, Belalcazar, Belmez, Los Blázquez, Cardenas, Conquista, Dos Torres, Espiel, Fuente La Mancha, Fuenteovejuna, Elguido, Hinojosa del Duque, Pedroche, Peñarroya-Pueblonuevo, Pozoblanco, Santa Eufemia, Torrecampo, Valsequillo, Villamaría, Villanueva de Córdoba, Villanueva del Duque and Villanueva del Rey, Villarralto, Villa Viciosa de Córdoba and El Viso.	Mortgage loans, consumer loans, finance leases.
Asedime Servicios Financieros, S.L.	Doctor Dorronsoro 2 - Valverde del Camino	21600	B21380746	01/04/08	31/03/13	Alajar, Almonaster la Real, Aracena, Aroche, Arroyo Molinos de León, Beas, Berrocal, Cala, Calañas, El Campillo, Campofrío, Cañaveral de León, Castaño de Robledo, Corteconcepción, Cortegana, Cortelazor, Cumbre de En Medio, Cumbres de San Bartolomé, Cumbres Mayores, Encinasola, Fuenteheridos, Galaroza, La Granada de Ríotinto, La Nava, Nerva, Puerto del Moral, Rosal de la Frontera, Santa Ana la Real, Santa Olalla del Cala, Trigueros, Valdelarco, Valverde del Camino, Zalamea la Real and Zufre.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing.
Asesoramiento Financiero Toledano Cortés, S.L.	Agustín Rodríguez Sahagún, 30 Local 3 - Ávila	5003	B05182563	01/12/03	-	Province of Ávila	Mortgage loans, consumer loans, finance leases
Asesoramiento Financiero Zafra, S.L.	Andrés Pro, 18 - Zafra	6300	B06433973	03/01/05	-	Zafra	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Berga Gestió, S.L.	C/ Gran Vía, 46 - Berga (Barcelona)	08600	B64396476	02/01/10	01/01/15	Berguedá, Solsonès, Alt Urguell, Navàs, Cardona	Consumer loans and automotive financing, leasing and full-service leasing
Canovaca Agentes Financieros S.L.	Ancha, 2 - Palma del Río	14700	B14539290	01/04/00	-	Almodovar del Rio, Fuente Palmera, Palma del Rio, Posadas, Lora del Rio, Peñaflor, Carmona, La Campana, La Puebla de los Infantes, Mairena del Alcor, El Viso del Alcor	Loans and credits, finance leases
Carrasco Agentes, S.L.	Calle Avenida, 41 - Linares	23700	B23478704	02/01/04	-	Linares	Mortgage loans, consumer loans, finance leases
Centro Asesor de Teruel Financiera, S.L.	Carretera de Alcañiz 3, Bajo - Teruel	44003	B44224947	02/06/08	01/06/13	Teruel and its entire province	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Centro Financiero de Benidorm, S.L.	Av. Constitución 113 - Valencia	46009	B98050305	10/06/08	09/06/13	Alfaz del Pi, Altea, Beniarres, Benidorm, Callosa d'en Sarria, Finestrat, Guadalest, La Nucia, Polop and Villajoyosa	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Consultoría Financiera de la Mancha, S.L.	Ramiro Ledesma - Socuéllamos	13630	B13354303	15/12/03	-	Socuéllamos, Tomelloso, Argamasilla de Alba, Pedro Muñoz, Campo de Criptana, Alcázar de San Juan, Las Pedroñeras, Monta del Cuervo, Villanueva de los Infantes	Mortgage loans, consumer loans, finance leases
Donat Finance Service, S.L.	Plaza Velázquez, 11 - Melilla	52004	B52015435	01/02/07	01/02/12	Melilla	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Estudios y Análisis de Riesgos, S.L. (*)	Avda. del Mediterráneo, sn - Cuenca	16004	B16156598	30/06/07	02/11/08	Cuenca	Mortgage loans, consumer loans, finance leases
Financiaceuta, S.L.U.	C/ General Aranda, 3 - Ceuta	51001	B51017101	01/07/06	-	Ceuta	Mortgage loans, consumer loans, finance leases
Finanduero 2007, S.L.U.	Avda Castilla 47 - Aranda de Duero	9400	B09480013	02/11/07	02/11/12	Aranda de Duero, Lerma, Huerta del Rey, Salas de los Infantes and Roa.	Mortgage loans, consumer loans, insurance and automotive financing, leasing and full-service leasing
Finangi. Cat, S.L.	Avda. de la Rápita, 33 1º Amposta (Tarragona)	43870	B43571660	01/06/99	-	Amposta	Loans and credits, finance leases
Fromán Consultores, S.L.U.	Badia Polesina, 6 - Estepa	41560	B41969767	01/06/04	-	Aguadulce, Badolatosa, Casariche, Los Corrales, Estepa, Gilena, Herrera, La Lentejuela, Lora de Estepa, Marinaleda, Martin de la Jara, Osuna, Pedrea, La Roda de Andalucía, El Rubio, El Saucejo.	Mortgage loans, consumer loans, finance leases
García y Trinidad Asesoramiento y Financiación, S.L.	Rosario, 9 - Albox	4800	B04577383	01/10/06	-	Albox, Alcontar, Almanzorra, Armuña de Almanzorra, Bacares, Bayarque, Benitagla, Bezalon, Cantoria, Cobrar, Fines, Laroya, Lijar, Lubrin, Lucar, Macael, Olula del Rio, Partaloa, Purchena, Seron, Sierro, Somontin, Tahall, Tijola, Uleila del Campo, Urracal and Zurgena.	Mortgage loans, consumer loans, finance leases
Gestió de Financament I Inversions de Ponent	Av. De la Pau, 49 - Mollerusa	25230	B25539123	01/10/06	-	The districts of Pla d'Urgell, la Noguera, L´Urgell and La Segarra. Y Lérida, Balafia; Les Basses D'Alpicat, La Bordeta, Camps D'Escorts, Cap Pont, Castel De Gardeny, Clot-Princep de Viana, Gualda; Llivia, Magraners, Mariola, Pardinyes, Raimat, Seca Sant Pere, Sucs, Suquets; Les Torres de Sanui, Abella de la Conca Les Alamus, L'Albages, Albatarrec, L'Albi, Alanco, Alcarras, Alcoletge, Alfes, Alguaire, Almatret, Almenar, Alpicat, Artessa de Lleida, Aspa, Aitona, Benavent de Segria, Bovera, Les Borges, Blanquets, Castelldans, Cervia de Garrigues, Corbins, L'Espluga Calba, La Floresta, Fulleda, La Granja D'Escarp, Gimenells i Pla de la Font, Granyera de les Garrigues, Juncosa, Juneda, Llardecans, Masalcoreig, Maials de Lleida, Els Omellons, La Pobla de Cervoles, Bellaguarda, La Portella, Puiggros, Puigverd de Lleida; Roselló, Seros, El Soleras, Soses, Tarres, Els Torms, Torrebesses, Torrefarrera, Torres de Segre, Torre Serona, Vilanova de Segria, El Vilosell, Vilanova de la Barca and Vinaixa.	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Gestión de Servicios Financieros Artimar, S.L.	Avda. de Canarias 344 - Sta. Lucia de Tirajana	35110	B35496777	01/01/98	-	Santa Lucía de Tirajana, San Bartolomé de Tirajana	Loans and credits, finance leases
Gestión Financiera Villalba S.L.	General Luque Arenas, 16 - Ubrique (Cádiz)	11600	B11517620	01/08/01	-	Ubrique, Alcalá del Valle, Algodonales, Arcos de la Frontera, Benaocaz, Bornos, El Bosque, El Gastor, Espera, Grazalema, Olivera, Prado del Rey, Setenil, Torre Alhaquine, Villanueva del Rosario, Villa Martín, Puerto Serrano	Loans and credits, finance leases
GEYBA Servicios Financieros, S.L.	Antonio Machado, 10 - La Algaba	41980	B91385377	01/09/04	-	Arevalillo de Cega, Alacala del Rio, Alcolea del Rio, La Algaba, Almaden de la Plata, Brenes, Burguillos, Cantillana, Castilblanco de los Arroyos, El Castillo de las Guardas, Cazalla de la Sierra, Constantina, El Garrobo, Gerena, El Madroño, Las Navas de la Concepción, El Pedroso, La Roda de Andalucía, La Rinconada	Mortgage loans, consumer loans, finance leases
Graciano Vega Vidal, S.L.	C/ Del Agua, 2 - Gijón (Asturias)	33206	B33957580	02/01/10	01/01/15	Gijón, Cabrales, Cangas de Onís, Caravía, Caso, Colunga, Llanes, Nava, Onís, Parrés, Peñamerella Alta, Peñamellera Baja, Pesoz, Pilonga, Ponga, Rivadedeva, Rivadesella, Villaviciosa	Consumer loans and automotive financing, leasing and full-service leasing
Indastec Asociados, S.L.	Madrid, 20 - Ibiza	7800	B57150310	01/01/04	-	Eivissa, Sant Antoni de Portmany, Santa Eulalia del Rio, San Jose, Formentera	Mortgage loans, consumer loans, finance leases
Insema Inversiones, S.L.	Av. Andalucía 11 - Planta 1- Puente Genil (Córdoba)	14500	B14499909	19/12/08	-	Aguilar, Castro del Río, Espejo, Fernan Nuñez, Montalbal de Córdoba, Montemayor, Montilla, Monturque, Moriles, Palenciana, Puente Genil, La Rambla and Santaella	Mortgage loans, consumer loans, finance leases
Intermediación y Servicios Junval, S.L.	Bebricio 54, Calahorra	26500	B26319178	01/12/03	-	Calahorra	Mortgage loans, consumer loans, finance leases
Jordi Masso Riera	C/ Bruc 52 - Igualada	8700	35036266K	01/03/08	28/02/13	Argençola, Bellprat, Bruc, Cabrera d'Igualada, Calaf, Calonge de Segarra, Capellades, Carme, Castellfollit de Riubregós, Castellolí, Capons, Hostalets de Pierola, Igualada, Jorba, Llanuca, Masquefa, Montmaneu, Òdena, Orpí, Piera, Pobla de Claramunt, Prats de Rei, Pujalt, Rubió, Sant Martí de Tous, Sant Martí Sesgueioles, Sant Pere Sallavinera, Santa Margarida de Montbui, Santa María de Miralles, Torre de Claramunt, Vallbona d'Anoia, Veciana, Vilanova del Camí, Castellví de Rosanes, Collbató, Esparreguera, Martorell and Olesa de Montserrat.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Juan Jimenez Gestión Financiera, S.L.	C/ Capitán Vigueras, local 18 - Seville	41004	B91167973	01/02/02	-	Bormujos, Coria del Río, Gelves, Gines, Pilas, Sanlucar la Mayor, Umbrete, Villamanrique de la Condesa, Villanueva del Ariscal.	Loans and credits, finance leases
L'Eliana Finance, S.L.	Av. Cortes Valencianes 35 - L'Eliana	46183	B9739462	01/10/05	-	Riba-roja de Turia, Lliria, Betera, Buñol, Requena, Utiel, L'Eliana, La Pobla de Vallbona	Mortgage loans, consumer loans, finance leases
Martin & Castilla Servicios Financieros, S.L.	Fray Diego de Cádiz, 163 - Morón de la Frontera	41530	B91369231	01/06/04	-	Algamitas, Arahal, Caripe, El Coronil, Marchena, Montellano, Morón de la Frontera, Paradas, Pruna, La Puebla de Cazalla, Villanueva de San Juan	Mortgage loans, consumer loans, finance leases
Medifirent, S.L.	Vitoria, 2 - Miranda de Ebro	9200	B09410572	01/03/04	-	Miranda de Ebro	Mortgage loans, consumer loans, finance leases
Noguer Bau, S.L. (*)	Sant Fidel, 5. Vic	8500	B64018179	31/08/07	31/08/07	Aiguafreda, Alpens, El Brull, Calldetenes, Centelles, Collsuspina, Espinelves, Folgueroles, Gurb, Els Hostalets De Balenya, Lluça, Perafita, Prats De Lluçanes, Roda De Ter, Rupit-Pruit, Santa Cecilia De Voltrega, Santa Eugenia De Berga, Santa Eulalia De Riuprimer, Sant Agusti Del Lluçanes, Santa Maria De Corco L'Asquirol, Sant Bartomeu Del Grau, Sant Boi De Lluçanes, Sant Hipolit De Voltrega	Mortgage loans, consumer loans, finance leases
Ramsa Servicios Financieros y Empresariales, S.L.	Blas Infante, 7 - Lepe	21440	B21347190	02/01/04	-	Punta Umbría, Cartaya, Lepe, Isla Cristina and Ayamonte	Mortgage loans, consumer loans, finance leases
Santex Financial Services, S.L.	C/ Sancho El Sabio, 29-1º Vitoria (Álava)	1008	B01445923	02/07/08	01/07/13	Vitoria	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
European Finantial Consumer, S.L.	C/ Sexmo del Espinar, 3 1º C Segovia	40006	B86080280	03/01/11	03/01/16	Segovia and its province	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards
Servicios Financieros Quintanar, S.L.	General López Brea, 5 - Quintanar de la Orden (Toledo)	45800	B45545167	01/12/03	-	Quintanar de la Orden, Madridejos	Mortgage loans, consumer loans, finance leases
Servicios Financieros Sorianos, S.L.	Plaza del Salvador, 1- Soria	42002	B42180927	02/01/06	-	Soria	Mortgage loans, consumer loans, finance leases
Servital Asesores S.L.	Nuestro Padre Jesús 3 - La Palma del Condado	14500	B2161177	02/11/05	-	Almonte, Bollullos Par del Condado, Bonares, Chucena, Escacena del Campo, Hinojos, Lucena del Puerto, Manzanilla, Niebla, La Palma del Condado, Paterna del Campo, Rociana del Condado, Villalba del Alcor, Villarrasa	Mortgage loans, consumer loans, finance leases

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Soluciones Financieras del Este S.L.	C/ Mariano Barbacid Rivas Vaciamadrid	28521	B84418904	02/11/05	-	Arganda del Rey, Rivas - Vaciamadrid	Mortgage loans, consumer loans, finance leases
Hermanos P.Q. Servicios Financieros S.L.	Calle Armonía 14 - Vélez Rubio, Vela (Almería)	4820	B04678348	01/09/09	31/07/13	Vera	Mortgage loans, consumer loans
Tudegues Tudela, S.L.	Sancho el Fuerte, 1- 1º - Tudela - Navarre	31500	B31618325	23/02/10	22/02/15	Tudela	Consumer loans and automotive financing, leasing and full-service leasing
Finanroda Servicios Financieros S.L.	Calle Molino 82 - Ronda	29400	B92963388	02/01/09	01/01/14	Agatocin, Alpendeire, Arriate, Atajate, Benalid, Benalauria, Benaojan, Benarraba, El Burgo, Cañete La Real, Cartajima, Cortes de la Frontera, Cuevas del Becerro, Faraja, Gaucin, Genalquacil, Igualeja, Jimera de Libas, Jubrique, Juzcar, Montecorto, Montejaque, Parauta, Pujerra, Ronda and Yunquera.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
Praga Services, s.l.	C/ Patrimonio Mundial, 7 2º A		B85464402	01/01/15	01/01/20	Aranjuez	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards
Gestiones Sanchez Triay, S.L.U.	Calle Beal Joseph Castellcamps, 9 bajo Ciutadella	07760	B57394769	01/01/11	01/01/16	Alalor, Castell, Ciutadella de Menorca, Fornells, Ferreries, Mahón, Mercadal, Migjorn Gran, Sant Lluis.	Mortgage loans, consumer loans, insurance, finance leases and automotive financing, leasing and full-service leasing
M&G Figueres Associats S.L.	C/ Col·legi, 54 Bajo - Figueres	17600	B17673823	01/01/11	01/01/16	Agullana, Albanya, Arrentera, Bascara, Biure, Boadella i les Escaudes, Cebanes, Cantallaps, Capmany, Cistella, Escada, Empolla, Figueres, Garniguelia, Jenguera, Lladó, Masarac, Mollet de Peralado, Pont de Mollins and Crespia.	Mortgage loans, consumer loans, finance leases
Financiaciones Costa Sol Oriental, S.C.A.	C/ del mar, 27 1º C Torre del Mar	29740	B93195477	29/11/12	-	Alcaucin, Alfarnate, Algarrobo, Almachar, Archez, Arenas, Benamargosa, El Boger, Canillas de Aceituno, Canillas de Albaida, Comares, Competa, Macharaviaya, Moclinejo, Frigiliana, Nerja, Periana, Riogordo, Salares, Sayalonga, Torre del Mar, Torrox, Velez Málaga, Viñuela.	Loans and credits, finance leases
Servicios Financieros Jienenses, S.L. (*)	Plaza del Camping, 4 Local 10 - Andújar	23740	B86340767	29/11/12	01/12/14	Aldeaquemada, Andújar, Arjona, Arjonilla, Bailén, Baños de Quemada, Carboneros, La Carolina, Cazalilla, Espeluy, Higuera de Arjona, Lopera, Marmolejo, Santa Elena, Villanueva de la Reina, Villardonpardo and Villa del Río	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Inversiones Financieras Bilegui, S.L. (*)	C/ Artiz Bidea, 48 - Mungía	48100	B95659579	30/11/12	01/10/16	Eibar, Mondragón, Gernika and its catchment area.	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending
Asfinza Badajoz, S.L. (*)	C/ Andrés Pro, 3 - Zafra	06300	B06580708	14/12/12	01/07/15	Badajoz capital and its catchment area	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending
Fincar Gestiones Financieras, S.L. (*)	Av. Buenos Aires, 32- Guadix	18500	B21507751	14/12/12	01/02/15	Guadix, Baza, Huescar, Cullar, Cuevas del Campo, Iznalloz and Guadahortuna.	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending
Servicios Financieros Palentinos, S.L.U. (*)	Av. Castilla, 47-6º A- Aranda de Duero	34005	B09525973	14/12/12	01/07/16	Palencia and the municipalities within its province.	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending
128Innova24H, S.L. (*)	C/ Oasis, 17 - El Ejido (Almería)	04700	B92999846	14/12/12	01/03/16	El Ejido, Adta and Berja	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending
Efincar Fleet Services, S.L. (*)	C/ Dr. Fleming, 1 Local. Ecija (Seville)	41940	B91958363	14/12/12	01/01/15	Écija, Fuentes de Andalucía, La Luisina, Cañada Rosal, La Carlota.	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards, consumer loans (Crediyá) and direct customer lending

Name	Registered Office	Postal Code	Employer/National Identification Number	Date of Granting of Powers	Expiry Date of Mandate	Geographical Area of Activity	Scope of Representation
Finanzamora Services, S.L.	Ctra de la Estación 2 1º E Zamora	49009	B49282403	01/01/15	01/01/20	Zamora and its province	Automotive financing, automotive leasing, full-service leasing, consumer lending, co-branded cards, general-purpose cards, proprietary cards

(*) Contract tacitly renewable for successive periods of one year.

Appendix V

Annual Banking Report

This Annual Banking Report was prepared in compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and capital adequacy of credit institutions.

Pursuant to the aforementioned Article, from 1 January 2015, credit institutions must send the Bank of Spain and publish annually a report as an appendix to the financial statements audited in accordance with the legislation regulating audits of financial statements, which specifies, by country in which they are established, the following information on a consolidated basis for each year:

a) Name(s), nature of activities and geographical location.

b) Turnover.

c) Number of employees on a full time equivalent basis.

d) Gross profit or loss before tax.

e) Tax on profit or loss.

f) Public subsidies received.

Following is a detail of the criteria used to prepare the annual banking report for 2015:

a) Name(s), nature of activities and geographical location

The aforementioned information is available in Appendices I and II to the Group's consolidated financial statements, which contain details of the companies operating in each jurisdiction, including, among other information, their name(s), geographical location and the nature of their activities.

As can be seen in the aforementioned Appendices, the main activity carried on by the Group in the various jurisdictions in which it operates is commercial banking. The Group operates mainly in ten markets through a model of subsidiaries that are autonomous in capital and liquidity terms, which has clear strategic and regulatory advantages, since it limits the risk of contagion between Group units, imposes a double layer of global and local oversight and facilitates crisis management and resolution. The Group has 398 branches in total, which provide its customers with all their basic financial requirements.

b) Turnover

For the purposes of this report, turnover is considered to be gross income, as defined and presented in the consolidated income statement that forms part of the Group's consolidated financial statements.

The data on turnover by country were obtained from the statutory accounting records of the Group companies with the corresponding geographical location and translated to euros. Accordingly, this is aggregate information from the separate financial statements of the companies that operate in each jurisdiction, reconciliation of which with the information from the Group's consolidated financial statements requires a series of unifying adjustments and the elimination of transactions between the various Group companies, such as those relating to the distribution of dividends by subsidiaries to their respective parents.

c) Number of employees on a full time equivalent basis

The data on employees on a full time equivalent basis were obtained from the average headcount of each jurisdiction.

d) Gross profit or loss before tax

For the purposes of this report, gross profit or loss before tax is considered to be profit or loss before tax, as defined and presented in the consolidated income statement that forms part of the Group's consolidated financial statements.

As with the information relating to turnover, the data included were obtained from the statutory accounting records of the Group companies with the corresponding geographical location and translated to euros. Accordingly, this is aggregate information from the separate financial statements of the companies that operate in each jurisdiction, reconciliation of which with the information from the Group's consolidated financial statements requires a series of unifying adjustments and the elimination of transactions between the various Group companies, such as those relating to the distribution of dividends by subsidiaries to their respective parents.

e) Tax on profit or loss

In the absence of specific criteria, this is the amount of tax effectively paid in respect of the taxes the effect of which is recognised in Income tax in the consolidated income statement.

Taxes effectively paid in the year by each of the companies in each jurisdiction include:

- supplementary payments relating to income tax returns, normally for prior years.
- advances, prepayments, withholdings made or borne in respect of tax on profit or loss for the year. Given their scantly representative amount, it was decided that taxes borne abroad would be included in the jurisdiction of the company that bore them.
- refunds collected in the year with respect to returns for prior years that resulted in a refund.
- where appropriate, the tax payable arising from tax assessments and litigation relating to these taxes.

The foregoing amounts are part of the statement of cash flows and, therefore, differ from the income tax expense recognised in the consolidated income statement. Such is the case because the tax legislation of each country establishes:

- the time at which taxes must be paid and, normally, there is a timing mismatch between the dates of payment and the date of generation of the income bearing the tax. its own criteria for calculating the tax and establishes temporary or permanent restrictions on expense deduction, exemptions, relief or deferrals of certain income, etc., thereby generating the related differences between the accounting profit (or loss) and taxable profit (or tax loss) which is ultimately taxed; tax loss carryforwards from prior years, tax credits and/or relief, etc. must also be added to this. Also, in certain cases special regimes are established, such as the tax consolidation of companies in the same jurisdiction, etc.

f) Public subsidies received

In the context of the disclosures required by current legislation, this term was interpreted to mean any aid or subsidy in line with the European Commission's State Aid Guide and, in such context, the Group companies did not receive public subsidies in 2015.

The detail of the information for 2015 is as follows:

Jurisdiction (Millions of Euros)	Turnover	Number of Employees on a Full Time Equivalent Basis	Gross Profit or Loss before Tax	Tax on Profit or Loss
Germany	1,370	3,356	527	138
Austria	129	382	43	-
Belgium	25	118	12	-
Canada	-	-	-	-
China	19	-	19	-
Spain	586	1,300	349	26
Denmark	115	236	56	11
Finland	83	136	48	4
France	398	605	223	103
Hungary	2	31	0	-
Ireland	(22)	-	(7)	-
Italy	247	566	33	69
Norway	382	520	107	16
The Netherlands	62	192	18	10
Poland	42	-	42	-
Portugal	71	178	22	10
Sweden	116	338	7	5
Switzerland	6	11	3	4
Total	**3,631**	**7,969**	**1,502**	**396**

At 31 December 2015, the return on assets (ROA) of the Group was estimated to be 1.35%.

Appendix VI

Disclosures required pursuant to Mortgage Market Law 2/1981, of 25 March, and to Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law

Disclosures relating to mortgage-backed bond issues

The detail of the nominal value of the Bank's mortgage-backed bond issues outstanding at 31 December 2015 and 2014, indicating the annual interest rate and the maturity date of each issue, is as follows:

Currency of Issue	Thousands of Euros(*) 2015	Thousands of Euros(*) 2014	Annual Interest Rate (%)	Maturity Date
Euro:				
March 2006 issue	1,200,000	1,200,000	3.875	March 2016
July 2007 issue	150,000	150,000	5.135	July 2022
Balance at end of year	**1,350,000**	**1,350,000**		

(*) Nominal value.

At 31 December 2015 and 2014, the detail of the mortgage loans and credits, indicating their eligibility and computability for mortgage market regulatory purposes, was as follows:

	Thousands of Euros Nominal Value 2015	Thousands of Euros Nominal Value 2014
Total mortgage loans and credits	2,403,617	2,589,851
Mortgage participation certificates issued	-	-
Mortgage transfer certificates issued	-	-
Mortgage loans securing borrowings	-	-
Mortgage loans backing mortgage and mortgage-backed bond issues	2,403,617	2,589,851
i) Non-eligible mortgage loans and credits	962,326	883,786
- Which comply with the requirements to become eligible, except for the limit established in Article 5.1 of Royal Decree 716/2009	-	3,385
- Other	962,326	880,401
ii) Eligible mortgage loans and credits	1,441,291	1,706,065
- Non-computable amounts		
- Computable amounts	1,441,291	1,706,065
a) Mortgage loans and credits covering mortgage bond issues	-	-
b) Mortgage loans and credits eligible to cover mortgage-backed bond issues	1,441,291	1,706,065

(*) At 31 December 2015 and 2014, the Bank had not issued mortgage bonds and, therefore, all the loans and credits back the mortgage-backed bond issues.

Following is a detail of the nominal value of the outstanding mortgage loans and credits and of the nominal value of the loans and credits that are eligible pursuant to Royal Decree 716/2009, without considering the calculation limits established under Article 12 of Royal Decree 716/2009, by origin, currency, payment status, average residual term to maturity, interest rate, holders and type of collateral:

	Thousands of Euros			
	2015		2014	
	Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues	Of which: Eligible Loans	Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues	Of which: Eligible Loans
Origin of transactions				
Originated by the Bank	2,403,617	1,441,291	2,589,851	1,706,065
Subrogations from other entities	-	-	-	-
Other	-	-	-	-
Currency				
Euro	2,403,617	1,441,291	2,589,851	1,706,065
Other currencies	-	-	-	-
Payment status				
Current	2,312,639	1,405,938	2,511,848	1,681,814
Past due	90,978	35,353	78,003	24,251
Average term to maturity				
Less than 10 years	149,139	143,304	149,104	134,016
10 to 20 years	828,547	645,441	725,857	601,872
20 to 30 years	866,247	473,043	1,076,658	722,024
More than 30 years	559,684	179,503	638,232	248,153
Interest rate				
Fixed	33	33	37	37
Floating	2,403,584	1,441,258	2,589,814	1,706,028
Hybrid	-	-	-	-

(*) Including EUR 680,790 thousand at 31 December 2015 (2014: EUR 739,954 thousand) relating to mortgage participation certificates acquired from Banco Santander, S.A.

	Thousands of Euros			
	2015		2014	
	Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues	Of which: Eligible Loans	Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues	Of which: Eligible Loans
Borrowers				
Legal entities and individual businessmen	138,572	85,346	36,640	22,299
Of which: Property developments	-	-	-	-
Other individuals and non-profit institutions serving households (NPISHs)	2,265,045	1,355,945	2,553,211	1,683,766
Type of guarantee				
Completed buildings				
- Residential	2,341,032	1,409,002	2,523,051	1,670,502
Of which: Officially sponsored housing	-	-	-	-
- Commercial	62,585	32,289	66,800	35,563
- Other	-	-	-	-
Buildings under construction				
- Residential	-	-	-	-
Of which: Officially sponsored housing	-	-	-	-
- Commercial	-	-	-	-
- Other	-	-	-	-
Land				
- Developed	-	-	-	-
- Other	-	-	-	-
	2,403,617	**1,441,291**	**2,589,851**	**1,706,065**

As regards the disclosures on guarantees associated with mortgage loans and those loans eligible in accordance with the aforementioned regulations, following is a detail of the nominal value of these mortgage loans and eligible loans, based on the related loan-to-value ratio.

	LTV Ranges				
	2015				
	Millions of Euros				
	Up to 40%	>40%, <= 60%	>60%, <= 80%	>80%	Total
Mortgage loans and credits eligible for mortgage and mortgage-backed bond issues					
- *Home mortgages*	*277*	*399*	*695*	*38*	*1,409*
- *Other mortgages*	*9*	*22*	*1*	-	*32*

	LTV Ranges				
	2014				
	Millions of Euros				
	Up to 40%	>40%, <= 60%	>60%, <= 80%	>80%	Total
Mortgage loans and credits eligible for mortgage and mortgage-backed bond issues					
- *Home mortgages*	*333*	*498*	*839*	-	*1,670*
- *Other mortgages*	*12*	*24*	-	-	*36*

Following is a detail of the changes in 2015 and 2014 in the nominal value of eligible and non-eligible mortgage loans and credits pursuant to Royal Decree 716/2009:

	Thousands of Euros	
	Eligible Mortgage Loans and Credits	Non-Eligible Mortgage Loans and Credits
Balance at 1 January 2014	**1,739,310**	**586,636**
Disposals in the year	468,720	(34,026)
Repaid on maturity	-	-
Early repayment	*(105,828)*	*(34,026)*
Subrogations by other entities	-	-
Other	*(362,892)*	-
Additions in the year	435,475	331,176
Originated by the Bank	*11,078*	*20,672*
Subrogations from other entities	-	-
Other	*424,397*	*310,504*
Balance at 31 December 2014	**1,706,065**	**883,783**
Disposals in the year	(327,073)	(109,705)
Repaid on maturity	-	-
Early repayment	*(119,496)*	*(58,008)*
Subrogations by other entities	-	-
Other	*(207,577)*	*(51,697)*
Additions in the year	62,299	188,245
Originated by the Bank	*10,602*	*32,365*
Subrogations from other entities	-	-
Other	*51,697*	*155,880*
Balance at 31 December 2015	**1,441,291**	**962,326**

The detail of the nominal value of the Bank's mortgage securities outstanding at 31 December 2015 and 2014 is as follows:

	Millions of Euros Nominal Value		Average Term to Maturity
	2015	2014	
Mortgage bonds outstanding	-	-	-
Mortgage-backed bonds	1,350	1,350	-
Of which: Not recognised in liabilities	-	-	-
i) Debt instruments. Issued through a public offering	1,350	1,350	-
- Term to maturity of up to 1 year	1,200	-	-
- Term to maturity of 1 to 2 years	-	1,200	-
- Term to maturity of 2 to 3 years	-	-	-
- Term to maturity of 3 to 5 years	-	-	-
- Term to maturity of 5 to 10 years	150	150	-
- Term to maturity of more than 10 years	-	-	-
ii) Debt instruments. Other issues	-	-	-
- Term to maturity of up to 1 year	-	-	-
- Term to maturity of 1 to 2 years	-	-	-
- Term to maturity of 2 to 3 years	-	-	-
- Term to maturity of 3 to 5 years	-	-	-
- Term to maturity of 5 to 10 years	-	-	-
- Term to maturity of more than 10 years	-	-	-
iii) Deposits	-	-	-
- Term to maturity of up to 1 year	-	-	-
- Term to maturity of 1 to 2 years	-	-	-
- Term to maturity of 2 to 3 years	-	-	-
- Term to maturity of 3 to 5 years	-	-	-
- Term to maturity of 5 to 10 years	-	-	-
- Term to maturity of more than 10 years	-	-	-
Mortgage participation certificates issued	-	-	-
i) Issued through a public offering	-	-	-
ii) Other issues	-	-	-
Mortgage transfer certificates issued	-	-	-
i) Issued through a public offering	-	-	-
ii) Other issues	-	-	-

Mortgage-backed bond issuers have an early redemption option solely for the purpose of complying with the limits on the volume of outstanding mortgage-backed bonds stipulated by mortgage market regulations.

None of the mortgage-backed bonds issued by the Bank had replacement assets assigned to them.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Santander Consumer Finance, S.A. and Companies composing the Santander Consumer Finance Group (Consolidated)

2015 Consolidated Directors' Report

Economic, banking and regulatory environment

International economic environment

The pace of growth of the world economy slowed in 2015 (down to 3.1% from 3.4% in 2014). The improved performance of the advanced economies was not sufficient to counterbalance the slowdown in the emerging nations. Tumbling raw materials prices and the cooling-off of the Chinese economy had a relatively higher impact on the emerging economies, although the actual extent of the deceleration varied depending on the domestic scenario of each nation.

- The **United States** is currently experiencing a phase of moderate but robust growth. In 2015 GDP grew by 2.5% and the unemployment rate continued to fall, reaching levels considered to represent full employment (5%). Although inflation decreased as a result of falling oil prices, the underlying rate remained steady (1.3%), below the target set (2%). In December 2015 the Federal Reserve raised its interest rates to 0.25-0.5%.

- The **United Kingdom** maintained the solid growth rate (2.2%) achieved in recent years, which has been accompanied by falls in the unemployment rate to near pre-crisis levels. Inflation stood at around 0%, with no signs of salary pressures, as a result of which the Bank of England kept its discount rate at 0.5%.

- **Eurozone** GDP growth quickened in 2015. Inflation continued to run at rates close to 0%, which prompted the ECB to cut its benchmark rates once again and to implement further quantitative easing measures, through an extended programme involving public-sector security purchases. Breaking the figures down by country, **Spain** reported growth of around 3.2% in 2015, achieved on a highly-diversified basis, thus enabling it to reduce the unemployment rate to the vicinity of 21% at year-end. In addition, progress was made in correcting the public account imbalance and, at the same time, the foreign trade surplus was maintained. Although the effect of the trend in energy prices pushed inflation into negative territory for most of the year, the underlying rate remained positive. **Germany** stepped up the pace of its growth as the year progressed, maintaining the strength of its domestic demand and labour market.

- **Poland** sustained its strong growth in 2015 (3.6%), with inflation (-0.9%) falling far short of the target (2.5%) set by the National Bank of Poland, which lowered its benchmark interest rate to 1.5% in March.

Financial markets and exchange rates

The performance of the markets in 2015 can be divided into two distinct phases. The first half of the year witnessed across-the-board rises in stock-market indices and, simultaneously, a significant contraction in the risk premiums on public and private-sector debt, above all in the developed economies. Access to capital markets was more fluid and the conditions for the supply of bank credit –in the advanced economies– were eased.

This performance was underpinned by the monetary policies of the central banks, which furnished abundant liquidity, thus facilitating the pursuit of returns by investors. The quantitative easing implemented by the European

Central Bank (ECB) stemmed any potential contagion effect during the worst stages of the renegotiations of the Greek bail-out.

In the summer of 2015 the markets underwent an episode of heightened volatility amidst concerns about the slowdown of growth in China and the emerging economies. Although commencement of monetary policy normalisation in the US was delayed until December, equities experienced a major correction that eroded a significant portion of the cumulative gains for the year. However, the main stock exchanges returned to a slightly bullish trend in the last few months of 2015.

There were significant exchange rate fluctuations in the course of 2015. The US dollar appreciated significantly against the euro and the main Latin-American currencies, reaching a 12-year high in effective terms. The currencies of emerging economies were hit by the steady fall in raw materials prices, as well as by the flight of capital to advanced economies.

Banking sector environment

The banking environment in the countries in which Banco Santander operates continued to be marked by regulatory changes and a highly demanding economic scenario, which represented a major challenge in terms of the management effort required in order to increase returns.

In the developed countries, financial institutions continued to bolster their balance sheets, through an across-the-board improvement in solvency levels. However, return on capital improved. In particular, the returns of EBA-supervised entities increased from an average of 0% at the end of 2014 to 7.3% in mid-2015, thanks to the improvement in net interest income and the reduction in period provisions.

Even so, banks continue to face significant challenges in their quest to boost their returns. Interest rates remained at extraordinarily low levels; business volumes, despite experiencing a gradual recovery, continued to be meagre; and most markets witnessed a substantial increase in competitive pressure.

Competition rose both among the traditional entities themselves and vis-à-vis the new market participants. Thus, the relative importance of shadow banking continued to increase and there was further growth in non-bank financial institutions focusing their business on industry niches such as payment systems, financial advisory services or lending.

In view of this scenario, the banking sector restructuring process cannot be deemed to be complete. The vast majority of banks are undertaking changes in their culture, with a view to restoring society's trust in them and, in general, all entities need to adapt in order to embrace the digital revolution, which will dictate the nature of banks' relationships with their customers, the level of services provided and the efficiency of their processes.

In addition, international banks are currently faced with divergent sociodemographic trends, including a marked ageing of the population in developed countries and a sharp increase in the middle classes in emerging economies, which will make it necessary to apply different strategies in the various markets.

Supervisory and regulatory environment

Once again in 2015, there was intense regulatory activity. Progress was made in reviewing the prudential framework and in developing crisis management frameworks and, at the same time, increased attention was paid to issues relating to customer and investor protection. It is intended that all these efforts be made compatible with the boosting of economic growth.

As regards capital, the Basel Committee is currently revising its initial proposals for the standardised approach to the calculation of capital requirements for credit, market and operational risks. The aim of the revision, which is scheduled to be completed in 2016, is to improve the approach in terms of simplicity, comparability and risk sensitivity and, at the same time, to ensure that it does not result in increased capital needs for all operators. In 2016 the Basel Committee will also present its final proposal on the regulatory treatment of interest rate risk in the banking book, and will review the treatment of sovereign debt in the prudential framework. It also has plans to review the prudential framework as a whole, in order to assess the impact of the regulatory reform package.

In 2015 the Financial Stability Board put the finishing touches to the framework required to solve the Too Big To Fail issue in the banking sector. The final piece of the framework, the setting of a standard for the **requirement of a minimum total loss-absorbing capacity (TLAC)** in order to recapitalise an entity in the event of resolution, which would be required from global systemically important banks (G-SIBs), was completed in November.

Europe continues to make progress towards the implementation of a crisis management framework. The **Single Resolution Mechanism (SRM)** will be fully operational from 1 January 2016. In 2016 the Single Resolution Board (SRB) will set the final loss absorbency requirement for entities under European regulations, namely the Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

In November, with the aim of completing the Banking Union, the European Commission published its proposal to create a single European deposit insurance scheme under a phase-in arrangement that would end in 2024. For its part, the European Banking Authority (EBA) continued to release standards and guidelines which help to establish a level playing field and to ensure the harmonised implementation of minimum capital requirements in the European Union.

2015 marked a turning point in the European regulatory agenda. The European Commission announced that, after having made headway towards rendering the financial system more resilient and robust, its priority would now be to fund growth and to support stable, sustainable job creation. In this context, the Commission has designed an action on building a capital markets union, issued a call for evidence in order to assess the impact of regulation, and launched a consultation on the impact of the Capital Requirements Directive (CRD IV) on the bank financing of the economy.

Banking supervision through the Single Supervisory Mechanism (SSM)

Since it came into operation in November 2014, the SSM has enabled the **European Central Bank** (ECB) to assume **full supervision of eurozone banks.** 2015 saw the firm establishment of the SSM, through which the 129 most significant eurozone banking groups were brought under the direct supervision of the ECB.

Each of these entities has been assigned a joint supervisory team (JST) comprising staff of the ECB and of the national supervisory authorities in the Member States in which it has a significant presence. The JST for Banco Santander carried out an intensive schedule of regular supervisory work in 2015, holding more than 100 meetings with the Bank.

At the end of 2015 the ECB notified each entity of its decision, setting out the minimum prudential capital requirements for the following year. In 2016, at consolidated level, Santander Group must have a minimum phase-in CET1 capital ratio of 9.75% (9.5% is the requirement for Pillar 1, Pillar 2 and the capital conservation buffer, and 0.25% is the requirement for being a G-SIFI).

Strategy

Enjoying as it does a strong leadership position in the European consumer finance market, and specialising in auto finance, loans for the purchase of durable goods, personal loans and credit cards, the Santander Consumer Finance Group has displayed consistent profitability, reporting a record profit of EUR 1,059.8 million in 2015.

The major milestones achieved in 2015 were as follows:

- Santander Consumer Finance ranks among the Top 3 banks in the main markets in which it operates. It is well-balanced in terms of geographical diversification, encompassing both northern and southern European countries.

- SCF operates through approximately 89,000 associated points of sale (car dealers and retail outlets) and has a significant number of financing agreements with car and motorcycle manufacturers, as well as with major retail distribution groups.

- Amidst an environment of incipient recovery in consumer spending and vehicle registrations in the countries in which it is present, SCF continued to gain market share on the back of a business model founded on: geographical and product diversification, with leading positions and critical mass in key markets, a higher degree of efficiency than its competitors and high analytical and risk/recovery management capabilities, making it possible to maintain high credit quality.

- The trend in profit (+66.0%) mirrors a growth in income (18.2%) outstripping that of costs (17.5%) and a 5.4% reduction in period provisions.

- The non-performing loans ratio (3.14%) and the NPL coverage ratio (107%) represent a marked improvement vis-à-vis the standards for the consumer finance business.

- The best-performing units, at management level, were Germany, with a profit of EUR 393 million, the Nordic countries, with EUR 234 million, and Spain, with EUR 167.9 million.

The agreements entered into in recent years have bolstered the Group's position in its various markets:

- 2015 saw the completion of more than 70% of the agreement with Banque PSA Finance, which enabled SCF to consolidate its leadership in auto finance.

- The integration of GE Nordics increased the proportion of direct credit in the product mix, strengthening SCF's profitable diversified growth in the region. Nordics, which operates in economies enjoying the highest credit ratings, has become one of the Group's key units.

- There was a year-on-year rise in new lending in the main countries: Germany, the Nordic countries and Spain.

Business activity

Net lending to customers amounted to EUR 70,556 million at 2015 year-end, representing a 23.0% year-on-year rise. This increase was due mainly to the inclusion of the PSA business in France, Spain and Switzerland and the improved performance of the new and second-hand car loan portfolio in Germany and the Nordic countries.

Accumulated new lending was up 28.4% with respect to 2014, and stood at EUR 29,510.6 million at 2015 year-end. This rise was due to the inclusion of the new PSA business in France, Spain, Portugal and Switzerland, the increased new lending for durable goods in Spain on the back of new commercial agreements, the growth in the card business at Financiera de El Corte Inglés and at Nordics (arising in part from the acquisition of the GE business in Sweden in 2014) and the organic growth experienced in most units as a result of the improvement in the registrations market in Europe. Growth was reported across all product lines, most notably in cards (24.1%) and new vehicles (+48.8%), a rate which amply surpasses the growth in registrations (+9.2% in EU+EFTA). Also noteworthy was the increase in mortgages in the business in Germany (+49.6%).

All units reported growth in local currency terms, spearheaded by Spain (31.6%) and Portugal (44.7%), for the reasons mentioned above.

On the liability side, customer deposits were up 5.9%, due above all to the campaigns launched in the Nordic countries, where deposits increased from EUR 1,996.6 million in 2014 to EUR 3,892.5 million in 2015.

With regard to the raising of wholesale funds, in 2015 the area performed fifteen asset securitisation and structured transactions (both private- and public-sector or retained) in nine of the thirteen countries in which it operates, through which it obtained third-party financing totalling more than EUR 3,240 million. These transactions have positioned Santander Consumer Finance as one of the leading vehicle loan securitisation issuers in Europe. This evidences how attractive the area's assets are to the market and the high diversification of its funding sources. In addition, senior issues of more than EUR 7,190 million were placed with third parties (including both public- and private-sector transactions).

At 2015 year-end, customer deposits and market issues and securitisations accounted for 79.8% of the area's net lending, which, combined with its long-term funds, enabled the area to achieve a high level of net self-financing.

Earnings

The Group reported attributable profit of EUR 1,059.8 million, up 66.0% on 2014.

Viewed by income statement line item, in 2015, a year marked by a complex international economic scenario, with interest rates at an all-time low, the management of asset spreads and the reduction of the cost of liabilities once again absorbed the effect of falling interest rates. All this, coupled with the increase in lending, resulted in net interest income of EUR 2,763 million (+24.6%). Also, net fee and commission income grew by 1.7%. As a result, gross income totalled EUR 3,631.09 million, up 18.2% in year-on-year terms.

The growth of costs (+17.5%) was lower than that of income (+18.2%), despite the increased expenses resulting from regulatory requirements.

Credit loss provisions fell by 5.4% (in spite of the increase in lending due to the inclusion of the new portfolios relating to the agreement with PSA).

The non-performing loans ratio was 3.14% and the NPL coverage ratio stood at 107.0%, representing excellent standards for the consumer finance business. A noteworthy development from the management information perspective was the upward trend in credit quality in the peripheral countries (Italy, Spain and Portugal).

Risk management

Corporate principles

The Santander Group has set itself the strategic objective of achieving excellence in risk management. This has been a focal point of the Group's activities throughout its history spanning more than 150 years.

The pace of change in risk management increased in 2015 in order to anticipate and meet the main challenges presented by a constantly changing economic, social and regulatory environment.

Consequently, the risk function is of greater significance than ever if the Santander Group is to continue to be a solid, safe and sustainable bank, an example for all the financial sector and a reference point for all who aspire to convert leadership in risks into a competitive advantage.

The Santander Group aims to build a future based on advance management of all risks and protect its present through a robust control environment. Accordingly, the Group has determined that the risk function should be based on the following cornerstones, which are in line with the Santander Group's strategy and business model and take into account the recommendations of the supervisory and regulatory bodies and the best market practices:

1. The business strategy is defined by the risk appetite. The Santander Group's Board determines the amount and type of risk that it considers reasonable to assume in implementing and developing its business strategy, in the form of objective verifiable limits that are consistent with the risk appetite for each significant activity.

2. All risks must be managed by the units that generate them using advanced models and tools that are integrated in the various businesses. The Santander Group is fostering advanced risk management, using innovative models and metrics together with a control, reporting and escalation framework to ensure that risks are identified and managed from different perspectives.

3. A forward-looking vision of all types of risks should be included in the risk identification, assessment and management processes.

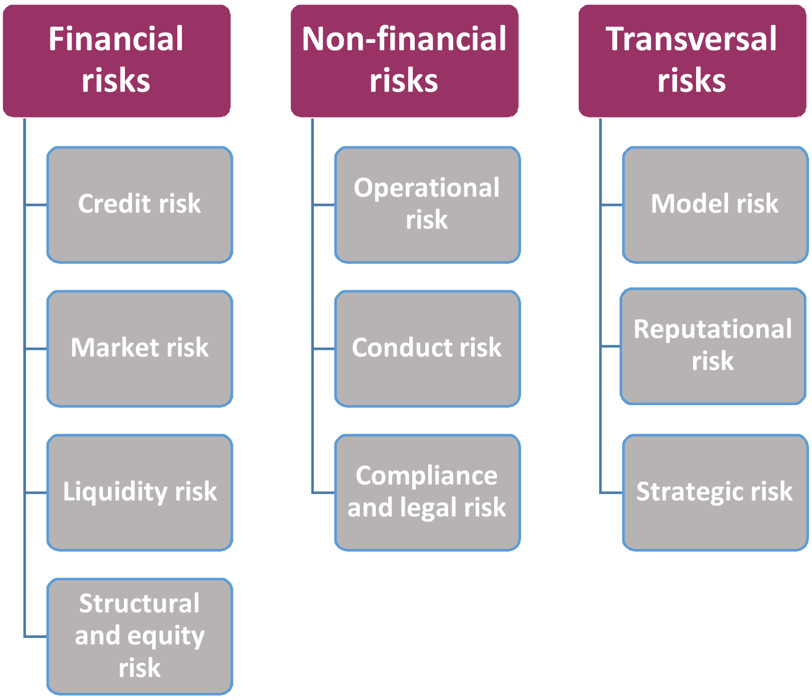
4. The independence of the risk function encompasses all risks and establishes an appropriate separation of the risk generating units from those responsible for risk control. Implies having sufficient authority and direct access to management and governing bodies responsible for setting and supervising risk strategy and policies.

5. The best processes and infrastructure must be used for risk management. The Santander Group aims to be a reference model in the development of infrastructures and processes supporting risk management.

6. A risk culture integrated throughout the organisation, consisting of a series of attitudes, values, skills and guidelines for action vis-à-vis all risks. The Santander Group understands that advanced risk management cannot be achieved without a strong and stable risk culture being present in each of its activities.

Risk map

The identification and assessment of all risks is fundamental to their control and management. The risk map covers the main risk categories in which the Santander Group has its most significant current and/or potential exposures, thus facilitating the identification thereof.



At its top level the risk map includes the following:

Financial risks

- **Credit risk:** risk that might arise from the failure to meet agreed-upon contractual obligations in financial transactions.
- **Market risk:** that which is incurred as a result of the possibility of changes in market factors affecting the value of positions in the trading portfolios.
- **Liquidity risk:** risk of not complying with payment obligations on time or of complying with them at an excessive cost.
- **Structural and capital risks:** risk caused by the management of the various balance sheet items, including those relating to the adequacy of capital and those arising from the insurance and pensions businesses.

Non-financial risks

- **Operational risk**: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Conduct risk:** the risk caused by inappropriate practices vis-à-vis the Bank's relationship with its customers, the treatment and products offered to customers, and their suitability for each particular customer.
- **Compliance and legal risk**: risk arising from non-compliance with the legal framework, internal rules or the requirements of regulators and supervisors.

Transversal risks

- **Model risk:** includes losses arising from decisions based mainly on the results of models, due to errors in the design, application or use of those models.
- **Reputational risk:** risk of negative perception of the Bank on the part of public opinion, its customers, investors or any other stakeholder.
- **Strategic risk:** the risk that results may diverge significantly from the entity's strategy or business plan due to changes in general business conditions and risks associated with strategic decisions. This includes the risk of poor implementation of decisions or lack of capacity to respond to changes in the business environment.

In order to manage and control risks and the information relating to them, all risks should be referenced to the basic types of risk established in the risk map.

Corporate governance of risks

Governance of the risk function should seek to ensure that risk decisions are taken appropriately and efficiently and that risks are effectively controlled, and also guarantee that risks are managed in accordance with the risk appetite level defined by senior management of the Group and the units.

For this purpose, the following principles were established:

Separation of decision-making from risk control.

- Strengthening of the responsibility of the risk generating functions in decision-making.
- Ensuring that all risk decisions have a formal approval process.
- Ensuring an aggregate view of all risks.
- Strengthening of the risk control committees.
- Maintenance of a simple committee structure.

Lines of defence

Banco Santander follows a risk management and control model based on three lines of defence.

The business functions or activities that take on or generate risk exposure constitute the first line of defence against it. The assumption or generation of risks in the first line of defence must comply with the defined risk appetite and limits. In order to perform its function, the first line of defence must have available the means to identify, measure, handle and report the risks assumed.

The second line of defence comprises the risk control and oversight function and the compliance function. This second line seeks to ensure effective control of risks and guarantees that risks are managed in accordance with the defined risk appetite level.
Internal audit, as the third line of defence and in its role as the last control layer, performs regular assessments to ensure that the policies, methods and procedures are appropriate and checks their effective implementation.

The risk control function, the compliance function and the internal audit function are sufficiently separate and independent of each other and of the other functions that they control or supervise for the performance of their duties, and they have access to the Board of Directors and/or its committees, through their presiding officers.

Risk committee structure

Responsibility for the control and management of risk rests ultimately with the Board of Directors, which has the powers delegated to the various committees. The Board is supported by the risk, regulation and compliance oversight committee in its role as an independent risk control and supervision committee. In addition, the Group's executive committee pays particular attention to the management of the Group's risks. These bylaw-established bodies constitute the top level of risk governance.

Independent control bodies

- *The risk, regulation and compliance oversight committee:*

  This committee's mission is to assist the Board in the oversight and control of risk, the definition of the Group's risk policies, relationships with supervisory bodies and matters of regulation and compliance.

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

  The functions of the risk, regulation and compliance oversight committee are as follows:

  - To support and advise the Board in defining and assessing risk policies affecting the Group and in establishing the risk propensity and risk strategy.
  - To provide the Board with assistance in the oversight of the application of the risk strategy.
  - To conduct systematic reviews of the Group's exposure to its main customers, economic activity sectors, geographical areas and types of risk.
  - To be acquainted with and assess the management tools, improvement initiatives, project development and any other relevant risk control actions, including the policy on internal risk models and their internal validation.
  - To support and advise the Board in its relationships with supervisors and regulators in the various countries in which the Group has a presence.
  - To supervise compliance with the general code of conduct, with the anti-money laundering and financing of terrorism manuals and procedures and, in general, with the Bank’s rules of governance and compliance programme, and to make the required proposals for improvement. In particular, the committee is responsible for receiving information and, where appropriate, issuing reports on disciplinary measures against members of senior management.
  - To supervise the Group's governance and compliance policies and rules and, in particular, the adoption of the steps and measures arising from the reports or inspections conducted by the administrative supervision and control authorities.
  - To monitor and assess legislative proposals and regulatory developments that may be applicable and the possible consequences for the Group.

- *Risk control committee (CCR):*

  This collective body is responsible for the effective control of risks, ensuring that risks are managed in accordance with the risk appetite level approved by the Board, while taking into account at all times an overall view of all the risks included in the general risk framework. This involves identifying and monitoring current and emerging risks and their impact on the Group's risk profile.

  This committee is chaired by the Group's CRO and is composed of executives of the entity. At least, the risk function, which holds the chairmanship, and the compliance, financial, controller’s unit and management control functions, inter alia, are represented. The CROs of local entities participate periodically in order to report, inter alia, on the various entities' risk profiles.

The risk control committee reports to the risk, regulation and compliance oversight committee and assists it in its function of supporting the Board.

Decision-making bodies

- *Executive risk committee (CER):*

  This collective body is responsible for risk management pursuant to the powers delegated by the Board of Directors and, in its sphere of action and decision-making, it addresses all risks.

  It participates in decision-making on the assumption of risks at the highest level, guarantees that these are within the limits set in the Group's risk appetite and reports on its activities to the Board or its committees when so required.

  This committee is chaired by an executive deputy chairman of the Board, comprises the CEO, executive directors and other executives of the entity, and the risk, financial, and compliance functions, inter alia, are represented. The Group CRO has the right of veto over this committee's decisions.

Organisational risk function structure

The Group chief risk officer (GCRO) is the head of the Group's risk function and reports to an executive deputy chairman of the Bank who is a member of the Board of Directors and chairman of the executive risk committee.

The GCRO, whose duties include advising and challenging the executive line, also reports separately to the risk, regulation and compliance oversight committee and to the Board.

Advanced risk management has a holistic forward-looking vision of risks, based on the intensive use of models, aimed at constructing a sound control environment while complying with the requirements of the regulator and supervisor.

The risk management and control model at SCF shares a set of basic Group principles, implemented through a series of corporate frameworks. These emanate from the Group itself and SCF has adhered to them through its respective managing bodies, thus configuring the relationship between the subsidiary and the Group, including the participation of the latter in important decisions through the validation thereof.

In line with Group and corporate governance best practice, the Group-subsidiaries governance model and good governance practice for subsidiaries recommend that each subsidiary have a by-law stipulated risk committee and an executive risk committee chaired by the CEO. Santander Consumer Finance will adapt to this framework in 2016.

Santander Consumer Finance's managing bodies, in accordance with the internal governance framework in place at the Group, have their own model of (quantitative and qualitative) risk management powers and must adhere to the principles of conduct contained in the benchmark models and frameworks developed at corporate level.

Given its ability to take an aggregate, comprehensive view of all risks, corporate headquarters reserves for itself the powers to validate and question the operations and management policies at the various units, to the extent that they affect the Group’s risk profile.

The identification and assessment of all risks is fundamental to their control and management. Following is an analysis of the main types of risk at Santander Consumer Finance, which are as follows: credit risk, market risk, operational risk and compliance and conduct risk

Introduction to the treatment of credit risk

Credit risk is the possibility of loss stemming from the total or partial failure of our customers or counterparties to meet their financial obligations to the Group.

The specialisation of Santander Consumer Finance's risk function is based on the type of customer and, accordingly, a distinction is made between individualised customers and standardised customers in the risk management process:

- Individualised customers are defined as those to which a risk analyst has been assigned, basically because of the risk assumed. This category includes wholesale banking enterprises and certain retail banking enterprises. Risk management is performed through expert analysis supplemented by decision-making support tools based on internal risk assessment models.

- Standardised customers are those which have not been expressly assigned a risk analyst. This category generally includes exposures to individuals, individual traders, and retail banking enterprises not classified as individualised customers. Management of these exposures is based on internal risk assessment and automatic decision-making models, supplemented subsidiarily, when the model is not comprehensive enough or is not sufficiently accurate, by teams of analysts specialising in this type of risk.

Main aggregates and variations

The profile of the credit risk assumed by Santander Consumer Finance is characterised by a diversified geographical distribution and the prevalence of retail banking operations.

Global credit risk map - 2015

The following table details, by borrower geographical area, the Group's global credit risk map:

SCF Group - Gross Credit Risk Exposure			
	2015 (Millions of Euros)	Change on December 2014	% of Portfolio
Spain and Portugal	12,534	32.96%	17.17%
Italy	5,014	-3.00%	6.87%
France	8,584	-	11.76%
Germany and Austria	33,141	2.08%	45.40%
Scandinavia	12,113	2.00%	16.60%
Other	1,605	37.88%	2.20%
SCF Group	**72,991**	**21.44%**	**100.00%**

Credit risk exposure rose by 21.44% in year-on-year terms, mainly as a result of the acquisition of the business in France and Spain following the agreement with Banque PSA.

The largest proportion of credit risk exposure continues to be concentrated in Germany, representing 45.40% of the total if Austria is included. For their part, the Nordic countries accounted for slightly more than 13% of the Santander Consumer Finance Group's total credit risk in 2015.

Variations in main aggregates in 2015

The changes in non-performing loans and the cost of credit reflect the impact of the deterioration of the economic environment, mitigated by prudent risk management, which has generally enabled the Group to keep these data at levels below those of its competitors in recent years. As a result, Santander Consumer Finance has a significant coverage ratio and a high level of available general reserves.

The non-performing loans ratio was 3.14% at 31 December 2015 (31 December 2014: 4.54%), a 140 basis point decrease in year-on-year terms, mainly as a result of using the same criteria for write-offs in the portfolios acquired from GE Bank as in the other portfolios. The NPL coverage ratio stood at 107%.

Distribution of lending

The Group is geographically diversified, since it is present in twelve countries, and concentrates its activities on its core markets. Santander Consumer Finance has a mainly retail profile (consumer loans represent 92.4% and inventory financing for dealers 7.6%) as it engages principally in vehicle financing.

Concentration risk

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

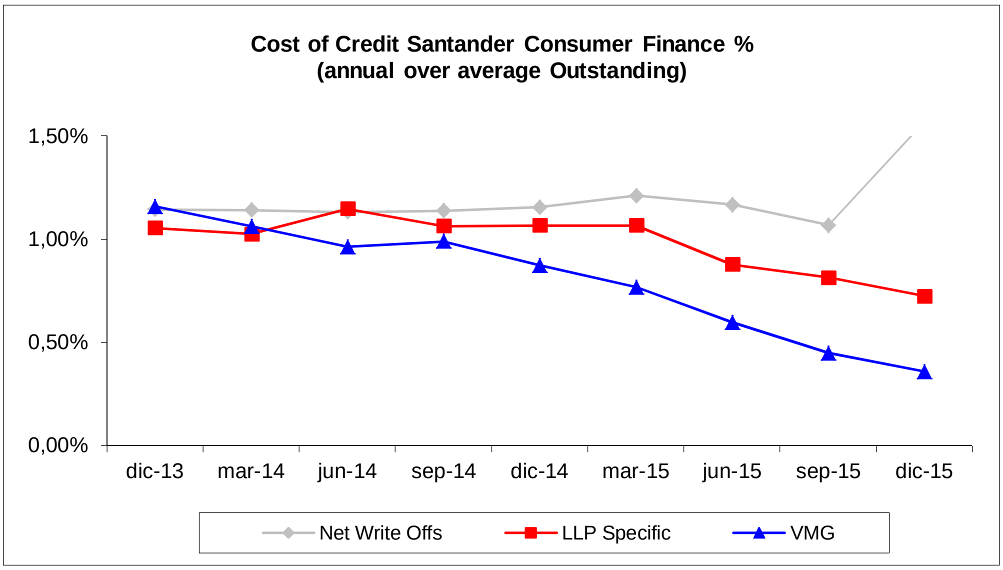
The Board of Directors, by reference to the risk appetite, determines the maximum levels of concentration, and the executive risk committee establishes the risk policies and reviews the appropriate exposure limits to ensure the adequate management of credit risk concentration.

Management metrics

Additional metrics are used in credit risk management, including most notably the change in non-performing loans (VMG, to use the Spanish acronym), net credit loss provisions (gross provisions to specific allowances - recovery of assets written off), net assets written off (assets written off - recovery of assets written off) and expected loss. Taken together, these metrics enable risk managers to form a complete idea of the evolution and future outlook of the portfolio.

Unlike the NPL ratio, the **change in non-performing loans** (VMG) (ending non-performing assets - beginning non-performing assets + assets written off - recovery of assets written off) refers to the total amount of the portfolio that has become impaired in a given period, irrespective of its status (non-performing or written off). Consequently, this metric is one of the main drivers used when establishing measures for managing the portfolio.

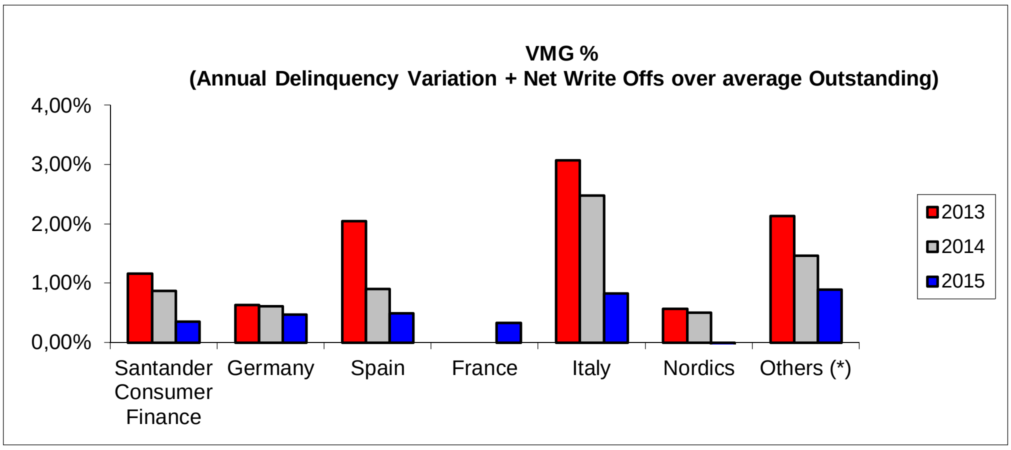
VMG is often considered in relation to the average investment generating it, giving rise to what is known as the **risk premium**, the evolution of which is shown below.

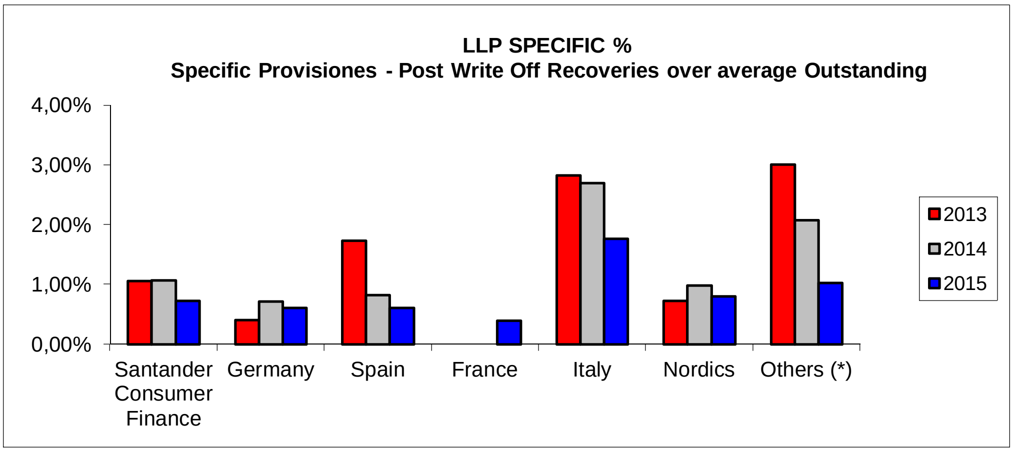


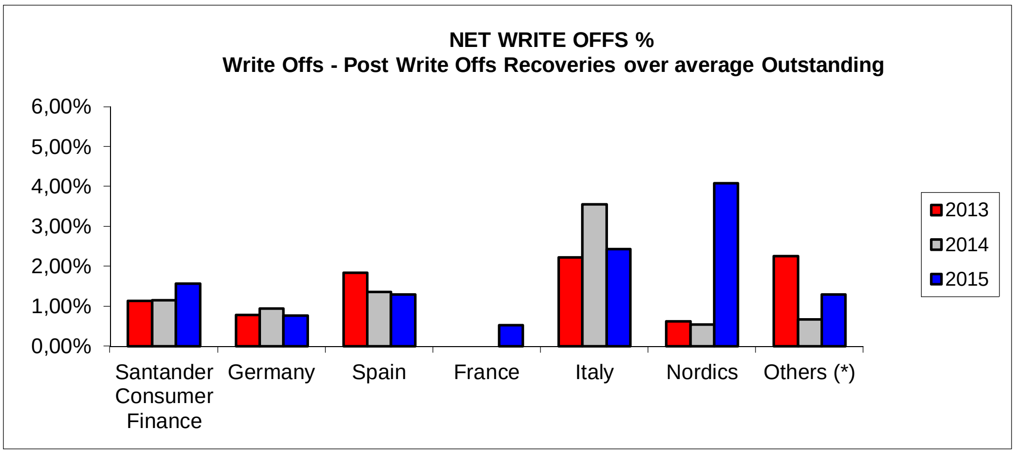
The three indicators measure the same reality and, consequently, converge in the long term although they represent successive moments in credit cost measurement: flows of non-performing loans (change in NPLs), coverage of non-performing loans (net credit loss provisions) and classification as write-offs (net write-offs), respectively. Although they converge in the long term within the same economic cycle, the three approaches show differences at certain times, which are particularly significant at the start of a change of cycle. These differences are due to the different timing of recognition of losses, which is basically determined by accounting rules (for example, mortgage loans have a longer coverage schedule and are classified as write-offs more “slowly” than consumer loans). In addition, the analysis can be complicated due to changes in the policy of coverage and classification as write-offs, the composition of the portfolio, non-performing loans of entities acquired, changes in accounting rules, sale of portfolios, etc.

In 2015 the three approaches displayed a similar positive trend. However, in December 2015 the Group classified as write-offs approximately EUR 450 million relating to the GE Nordics portfolio on implementing the Group's write-off policy once integration in the Nordic countries was complete. This can be observed in the change in trend of the net write-offs line in the foregoing chart in the last quarter of 2015. This change in trend in the net write-offs line is not mirrored in the net credit loss provisions line since provisions had already been recognised for a high proportion of the corresponding loans.

The following charts reflect the cost of Santander Consumer Finance’s credit risk in its main areas of activity in 2015 and prior years, measured using the different approaches: (*) "Other" includes Austria, Benelux, Financiera El Corte Inglés, Switzerland, Portugal and Hungary.


VMG %
(Annual Delinquency Variation + Net Write Offs over average Outstanding)
4,00%
3,00%
2,00%
1,00%
0,00%
Santander Consumer Finance
Germany
Spain
France
Italy
Nordics
Others (*)
2013
2014
2015


LLP SPECIFIC %
Specific Provisiones - Post Write Off Recoveries over average Outstanding
4,00%
3,00%
2,00%
1,00%
0,00%
Santander Consumer Finance
Germany
Spain
France
Italy
Nordics
Others (*)
2013
2014
2015


NET WRITE OFFS %
Write Offs - Post Write Offs Recoveries over average Outstanding
6,00%
5,00%
4,00%
3,00%
2,00%
1,00%
0,00%
Santander Consumer Finance
Germany
Spain
France
Italy
Nordics
Others (*)
2013
2014
2015

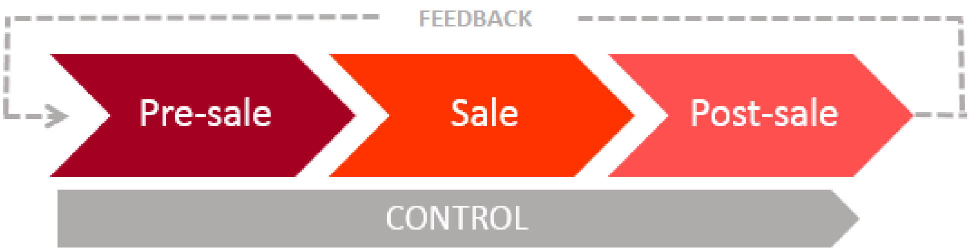
As shown above, the general trend in recent years has been for Santander Consumer Finance to keep its cost of credit at low levels. At the end of 2015, the three indicators converge at an average value equal to that of the ratio of net provisions to average loans. In 2015 Santander Consumer Finance achieved a slight reduction in the ratio of net write-offs to average loans (until the last quarter) and reductions in the ratio of net provisions to average loans and in that of change in non-performing loans to average loans, as compared with the figures for 2014.

Credit risk cycle

The risk management process consists of identifying, measuring, analysing, controlling, negotiating and deciding on, as appropriate, the risks incurred in the Group's operations. The parties involved in this process are the risk-taking areas, senior management and the risk function.

As Santander Consumer Finance is part of the Santander Group, the process begins at senior management level, through the Board of Directors and the executive risk committee, which establishes the risk policies and procedures, and the limits and delegations of powers, and approves and supervises the scope of action of the risk function.

The risk cycle comprises three different phases: pre-sale, sale and post-sale. The process is being permanently updated, with the findings and conclusions of the post-sale phase being fed back into the risk analysis and planning of the pre-sale phase.



<u>Pre-sale</u>

- *Risk analysis and credit rating process*

  In general, the risk analysis consists of examining the customer's ability to meet its contractual obligations to the Bank and to other creditors. This involves analysing the customer's credit quality, its risk transactions, its solvency and the return to be obtained in view of the risk assumed.

  Since 1993 the Group has used rating models for this purpose. These mechanisms are used in both the wholesale segment (sovereigns, financial institutions and corporate banking) and the other companies and institutions segment.

  The rating is obtained from a quantitative module based on balance sheet ratios or macroeconomic variables and supplemented by the analyst's expert judgement.

Ratings assigned to customers are reviewed periodically to include any new financial information available and the experience in the banking relationship. The frequency of the reviews is increased in the case of customers that reach certain levels in the automatic warning systems and of customers classified as requiring special monitoring. The rating tools themselves are also reviewed in order to progressively fine-tune the ratings they provide.

In contrast to the use of ratings in the wholesale and other companies and institutions segments, in the individuals and SMEs segment scoring techniques predominate; in general, these tools automatically assign a customer a score for decision-making purposes, as detailed in the transaction decision-making section.

- *Risk limit planning and setting*

  The purpose of this phase is to efficiently and comprehensively limit the risk levels that SCF assumes. The credit risk planning process is used to establish the budgets and limits at subsidiary portfolio level. Risk limit planning is instrumented through a balanced scorecard, thus ensuring the coordination of the business plan, the lending policy and the resources required to implement them. Thus, it was created as a joint initiative between the commercial and risk units and is not only a management tool but also a form of teamwork.

  An important aspect of the planning phase is the consideration of the volatility of the macroeconomic variables that affect the performance of the portfolios. The Group simulates their performance in various adverse and stress scenarios (stress testing), which enables it to assess the Group's capital adequacy in the event of certain future circumstantial situations.

  The scenario analysis enables senior management to gain a clearer understanding of the performance of the portfolio in response to changing market and circumstantial conditions and it is a basic tool for assessing the sufficiency of the provisions recognised to cater for stress scenarios.

  The risk limits are planned and set using documents agreed upon by the business areas and risk units and approved by SCF, which contain the expected results of transactions in terms of risk and return, as well as the limits applicable to the activity and the management of the related risk by group/customer.

<u>Sale</u>

- *Transaction decision-making*

  The sale phase comprises the decision-making process, the aim of which is to analyse and resolve upon transactions, since approval by the risk unit is a pre-requisite for the arrangement of any risk transaction. This process must consider the transaction approval policies defined and take into account both the risk appetite and any transaction elements that are important in achieving a balance between risk and return.

  In the sphere of standardised customers (lower-revenue individuals, businesses and SMEs), the management of large volumes of loan transactions is facilitated by the use of automatic decision-making models that rate the customer/loan relationship. Thus, loans are classified in homogeneous risk groups using the rating assigned to the transaction by the model on the basis of information on the features of the transaction and the borrower.

<u>Post-sale</u>

- *Monitoring*

The monitoring function is founded on a process of ongoing observation, which makes it possible to detect early any changes that might arise in customers' credit quality, so that action can be taken to correct any deviations with an adverse impact.

Monitoring is based on the segmentation of customers, is performed by dedicated local and global risk teams and is complemented by the work performed by internal audit.

The function involves, inter alia, identifying and monitoring companies under special surveillance, reviewing ratings and the ongoing monitoring of indicators.

The system called "**companies under special surveillance**" (FEVE) distinguishes four categories based on the degree of concern raised by the circumstances observed (extinguish, secure, reduce and monitor). The inclusion of a position in the FEVE system does not mean that there has been a default, but rather that it is deemed advisable to adopt a specific policy for the position in question, to place a person in charge and to set the policy implementation period. Customers classified as FEVE are reviewed at least every six months, or every three months for those classified in the most severe categories. A company can be classified as FEVE as a result of the monitoring process itself, a review performed by internal audit, a decision made by the sales manager responsible for that company or the triggering of the automatic warning system.

Assigned ratings are reviewed at least annually, but should any weakness be detected, or depending on the rating itself, more frequent reviews are performed.

For exposures to lower-revenue individuals, businesses and SMEs, the key indicators are monitored in order to detect any variance in the performance of the loan portfolio with respect to the forecasts made in the credit management programmes.

- *Measurement and control*

In addition to monitoring customers' credit quality, Santander Consumer Finance establishes the control procedures required to analyse the current credit risk portfolio and the changes therein over the various credit risk phases.

The risk control function is performed by assessing risks from various complementary perspectives, the main pillars being control by geographical location, business area, management model, product, etc., thus facilitating the early detection of specific areas requiring attention and the preparation of action plans to correct possible impairment.

Each control pillar can be analysed in two ways:

1.- Quantitative and qualitative analysis of the portfolio

In the analysis of the portfolio, any variances in the Group's risk exposure with respect to budgets, limits and benchmarks are controlled on an ongoing and systematic basis, and the impacts of these variances in certain future situations, both those of an exogenous nature and those arising from strategic decisions, are assessed in order to establish measures aimed at placing the profile and amount of the risk portfolio within the parameters set by the Group.

In addition to the traditional metrics, the following, inter alia, are used in the credit risk control phase:

- **Change in non-performing loans (VMG)**

VMG measures the change in non-performing loans in the period, discounting the loans written off and taking recoveries into account. It is an aggregate measure at portfolio level that enables action to be taken in the event of deteriorations in the trend of non-performing loans.

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

  Expected loss is the estimated financial loss that will occur over the next twelve months on the portfolio existing at any given time. It is an additional cost of the activity and must be charged in the transaction price.

2.- Assessment of the control processes

This includes a systematic periodic review of the procedures and methodology, and is performed over the entire credit risk cycle to ensure that they are in force and effective.

In 2006, within the corporate framework established in the Group for compliance with the Sarbanes-Oxley Act, a corporate tool was made available on the Group's intranet for the documentation and certification of all the subprocesses, operational risks and related mitigating controls. In this connection, the risk division assesses the efficiency of the internal control of its activities on an annual basis.

Furthermore, the internal validation function, as part of its mission to supervise the quality of the Group's risk management, guarantees that the systems for the management and control of the risks inherent to its activity comply with the strictest criteria and the best practices observed in the industry and/or required by the regulators. Also, internal audit is responsible for ensuring that the policies, methods and procedures are appropriate, effectively implemented and regularly reviewed.

- *Recovery management*

Recovery is a significant function within the sphere of the Group's risk management. This function is performed by the Recovery and Collection Unit, which defines a global strategy and an integral approach to recovery management.

Santander Consumer Finance combines a global model with a local implementation, considering the specific features of the business in each area of activity.

The main objective of loan recovery is to recover outstanding obligations through customer management, thereby helping to reduce the need for provisions and the costs associated with risk.

Thus, the specific aims of the recovery process are as follows:

- To seek collection or regularisation of unpaid balances, so that accounts can return to their normal status; if this is not possible, the aim is to fully or partially recover the debts, regardless of their status for accounting or management purposes.

- To maintain and strengthen the relationship with customers, paying attention to their payment behaviour and offering refinancing products to meet their needs in accordance with the corporate approval and control policies carefully established by the risk areas.

In the recovery process, large-scale or standardised customers are segregated or differentiated from individualised customers, using specific integral management models in each case, in accordance with certain basic specialisation criteria.

Recovery management involves the use of a multichannel customer relationship strategy. The telephone channel is aimed at large-scale, standardised management and involves high levels of activity in contacting customers and monitoring their payment agreements, with management actions being prioritised and adapted on the basis of the status of their debts (in arrears, doubtful or non-performing), their balances and their payment commitments.

The commercial recovery management network, which complements the telephone channel, is geared towards establishing close relationships with selected customers. It consists of teams of highly commercially-oriented agents with specific training and excellent negotiating skills who carry out a personalised management of their own portfolios of high impact customers (high balances, special products and specially managed customers).

The recovery activity for advanced stages of default involves both in- and out-of-court management and the continuation of commercial and monitoring activities through the telephone channels and agent networks, applying specific strategies and practices based on the particular stage of default.

The management model favours proactiveness and targeted management, achieved through ongoing recovery campaigns specifically designed for particular groups of customers and stages of default. Predefined objectives are pursued using specific strategies and intensive actions conducted through the appropriate channels within limited time frames.

Adequate local production and analysis of daily and monthly management information, aligned with the Bank's corporate models, were defined as the basis for the business intelligence required in order to take management-oriented decisions on an ongoing basis and to monitor the results thereof.

Market risk

1. Activities subject to market, structural and liquidity risks

The measurement, control and monitoring of the Market Risk department encompasses all operations in which net worth risk is assumed. This risk arises from changes in the risk factors -interest rate, exchange rate, equities and the volatility thereof- and from the liquidity risk of the various products and markets in which the Bank operates, and falls within the scope of operations of the Santander Consumer Finance Group.

The activities are segmented by risk purpose as follows:

- Trading. This category includes financial services for customers and the trading and taking of positions in fixed-income, equity and foreign currency products.

  The Bank does not carry out trading activities, and the scope of its treasury operations is confined to managing and hedging its structural balance sheet risk and managing the liquidity required to finance its business.

- Balance-sheet management. This activity includes the management of the following structural risks:

  - Interest rate risk: defined as the probability of incurring losses as a result of the impact of interest rate changes on the company's equity structure.

- Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidable and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future results generated in currencies other than the euro (hedges of results).

  Structural foreign currency risk arises mainly from investments in entities in currencies other than the euro. Structural foreign currency risk is managed centrally at Santander Group level as part of the general corporate procedures. Since the end of 2014, hedges of this foreign currency risk exposure have been recognised in the books of both Banco Santander, S.A. and Santander Consumer Finance, S.A.

- Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk. Structural equities risk does not apply to the Bank.

- Liquidity management. This comprises the activities aimed at managing structural liquidity risk, which relates to the entity's ability to meet its payment obligations on maturity without incurring unacceptable losses and to finance increases in the volume of assets.

The Financial Management area at Santander Consumer is responsible for managing the (structural) balance sheet management risk and liquidity risk centrally through the application of uniform methodologies adapted to the actual situation of each market in which the Group operates. The aim pursued by Financial Management is to ensure the stability and recurring nature of both the net interest margin of the commercial activity and the economic value of the Santander Consumer Finance Group, whilst maintaining adequate levels of liquidity and capital adequacy.

The Market Risk department at Santander Consumer supports business management, defines risk measurement methodologies, assists in establishing limits and controls the structural market risks arising from the Group's operations, ensuring that the risks assumed are within the established risk appetite limits.

Decisions affecting the management of these risks are taken through the ALCO Committees in the respective countries and, ultimately, by the Parent’s ALCO Committee.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

2. Methodologies

<u>*A. Balance sheet management*</u>

The Group analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering the market situation and outlook, the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range from the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Group to control interest rate risk in these activities are the interest rate gap and the sensitivity of net interest margin and market value of equity to changes in interest rates.

- *Interest rate gap of assets and liabilities*

The interest rate gap analysis focuses on the mismatches between the interest reset periods of on-balance-sheet assets and liabilities and of off-balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet structure and enables concentrations of interest rate risk in the various repricing buckets to be detected. Additionally, it is a useful tool for estimating the possible impact of potential changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on- and off-balance-sheet aggregates must be broken down and placed at the point of repricing or maturity. For those aggregates that do not have a contractual maturity date, their duration and sensitivity are analysed and estimated using the Santander Group's internal model.

- *Net interest margin (NIM) sensitivity*

The sensitivity of the net interest margin measures the change in the expected net interest income for a specific period (twelve months) given a shift in the yield curve.

- *Market value of equity (MVE) sensitivity*

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitivity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

B. Liquidity management

Liquidity risk is associated with the Santander Consumer Finance Group's ability to fund its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance-sheet management are the liquidity gap, liquidity ratios, the structural liquidity table and liquidity stress tests.

In addition, Santander Consumer Finance, S.A. prepares the liquidity statements required by the Bank of Spain, which must be completed every month with month-end data, as well as the Liquidity Coverage Ratio (LCR) of the European Banking Authority (EBA), also to be reported on a monthly basis (the Basel LCR is reported on a half-yearly basis), and the Net Stable Funding Ratio (NSFR), which is reported on a quarterly basis in both its EBA and Basel versions. Both ratios (LCR and NSFR) were implemented by the EBA through Directive 2013/36/EU, Regulation (EU) No 575/2013 (CRR) and successive technical standards published subsequently, known collectively as CRD IV/CRR. The requirement to achieve the EBA Liquidity Coverage Ratio (LCR) came into force on 1 October 2015. A minimum ratio of 60% must generally be achieved, although the ratio may be higher if so determined by the competent national banking authority.

- *Liquidity gap*

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

In the contractual liquidity gap, all cash-flow generating balance sheet items are analysed and placed at the point of contractual maturity. For assets and liabilities without contractual maturities, the Santander Group's internal analysis model is used, based on a statistical study of the time series of the products, and the so-called stable or unstable balance for liquidity purposes is determined.

- *Liquidity ratios*

The minimum liquidity ratio compares the liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than twelve months with the liabilities maturing in twelve months or less.

- *Structural liquidity table*

The aim of this analysis is to determine the structural liquidity position on the basis of the liquidity profile (more or less stable) of the various asset and liability instruments.

- *Liquidity stress tests*

The purpose of the liquidity stress tests conducted by the Santander Consumer Finance Group is to determine the impact of a severe, but plausible, liquidity crisis. In these stress scenarios, internal factors that might affect the Group's liquidity are simulated, such as a fall in the institutional credit rating or the value of on-balance-sheet assets, restrictions on transfers between Group entities or factors external to the SCF Group such as, inter alia, a scarcity of liquidity in the banking system, banking crises, regulatory factors, changes in consumption trends and/or a loss of depositor confidence.

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

Each year, a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on new securitisations, considering the eligible assets available, and of the potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

3. Control system

Limit setting

The limit setting process is performed together with the budgeting activity and is the tool used to establish the assets and liabilities of each business activity.

Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

Objectives of the limits structure

The limits structure requires a process to be performed that pursues, inter alia, the following objectives:

- To identify and delimit, in an efficient and comprehensive manner, the main types of market risk incurred, so that they are consistent with business management and the defined strategy.

- To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.

- To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.

- To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.

- To delimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as valuation model and systems, liquidity of the instruments involved, etc.

A. *Balance sheet management*

Interest rate risk

The interest rate risk limits for 2015 for the consolidated portfolios denominated in euros[2] were set at EUR -111 million for the sensitivity of the net interest margin (NIM) at one year and at EUR -364 million for the sensitivity of the market value of equity (MVE).

The limits are compared with the sensitivity resulting in the highest loss, of those calculated for eight different scenarios (parallel increases and decreases of 25, 50, 75 and 100 basis points in the yield curve). The use of several scenarios improves interest rate risk control. In scenarios of falling interest rates, negative interest rates are not envisaged, although, in view of the current interest rate levels, this assumption is being reviewed.

At 31 December 2015, the euro consolidated management scope comprised the units of the following countries: Germany, Austria, the Netherlands, Belgium (Benelux BV and Santander Benelux), Spain (Santander Consumer Finance entities in Spain and FECI), Italy, Portugal and Finland.

The continued weakness of the economic and financial environment in 2015 was reflected in the maintenance of particularly low interest rates in the euro zone which was justified, in part, by the expansionary monetary policy adopted by the ECB, which set the deposit facility rate for credit institutions at -30 bps. This prompted the euro yield curve at 2015 year-end to display a parallel negative shift of 25 bps across the entire short-term tranche as compared with the figures for 2014 year-end. In light of the current economic situation, no interest rate increases are forecast for the euro zone in 2016.

The sensitivity of the net interest margin within the euro consolidated management scope at the end of December 2015 (pending December data) to a 100-bp parallel increase in interest rates was EUR +14.62 million. The sensitivity of the market value of equity to a parallel increase of 100 bp was EUR -24.2 million.

The sensitivity of both the net interest margin and the market value of equity was within the established limits at December 2015.

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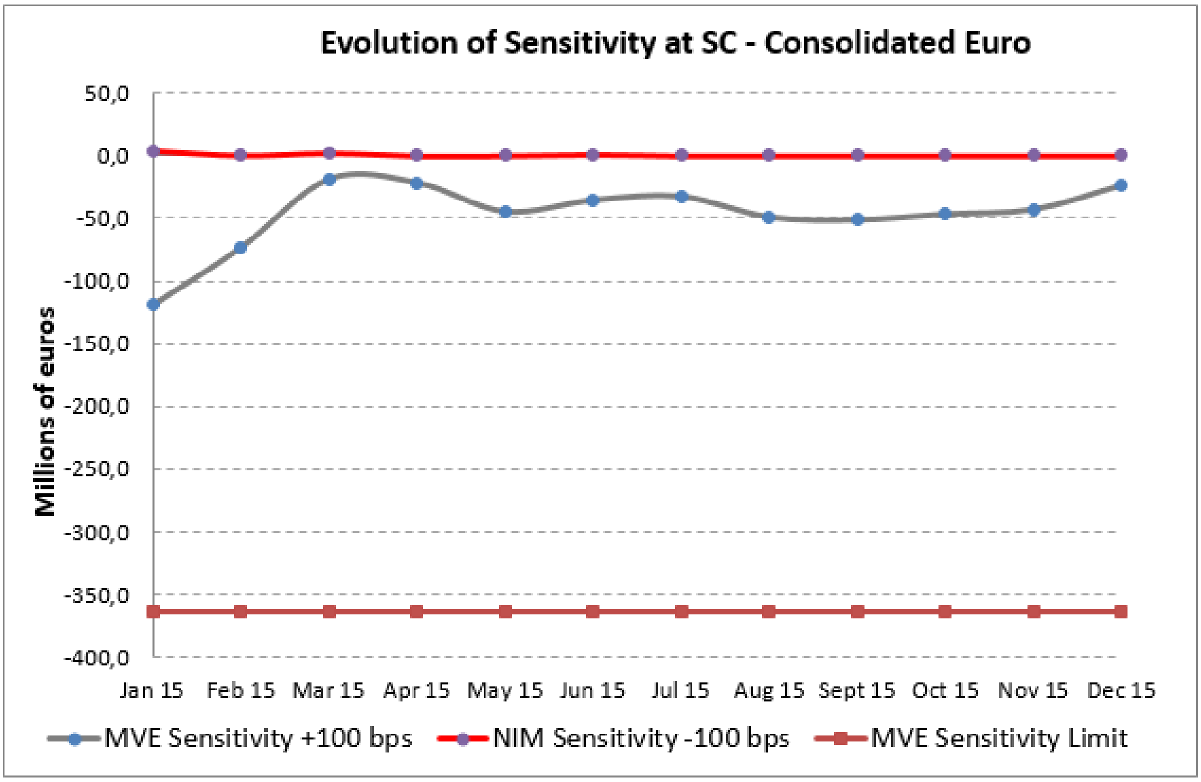
[2] The most significant limits within the scope of management of the Santander Consumer Finance Group.

The chart below shows the changes in the sensitivity of the net interest margin and of the market value of equity in 2015 (data until December 2015):



B. Structural liquidity management

Structural liquidity management seeks to finance the Group's business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks.

The Group has an increasingly active presence in a wide, diverse range of financing markets, thus limiting its dependence on specific markets and ensuring the availability of various sources of market funding.

Structural liquidity management involves planning funding requirements, structuring the sources of financing to achieve optimum diversification in terms of maturities, instruments and markets, and defining contingency plans.

Each year, a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on new securitisations, considering the eligible assets available, and of the potential growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

Set forth below are certain highlights of structural liquidity management in 2015:

Issue programmes:

AIAF NOTES PROGRAMME

Santander Consumer Finance has a EUR 5,000 million Promissory Note Issuance programme outstanding, which was registered in the Official Registers of the Spanish National Securities Market Commission (CNMV) on 1 October 2015. The notes are traded on the Spanish AIAF Bond Market, with maturities of between 3 working days and 24 months (731 calendar days). At 2015 year-end, Santander Consumer Finance (which acts as an issuer on the primary market and places its issues through underwriters) had issued promissory notes totalling EUR 2,442 million.

ECP PROGRAMME

Santander Consumer Finance has a EUR 5,000 million multi-currency European Commercial Paper (ECP) programme outstanding, with maturities of between 1 and 364 days. The balance outstanding at the end of 2015 was EUR 4,758 million.

SECURITISATIONS

Note 19 to the consolidated financial statements contains a detail of the securitisations performed by the Group in 2015 (consumer and vehicle loans).

EMTN PROGRAMME

Santander Consumer Finance has a multi-currency Euro Medium Term Note (EMTN) programme outstanding, with a maximum amount of EUR 10,000 million. At 2015 year-end, the balance outstanding was EUR 7,695 million.

The Group's structural liquidity position and market presence, along with the support from its parent, Banco Santander S.A., through intragroup financing facilities, have enabled Santander Consumer to conduct its lending activity normally in the current market conditions.

C. Structural foreign currency risk/hedges of results

Structural foreign currency risk arises mainly from investments in banks in currencies other than the euro. At 30 November 2015, the open foreign currency position in Spain amounted to EUR 588.9 million relating to the investment in Norwegian krone in SCB S.A. (Norway) and EUR 145.8 million relating to the investment in Polish zloty in SCB S.A. (Poland). Structural foreign currency risk is managed centrally at Santander Group level as part of the general corporate procedures. However, as mentioned above, since the end of 2014 the transactions hedging these foreign currency risk exposures have been recognised in the accounting records of both Banco Santander, S.A. and Santander Consumer Finance, S.A.

Operational risk

Definition and objectives

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

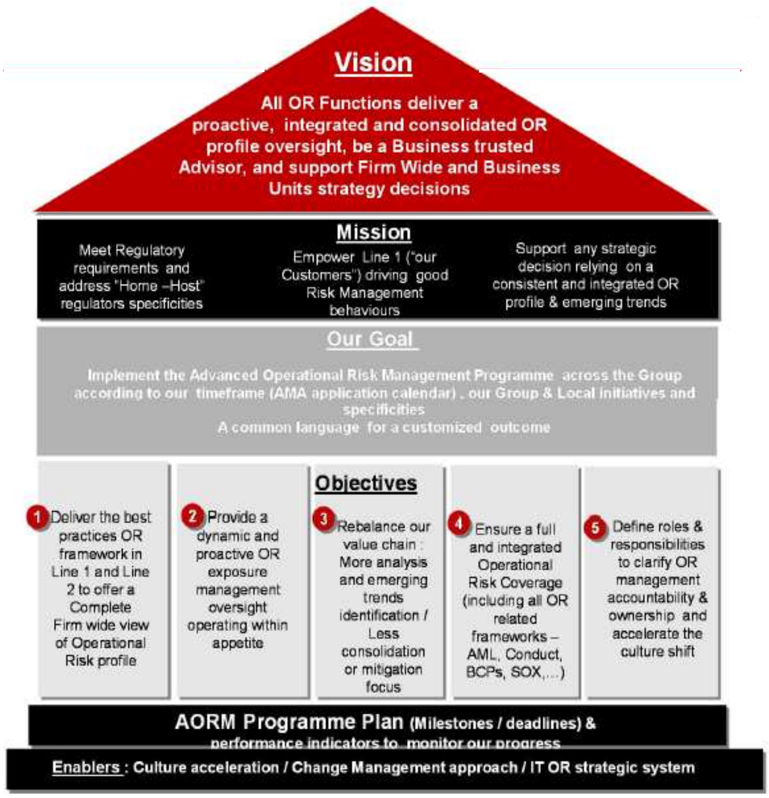
Operational risk is inherent in all products, activities, processes and systems, and is generated in all the business and support areas. Accordingly, all employees are responsible for managing and controlling the operational risks generated in their area of activity.

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

The Santander Group's priority, therefore, is to identify and mitigate any clusters of operational risk, irrespective of whether or not they have given rise to any losses. Measurement of this risk also contributes to the establishment of priorities in operational risk management.

For the purpose of calculating regulatory capital for operational risk, Santander Consumer Finance has been applying the Standardised Approach provided for under Basel II standards.

However, in 2015 Santander Consumer Finance commenced a project aimed at shifting to an advanced operational risk management (AORM) approach.



Operational risk management and control model

Operational risk management cycle

The components of operational risk management at Santander Consumer Finance are as follows:

The various phases of the operational risk management and control model involve:

- Identification of the operational risk inherent in all Santander Consumer Finance's activities, products, processes and systems. This process is carried out through a Risk and Control Self-Assessment (RCSA).
- Definition of the target operational risk profile, specifying the strategies by unit and time horizon, through the establishment of the operational risk appetite and tolerance, the budget and the related monitoring.

- Encouragement of the involvement of all employees in the operational risk culture, through appropriate training for all areas and levels of the organisation.
- Objective and ongoing measurement and assessment of operational risk, consistent with industry and regulatory standards (Basel, Bank of Spain, etc.).
- Continuous monitoring of operational risk exposures, implementation of control procedures, improvement of internal awareness and mitigation of losses.
- Establishment of mitigation measures to eliminate or minimise operational risk.
- Preparation of periodic reports on the exposure to operational risk and its level of control for Santander Consumer Finance's senior management and its areas/units, and reporting to the market and the regulatory authorities.
- Definition and implementation of the methodology required for calculating capital in terms of expected and unexpected loss.

The following is required for each of the key processes indicated above:

- Definition and implementation of systems enabling Santander Consumer Finance to monitor and control operational risk exposures. These systems must be integrated into daily management, using the current technology and maximising the automation of applications.

  This objective is shared with the other Santander Group entities. Therefore, the Group is currently developing and implementing a single tool called Heracles for the management and control of operational risk, compliance and internal control. Implementation of this tool began in the second half of 2015 and will be completed in 2016.
- Definition and documentation of operational risk management and control policies and implementation of the related methodologies consistent with current regulations and best practices.

  The process of adapting the corporate risk regulations to SCF's circumstances began in 2015 with the adoption of the related corporate framework and will be completed in the first quarter of 2016 with the approval at the appropriate level of the committee's model, policies, procedures, guides and rules.

The operational risk management and control model implemented by Santander Consumer Finance provides the following benefits:

- It encourages the development of an operational risk culture.
- It enables a comprehensive and effective management of operational risk (identification, measurement/assessment, control/mitigation and reporting).
- It improves knowledge of actual and potential operational risks and their assignment to business and support lines.
- The information on operational risk helps improve processes and controls and reduce losses and income volatility.
- It facilitates the setting of limits for operational risk appetite.

Risk identification, measurement and assessment model

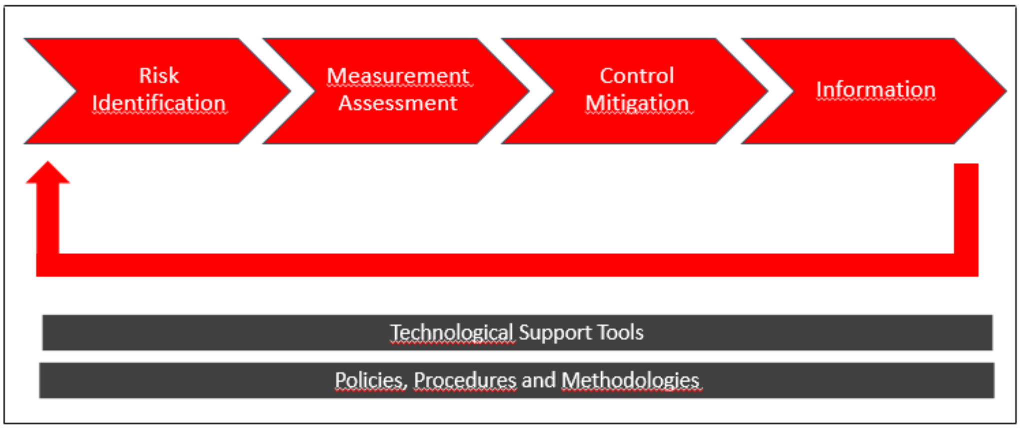
Since November 2014 Santander Consumer Finance has adopted the new Santander Group management system in which three lines of defence were defined:

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

- 2nd line of defence: performed by the non-financial risks unit, reporting to the CRO. Its functions are to design, maintain and develop the local adaptation of the Operational Risk Management Framework (BIS), and to control and challenge the actions of the first line of defence against operational risk.

- 3rd line of defence: performed by internal audit, which assesses the compliance of all the entity's activities and units with its policies and procedures.

The components of risk management at Santander Consumer Finance are as follows:



In order to identify, measure and assess operational risk, the Group defined a set of quantitative and qualitative corporate techniques/tools that are combined to perform a diagnosis based on the identified risks and obtain a valuation through the measurement/assessment of the area/unit.

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

- An internal event database, to capture all operational risk events at Santander Consumer Finance. The capture of operational risk-related events is not limited by the establishment of thresholds, i.e. events are not excluded because of their amount, and the database contains both events with an accounting impact (including positive impacts) and those without.

  There are accounting reconciliation procedures that ensure the quality of the information entered in the database. The most significant events of the Group and of each of the Group's operational risk units are especially documented and reviewed.

- An external event database, since Santander Consumer Finance participates, through the Santander Group, in international consortia such as ORX (the Operational Riskdata Exchange Association). In 2015 greater use was made of external databases, which provide quantitative and qualitative information and permit a more detailed and structured analysis of major events that have occurred in the sector.

- OR scenario analysis. Expert opinion is obtained from the business lines and the risk and control managers with the aim of identifying potential events which, although very unlikely to occur, could result in a very high loss for the institution. Their possible effect on the institution is evaluated and additional controls and mitigating measures are identified that reduce the possibility of a high economic impact.

This feature has also been included in the HERACLES tool.

- Calculation of capital using the Standardised Approach. (Confirm that it is not calculated using advanced methods)

The tools defined for the qualitative analysis aim to assess aspects (coverage/exposure) linked to the risk profile, thereby making it possible to capture the control environment in place. These tools include primarily:

- Risk and Control Self-Assessment (RCSA): This new methodology designed to improve risk assessment, based on the expert judgement of the managers, provides a qualitative view of the main clusters of risk at Santander Consumer Finance, irrespective of whether or not they have occurred previously.

  Improvements of the RCSA:

  a. To motivate the assumption of responsibility by the first lines of defence: it establishes the first-line figures of the risk owner and the control owner.

  b. To favour the identification of the most significant risks: not pre-defined risks, but rather risks that arise from the risk-generating areas.

  c. To improve the integration of the OR tools: it includes a root cause analysis.

  d. To improve the validation of the exercise. it is conducted in the form of workshops, rather than questionnaires.

  e. To render the exercises more forward-looking in their approach*:* the financial impact resulting from risk exposure is assessed.

- A continuously-evolving corporate system of operational risk indicators that is coordinated with the corresponding corporate area. The indicators are statistics or parameters of various kinds that provide information on an entity's risk exposure. They are revised periodically in order to warn of any changes that could reveal problems vis-à-vis operational risk.

- Audit recommendations. These provide relevant information on the inherent risk owing to internal and external factors and make it possible to identify weaknesses in the controls

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

Model implementation and initiatives

Substantially all the Santander Consumer Finance units are currently included in the model, with a high degree of uniformity.

The main functions, activities and global initiatives adopted, which seek to ensure the effective management of operational risk, can be summarised as follows:

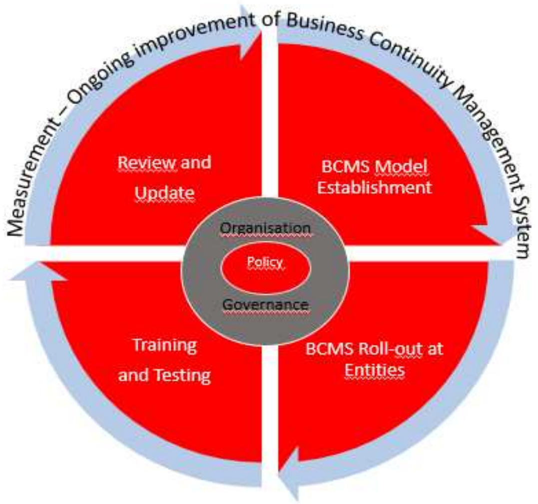
- A new operational risk framework, in line with the corporate operational risk framework.
- Designation of head OR coordinators and creation of operational risk departments at the local units.

- Training and experience sharing: communication of best practices within Santander Consumer Finance.
- Fostering of mitigation plans: control of both the implementation of corrective measures and projects under development.
- Definition of policies and structures to minimise the impacts on Santander Consumer Finance in the event of major disasters.

Operational risk information system

As mentioned above, December 2015 witnessed the commencement of implementation of a new corporate system called HERACLES. This system features internal risk assessment and event recording modules, risk mapping and assessment, indicators (of both operational risk and internal control), mitigation and reporting and scenario analysis systems, and is applicable to all Santander Consumer Finance entities.

Business continuity plan



The Santander Group and, therefore, Santander Consumer Finance, has a business continuity management system (BCMS) to ensure the continuity of the business processes of its entities in the event of a disaster or serious incident.

This basic objective consists of the following:

- Minimising possible injury to persons, as well as adverse financial and business impacts for Santander Consumer Finance, resulting from an interruption of normal business operations.
- Reducing the operational effects of a disaster by supplying a series of pre-defined, flexible guidelines and procedures to be employed in order to resume and recover processes.

- Resuming time-sensitive business operations and associated support functions, in order to achieve business continuity, stable earnings and planned growth.
- Re-establishing the time-sensitive technology and transaction-support operations of the business if existing technologies are not operational.
- Protecting the public image of, and confidence in, Santander Consumer Finance.
- Meeting Santander Consumer Finance's obligations to its employees, customers, shareholders and other third-party stakeholders.

Corporate information

The Santander Group's corporate operational risk control area has an operational risk management information system that provides data on the Group's main risk elements. The information available from each country/unit in the operational risk sphere is consolidated to obtain a global view with the following features:

- Two levels of information: a corporate level, with consolidated information, and an individual level, containing information for each country/unit.
- Dissemination of the best practices among the Santander Group countries/units, obtained from the combined study of the results of qualitative and quantitative analyses of operational risk.

More specifically, information is prepared on the following aspects:

- The operational risk management model in place at the Santander Group and its main units and geographical areas.
- The scope of operational risk management.
- Monitoring of appetite metrics.
- Analysis of the internal event database and of significant external events.
- Analysis of the most significant risks, detected using various sources of information, such as the internal operational and technology risk assessment exercises.
- Evaluation and analysis of risk indicators.
- Mitigating measures/active management.
- Business continuity plans and contingency plans.

This information serves as the basis for meeting reporting requirements vis-à-vis the executive risk committee, the risk, regulation and compliance oversight committee, the operational risk committee, senior management, regulators, rating agencies, etc.

The role of insurance in operational risk management

Santander Group considers insurance as a key factor in operational risk management. In 2014 common guidelines were established for coordinating the various functions involved in the management cycle for operational risk-mitigating insurance, mainly the areas of proprietary insurance and operational risk control, but also the various front-line risk management areas.

These guidelines include the following activities:

- Identification of all risks at the Santander Group which could be covered by insurance, as well as new insurance cover for risks already identified in the market.
- Establishment and implementation of methods for quantifying insurable risk, based on loss analysis and loss scenarios that make it possible to determine Santander Group's level of exposure to each risk.
- Analysis of the cover available in the insurance market, as well as preliminary design of the terms and conditions that best suit the requirements previously identified and evaluated.
- Technical assessment of the level of protection provided by a policy, and of the cost and retention levels that the Santander Group will assume (excesses and other items to be borne by the insured), for the purpose of deciding whether to arrange it.
- Negotiation with insurance providers and award of policies in accordance with the relevant procedures established by the Santander Group.
- Monitoring of claims reported under the policies, as well as those not reported or not recovered due to incorrect reporting.
- Analysis of the appropriateness of the Group's policies for the risks covered, taking the necessary measures to correct any shortcomings detected.
- Close cooperation between local operational risk officers and local insurance coordinators in order to enhance operational risk mitigation.
- Regular meetings to report on specific activities, statements of position and projects in the two areas.
- Active participation of the two areas in the global insurance sourcing desk, the Group's highest technical body for the definition of insurance cover and arrangement strategies.

Compliance and conduct risk

The compliance function encompasses all matters relating to regulatory compliance, the prevention of money laundering and terrorist financing, product governance and consumer protection, and reputational risk.

The compliance function promotes adherence by Santander Consumer Finance, S.A. ("SCF") to the rules, oversight requirements, principles and values of good conduct by establishing standards, holding debates and providing advice and information in the interest of employees, customers, shareholders and society in general. Based on the current corporate arrangement of the Santander Group's three lines of defence, the compliance function is a second-line independent control function that is directly accountable to the Board of Directors and its committees through the Chief Compliance Officer (CCO). This structure is in line with banking regulatory requirements and supervisory expectations.

SCF's objective regarding compliance and conduct risk is to minimise the likelihood of non-compliance and irregularities occurring and to ensure that, should they ultimately occur, they are promptly identified, assessed, reported and resolved. The compliance function at SCF is currently undergoing a transformation process in line with that being implemented by the Group.

Compliance with the regulatory framework

The regulations known as Basel III, which establish new global capital, liquidity and leverage standards for financial institutions, came into force in 2014.

From the capital standpoint, Basel III redefines what is considered to be available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), increases the minimum capital requirements, requires financial institutions to operate permanently with capital buffers, and adds new requirements in relation to the risks considered.

In Europe, the new standards were implemented through Directive 2013/36/EU, known as the Capital Requirements Directive ("CRD IV"), and the related Capital Requirements Regulation 575/2013 ("CRR"), which is directly applicable in all EU Member States (as part of the Single Rulebook). In addition, these standards are subject to Implementing Technical Standards commissioned from the European Banking Authority (EBA).

CRD IV was transposed into Spanish legislation through Law 10/2014 on the regulation, supervision and capital adequacy of credit institutions, and its subsequent implementing regulations contained in Royal Decree 84/2015. The CRR is directly applicable in EU Member States as from 1 January 2014 and repeals all lower-ranking rules providing for additional capital requirements.

The CRR establishes a phase-in that will permit a progressive adaptation to the new requirements in the European Union. The phase-in arrangements were incorporated into Spanish regulations through Bank of Spain Circular 2/2014. They affect both the new deductions and the issues and items of own funds which cease to be eligible as such under this new regulation. The capital buffers provided for in CRD IV are also subject to phase-in; they are applicable for the first time in 2016 and must be fully implemented by 2019.

At the end of 2015 the ECB established the minimum prudential capital requirements for each bank for the following year. In 2016, at sub-consolidated level, Santander Consumer Finance Group must have a minimum CET1 capital ratio of 9.75%[3].

At the end of 2015 Santander Consumer Finance comfortably exceeded the ECB's prudential requirement, with a fully-loaded CET1 capital ratio of 12.18% (the phase-in ratio was 12.79%) and a total capital ratio of 13.07%.

With regard to credit risk, Santander Consumer Finance is continuing to adopt its plan to implement the Basel advanced internal ratings-based (AIRB) approach. Progress in this connection is conditioned both by the acquisitions of new entities and the need for coordination among supervisors of the validation processes for the internal approaches.

The Santander Consumer Finance Group is present mainly in geographical areas where there is a common legal framework among supervisors, as is the case in Europe through the Capital Requirements Directive.

To date Santander Consumer Finance has obtained authorisation from the supervisory authorities to use AIRB approaches for the calculation of regulatory capital requirements for credit risk for its main portfolios in Spain, Germany, the Nordic countries and France. In 2015 authorisation was obtained for the Santander Consumer Nordics auto loan portfolios to switch from the standardised approach to the AIRB approach, while the IRB approach was maintained for the corporate and retail portfolios of PSA France, following the acquisition of this investee.

With regard to operational risk, the Santander Consumer Finance Group currently uses the standardised approach for regulatory capital calculation provided for in the European Capital Directive.

[3] This requirement includes: (i) the minimum Common Equity Tier 1 capital that must be held at all times pursuant to Article 92.1-a of Regulation (EU) No 575/2013; (ii) the excess Common Equity Tier 1 capital that must be held at all times pursuant to Article 16.2-a of Regulation (EU) No 1024/2013; and (iii) the capital conservation buffer pursuant to Article 129 of Directive 2013/36/EU.

Using the standardised approach and in comparison to the other risks explicitly referred to in Basel Pillar 1, market risk is not significant at Santander Consumer Finance, since its business object does not include market transactions.

Leverage ratio

The leverage ratio was established within the Basel III regulatory framework as a non-risk-sensitive measure of the capital that financial institutions are required to hold. CRD IV was amended on 17 January 2015 through the modification of Regulation (EU) No. 575/2013 to harmonise the calculation criteria with those specified in the Basel Committee's document entitled "Basel III leverage ratio framework and disclosure requirements". This ratio is calculated as Tier 1 capital divided by leverage exposure.

The leverage ratio is still in the calibration phase and there is no obligation to comply with it until 2018. The reference rate was set at 3% and at December 2015 Santander Consumer Finance had a fully-loaded leverage ratio of 7.58% at sub-consolidated level.

Economic capital

With regard to capital adequacy, in the context of Pillar 2 of the Basel Capital Accord, the Santander Consumer Finance Group conducts the internal capital adequacy assessment process (ICAAP) using its economic capital model. To this end, it plans the evolution of the business and the capital requirements under a central scenario and under alternative stress scenarios. With this planning the Group ensures that it will continue to meet its capital adequacy targets, even in adverse economic scenarios.

Economic capital is the capital required, based on an internally-developed model, to support all the risks of the Group's business activity with a given solvency level. In the Group's case, the solvency level is determined by the A long-term target rating (two notches above the rating for Spain), which results in the application of a 99.95% confidence level (higher than the regulatory 99.90%) for the purpose of calculating the required capital.

The Group's economic capital model includes in its measurement all the significant risks incurred by it in its operations. Accordingly, it considers risks such as concentration risk, structural interest rate risk, business risk, pension risk and other risks outside the scope of regulatory Pillar 1 capital requirements. Economic capital also includes the diversification effect, which in the Group's case, owing to the multinational, multibusiness nature of its operations, is of key importance in determining its overall risk and solvency profile.

In its risk management, the Santander Consumer Finance Group uses the RORAC methodology for the calculation of the economic capital requirements and of the return thereon for the Group's business units, segments, portfolios and customers, with a view to regularly analysing value creation and facilitating an optimal allocation of capital.

The RORAC methodology permits the comparison, on a like-for-like basis, of the performance of transactions, customers, portfolios and businesses, and identifies those which achieve a risk-adjusted return higher than the Group's cost of capital, thus aligning risk management and business management with the aim of maximising value creation, which is the ultimate objective of Santander Consumer Finance's senior management.

The RORAC and value creation figures are shaped by the varying trends in the economic cycle at the Santander Consumer Finance Group units.

Proposed distribution of profit

The proposed distribution of the Bank’s net profit for 2015, amounting to EUR 413,995 thousand, that will be submitted for approval by the Annual General Meeting is as follows:

Dividends: EUR 280,052 thousand.

Legal reserve: EUR 41,399 thousand.

Voluntary reserve: EUR 92,544 thousand.

Share capital and treasury shares

The Group did not perform any transactions involving treasury shares in 2015 and it did not have any treasury share balance in its balance sheet as at 31 December 2015.

Research and development

The Santander Group considers technological innovation and development to be a cornerstone of the corporate strategy, and it seeks to capitalise on the opportunities offered by digitisation.

Bringing the technology and operations division into line with the corporate objectives provides support to the business, with value proposals arranged by segment and focused on customers and on their satisfaction, and with an optimised price-risk management within high standards of operating security.

Also, Santander, as a global systemic institution, and its individual subsidiaries are under growing pressure due to ever-more demanding regulatory requirements that impact on the systems model and the underlying technology, obliging them to make additional investments in order to guarantee their compliance and legal security.

Significant events after the reporting period

Significant events occurring after 2015 year-end are detailed in Note 1-i to the consolidated financial statements.

Outlook

According to the International Monetary Fund, the outlook for the world economy in 2016 is one of growth of just above 3%, underpinned by a slight improvement of the advanced economies and the stabilisation of growth in the emerging countries.

The patent but gradual upturn displayed by the advanced economies in recent years will continue its course in 2016. This improved performance will be driven by relaxed financial conditions, a fiscal policy that is no longer contractionary in nature, balance-sheet adjustments and the trend in raw materials prices. However, not all the advanced economies will be in the same situation.

The pace of growth in the eurozone, which is currently at a more incipient stage of recovery, is quickening (forecast at 1.7% for 2016); however, unemployment rates remain high and both current and estimated medium-term inflation still fall far short of target.

Moreover, the various eurozone countries are experiencing different circumstances. For example, the German economy is operating at full capacity (its cyclical position is more similar to that of the US or the United Kingdom) and it will achieve slightly above-potential growth of at least 1.5%. Spain will continue to display a very dynamic performance and is expected to grow at rates close to 3%.

Taken as a whole, the emerging economies will report growth of around 4%, according to the IMF's latest projections. This performance is explained by several factors, namely the gradual slowdown of China, whose sustainable growth rate has fallen, low raw materials prices and a certain tightening of financial conditions associated with the commencement of interest rate increases by the Federal Reserve.

This general trend conceals notable differences that depend on each country's sensitivity to the aforementioned factors, its internal imbalances accumulated in recent years and its ability to apply suitable policies.

The prevailing risks are linked mainly to the development of events in relation to (i) China and its ability to sustain growth of above 6% whilst adjusting its imbalances; (ii) the success of the Federal Reserve in making gradual progress towards normalising its monetary policy; (iii) the stabilisation of raw materials prices; (iv) the provision of liquidity to avoid abrupt adjustments in the markets; (v) the determination of the ECB to address any potential shocks; and other more local events that may have international repercussions.

The emerging economies are more sensitive to most of these risks than the advanced economies, which commenced the correction of their imbalances earlier.

Generally speaking, interest rates will remain at very moderate levels. However, in the US the sequence of interest rate hikes that began in late 2015 is expected to continue, albeit very gradually, and to have a knock-on effect on other economies, particularly in Latin America. The United Kingdom might also raise its official interest rates slightly in the second half of 2016. By contrast, the eurozone, Japan and other Asian countries will either maintain or accentuate the expansionary bias of their monetary policies in order to boost growth amidst scenarios of zero or very low inflation.

Taken as a whole, bank lending will continue to grow at moderate rates, although in general this growth should be higher than in previous years in the advanced economies.

The management priorities for Santander Consumer Finance in 2016 will be as follows:

Capitalising on its positioning in the European consumer finance market, the aim of the area is to complete the planned joint-venture processes and harness its growth potential by:

- Maximising the promotion of captive vehicle financing.

- Increasing the number of active customers.

To bolster the consumer finance business, by entering into agreements with the main pan-European retailers.

<u>Annual Corporate Governance Report</u>

The Bank, an entity with registered office in Spain whose voting rights correspond, directly and/or indirectly, to Banco Santander, S.A., in compliance with Article 9.4 of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, does not prepare an Annual Corporate Governance Report, since this is prepared and presented to the CNMV by Banco Santander, S.A. as the parent of the Santander Group.

Capital structure and significant holdings

Banco Santander, S.A.	1,187,741,718	Percentage of ownership: 63.19%
Holneth, B.V.	469,886,543	Percentage of ownership: 25.00%

Fomento e Inversiones, S.A.	221,917,911	Percentage of ownership: 11.81%
Total number of shares	1,879,546,172	
Par value	3.00	
Share capital	5,638,638,516	

On 25 March 2015, the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 300,000 thousand by issuing at par 100,000,000 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by the shareholders of the Bank on 25 March 2015, and it was executed in a public deed on 26 March 2015 and registered in the Mercantile Register on 10 April 2015.

Accordingly, at 31 December 2015, the Bank's share capital consisted of 1,879,546,172 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

Restrictions on the transferability of securities

Not applicable.

Significant direct and indirect ownership interests

The most significant transactions performed in relation to investments in subsidiaries are described in Note 3 to the consolidated financial statements. A detail of the Group companies, jointly controlled entities and associates is included in Appendices I and II to the notes to the consolidated financial statements for the year ended 31 December 2015.

Restrictions on voting rights

The shareholders attending the Annual General Meeting will have one vote for each share that they hold or represent.

Only the holders of 20 or more shares will be entitled to attend the Annual General Meeting, provided that they are registered in their name in the share register.

Side agreements

Not applicable.

Board of Directors

Appointment and replacement of members of the Board of Directors and amendment of the bylaws

The representation of the Bank is the responsibility of the Board of Directors, which will comprise no fewer than 5 and no more than 15 members, who will be appointed by the Annual General Meeting for a period of three years, although they may be re-elected, as many times as may be desired, for further three-year periods.

It is not necessary to be a shareholder of the Bank in order to be a director.

Powers of the members of the Board of Directors

On 24 May 2012, the Bank granted powers of attorney to the General Managing Director Ms Inés Serrano González and to the General Managing Director Mr Bruno Montalvo Wilmot, so that either of them, acting jointly and severally, for and on behalf of the Bank, can exercise the powers detailed below:

a) To manage, control and govern all manner of properties now or hereafter owned by the principal, to perform the improvements, repairs and work thereon that they deem appropriate, to lease them for the period, price and terms they consider appropriate, to evict tenants or dwellers and approve new ones, to collect rent, interest, dividends and lease payments, and to give the corresponding receipts and invoices.

   To enter into, modify, subrogate and terminate finance leases on all manner of real and movable properties, upon the terms and conditions that they may freely determine, and to acquire the properties held under such finance leases, the only limit being that when the acquisition amount exceeds EUR 300,507 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee, or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

b) To verify groupings or subdivisions of properties, demarcations and deeds of declaration of new construction.

c) To submit accounts and request them, approve them, adjust or challenge them, to provide and receive the amounts of the resulting balances and sign and receive final settlements.

d) To use, with full powers, the signature of the principal bank in all banking transactions, acts and agreements to which the principal bank is party, subject to the limits indicated for the transactions referred to in sections e) and j), and to sign all manner of correspondence.

e) To acquire and dispose of, at the price and under the terms that they may freely stipulate, including resale and repurchase agreements and by any other means permitted by law, all manner of movable and immovable property, not excluding rights in personam and rights in rem, the only limit being that when the transaction arranged in exercise of this power exceeds EUR 300,507 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

   Notwithstanding the provisions of the preceding paragraph, the limitation will not exist when the acquisition relates to loans that other financial institutions (banks, savings banks, credit cooperatives and similar entities registered with the Bank of Spain) have granted to their customers, i.e. the loans included in the loan portfolio of the entity in question, even if the latter, in turn, had acquired the loans from another financial institution and they were not originally granted by said entity; or when the disposal relates to loans in the Bank's portfolio, whether these be loans granted to its customers or loans that the Bank had acquired previously from another financial institution; all the foregoing irrespective of whether these acquisitions or disposals relating to the loan or loans in question are full or partial, and irrespective of the type of the loans themselves, in terms of either the form of instrumentation (agreement, deed, bills, promissory notes or by another other means) or of the additional guarantees they might have (all manner of security interest, mortgages, etc.).

f) To arrange in favour of the Bank mortgages and other encumbrances on immovable property to secure the loan transactions to which it is party or to underwrite guarantees and other obligations which, with respect to these transactions, are outstanding, and they will stipulate the periods, interest and distribution of charges and any other terms inherent to the agreements in question at their own discretion.

g) To modify, transfer or subrogate and terminate mortgages and other in rem rights, including entries in the Land Registry, held by the Bank, and to grant and release, in the Bank's name, tax payment documents and final account settlements, or declare that the obligations related to the encumbrances have been extinguished.

h) To reach a settlement on properties and rights and submit any questions and discrepancies affecting the Bank to the decision of arbitrators or honest brokers.

i) To appear in the hereditary successions of debtors, at administration and insolvency proceedings and in bankruptcies, to approve inventories and arrangements and contest them; to take part in and vote at the meetings held for such purposes, whether they be in or out of court; to accept or reject such agreements as are adopted for the purpose; to sign arrangements in or out of court, to provide the guarantees that may be required, and to accept attached assets.

j) As security for the obligations of third parties and on their behalf, whether said parties be individuals or legal entities, and under the terms and clauses deemed appropriate, they may arrange, modify and withdraw or terminate guarantees and all other types of collateral before all manner of departments, bodies and agencies at central, provincial or municipal government level, autonomous community governments and their dependent agencies, autonomous community or semi-public agencies, ordinary and special tribunals and courts, including the economic-administrative and judicial review jurisdictions, employment courts, official banks and savings banks and, in general, before any public body, and before any type of company or individual, placing, as the case may be, the required deposits in cash or securities, with or without transfer of possession, and they may bind the Bank, even jointly and severally with the principal debtor, therefore waiving the benefits of order, discussion and division, the only limit being that, if the obligation undertaken by way of guarantee exceeds EUR 3,005,060, the transaction must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

k) Without any limitations, to perform all manner of actions and to file claims and appeals at the courts and tribunals of any jurisdiction, including the Constitutional Court, and most particularly the judicial review jurisdiction; to answer interrogatories; to give court depositions; to file complaints and criminal complaints and to ratify them.

   To request from the ministries, directorates general, units and offices of central government, from autonomous community governments, provincial, municipal and any other level of public corporations, and from authorities and civil servants, such action as is deemed appropriate in the interests of the principal, by filing economic-administrative claims, appeals to superior administrative bodies and claims of any other nature and class, which they will conduct through all stages and levels; to request payment orders/releases, and to present affidavits and supporting evidence.

   To confer legal and court-case powers on court procedural representatives ("procuradores") if the principal requires such legal representation, and to perform in the Bank's name all manner of actions and exceptions which might be available to the former, conducting the proceedings through all stages and appeals, including appeals to the Constitutional Court and extraordinary cassation and judicial review appeals, and to withdraw, settle and stay such proceedings.

l) To pledge securities belonging to the Bank's portfolio in sufficient quantity so as to arrange credit account facilities, pledging the amount deemed appropriate in each case, and to sign the documents required for this purpose, and for the arrangement, drawdown and cancellation of the aforementioned accounts and of their related guarantees and the renewal thereof upon expiry of each facility.

m) To present, at any central government offices, banks (including the Bank of Spain), companies, establishments and private individuals, shares or securities for conversion or exchange purposes, withdrawing or collecting the new certificates, receipts, securities or bills resulting from the exchange or conversion, with current or in-arrears coupons, and in general carrying out any transactions required to this end.

n) To arrange policies with insurance companies that cover all manner of movable or immovable property owned by the Bank or pledged or mortgaged in its favour against the risks of fire, catastrophic damage or third-party liability, being able to establish such terms and conditions of the policies as they see fit.

o) To authorise certifications of the company's accounting ledgers and documents.

p) To grant and sign the public deeds and private documents required to execute the aforementioned acts and agreements.

q) To take part in Annual General Meetings and meetings of the Board of Directors in the name and on behalf of the Bank at companies in which the Bank holds an ownership interest.

The Bank does not grant the power to issue or buy back treasury shares, which corresponds to the Annual General Meeting or the Board of Directors, as appropriate.

Significant agreements which will be modified or terminated in the event of a change in control of the Company

Not applicable.

Agreements between the Company and the directors, executives or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid

Not applicable.