Santander

CONSUMER BANK

Financial statements at 31December 2015

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

This is an English translation of the Italian original "Bilancio al 31 dicembre 2015" and has been prepared solely for the convenience of the international readers.
The Italian version takes precedence.

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General information

General information

Head Office	Via Nizza 262, 10126 TURIN - Italy Tel: 011/63.19.111 – Fax 011/63.19.119
Shareholder structure	Santander Consumer Finance S.A. (Santander Group) 100%

Directors and officers

Board of Directors

Chairman	Ettore Gotti Tedeschi
Deputy Chairman	Vito Volpe (from 1/11/2015) Ines Serrano Gonzalez (until 23/10/2015)
Chief Executive Officer	Alberto Merchiori (from 1/11/2015) Vito Volpe (until 31/10/2015)
Directors	Francisco Javier Anton San Pablo David Turiel Lopez Adelheid Maria Sailer-Schuster

Board of Statutory Auditors

Chairman	Walter Bruno
Acting Auditors	Maurizio Giorgi Stefano Caselli
Substitute Auditors	Luisa Girotto Marta Montalbano

General Manager	Alberto Merchiori (from 1/11/2015) Vito Volpe (until 31/10/2015)
Independent Auditors	Deloitte & Touche S.p.A.

History and Ownership

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

Some key moments in the Company's history:

- 1993, Istituto Bancario San Paolo di Torino (now Banca Intesa Sanpaolo S.p.A.) acquired 15.8% of the Bank;
- 1998, Istituto Bancario San Paolo di Torino and CC-Holding GmbH, the holding company of CC-Bank AG Group, a German bank specialised in consumer credit and a wholly-owned subsidiary of the Spanish group Banco Santander Central Hispano (now Banco Santander S.A.) acquired 50% of the company;
- 1999, the company set up Fc Factor S.r.l., specialised in the purchase and management of doubtful loans;
- 2001 Finconsumo S.p.A. became Finconsumo Banca S.p.A.;
- 2003 Santander Consumer Finance S.A., parent company of Santander Group's consumer credit business in Europe, acquired 20% of Banca Sanpaolo IMI S.p.A. (now Banca Intesa Sanpaolo S.p.A.) and 50% of CC-Holding GmbH;
- 2004, Santander Consumer Finance S.A. became 100% shareholder;
- 2006, Finconsumo Banca S.p.A. became Santander Consumer Bank S.p.A.;
- 2006, Santander Consumer Finance Media S.r.l. was set up (with a 65% holding) as a joint venture with the De Agostini publishing group;
- 2011, Santander Consumer Finanzia S.r.l. (formerly FCFactor S.r.l.) was merged with the parent company Santander Consumer Bank S.p.A.;
- 2013, Santander Consumer Unifin S.p.A. (formerly Unifin S.p.A.) joined the Santander Consumer Bank Banking Group after the sole shareholder Santander Consumer Finance S.A. subscribed the increase in capital decided by Santander Consumer Bank S.p.A. by contributing its investment in Santander Consumer Unifin S.p.A.;
- 2015, Santander Consumer Unifin S.p.A. was merged with the parent company Santander Consumer Bank S.p.A.

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Corporate Governance

Corporate Governance

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

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

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

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

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

The functions and powers of the corporate bodies are governed by law, the articles of association and the resolutions passed by the competent bodies.
The articles of association are available at the Company's head office and on its website (www.santanderconsumer.it).

The Board of Directors

The Board of Directors is appointed by the Shareholders' Meeting for a maximum of three years.
It elects a Chairman, and possibly a Deputy Chairman, from among its members. It can also appoint a Chief Executive Officer, establishing his powers; if appointed, the Chief Executive Officer also holds the position of General Manager.

The Board can also appoint a General Manager and one or more Deputy General Managers.
The current Board of Directors, which was appointed for the period 2015-2017, is made up as follows:

- Ettore Gotti Tedeschi (Chairman)
- Vito Volpe (Deputy Chairman)
- Alberto Merchiori[1] (Chief Executive Officer)
- Francisco Javier Anton San Pablo (Director)
- Adelheid Maria Sailer-Schuster (Independent Director)
- David Turiel Lopez (Director)

Alberto Merchiori also holds the position of General Manager.

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

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

The Board of Directors is responsible for determining the criteria for the coordination and direction of the Santander Consumer Bank Group, consisting of Santander Consumer Bank S.p.A., Santander Consumer Finance Media S.r.l. in

[1] co-opted by the Board of directors' meeting of 23.10.2015, pursuant to art. 2386 of the Italian Civil Code.

liquidation and Banca PSA Italia S.p.A. It exercises all of the functions pertaining to overall governance of the Group, dealing effectively with the various different issues that form part of its mandate.

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

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

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

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

The Board of Directors is also responsible for:

- the setting up of Board committees;
- establishing and defining the operating rules of internal standing committees;
- examining and approving territorial development plans.

During 2015, the Board met eleven times with a participation rate of 96%.

Board Committees

Nominations Committee

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

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

The Nominations Committee is composed as follows:

1. Ettore Gotti Tedeschi (Chairman)
2. Vito Volpe
3. Adelheid Maria Sailer-Schuster

Remuneration Committee

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

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

The Remuneration Committee is composed as follows:
- Adelheid Maria Sailer-Schuster (Chairman)
- Vito Volpe
- David Turiel Lopez

Risk Committee

As required by the Rules, the Bank has set up a Risk Committee, the composition of which, its mandate, its powers (consultative, enquiry, propositive) and the resources made available thereto are governed by the Regulations for the functioning of the Risk Committee.
The Risk Committee provides support to the Board of directors concerning risks and the internal control system, with a particular focus on activities that are instrumental and necessary for a correct and effective determination of the RAF (risk appetite framework) and of risk management policies; without prejudice to the sphere of competence of the Remuneration Committee, the Risk Committee also ascertains whether the incentives under the remuneration and incentive scheme of the Bank are consistent with the RAF.

The Risk Committee is composed as follows:
- Adelheid Maria Sailer-Schuster (Chairman)
- Francisco Javier Anton San Pablo
- David Turiel Lopez

The Chairman of the Board of Directors

The Chairman promotes the effective functioning of the system of corporate governance, ensuring a balance of power with respect to the Chief Executive Officer, if appointed, and to the executive directors and acts as the interlocutor for the internal control bodies.
The Chairman also ensures the effectiveness of Board discussions and makes sure that the decisions reached by the Board are the result of adequate debate and contribution by its members.

The Chief Executive Officer

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

General Management

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

At 31 December 2015, the following were members of General Management: the Chief Executive Officer and General Manager Alberto Merchiori, Andrea Prioreschi (Head of Information Processes and Technology), Pier Marco Alciati (Head of Sales and Marketing), Antonella Tornavacca (Head of Collection), Emanuela De Marchi (Head of Risk), Pedro Miguel Aguero Cagigas (Head of Administration and Control), Savino Casamassima (Head of Institutional Relations, Legal and Compliance) and Adolfo Ravasio (Head of Finance).

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

General Management has the following functions, among other things:

- it interacts with the structures of the Santander Group in the preparation of the strategic plan for approval by the Board of Directors, as well as for important business matters or for studies and projects of considerable strategic value;
- it interacts with the structures of the Parent Company Santander Consumer Finance S.A. for the development of operational plans subsequently submitted for approval by the competent bodies, as well as to discuss the results and problems concerning the various executive activities;
- it oversees implementation of the global strategies approved by the Board of Directors, ensuring the company's consistency in terms of investment policies, use of organisational resources and enhancement of personnel;

- it identifies and defines, within the strategic guidelines set by the Board of Directors, the actions for repositioning the organisational and governance model, as well as important project initiatives, to be approved by the administrative bodies, supervising their implementation;
- it formulates preliminary analyses to define the objectives of risk management and the expected returns from the various business activities;
- it oversees all contacts with the markets and with institutional investors;
- it promotes all initiatives likely to enhance corporate ethics as a fundamental value of the internal and external conduct of the Group.

The Shareholders' Meeting

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

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

I. the remuneration of corporate bodies appointed thereby, inclusive of any proposal to award compensation to the Chairman of the Board of Directors exceeding that envisaged by current regulations;
II. the remuneration and incentive policies for members of the Board of Directors, employees or external collaborators (who are not linked to the Company via an employment contract), inclusive of any proposal to set a limit to the ratio of variable to fixed components of remuneration for any individual that exceeds a ratio of 1:1, but, in any case, not higher than 2:1;
III. share-based compensation plans (such as stock options) in favour of members of the Board of Directors, employees or external collaborators who are not linked to the Company with a contract of employment, and members of the Board of Directors, employees or external collaborators of companies forming part of the Santander Consumer Bank Banking Group;
IV. the criteria for ex ante agreement on the compensation payable in the event of early termination of the employment relationship or early termination of office (golden parachute) of Company employees or Board members.

The Board of Statutory Auditors

The current Board of Statutory Auditors, which was appointed for the period 2015-2017, is made up as follows:

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

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

In particular, their main activities include:

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

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

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

The Internal Standing Committees

As part of an adequate system of corporate governance aimed at ensuring (i) timely analysis of issues and opportunities related to the evolution of the business and (ii) the protection of all stakeholders' interests, the Board of Directors has set up the internal committees listed below which have been delegated an advisory and consulting role in specific areas of competence.

As part of the system of delegated powers adopted by the Bank, certain committees have also been given decision-making powers on specific subjects, establishing an adequate system of reporting to the Bank's management and strategic oversight bodies.

The Management Committee

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

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

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

The Committee meets regularly, on a weekly basis.

The Money Laundering Analysis Committee

The Money Laundering Analysis Committee represents within the Santander Consumer Bank Group, the main point of reference in the prevention of money laundering and financing of terrorism.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Processes and Technology, the Head of Sales and Marketing, the Head of Administration and Control, the Head of Institutional Relations, Legal and Compliance, the Head of Finance, the Head of Internal Audit, the Head of Compliance and AML, the Head of Corporate and Regulatory Affairs, the Head of the Risk Control Unit and the Head of Money Laundering Prevention.

The Committee's main functions are as follows:

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

The Committee meets on a quarterly basis.

The Senior Risk Committee

The activities of the Senior Risk Committee are mainly geared to risk monitoring so as to have a complete overview of business risks (credit, structural and operational).It is made up of the Chief Executive Officer and General Manager, the Head of Risk, the Head of Sales and Marketing, the Head of Information Technology and Processes, the Head of Institutional Relations, Legal and Compliance, the Head of Collection, the Head of Administration and Control, the Head of Finance, the Head of the Risk Control Unit, the Head of Credit Policies and Credit Decision System, the Head of Wholesale Analysis, the Head of Retail Analysis, the Head of Planning and Control and the local Head of internal controls over financial reporting systems (Sarbanes-Oxley Act).

It meets every two months.

The Risk Management Committee

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

It is made up of the Chief Executive Officer and General Manager, the Head of Risk, the Head of Sales and Marketing, the Head of Credit Policies and Credit Decision System, the Head of Wholesale Analysis and the Head of Retail Analysis.

Meetings are also attended by a representative of the Risk Control Unit as a permanent invitee, but without the right to approve transactions and risk limits.

If transactions are to be approved, meetings are also attended by a representative of the Information Technology and Processes Department, a representative of the Sales and Marketing Department and a representative of the Collection Unit.

The Committee meets twice a month.

The Financial Risk Management Committee (ALCO)

This is an advisory body the objective of which is to support management bodies in monitoring financial assets In particular, it supports management in deciding which measures are necessary to ensure the correct balance between profitability and risk and analyses the evolution and macro-economic trend of the target market with a particular focus on interest rates; it also plans and monitors the steps needed to maintain the capital adequacy of Group companies.

It is made up of the Chief Executive Officer and General Manager, the Head of Finance, the Head of Administration and Control, the Head of Risk, the Head of Planning and Control, the Head of Treasury, the Head of Financial Management and of persons designated by the Head of Finance of Santander Consumer S.A.

Meetings are also attended, if invited to do so, by the Head of the Risk Control Unit and the Head of the Parent Company's Structural Risks Department.

It normally meets on a monthly basis.

The Internal Audit Committee

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

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

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

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

The Committee meets on a quarterly basis.

The Legal and Compliance Committee

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

The Committee is also assigned the task of ensuring that the Group activities are compliant with current regulations, evaluating the adequacy of internal policies as well as the existence of potential legal/reputational risk.

The results of its activity are summarised in a report that is submitted quarterly to the Board of Directors; it is also sent to the pertinent structures of the parent company Santander Consumer Finance S.A.

The Committee is composed of the Chief Executive Officer/General Manager, the Head of Sales and Marketing, the Head of Legal and Institutional Relations, the Head of Collection, the Head of Administration and Control, the Head of Car and Special-Purpose Loans, the Head of Insurance, the Head of Legal and Corporate Affairs, the Head of Compliance and AML, the Head of Risk Control and the Head of After-Sales Service.

The Committee meets on a quarterly basis.

Internal Control Coordination Committee (formerly Internal Control Committee)

This body was set up to monitor and control the effectiveness of second-level operating and accounting controls and the correct application of internal controls over financial reporting systems required by the Sarbanes-Oxley Act (SOX).
As part of the process of ensuring compliance with Bank of Italy Circular 263/2006, the composition and objectives of the Committee were revised with the aim of ensuring the coordination of internal control system project initiatives and to align, from an operational and methodological point of view, the approaches used in the execution of second/third-level controls, avoiding overlaps, gaps or duplications of activities.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Internal Audit, the Head of the Risk Control Unit, the Head of Risk, the Head of Administration and Control, the Head of Planning and Control, the Head of Institutional Relations, Legal and Compliance, the Head of Compliance and AML.

The Committee meets on a quarterly basis.

The PIF and Cost Monitoring Committee

The Committee has the task of monitoring overheads to keep them in line with the pro tempore approved budget, as well as reviewing and approving the criteria regarding the supplier management process.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Processes and Technology, the Head of Risk, the Head of Institutional Relations, Legal and Compliance, the Head of Administration and Control and the Head of Planning and Control. The specific account managers and/or heads of the other departments can be invited to attend, depending on the need.

It normally meets on a monthly basis.

Collection Committee

The Committee's role is to monitor the Bank's debt collection activities. It analyses the evolution of collection measures at the various stages, coordinates the action taken by the Collection Business Unit (CBU) with other areas dedicated to loan recovery, defines improvement strategies.

The Committee consists of the Chief Executive Officer and General Manager, the Head of Collection, the Head of Risk and the Head of Information Processes and Technology.

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

It normally meets on a monthly basis.

Operational and Technological Risk Committee

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

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

The Committee consists of the Chief Executive Officer and General Manager, the Head of Information Processes and Technology, the Head of Risk, the Head of Collection, the Head of Administration and Control, the Head of Sales and Marketing, the Head of Institutional Relations, Legal and Compliance, the Head of the Risk Control Unit and a person designated by Operational and Technological Risk.

It normally meets on a monthly basis.

The Supervisory Board (set up in accordance with Legislative Decree 231/2001)

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

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

The Board currently in office - up to the Shareholders' Meeting that will be convened to approve the financial statements at 31 December 2017 - is composed of the Chairman of the Board of Statutory Auditors of Santander Consumer Bank S.p.A., an external member and the Head of Compliance and AML.
The Chairman of the Board of Statutory Auditors also acts as the Chairman of the Supervisory Board.

The Supervisory Board meets on a quarterly basis.

Report on corporate governance and the ownership structure

The foregoing is deemed appropriate for the purpose of compliance with art. 123-bis of Legislative Decree 58 of 24 February 1998, which requires the disclosure of information, as detailed by paragraph 2 b) of the aforementioned article, regarding "the main features of risk management and internal control systems in place for the financial reporting process, inclusive of at consolidation level, where applicable", that issuers of securities admitted to trading on regulated markets must provide the market.

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Consolidated financial statements of the Santander Consumer Bank Group

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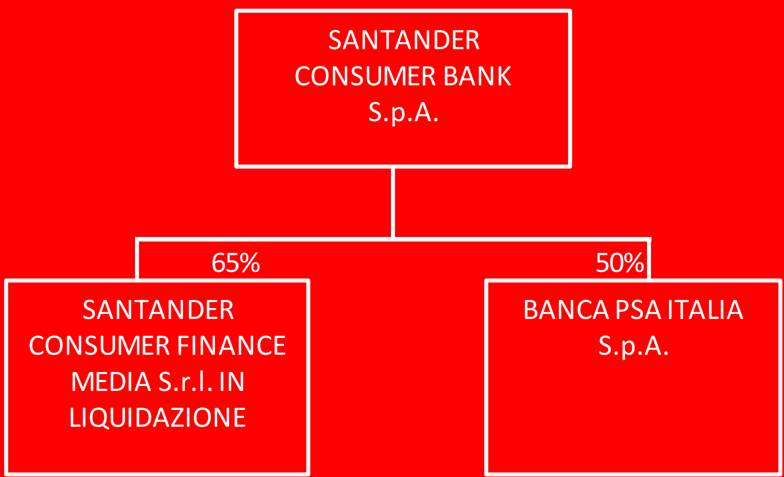

Santander
CONSUMER BANK

Report on operations

Report on operations

The macro-economic scenario

In 2015, international economic activity[2], after a weakening thereof in the first half of the year, showed signs of recovery as from the third quarter, having recorded net growth in the first nine months of 1.2% compared to the same period in 2014. According to OECD estimates for 2015, revised in November, global growth is expected to be 2% (having fallen from the previous estimate of approximately 4%) and 3.6% for 2016. This outlook is mainly influenced by the weak economies of the emerging nations, by intensification of the recession in Brazil and by a slowdown of the Chinese economy, partially mitigated by an easing of the decline in GDP in Russia and by a positive trend in the Indian economy. There have been moderately positive signs that growth in economic activity in the United States and in Japan in the first nine months of 2015 has been slightly higher than expected.

In the Eurozone[3], growth continues, driven mainly by domestic demand, compensating for the rapid decline in exports. GDP grew in the third quarter of 2015 by 0.3% compared to the previous period, confirming the ongoing positive trend: the principal driver of growth has been a rise in private and public consumption, partially offset by a reduction in capital investment and a slowdown in exports. Preliminary figures for the fourth quarter show growth in line with prior months: the €-coin indicator released by the Bank of Italy, which is a real time indicator of the Eurozone's GDP, rose in December, reaching its highest level since July 2011. Growth prospects could be affected by risks associated with uncertainty surrounding demand conditions in emerging nations and tensions in the Middle East that could negatively influence consumer confidence and dampen consumer spending. The inflation rate remained close to zero throughout 2015; this weakness is mainly attributable to the negative trend in energy prices (-5.9% as of December). The ECB's inflation forecast for 2016 is for a positive inflation rate close to 1% and it will thus remain low.

In order to support the Eurozone's economy, the BCE has strengthened the monetary stimulus that was already in place last year. In particular, the principal measures adopted were a reduction in interest rates on deposits held with the Eurosystem (currently -0.3%) and an expansion of quantitative easing in combination with a broadening of the range of eligible securities.

In Italy,[4] slow economic recovery continues. GDP grew in the first quarter of 2015 by 0.4% compared to the previous period; growth continued, albeit at a lower rate, in the second (+0.3%) and third (+0.2%) quarters, driven mainly by domestic consumption. Preliminary figures for the last quarter of 2015 confirmed the trend, with estimated growth of approximately 0.2%.

There were positive signs from the job market in the third quarter of 2015: the unemployment rate of approximately 11.7% reached its lowest level since the end of 2012 and fell further in the final months of the year to 11.4% in November.

Annual inflation in 2015 was close to zero: in December, the annual change in the harmonised consumer price index was +0.1%, with this trend having been strongly influenced by a fall in energy prices.

Forecasts for 2016 and 2017 are for consolidation of economic recovery in Italy, with a greater contribution from domestic demand against a fall in foreign trade driven by a slowdown in the global economy. In a nutshell, the scenario outlined by the latest projections is the following:

- **Monetary policy.** Adoption of expansionary monetary and fiscal policies induced by the measures outlined by the ECB's Governing Council;
- **GDP.** Following modest growth in 2015 (+0.8%), estimates are for a sharper rise in 2016 and 2017; overall, GDP is expected to rise by 1.5% in 2016 and to continue at the same rate in 2017, driven mainly by domestic consumption.
- **Labour market.** Estimates for the next two years are positive as far as employment is concerned, with expected growth of 0.9% per year thanks to a reduction in labour costs (due particularly to relief on contributions for staff recruited on permanent contracts). The unemployment rate is expected to continue its downward trend and should fall to less than 11% in 2017.
- **Inflation.** Price rises are expected to be gradual over the next two years, from 0.1% in 2015 to 0.3% in 2016 and to 1.2% in 2017. A contributory factor to the modest increase in inflation is low wage growth and the trend in energy prices.

Industry trends

December 2015 figures show growth in the consumer credit market (+13.9%) compared to the same period of the previous year, with new loans of[5] approximately Euro 52.3 billion. The negative trend that began in 2009 and got stronger in 2013 appears to have finally come to an end.

Car loans have increased (+17.6%)[6] thanks mainly to the trend in new car registrations, which rose in 2015 by 15.7%, representing 1,583,618 cars, driven, above all, by private individuals and car rentals[7] (both +18%). There has also been

[2] Bank of Italy, Economic Bulletin, Issue 1/2016 January 2016
[3] ibidem
[4] ibidem
[5] Assofin data at 31/12/2015
[6] Ibidem.
[7] UNRAE data at 31/12/2015

a positive trend in new vehicle registrations that reached 171,043 units (+9.54%)[8] and in changes of ownership of vehicles excluding transfers to dealers (+6.0%)[9].
As far as car loans are concerned, note that, as seen in prior years, a significant proportion relates to captive companies, which in 2015 reached a weighting of 54% of new vehicle production.
As regards the car leasing market, as of December 2015, there had been a significant increase with respect to prior year (+14.76%), with Euro 6.3 billion of new loans[10]. The increase was mainly driven by segments in which the Group operates, namely, cars (+14.23%) and commercial vehicles (+5.28%)[11].

There has also been a positive trend in products aimed at purchases of household appliances and furniture (+10.2%), salary assignment (+6.1%), direct loans (+15.1%) and credit cards (+13.2%)[12].
During 2015, credit risk[13] dropped slightly thanks to selectivity in granting credit and prudence shown by households in purchase/investment decisions: as regards the consumer credit market, in September 2015, the default rate (i.e. an indicator of credit risk that measures new non-performing loans and delays of six or more instalments in the last year of data collection) indicated a level of risk that was down from the beginning of the year.
The outlook for the two year period 2016-2017 is a scenario characterised by:
slow recovery in lending, as a consequence of the feeble macroeconomic scenario and a still cautious approach to credit by households;
a slow reduction in default rates thanks to an improvement in family budgets and to the beneficial impact on loan portfolios triggered in recent years by more cautious lending practices.
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Strategic guidelines

Against the background of the macroeconomic trends outlined above, operations of Santander Consumer Bank Group are geared to the maximisation of financial results, by pursuing revenue generation without affecting the achievement of adequate levels of capitalisation and a conscious assumption of risks and measurement thereof. As part of this mission and strategic direction, the expectations are:

- **Loans granted.** Consolidation of car loans, increasing customer loyalty by means of CRM (Customer Relationship Management) and TCM (Trade Cycle Management) programmes, especially in relationships with captive customers/dealers, growth in salary assignment loans, through expansion and strengthening of the distribution network and growth in personal loans.

- **Earnings from new business.** With a view to increasing earnings and to complying with the principle of financial sustainability, particular attention has been given to the expected return on new loans; this objective is to be pursued via careful lending practices and a combination of competitive pricing, an adequate insurance market share and effective product management.

- **Funding management.** Aimed at increasing the diversification of funding sources via, besides the usual securitisation instruments, an increase in funding from retail customer deposits and issues of European Medium Term Notes (EMTNs), funding management will continue to pursue a strategy of lengthening and optimisation of maturity distribution, as well as the optimisation in economic terms of funding transactions.

- **Control/optimisation of operating costs**, to be implemented by means of more stringent monitoring of the planning/assessment/authorisation process and by streamlining business processes.

- **Prudent risk management.** Constant monitoring of the quality of the managed portfolio in order to consolidate capital solidity and to ensure prospects of higher earnings.

- Achievement of levels of **capitalisation** in line with current regulations and with constraints imposed by the Supervisory Authority, as well as with the objectives agreed with the Parent Company.

- Development and updating of professional skills in the light of continuous changes in regulations, in the increasingly competitive market context and in the strategies of the Santander Group.

Strategic policy is constantly updated and agreed with Santander Group, with the aim of integrating and implementing best corporate practice.

[8] ANCMA data at 31/12/2015 for vehicles over 50 cc.

[9] ACI data at 31/12/2015

[10] ASSILEA data at 31/12/2015

[11] Ibidem.

[12] Assofin data at 31/12/2015

[13] Observatory on retail credit – Prometeia (http://www.prometeia.it/media/comunicati-stampa/ocd1510)

The Commercial Network

2015 marked high growth in the business of consumer credit, with volume growth compared with the previous year. 2015 closed with positive volumes of 13.9% compared with 2014, and the number of transactions managed a positive result (+15.2%).
The Parent Company posted an increase in volume (+14.96%) thanks mainly to the contribution made by the car and salary assignment business lines.
In the Automotive segment, the Parent Company reported a more positive trend than that of the market with an increase of 21.2%, compared with 17.6% by the market, and increased its market share from 7.42% to 7.65%, thus becoming the leading independent company in the market. In this context, excellent performances have been achieved by the brands involved in captive agreements, which reflect the efforts made by the Group to strengthen such partnerships. In 2015, the Parent Company was particularly focused on the development of the car loan business, which grew significantly compared with the prior year (+17.37%).
In 2015, sales of the salary assignment product recorded strong growth compared with the previous year (+14.25%), compared with market growth of 6.1%, thus increasing, as a consequence, its market share from 10.05% to 10.82% and achieving fourth place on the market.
Direct products ended the year with a reduction on the performances achieved the previous year (-6.3%): this reduction is largely due to less recourse to direct products to refinance existing loans to customers in difficulty; net of refinancing, the Parent Company recorded growth of 12.69%.
In the area of special-purpose loans (other than car loans), the Parent Company closed 2015 with a 85.3% shortfall on 2014, in a market that, according to Assofin, closed with a 10.2% growth in disbursements compared with 2014, stemming from the decision to limit the marketing of this product to just a few distribution channels.
As regards credit card products, in a market that has expanded in the year, having recorded volume growth of 13.2%, the Parent Company is maintaining its attention on managing the portfolio, focusing on profitability rather than on volumes. This strategy has led to a decrease on 2014 in terms of volumes financed (-49.8%).

Marketing

In 2015, particular attention was given to customers through the development of new, personalised customer relationship management (CRM) processes for all of the Group's products, while maintaining the activities that were already ongoing.
In the car loans business, we continued with standard customer contact processes with Trade Cycle Management (TCM) products and new CRM activities were developed in agreement with key partners to support new model launches and campaign events aimed at strengthening customer loyalty. In the motorcycle loans business, we continued with trade up and TCM processes and new test campaigns were developed to support sales of specific models.
As regards personal loans, we have continued with a two month contact cycle for direct marketing activities, with the use of targeted testing by cluster with specific offers.
In the insurance business, contact activities have been consolidated by proposing stand-alone products and by giving specific attention to the analysis of the predictive propensity model currently in use.
Lastly, as regards deposit accounts, we have continued with retention contact campaigns and testing has been conducted to expand the customer base by means of cross selling activities.
This year saw a stable trend in the placement of insurance services combined with loans being granted, whereas there was a slight increase in their placement through remote channels. In 2015, insurance commission came to Euro 17.7 million, which was down slightly on the 2014 figure (Euro 19.9 million), attributable to early repayments.
Generally speaking, the traditional "Point of Sale" channel saw a stabilisation in performance by Creditor Protection Insurance (CPI) products, whereas there was an increase (in terms of market share) in the distribution of property insurance policies, such as Fire and Theft, which was completely renewed during 2015 with the introduction of Zurich as an insurance partner.
The trend in "alternative" channels has been very positive, rising as a proportion of overall insurance sales from 25.5% in 2014 to 30.9% in 2015: the campaign for "stand alone" products (i.e. not linked to loans) through the telemarketing channel closed with excellent results, as did the "recall" channel (with the CPI, GAP and Billing Protection product range).
Profits in absolute terms are 11.9% short of budget, mainly due to an increase in commissions being refunded, attributable to a phenomenon of early repayments and a worsening of results produced by portfolios generated in prior years that generate a negative impact in terms of profit share.

Nationwide Agreements

Captive agreements were handled in coordination with the Parent Company, Santander Consumer Finance, as part of agreements at European level, in terms of guidelines and strategic approach.
Captive agreements pertaining to the automotive sector, together with specialisation by the dedicated sales structure (Captive Network) and loyalty programmes (TCM and lease products, CRM activities) make it possible, on one hand, to improve performance in terms of market share and volumes and, on the other hand, to strengthen the loyalty of dealers and customers.
The generally good performance by the sector and, in particular, growth in terms of sales of brands handled, made it possible to achieve higher volumes than those of the market.
More specifically, the volumes financed for Hyundai increased significantly in the year (+34.4% compared to 2014), as was the case for KIA (+31.4%), Mazda (+45.7%) and Mitsubishi/SSangYong (+70%).

The market share based on sales has increased with all the partnerships and, in certain months, it exceeded the target of 40%.
As for the motorcycle industry, 2015 saw a general improvement in volumes being financed (+15%) partially due to growth of the target market (+9.5%).
Worth noting is the retail sales penetration for Yamaha (22%), Harley-Davidson (29%) and KTM (23.5%).

Salary assignment

After years of stagnation, in 2015, the salary and pension assignment market increased in volume terms by 6.1% compared with the previous year, reaching an amount of capital finance of more than Euro 4,400 million. The Group successfully continued the sales and marketing strategy that was introduced in the prior year and which focused on the execution of mandates with new financial agents and the launch of periodic promotional initiatives in certain more strategic business segments. At the year end, 67 agency mandates were in place for the promotion and placement of salary assignment loans, representing a significant increase compared with the previous year, improving in this manner the already positive, widespread local market presence of its mono-mandatory agents; at the same time, we further strengthened our principal business partnerships with some of the most important specialised intermediaries (authorised under art. 106 of the Consolidated Banking Act) operating in the sector.
In view of the volume growth achieved in its target market, as previously stated, Santander Consumer Bank has also been able to improve its market share from 10.05% in 2014 to 10.82% in 2015, due to growth in new capital finance granted in the year just ended of 14.2%, with the amount financed in 2015 coming to a total of approximately Euro 484.9 million. Moreover, the ratio of new business channelled through mono-mandatory agents to total volumes being intermediated rose to 46.30%, reflecting increasing loyalty of the distribution channel as well. Again, as regards new business volume, the mix achieved by the various sectors was the following: state and public, 52.73%; parapublic, 4.44%; pensioners, 25.91%; private individuals, 16.92%.

Personal Loans

The market in question has shown real signs of recovery in personal loans in 2015, driven, in part, by rising consumer confidence; in fact, Assofin has recorded growth in loan volumes in 2014 in the region of 15%.
At constant scope of consolidation, Santander Consumer Bank, by means of its commercial and risk strategies and process that have been consolidated during the year, has achieved satisfactory results in terms of loans granted and the profitability thereof. The processes have also benefited from a positive impact arising from the optimisation thereof, such as the introduction of digital signatures using an OTP for all remote channel customers.
Particular attention has also been given to direct marketing of products to improve customer relationships and to propose more personalised products.
The distribution model adopted by Santander Consumer Bank is one of the most complete in the market and is adequate to meet the current needs of customers, who may request a personal loan through various channels, ranging from classic direct and indirect channels to remote and digital channels.

Deposit accounts

Deposit accounts are still one of the most successful sources of funding in Italy, with a wide variety available on the market offered by various banking institutions.
What the market offers essentially comes down to deposit accounts with or without a time constraint and an interest rate linked to this constraint.
The Parent Company offers its customers a deposit account without time constraints, a time deposit and a 36 month time deposit offering a yield in line with the middle range of the market.
The product range also includes a D+ Account, a deposit account without time constraints reserved for employees of the Bank.
A dynamic approach aimed at customer satisfaction through a significant improvement in home banking services characterized our commitment during the year.
From a commercial standpoint, there has been a decline in the customer time deposits portfolio to the benefit of deposit accounts without time constraints that has significantly increased the Bank's funding in line with the Group's funding policy.
Set out below is a summary of the more quantitative aspects pertaining to 2015 compared to prior year:
"Time Deposit" funding amounted to Euro 52 million (-40%);
"Deposit Account" funding amounted to Euro 296 million (+195%);
"D+ Account" funding amounted to Euro 21 million (+15%).

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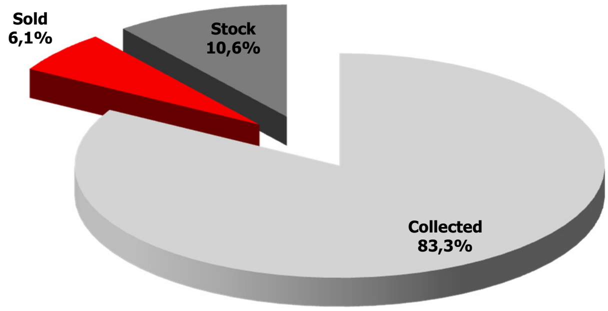
Debt Collection

Our debt collection activities have tended to clash with the difficulty that households are having to clash with the difficulty that households are having to clash with the difficulty that households are having in keeping up with their payment obligations in an economic environment characterised by an ongoing crisis that has been a feature of recent years.
From the point of view of the debt collection process, all activities, both judicial and non-judicial, are headed up by the Collection Business Unit (CBU), in line with the model foreseen by the Santander Group. The unit aims for maximum

efficiency in the management of the portfolio to be recovered through the application of strategies that make it possible to prioritise the collection depending on the customer's risk profile and the ageing of their balances; this efficiency is also achieved by launching specific campaigns and using appropriate tools.
In 2015, the sum of flows handled monthly consisted of 428,318 contracts, for a total of Euro 3.2 billion, -15.9% than the previous year in terms of the number of contracts and -17.1% in terms of amount.
To ensure the effectiveness of debt collection activities, we distinguish between the various types based on the age of the defaults, the type of product, the payment method and the dossier risk, deciding on collective action or personalised management addressed to the individual customer; depending on the stage the dossier has reached, this may be outsourced to specialist debt collection agencies, or handled internally at a local level. Every month we study specific campaigns for targeted groups of contracts selected on the basis of detailed analysis of the collection portfolio, aimed at defining more appropriate solutions to offer to customers, based on the household's financial resources, in order to meet the customers' needs and help lower the percentage of the Group's receivables that are in dispute. Control activities and daily reports are used to promptly monitor the progress and effectiveness of the collection process.
As can be seen in the chart below, the result of the collection activity in terms of value was positive for 83.3% of the volumes handled in 2015, with a residual stock still being handled at 31 December 2015 of 10.6%.
In 2015, non-performing loans were sold, with the transactions in question having taken place in July and August: the amount of receivables sold to third parties during the year corresponds to 6.1% of risk assets under management.



As for salary assignment as a product, recovery activities - again following the Group model - are headed up by the Collection Business Unit which focuses on recovering any amounts not paid by the third-party administrations involved in the assignment, applying priorities according to the level of risk and age of the positions. In this context, relations with the distribution network are strengthened with a view to reducing and preventing the state of insolvency. In 2015, the managed collection portfolio consisted of Euro 419 million.
In 2015, the stock of claims rose constantly, in proportion to the total increase in the volumes of the portfolio. The process has been focused on minimising the time needed to open and manage claims.
The stock has gone from 4,493 positions with a risk of 36.3 million (2.2% of the total portfolio) to 4,873 positions with a risk of 41.9 million (2.5% of the total portfolio). The stock of rejected claims at the end of 2015 was 441 positions amounting to 5.8 million. In 2015, 4,748 new claims were opened, of which 682 were life claims, 2,988 related to occupational accidents and 1,087 were retirement related.

Financial Management

In 2015, the European Central Bank (ECB) again pursued a monetary policy aimed at containing, as far as possible, the effects of the financial crisis and at favouring recovery by maintaining high levels of liquidity, with a reference rate for refinancing operations that remained for the entire year at 0.05%.
Against this background, interest rates have remained at even lower levels than the previous year. In addition to this, there was a contraction of spreads in the year that enabled the Group to reduce its funding costs.

During the year, the Parent Company took steps to improve its financial stability by lengthening the average term to maturity of its funding and by distributing the maturity dates, thus avoiding the concentration thereof. The Parent Company also took steps during the year to build a portfolio of highly liquid eligible securities issued by the Italian government amounting to approximately 400 million. As of the first of October 2015, new liquidity coverage ratio requirements (LCR) came into force that have been set at 60% and that will rise to 100% in January 2018. Action taken by the Bank has enabled it to comply with this requirement, given that its average ratio has exceeded 100%.

During the year, the Bank continued to meet part of its financing needs from external sources in accordance with the strategy agreed with its parent company. As well as its usual recourse to securitisations, the Bank reactivated its EMTN programme and also increased its funding through deposit accounts. The development of these channels will help to increase financial independence in the coming years.

At the year end, the net amount of financial transactions came to Euro 4,934 million (+2.86% compared with 2014).

As of 31 December 2015, the total amount that had arisen from having participated in ECB auctions amounted to Euro 923 million, entirely attributable to TLTRO auctions. The Group's current liabilities mainly consist of loans of variable durations of up to six months provided primarily by the Spanish Parent Company.
Intercompany medium- to long-term liabilities include medium-term loans again with the Parent Company and subordinated loans provided by Santander Consumer Group companies and by the Santander Group. Another source of funding consists of retail customer deposits, for which further details will be provided in the "Deposit accounts" section.

During the year, two issues took place of securities underlying the Euro Medium Term Notes programme. The first issue, which took place in June and which amounted to Euro 100 million, was subscribed for by an Italian institutional investor, whereas the second issue, which took place in December and which amounted to Euro 200 million, was subscribed for by a foreign investor.
In July, the EMTN programme was renewed, taking the maximum amount to Euro 3 billion.
The programme is guaranteed by Santander Consumer Finance S.A. and has obtained a rating equal to that of the Parent Company (P2/A3 by Moody's, A2/BBB+ by S&P).

One new loan securitisation (GB 2015-1) was concluded during the year, with the issue, on 9 October 2015, of securities by the SPE Golden Bar amounting to a nominal value of Euro 1,000,000,000. These securities, which were structured as variable funding, were issued for an initial value of Euro 700,000,000. The securities consist of Class A and B securities with a fixed coupon rate; Class C securities offer an excess spread. The legal maturity of the transaction is scheduled for 2031 with a period of three years during which the SPEs may purchase subsequent portfolios, financed by an increase in the value of the issued ABS securities up to a nominal value of Euro 1,000,000,000. The transaction has an underlying portfolio of consumer loans. The Class A securities, which have been given a double rating, are suitable for refinancing operations with the European Central Bank.

The table below summarises ABS issues completed in 2015:

Name	Class	CCY	Nominal Amount	Current Outstanding	Issue Rating	Issue Date	Maturity Date
Golden Bar 2015-1	A	Eur	825.000.000,00	577.500.000,00	A1 Moody's / A DBRS	09/10/2015	20/10/2031
Golden Bar 2015-1	B	Eur	65.000.000,00	45.500.000,00	Baa2 Moody's / BBB DBRS	09/10/2015	20/10/2031
Golden Bar 2015-1	C	Eur	110.000.000,00	77.000.000,00	Unrated	09/10/2015	20/10/2031

During the year, certain securitisations were terminated ahead of schedule, with the securities having been fully redeemed by Golden Bar (Securitisation) S.r.l. and the loans having been repurchased by Santander Consumer Bank S.p.A. On 30 June 2015, the transactions known as Golden Bar Securitisation Programme IV 2009-1, Golden Bar Stand Alone 2011-1 and Golden Bar Stand Alone 2011-2 were terminated ahead of schedule, while on 27 November 2015, the transactions known as Golden Bar Stand Alone 2012-2 and Golden Bar Whole Loan Note 2013-2 were terminated ahead of schedule.

IT systems

Management of the Bank's applications and IT infrastructure is coordinated by Information Technology (IT).

IT has operated within the guidelines communicated by the Group, with the objective of ensuring that all areas of the business receive proper maintenance of computer facilities and the implementation of applications, so as to provide products and services that are compliant with the specifications received and in line with corporate standards.

Corporate data is handled by a DataWareHouse (DWH) structure, with particular attention given and a team dedicated to ensuring the full implementation of RDA (Risk Data Aggregation), a corporate project that addresses Basel Paper 239, which sets out principles for effective risk data aggregation and risk reporting. In this regard, tools have been implemented for data quality, data certification, data traceability and dictionary relating to all the information and the data handled by corporate management.

With regard to the management of infrastructure, hardware and networks, IT has worked to ensure service in line with existing service level agreements (SLAs), also making use of centralised corporate structures. Particular attention is given to service continuity and physical and logical security of the Group's IT assets, by updating and managing business continuity and recovery plans, penetration testing and ethical hacking, for which tests are carried out and reported to the corporate control functions.
The update of the business continuity and recovery plan has also been submitted to the Board of Directors for approval.
With regard to this area of security management, in December a specific assessment was made to identify any shortfall in the management of the topics in question; the results of this assessment will feed into an action plan, which will serve as a detailed work plan for 2016.

Institutional Relations, Legal and Compliance Department

The Group's Institutional Relations, Legal and Compliance Department oversees the following areas:

- Governance and extraordinary operations: it handles the organisational aspects relating to the Group companies' operations, the preparation of the supporting documentation for ordinary and extraordinary operations and the coordination of relationships with the Spanish Parent Company to ensure compliance with Group procedures and the maintenance of an adequate flow of information;
- Transparency of banking and financial transactions and services - consumer credit agreements: with regard to consumer credit agreements, it performs a periodic review of contractual documentation in order to comply with current regulations and to ensure the clarity and transparency thereof;
- Captive agreements: support in the management of the agreements in coordination with the Sales and Marketing Department and the Parent Company's legal department;
- Complaints: it handles, within the regulatory deadlines, complaints received from customers and seeks the best solution to meet customers' demands, where founded; it also reports any critical issues that have arisen. During the year, the main critical issue that arose from the handling of complaints related to the contestation of the criteria applied to the early termination of loans secured by salary and pension assignment. This led to an increase in complaints received. In general, this phenomenon applied to the salary and pension assignment market, as confirmed by statistical data released by the relevant trade association (Assofin);
- Banking and Financial Arbitrator (BFA): handling of disputes made by customers to the Banking and Financial Arbitrator and preparation of the Group's defence. As part of this work, it updates the departments involved on any new guidelines issued by the BFA in areas of interest to the Group and recommends improvements in critical areas that emerged from the complaints and from the appeals presented by customers to the BFA.
- The critical issue relating to the contestation of the criteria applied to the early termination of loans secured by salary and pension assignment was also a factor that triggered the appeals to the BFA. As was the case with complaints, the above phenomenon applied to the entire salary and pension assignment market.

With respect to Compliance and AML, the main activities relate to:

- The definition of the content of and planning for training courses on the main regulatory principals applicable to the Group's operations; training is carried out with different levels of interaction and analysis, also for the external product distribution network;
- Ex-ante and continuous checks, verification of compliance with internal rules prior to their adoption and dissemination, ex-post checks on business processes via systematic and sample testing to identify any critical issues pertaining to the regulatory/procedural framework, assessment of compliance risk, as well as guidance to the structures in question on the measures and/or the organisational formalities to be implemented for the resolution or mitigation of the critical issues that have arisen;
- Support and assistance to business functions, inclusive of control functions, in the implementation of policy, processes and procedures for the application in practice of operational rules and procedures, on the launch of new products or services to customers and in the assessment of risks and consequent opportunities;
- Updating the input logic of relationships and transactions in the single computer archive;
- Implementation of procedures for periodic checks on transactions and relationships;
- Customer profiling both in the activation phase of the relationship and subsequently;
- Monthly monitoring of compliance with the deadline for the registration of relationships, transactions and links in the single computer archive and activation of specific analyses of possible anomalies found, in order to take corrective action;
- Implementation of the new rules for adequate verification of customers and new input to the Single Computer Archive (SCA);
- Monitoring of the obligations prescribed by the law on the prevention of money laundering and financing of terrorism; periodic monitoring is carried out on the SCA and any signs of anomalies associated with transactions and relationships.

Human Resources

Santander Group's workforce at 31 December 2015 consists of 589 persons (including 11 managers, 156 middle managers and 422 office workers). The office workers include one fixed-period contract. At the end of the year, there are 10 employees on post-graduate internships.
The average age is 40 years, while female workers represent 44% of total employees.
Resources are allocated 40% in the commercial area, the rest in the various functions of General Management.
Personnel costs for the year amount to Euro 38.5 million.

In October 2015, the 2nd edition of the people survey was conducted and which involved all of the Group's employees. In Italy, participation in the survey was 94%, a figure that confirms and exceeds the already high participation in 2014 (of 92%).

In 2015, based on the results of the first survey conducted in 2014, management identified the following three areas for which action was needed: internal communication, training and development and processes that improve relationships with dealers. Working groups, composed of over 25 colleagues representing all areas of the business, have worked intensively and fruitfully. New training initiatives have been launched enabling employees to choose, based on their own interests, Your Own Choice (YOC) proposals; job rotation between various services has been introduced; employees have been notified of all the internal job opportunities through the communication of open positions. An internal communication function has also been created and projects have been implemented to improve relationships with dealers.

In-house training has maintained a key role in the development of technical and management skills: over 16500 hours of training were provided by internal trainers both on technical, product and process issues, and on behavioural and management skills with the collaboration of prestigious industry partners. Moreover, pilot training programmes have been introduced for those returning from maternity leave.

The e-learning platform, which is constantly updated and which has a dynamic and interactive format, has become a useful tool for training and for consulting regulations, procedures and processes in line with Parent Company policy, especially for more technical and operational issues.

All colleagues involved in the sale of insurance products, by both direct channel and CBU, have taken IVASS professional refresher courses totalling more than 2,500 hours. Product training has been provided to branch managers, assistant managers and personal loan operators that has included a complete analysis of the impact of risk, customer management, commercial aspects, approval and after-sales service, providing an insight into the dynamics of sales in 2016.

The positive collaboration continued with external partners and lecturers financed by the joint inter-professional fund, Fondo Banche Assicurazioni. The 2014/2015 Plan ended on 30 September 2015 after having completed all of the planned training programme and with a report justifying 100% of the hours dedicated to training (over 10,000).
The international exchanges related to the "*Mundo Santander*" project continued, by means of which a number of colleagues had the opportunity to meet and work together at other Santander Group locations.

There has been renewed collaboration with the major Italian universities, including internationally renowned business schools, resulting in the participation of more than 50 undergraduates and recent graduates in curricular and extra-curricular training programmes in the course of the year. A number of high school pupils was able to learn about the business by participating in several weeks of professional training. In order to pursue a policy of attracting and developing high fliers, Santander Consumer Bank attended the work orientation days organised by major universities in Piedmont.

Industrial relations continued in the year based on a mutual exchange of information and consultation: regular meetings were held with the Chief Executive Officer to illustrate the business performance.
Moreover, in 2015, meetings were held every two months with union representatives to communicate and inform them of business strategies and initiatives, in a setting that encouraged transparency and discussion. Three significant agreements were signed: on 30 July 2015 an agreement was signed on new experimental working hours for head office staff; on 23 October an agreement was signed to renew the supplementary II level contract, which improved and extended corporate welfare to employees; on 21 December a time bank agreement was signed, making it possible to recover overtime hours and providing a means of ensuring that attention is given to finding a balance between work life and personal life.

The various initiatives implemented by Human Resources and Organisation have contributed to the promotion of an internal culture aimed at building a Group that strives to be Simple, Personal and Fair.

Taxation

The Group, through the Taxation Unit, acts in accordance with its objective of ensuring its operations comply with current tax law and that there is an adequate flow of information to management and the control bodies.
In line with established practice within the Group concerning the management of taxation, during the year, the Parent Company, Santander Consumer Finance, issued a Group policy entitled “Tax Strategy”, which the Group companies have to comply with; this policy, which is aimed at establishing a relationship based on cooperation with the tax authorities, requires the adoption of effective internal procedures for the prevention and management of tax risks.
The policy, which sets out a series of general principles of conduct that have to be complied with (inclusive of: the timely fulfilment of tax obligations, transparency of transactions and prudence in the interpretation of tax rules) finds its completion with a report that the Parent Company requires the tax function to submit annually to the Board of Directors of the Bank, with a description of the tax policy applied during the year, consistent with the above principles. The report was, in fact, submitted to and filed in the records of the Board of Directors of the Bank on 15 December 2015 and states the following:

a. The newly introduced regulations were analysed, interpreted and applied in accordance with the substance of transactions and in a prudent manner, taking account, as far as possible, of the financial impact on current and future operations, having closely monitored the law-making process via established relationships with trade associations (ABI, Assilea);
b. Tax obligations were fulfilled scrupulously and in compliance with changes in legislation and practice;
c. Particular attention was given to the topic of transfer pricing, with the usual preparation of the National Documentation on transfer pricing;

d. Extraordinary operations were carefully monitored and relevant opinions, where requested, were issued in relation to new agreements and new products;
e. As regards customer relationships, it is not the practice, nor is it consistent with the nature of the Bank's business, to provide tax support or advice.

During the course of 2015, the tax function was entrusted with monitoring processes relating to FATCA and CRS requirements and with reporting thereon, making the organisational unit responsible for all reporting to the Tax Authorities.
As at 31 December 2015, there were no pending disputes with the Tax Authorities nor any inspections underway.

Other facts worth mentioning

With a view to greater efficiency, during the year the Parent Company absorbed its subsidiary Santander Consumer Unifin S.p.A. This merger qualified as a business combination under common control and did not therefore fall within the scope of IFRS 3.
Subsequent to the merger, the office premises of the merged company in Castel Maggiore (Bologna) became an ancillary establishment of the Bank.
For further details of the extraordinary transaction, please refer to the notes to the Parent Company's separate financial statements, Part A - Accounting policies.

As regards the main risks and uncertainties to which the Group is exposed, in accordance with the provisions of art. 2428 of the Civil Code, the economic situation and financial position are influenced by various factors that determine the macro-economic situation and the trend in financial markets. In particular, the recession that has continued to affect both the economic and the financial sector, is one of the biggest risks to growth in the capacity to generate income and to consolidate the capital and financial structure of the Company and of the Group.

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

Group companies operate in full managerial autonomy in accordance with the strategic and operational guidelines issued by the Parent Company Santander Consumer Finance S.A., which exercises direction and coordination pursuant to art. 2497 bis of the Italian Civil Code and art. 23 of Legislative Decree 385 of 1 September 1993, as updated to incorporate the amendments introduced by Legislative Decree 72 of 12 May 2015.
The direction and coordination activity generally produces positive effects on the business and its results, as it permits economies of scale by using professional skills and specialized services with continuous improvements in quality, allowing the Bank to focus its resources on managing the core business.
The notes are supplemented by an appendix that summarises the key figures from the latest approved financial statements of the entity that exercises direction and coordination (Santander Consumer Finance S.A.); the Parent Company does not own any treasury shares either directly or through trust companies or nominees.

No research and development was carried out during 2015.

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

Related party disclosures are provided in the notes accompanying the main balance sheet and income statement items that are affected, as well as in section H which is specifically on related-party transactions. This information is considered exhaustive with respect to the requirements of art. 2428 of the Italian Civil Code and IAS 24.
All transactions with related parties are carried out at arm's length, taking into account the quality and type of services rendered.
Lastly, note that no transactions have been carried out with persons other than related parties, that could be considered atypical or unusual, outside the normal course of business or that would significantly impact on the economic and financial position of Santander Consumer Bank or its Group. As stated in the first paragraph of this section, during the year an agreement was concluded with related parties for the merger by absorption of the subsidiary Santander Consumer Unifin into the parent Santander Consumer Bank, which, due to the fact that it was outwith the scope of IFRS 3 and that it took place without any change in carrying value, had no impact on the results and financial position of the Group.

As previously indicated, there was an increase during the year in customer complaints received regarding loans secured by salary and pension assignment. Accordingly, the Group has further increased its provision for the potential liabilities, based on new elements that arose during the course of the year that have significantly influenced the measurement models used for financial statement recognition.

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

Since the end of the year and up to the date of approval of the draft financial statements by the Board of Directors, there have been no events or transactions that could have a significant impact on the results explained in this report. The draft financial statements therefore reflect all events that affected the Group's operations in 2015.

Significant subsequent events

As part of a framework agreement entered into by Santander Group and Peugeot Group in 2014, which led to the formation of Banca PSA Italia S.p.A. (formerly PSA Italia S.p.A. “Banca PSA”), whereby 50% of its capital was subscribed by Santander Consumer Bank S.p.A. and Banque PSA Finance, respectively, on 4 January 2016, Banque PSA Finance subscribed to a capital increase approved by Banca PSA by means of the contribution of a business segment.

Subsequent to the increase, on 11 January 2016, the Parent Company acquired, from Banque PSA, 50% of the new subscribed shares for Euro 74,440 thousand, to retain its 50% holding in Banca PSA.

We also wish to point out that, on 28 January 2016, the Spanish parent, Santander Consumer Finance S.A., paid in a capital contribution of Euro 80,000 thousand, the repayment of which may only be approved by the Parent Company in the event of liquidation and which was recognised as a capital reserve.

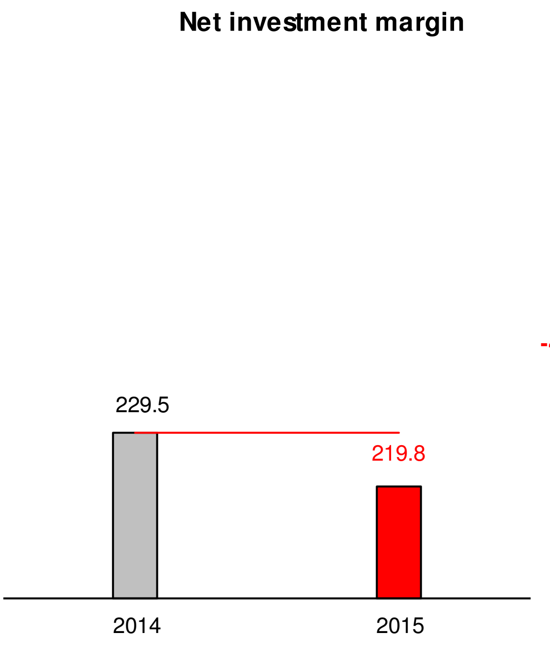
Reconciliation of the Parent Company's shareholders' equity and net income (loss) with the consolidated shareholder's equity and net income (loss)

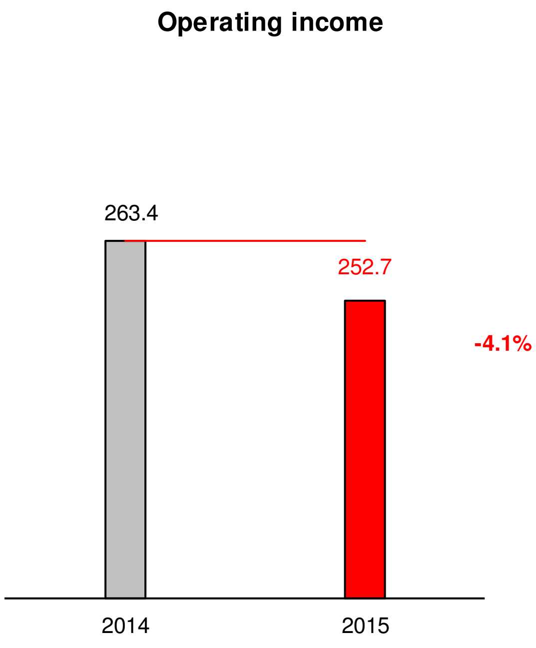
	Shareholders' equity	of which: Result at 31.12.2015
Balances of the Parent Company at 31.12.2015	**563,246,941**	**35,105,667**
Effect of consolidation of subsidiaries	218,943	(141,667)
Minority interests	7,547,939	(96,236)
Consolidated balances at 31.12.2015	**571,013,823**	**34,867,764**

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

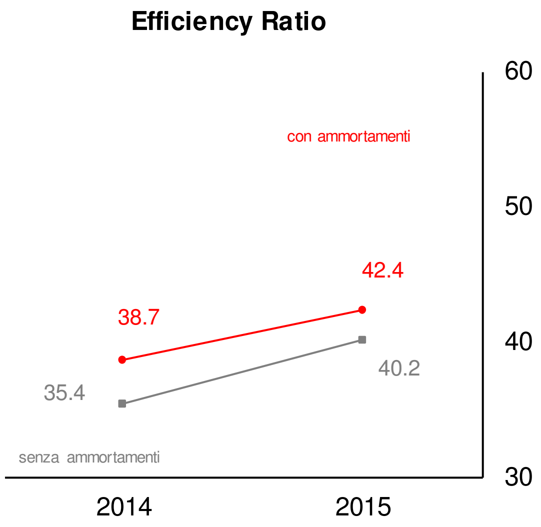
The following table shows the key economic and operating figures for the year, with comparative figures from the previous year (in millions of euro) compared with the total average assets (TAA).

Amounts in millions of Euro	**2015**	**% TAA**	**2014**	**% TAA**	**Change**	
					Amounts	**%**
Net investment margin	**219.8**	**3.6**	**229.5**	**3.5**	**(9.7)**	**(4.2)**
Net fee and commission	37.1	0.6	34.7	0.5	2.4	6.9
Commercial margin	**256.9**	**4.2**	**264.2**	**4.1**	**(7.3)**	**(2.8)**
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	(0.6)	0	(0.3)	0.0	(0.3)	100.0
Gains and losses on disposal of financial assets and liabilities	(3.6)	(0.1)	(0.5)	0.0	(3.1)	620.0
Operating income	**252.7**	**4.2**	**263.4**	**4.1**	**(10.7)**	**(4.1)**
other operating income (charges)	5.3	0.1	4.8	0.1	0.5	10.4
Administrative costs:	(106.9)	(1.8)	(98.1)	(1.5)	(8.8)	9.0
payroll costs	(38.8)	(0.6)	(35.4)	(0.5)	(3.4)	9.6
other administrative costs	(68.1)	(1.1)	(62.7)	(1.0)	(5.4)	8.6
Depreciation	(5.6)	(0.1)	(8.7)	(0.1)	3.1	(35.6)
Net operating margin	**145.6**	**2.4**	**161.3**	**2.5**	**(15.7)**	**(9.7)**
Impairment losses on financial assets	(83.0)	(1.4)	(155.7)	(2.4)	72.7	(46.7)
Other provisions	(14.3)	(0.2)	(3.5)	(0.1)	(10.8)	308.6
Total profit or loss before tax	**48.3**	**0.8**	**2.1**	**0**	**46.2**	**2,200.0**
Tax	(13.4)	(0.2)	0.6	0	(14.0)	(2,333.3)
Net profit or loss	34.9	0.6	2.7	0	32.2	1,192.6
Consolidated income (loss) of the period	**34.9**	**0.6**	**2.7**	**0**	**32.2**	**1,192.6**
Holdings income (loss) of the period	**35.0**	**0.6**	**2.7**	**0**	**32.3**	**1,196.3**



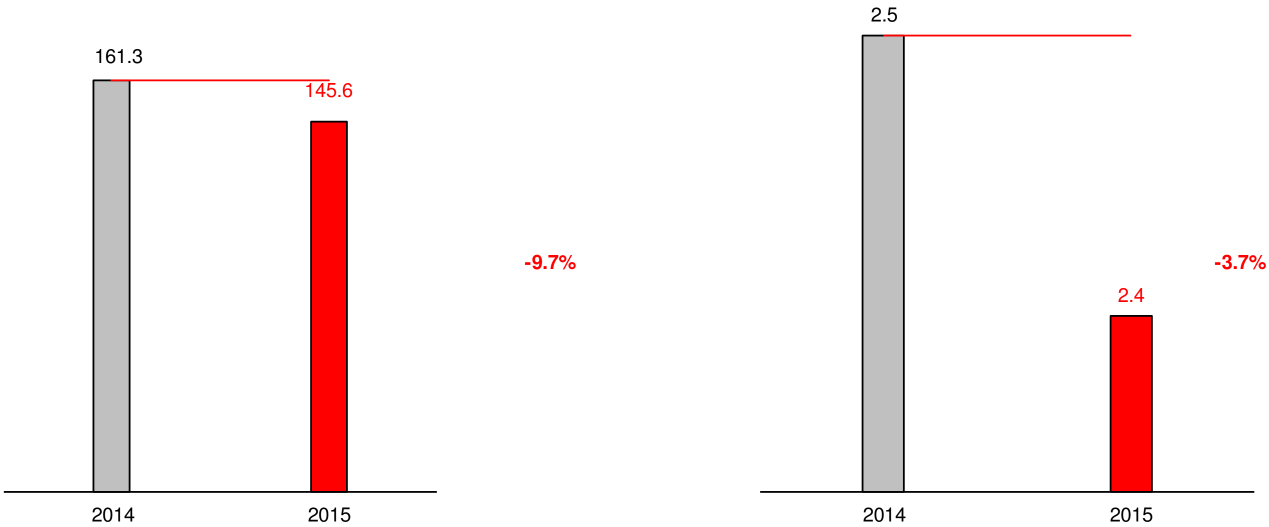


Net interest income fell in the year by an insignificant amount: the decrease in interest income (-14.2%), which was attributable to a contraction in the total amount of loans to customers (approximately -3%) and a change in the portfolio mix, was not fully offset by a reduction in interest expense, which fell significantly (-34.2%), driven by a fall in market interest rates and spreads.
Net fee and commission income increased compared to the comparative prior period, driven by a higher level of lending.
In addition to the above effects, net interest and other banking income fell again due to the impact of losses on the sale of the non-performing loan portfolio during the year.
Administrative expenses show an increase on the previous year (+8.7%), due to an increase in labour and other operating costs. The increase was partially offset by a lower depreciation and amortisation charge.
Impairment losses on loans decreased significantly, due to the impact of the aforementioned sale of the non-performing loan portfolio.
“Other provisions” increased significantly (approximately Euro 11 million) as a consequence of increased provisioning against customer complaints regarding loans secured by salary and pension assignment.
2015 closed with a net consolidated profit of Euro 35.0 million, which was a significant increase in the year.

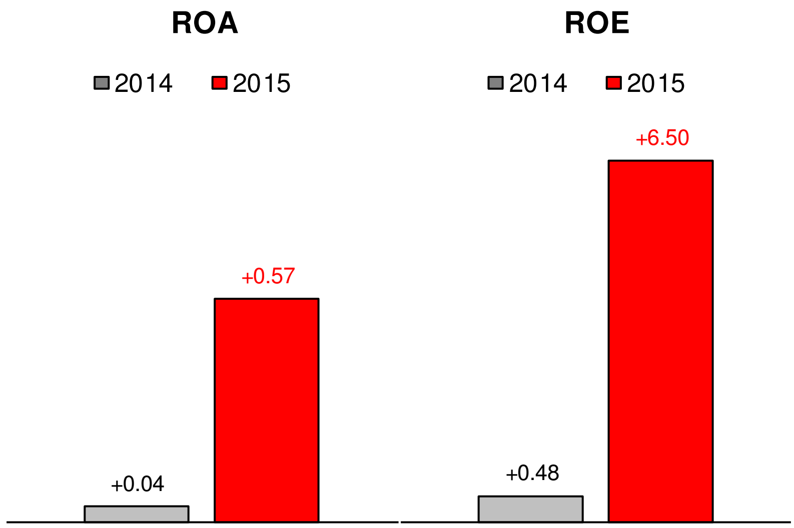


The efficiency ratio, which is the ratio of the sum of administrative expenses and other net operating income (with and without depreciation and amortisation) to net interest and other banking income, decreased compared with the previous year.

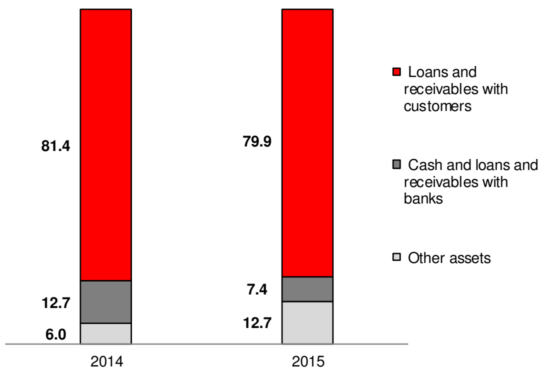
Net operating margin

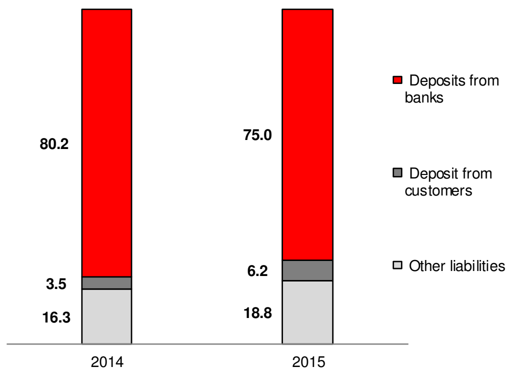


Net operating income (EBIT), calculated as the sum of net interest and other banking income, other income and expenses, administrative costs and depreciation and amortisation, has fallen by 9.7%. It has fallen slightly (from 2.5% to 2.4%) as a proportion of average total assets.



As a result of these trends, ROA (Return on Assets) has decreased significantly to 0.57% and ROE (Return On Equity) came to 6.50%.

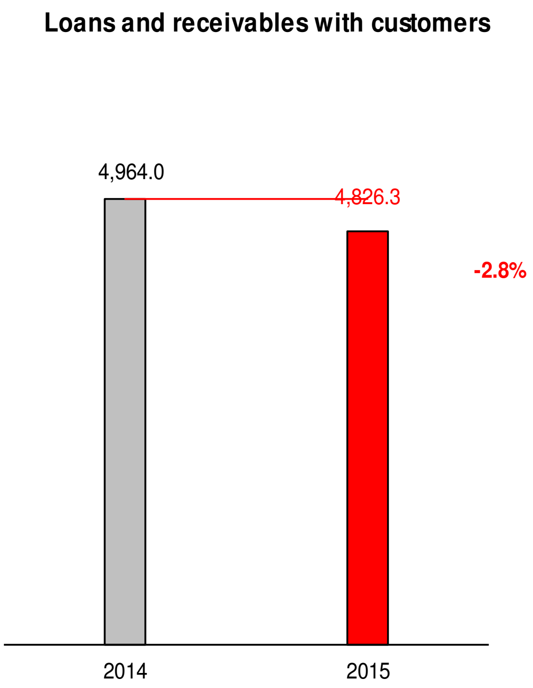


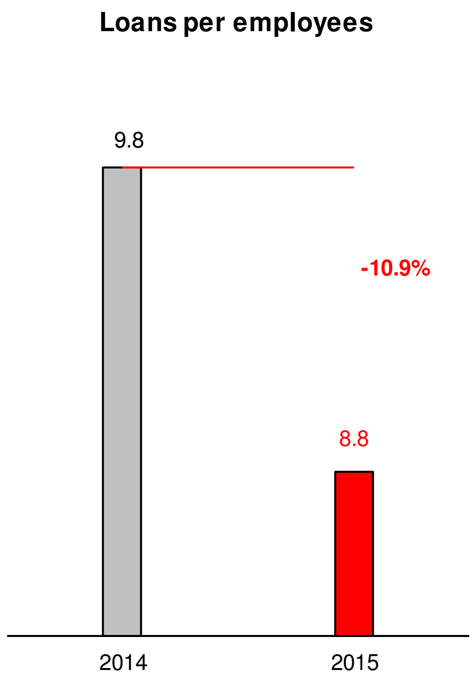


The asset mix is characterised by an increase in “Other assets”, as a consequence of a purchase of government securities that fall into the liquidity coverage ratio (LCR) and by a decrease in “Due from banks”, which at the 2014 year end included cash generated by the SPE Golden Bar.
Regarding the structure of sources of funds, on the other hand, there was an increase in amounts due to customers, consisting mainly of demand and time deposit accounts, as a consequence of a strategic decision by the Bank to promote this form of funding.

Amounts in millions of Euro			**Change**	
	2015	**2014**	**Amounts**	**%**
Car loan	1,900	1,806	94	5.2
Special-purpose loan	33	57	(24)	(42.1)
Personnel loan	1,220	1,627	(407)	(25.0)
Cards	21	36	(15)	(41.7)
Leasing	40	48	(8)	(16.7)
Salary assignment	1,689	1,566	123	7.9
Stock financing	190	143	47	32.9
Other loans to customers	3	90	(87)	(96.7)
Other components of amortised cost	60	41	19	46.3
Gross loans to customers	**5,156**	**5,414**	**(258)**	**(4.8)**
Provision for loan losses	(330)	(450)	120	26.7
Net loans to customers	**4,826**	**4,964**	**(138)**	**(2.8)**

As regards the change in loans to customers, there was a decrease in net loans to customers of approximately 3%, but this was lower than the decreases recorded in recent years.
Analysing the details by product, there has been an increase in retail and wholesale (stock financing) car loans and further growth in the salary assignment portfolio, which have been driven by a significant increase in lending; there has been a decrease in the remaining products, particularly personal loans and special-purpose loans.
"Other components of amortised cost" mainly relate to net amounts of contributions and commissions that are paid when a loan is granted but for which the income statement effect thereof is deferred over the expected residual life of the loan.



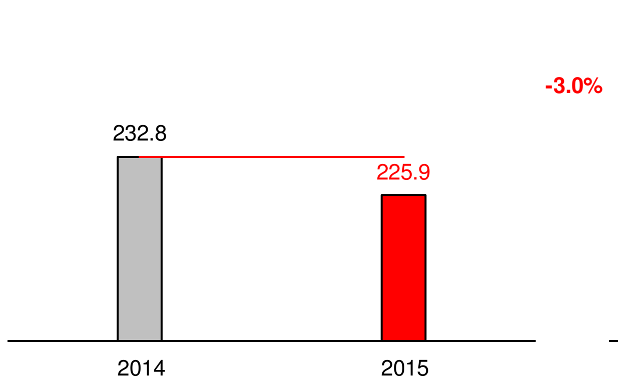


Comments on the results and key figures in the separate financial statements

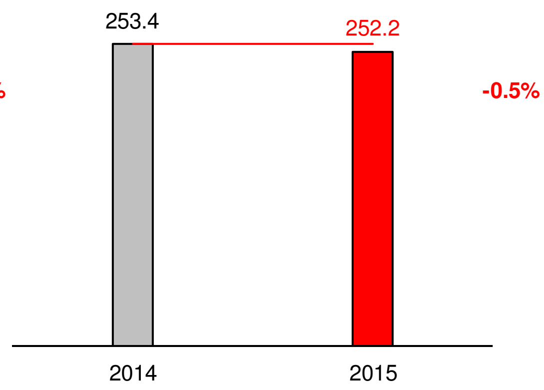
The table shows the key economic and operating figures for the year, with comparative figures from the previous year (in millions of euro).

Amounts in millions of Euro	2015	% TAA	2014	% TAA	Change Amounts	%
Net investment margin	**225.9**	**3.7**	**232.8**	**3.7**	**(6.9)**	**(3.0)**
Net fee and commission	37.4	0.6	23.4	0.4	14.0	59.8
Commercial margin	**263.4**	**4.4**	**256.2**	**4.0**	**7,2**	**2.8**
Net income (loss) financial assets and liabilities held for trading and FV adjustment in hedge accounting	(7.6)	(0.1)	(2.3)	0	(5.3)	230.4
Gains and losses on disposal of financial assets and liabilities	(3.6)	(0.1)	(0.5)	0	(3.1)	620.0
Operating income	**252.2**	**4.2**	**253.4**	**4.0**	**(1.2)**	**(0.5)**
other operating income (charges)	5.2	0.1	6.9	0.1	(1.7)	(24.6)
Administrative costs:	(105.9)	(1.8)	(90.6)	(1.4)	(15.3)	16.9
payroll costs	(38.5)	(0.6)	(32.9)	(0.5)	(5.6)	17.0
other administrative costs	(67.4)	(1.1)	(57.7)	(0.9)	(9.7)	16.8
Depreciation	(5.6)	(0.1)	(8.2)	(0.1)	2.6	(31.7)
Net operating margin	**145.9**	**2.4**	**161.5**	**2.5**	**(15.6)**	**(9.7)**
Impairment losses on financial assets	(82.8)	(1.4)	(148.4)	(2.3)	65.6	(44.2)
Other provisions	(14.3)	(0.2)	(2.0)	0	(12.3)	615.0
Total profit or loss before tax	**48.7**	**0.8**	**11.1**	**0.2**	**37.6**	**338.7**
Tax	(13.6)	(0.2)	(2.6)	0	(11.0)	423.1
Net profit or loss	35.1	0.6	8.5	0.1	26.6	312.9
Group income (loss) of the period	**35.1**	**0.6**	**8.5**	**0.1**	**26.6**	**312.9**

Net investment margin



Operating income



As a preliminary comment, note that the 2015 figures include the results of Santander Consumer Unifin, which was merged by absorption into Santander Consumer Bank SpA.

Net interest income fell in the year by an insignificant amount: the decrease in interest income (-12.7%), which was attributable to a contraction in the total amount of loans to customers (approximately -7%) and a change in the portfolio mix, was not fully offset by a reduction in interest expense, which fell significantly (-33.0%), driven by a fall in market interest rates and spreads.

Net fee and commission income increased compared to the comparative prior period, driven by a higher level of lending and by the inclusion in the 2015 figures of commission income from salary assignment loan brokerage as a result of the aforementioned merger.

Net interest and other banking income has remained largely unchanged with respect to 2014: in addition to the above effects, this was impacted by losses on the sale of the non-performing loan portfolio during the year and by the measurement of derivatives pertaining to the securitised portfolio.

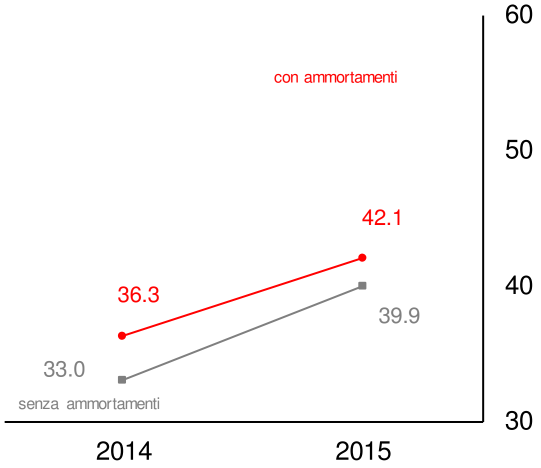
Administrative expenses show an increase on the previous year (+16.9%), due to an increase in labour and other operating costs, as well as the impact of the inclusion of overheads pertaining to Santander Consumer Unifin. The increase was partially offset by a lower depreciation and amortisation charge.

Impairment losses on loans decreased significantly, due to the impact of the aforementioned sale of the non-performing loan portfolio .

“Other provisions” increased significantly (approximately Euro 11 million) as a consequence of increased provisioning against customer complaints regarding loans secured by salary and pension assignment.

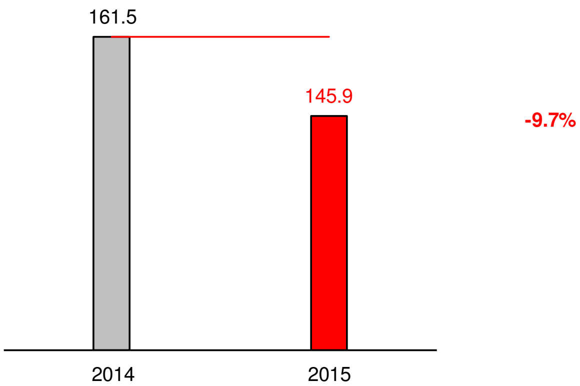
2015 closed with a net consolidated profit of Euro 35.1 million, which was a significant increase in the year.

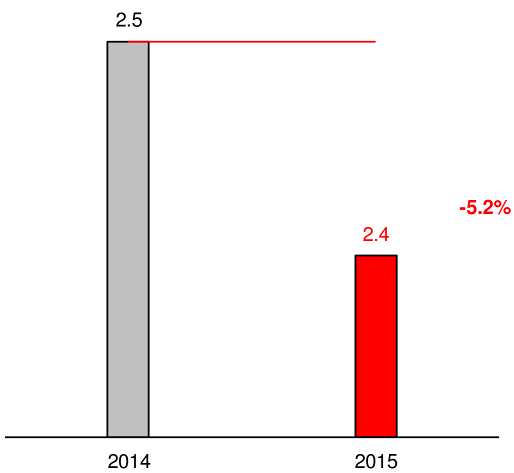
Efficiency Ratio



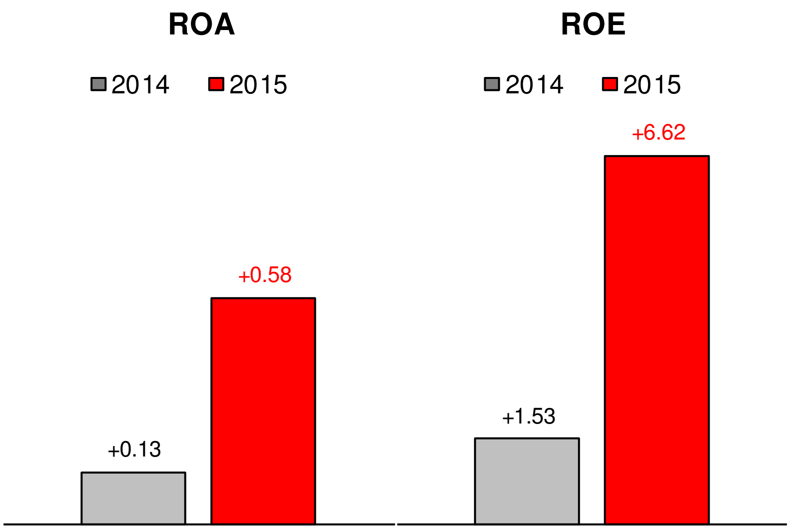
The efficiency ratio, which is the ratio of the sum of administrative expenses and other net operating income (with and without depreciation and amortisation) to net interest and other banking income, decreased compared with the previous year.

Net operating margin

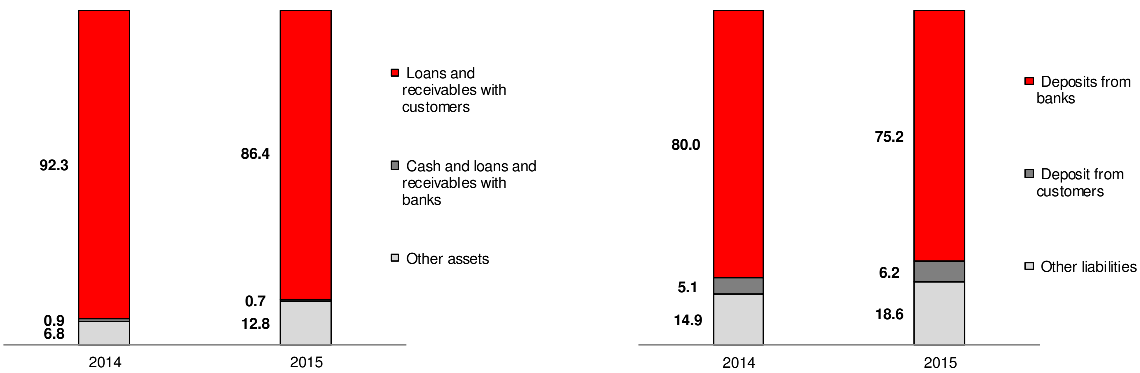




Net operating income (EBIT), calculated as the sum of net interest and other banking income, other income and expenses, administrative costs and depreciation and amortisation, has fallen by 9.7%. It has fallen slightly (from 2.5% to 2.4%) as a proportion of average total assets.



As a result of these trends, ROA (Return on Assets) has decreased significantly to 0.58% and ROE (Return On Equity) came to 6.52%.

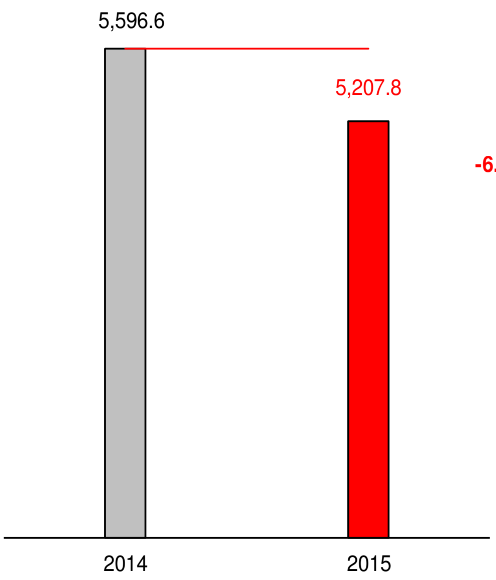


The asset mix is characterised by an increase in “Other assets”, as a consequence of a purchase of government securities that qualify as HQLA, with a view to the LCR and by a decrease in “Due from banks”, which at the 2014 year end included cash generated by the SPE Golden Bar.
In the structure of sources of funds, on the other hand, there was an increase in amounts due to customers, mainly represented by demand and time deposit accounts.

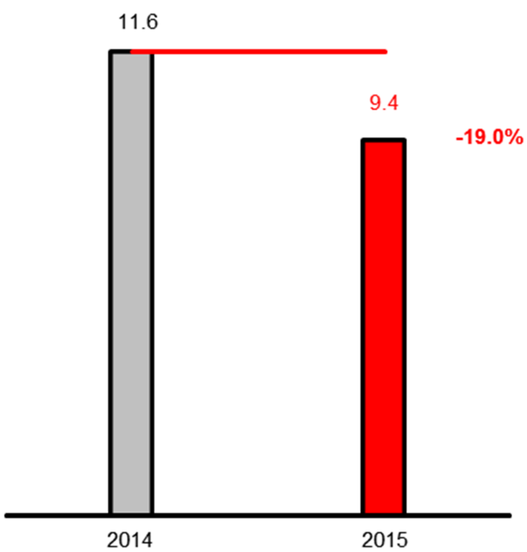
Amounts in millions of Euro			Change	
	2015	2014	Amounts	(%)
Car loan	1,895	1,805	90	5.0
Special-purpose loan	33	57	(24)	(42)
Personnel loan	1,219	1,626	(407)	(25.0)
Cards	11	16	(5)	(31.2)
Leasing	40	48	(8)	(16.7)
Salary assignment	1,696	1,580	116	7.3
Stock financing	190	143	47	32.9
Other loans to customers	392	671	(279)	(41.6)
Other components of amortised cost	60	64	(4)	(6.2)
Gross loans to customers	**5,536**	**6,010**	**(474)**	**(7.9)**
Provision for loan losses	(328)	(413)	85	(20.6)
Net loans to customers	**5,208**	**5,597**	**(389)**	**(7.0)**

As regards the change in loans to customers, there was a decrease in net loans to customers of approximately 7%. Analysing the details by product, there has been an increase in retail and wholesale (stock financing) car loans and further growth in the salary assignment portfolio, which have been driven by a significant increase in lending; there has been a decrease in the remaining products, particularly personal loans and special-purpose loans.
The decrease in “Other loans to customers” is due to a contraction in the components attributable to the SPE Golden Bar.
"Other components of amortised cost" mainly relate to net amounts of contributions and commissions that are paid when a loan is granted but for which the income statement effect thereof is deferred over the expected residual life of the loan.

Loans and receivables with customers



Loans per employee



Santander Consumer Finance Media S.r.l. in liquidation

The company, which was set up to finance publishing works through "privative" credit cards (which cannot be used on banking circuits) for the purchase of publications, ceased its financing operations in the first half of 2014, on the termination of the commercial agreement with Utet Grandi Opere S.p.A. Accordingly, on 4 November 2014, the Board of Directors proposed the early winding-up and liquidation of the Company. The proposal was approved by the shareholders, Santander Consumer Bank S.p.A. and De Agostini Editore, at the Extraordinary Shareholders' Meeting held on 1 December 2014 at the same time as the appointment of the liquidator, Mr. Guido Pelissero (formerly Chief Executive Officer).

Following the resignation of Mr. Guido Pelissero, the Shareholders' Meeting appointed a new liquidator, namely Mr. Andrea Cosa, previously head of the Taxation Unit of the parent company, Santander Consumer Bank S.p.A.
Currently, operations continue to be limited to the management of the residual loan portfolio up to the natural maturity thereof.
Customer loans (net of contributions due of Euro 0.3 million and related adjustments of 1.2 million) at 31 December 2015 amount to Euro 8.5 million, representing a decrease of 51% compared with prior year.
Moreover, due to the impact of the bankruptcy of Federico Motta Editore S.p.A and the rejection of the proposed pre-bankruptcy arrangement with creditors, the loan due from this company, included in other assets at an amount of Euro 662 thousand, has been derecognised with an income statement impact of Euro 65 thousand, which has been recognised in the line item “other operating income (expenses)”, corresponding to the carrying amount of the loan, net of a previously booked provision for other assets (of Euro 597 thousand).
The 2015 income statement figures reflect the reduction in the customer loan portfolio.
In fact, during the year, no contributions were charged to counterparties, due to the cessation of new lending, while contributions attributable to the year amounted to Euro 580 thousand (down by 52% compared to prior year) which, net of interest expense of Euro 69 thousand (80% lower than in 2014, in line with the decrease in debt) led to net interest income of Euro 511 thousand (40% lower than in 2014).
Commission expense, including the cost of the services provided by the parent company, Santander Consumer Bank, amounted to Euro 246 thousand (44% lower than prior year).
Loss provisions recognised in connection with loans to customers amount to Euro 145 thousand, whereas the sale without recourse of loans in the year did not result in the recognition of any losses in the financial statements, since the loans in question had been fully written down.
2015 closed with a loss of Euro 191 thousand before tax and of Euro 151 thousand after tax for the year.
The rate of return on loans, calculated as the ratio between interest income (represented almost entirely by the contributions of the year) and average loans, came to 4.2%.
As is well known, the company does not have any employees of its own. In fact, the Company has delegated all corporate functions to the parent company, Santander Consumer Bank, which provides services requested on the basis of a service agreement at a cost that is in line with market standards. In the current year, the Company incurred costs for services provided by the Parent Company of approximately Euro 245 thousand.
The Company became a member of the domestic tax group in 2007, based on a three year agreement with the parent Santander Consumer Bank that was subsequently renewed in 2010 and in 2013, in order to benefit from the consolidation of its income tax balances with those of the Parent Company Santander Consumer Bank S.p.A. The above agreement, which is due to expire in 2016, may be renewed for a further three year period 2016 – 2018 within the time limits established by law.
As regards the accounting policies adopted in preparing the Company's financial statements, note that, as a result of the Company having been put into liquidation, the financial statements have not been prepared on a going concern basis.
The analysis performed to measure the company's net worth and to assess the costs likely to arise from the liquidation process did not reveal the existence of any further expected costs and the need to recognise a provision for liquidation costs and charges.
All transactions with the Parent Company form part of the core business and are not extraordinary in nature.
Note that all transactions with related parties are carried out at arm's length, taking into account the quality and type of services rendered.

Banca PSA Italia S.p.A.

The company was set up under a framework agreement entered into between Santander Group and Peugeot Group in 2014 through the subsidiary Banque PSA Finance. Banca PSA Italia S.p.A. is 50% held by Santander Consumer Bank S.p.A. and 50% held by Banque PSA Finance.
The company offers a wide range of consumer financial services focused on the automotive sector.
As at the reporting date, the company had not yet commenced its operations.

Pro-forma separate financial statements for 2014

Set out below are the balance sheet of Santander Consumer Bank S.p.A. and its subsidiary Santander Consumer Unifin S.p.A. at 31 December 2014 and the income statement for the year then ended, expressed in euro, in order to provide current year comparative figures, as a result of the merger by absorption of the subsidiary in 2015.

In the column headed *31/12/2014 Santander Consumer Unifin*, the figures have been presented after the reclassification thereof on a consistent basis with the financial statements of the Bank. The column headed *intercompany balances* shows the amounts arising from transactions between Santander Consumer Bank S.p.A. and Santander Consumer Unifin S.p.A., inclusive of the effect of the elimination of the investment held in the subsidiary and of the corresponding share of equity, as well as the effect resulting from a consistent application of accounting policies.

	Balance sheet - Assets	**31/12/2014 Santander Consumer Bank**	**31/12/2014 Santander Consumer Unifin**	**31/12/2014 Aggregate balance**	**Intercompany balance**	**31/12/2014 Proforma balance**
10	Cash and cash equivalents	9,282	169	9,451		9,451
20	Held for trading financial assets	19,668,861		19,668,861		19,668,861
60	Due from banks	53,766,049	99,187,280	152,953,329	-94,159,687	58,793,641
70	Loans to customers	5,596,588,515	34,924,637	5,631,513,152	-33,149,605	5,598,363,547
80	Hedging derivatives	1,008,513		1,008,513		1,008,513
90	Changes in fair value of portfolio heged items (+/-)	43,653,521		43,653,521		43,653,521
100	Equity investments	71,182,586		71,182,586	-61,632,586	9,550,000
110	Property, plant and equipment	3,578,998	281,42	3,860,418		3,860,418
120	Intangible assets	7,490,091	674,904	8,164,995		8,164,995
130	Tax assets	227,349,298	13,367,958	240,717,256	6,640,351	247,357,607
	a) current tax assets	*25,034,371*	*1,965,669*	*27,000,040*		*27,000,040*
	b) deferred tax assets	*202,314,927*	*11,402,289*	*213,717,216*	*6,640,351*	*220,357,567*
	of wich Law 214/2011	*195,700,356*	*5,540,677*	*201,241,033*		201,241,033
140	Non-current assets held for sale and discontinued operations	16,007		16,007		16,007
150	Other assets	39,477,280	1,748,298	41,225,578	-6,013,311	35,212,267
	Total Assets	**6,063,789,001**	**150,184,666**	**6,213,973,667**	**-188,314,839**	**6,025,658,828**

	Liabilities and Shareholders' equity	**31/12/2014 Santander Consumer Bank**	**31/12/2014 Santander Consumer Unifin**	**31/12/2014 Aggregate balance**	**Intercompany balance**	**31/12/2014 Proforma balance**
10	Due to banks	4,851,929,200	17,474,402	4,869,403,602	-17,432,147	4,851,971,455
20	Due to customers	308,126,145		308,126,145	-93,769,825	214,356,320
30	Debt securities in issue	136,926,194		136,926,194		136,926,194
60	Hedging derivatives	51,646,139		51,646,139		51,646,139
80	Tax liabilities	46,351,371	1,048,038	47,399,409		47,399,409
	a) current tax liabilities	*46,351,371*	*1,032,870*	*47,384,241*		*47,384,241*
	b) deferred tax libilities		*15,168*	*15,168*		*15,168*
100	Other liabilities	121,871,624	64,001,282	185,872,906	-2,040,950	183,831,956
110	Provision for employee severance pay	3,585,503	637,463	4,222,966		4,222,966
120	Provisions for risks and charges	7,177,671	2,200,979	9,378,650		9,378,650
	b) Other reserves	*7,177,671*	*2,200,979*	*9,378,650*		*9,378,650*
130	Revaluation reserves	-3,695,196	-128,648	-3,823,844	122,989	-3,700,855
160	Reserves	-42,246,760	46,525,962	4,279,202	-51,021,878	-46,742,676
170	Share premium	632,586	1,463,407	2,095,993	-1,463,407	632,586
180	Issued capital	573,000,000	17,687,085	590,687,085	-17,687,085	573,000,000
200	Net Profit (Loss) for the year (+/-)	8,484,524	-725,303	7,759,221	-5,022,536	2,736,685
	Total liabilities and Shareholders' Equity	**6,063,789,001**	**150,184,666**	**6,213,973,667**	**-188,314,839**	**6,025,658,828**

	Items	31/12/2014 Santander Consumer Bank	31/12/2014 Santander Consumer Unifin	31/12/2014 Aggregate balance	Intercompany balance	31/12/2014 Proforma balance
10	Interest and similar income	345,224,965	2,210,822	347,435,787	3,486,734	350,922,521
20	Interest expense and similar charges	-112,405,486	-1,060,432	-113,465,918	1,154,055	-112,311,863
30	**Net interest margin**	**232,819,479**	**1,150,390**	**233,969,869**	**4,640,789**	**238,610,657**
40	Commissions income	36,662,623	61,827,547	98,490,170	-12,190,592	86,299,578
50	Commissions expense	-13,225,263	-47,631,047	-60,856,310	35,000	-60,821,310
60	**Commissioni nette**	**23,437,360**	**14,196,500**	**37,633,860**	**-12,155,592**	**25,478,268**
80	Net trading income	-2,981,738		-2,981,738		-2,981,738
90	Net hedging gains (losses)	666,007		666,007		666,007
100	Gains (losses) on disposal or repurchase of:	-519,022		-519,022		-519,022
	a) loans	-384,689		-384,689		*-384,689*
	d) financial liabilities	-134,333		-134,333		-134,333
120	**Net banking income**	**253,422,086**	**15,346,890**	**268,768,976**	**-7,514,803**	**261,254,173**
130	Net losses / recoveries on impairment of:	-148,401,518	-5,739,002	-154,140,520		-154,140,520
	a) loans	*-148,401,518*	*-5,794,344*	*-154,195,862*		*-154,195,862*
	d) financial liabilities		*55,342*	*55,342*		*55,342*
140	**Net income from financial activities**	**105,020,568**	**9,607,888**	**114,628,456**	**-7,514,803**	**107,113,652**
150	Administrative expenses:	-90,647,327	-7,087,265	-97,734,592	293,000	-97,441,592
	a) payroll costs	*-32,897,757*	*-2,444,909*	*-35,342,666*		*-35,342,666*
	b) other administrative costs	*-57,749,570*	*-4,642,356*	*-62,391,926*	*293,000*	*-62,098,926*
160	Net provisions for risks and charges	-1,950,251	-1,553,180	-3,503,431		-3,503,431
170	Net adjutments / writebacks on tangible assets	-1,700,767	-135,817	-1,836,584		-1,836,584
180	Net adjustments / writebacks on intangible assets	-6,521,229	-356,116	-6,877,345		-6,877,345
190	Other operating expenses / income	6,918,357	-1,859,128	5,059,229	-293,000	4,766,229
200	**Operating costs**	**-93,901,217**	**-10,991,506**	**-104,892,723**		**-104,892,723**
250	**Profit (loss) from continuing operations before tax**	**11,119,351**	**-1,383,618**	**9,735,733**	**-7,514,803**	**2,220,929**
260	Income taxes on continuing operations	-2,634,827	658,315	-1,976,512	2,492,268	515,756
270	**Profit (loss) from continuing operations after tax**	**8,484,524**	**-725,303**	**7,759,221**	**-5,022,536**	**2,736,685**
290	**Net profit (loss) for the year**	**8,484,524**	**-725,303**	**7,759,221**	**-5,022,536**	**2,736,685**

Santander
CONSUMER BANK

Independent Auditors' Report on the consolidated financial statements at 31 December 2015

Independent Auditors' Report on the consolidated financial statements at 31 December 2015

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
SANTANDER CONSUMER BANK S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Santander Consumer Bank Group, which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

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 International Standards on Auditing (ISA Italia) issued pursuant to art. 11, No. 3, of Italian Legislative Decree No. 39/2010. Those standards 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 judgment, 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 that give a true and fair view of 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 the Directors, 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 consolidated financial statements give a true and fair view of the financial position of Santander Consumer Bank Group as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) No. 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by paragraph 2, letter b) of article 123-bis of Italian Legislative Decree No. 58/1998, which are the responsibility of the Directors of Santander Consumer Bank S.p.A., with the consolidated financial statements of Santander Consumer Bank Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of Santander Consumer Bank Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 11, 2016

This report has been translated into the English language solely for the convenience of international readers.

Copy in computer readable form of the original document in paper form pursuant to art. 20, paragraph 3, of Presidential Decree no. 445/2000.

Consolidated financial statements

Consolidated balance sheet

In euro

Balance sheet - Assets	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Cash and cash equivalents	4,168	10,216	(6,048)	-59.2%
20. Held for trading financial assets	4,576,959	19,668,861	(15,091,902)	-76.7%
40. Available-for-sale financial assets	407,389,431		407,389,431	0.0%
60. Due from banks	449,018,981	772,661,128	(323,642,147)	-41.9%
70. Loans to customers	4,826,256,467	4,964,004,230	(137.747.763)	-2.8%
80. Hedging derivatives		1,008,513	(1.008.513)	-100.0%
90. Changes in fair value of portfolio heged items (+/-)	24,246,480	43,653,521	(19.407.041)	-44.5%
120. Property, plant and equipment	1,712,877	3,860,419	(2,147,542)	-55.6%
130. Intangible assets	9,140,815	8,164,995	975,820	12.0%
140. Tax assets	265,302,023	249,358,436	15,943,587	6.4%
a) current tax assets	42,162,477	27,093,709	15,068,768	55.6%
b) deferred tax assets	223,139,546	222,264,727	874.819	0.4%
of wich Law 214/2011	210,985,347	202.984.018	8.001.329	3.9%
150. Non-current assets held for sale and discontinued operations		16,007	(16,007)	-100.0%
160. Other assets	53,919,390	39,405,823	14,513,567	36.8%
Total Assets	**6,041,567,591**	**6,101,812,149**	**(60,244,558)**	**-1.0%**

Liabilities and Shareholders' equity	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Due to banks	4,528,988,810	4,890,787,593	(361,798,783)	-7.4%
20. Due to customers	376,113,780	214,174,232	161,939,548	75.6%
30. Debt securities in issue	300,044,578	136,926,194	163,118,384	119.1%
40. Held for trading financial liabilities	5,091,080	20,668,610	(15,577,530)	-75.4%
60. Hedging derivatives	28,642,822	51,646,139	(23,003,317)	-44.5%
80. Tax liabilities	20,597,727	47,406,139	(26,808,412)	-56.6%
a) current tax liabilities	20,491,635	47,390,971	(26,899,336)	-56.8%
b) deferred tax libilities	106,092	15,168	90,924	599.4%
100.Other liabilities	185,906,628	192,671,101	(6,764,473)	-3.5%
110. Provision for employee severance pay	3,638,628	4,222,966	(584,338)	-13.8%
120. Provisions for risks and charges	21,529,716	9,378,650	12,151,066	129.6%
b) Other reserves	21,529,716	9,378,650	12,151,066	129.6%
140. Revaluation reserves	(1,608,310)	(3,700,855)	2,092,545	-56.5%
170. Reserves	(43,522,393)	(46,329,300)	2,806,907	-6.1%
180. Share premium	632,586	632,586		0,0%
190. Issued capital	573,000,000	573,000,000		0,0%
210. Minorities (+/-)	7,547,939	7,644,175	(96,236)	-1.3%
220. Net Profit (Loss) for the year (+/-)	34,964,000	2,683,919	32,280,081	1,202.7%
Total liabilities and Shareholders' Equity	**6,041,567,591**	**6,101,812,149**	**(60,244,558)**	-1.0%

Consolidated income statement

In euro

Items	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Interest and similar income	295,164,782	343,965,203	(48,800,421)	-14.2%
20. Interest expense and similar charges	(75,319,599)	(114,449,553)	39,129,954	-34.2%
30. Net interest margin	**219,845,183**	**229,515,650**	**(9,670,467)**	**-4.2%**
40. Commissions income	101,822,989	95,914,145	5,908,844	6.2%
50. Commissions expense	(64,751,781)	(61,234,991)	(3,516,790)	5.7%
60. Net commission income	**37,071,208**	**34,679,154**	**2,392,054**	**6.9%**
80. Net trading income	268,818	(988,220)	1,257,038	-127.2%
90. Net hedging gains (losses)	(872,160)	666,007	(1,538,167)	-231.0%
100. Gains (losses) on disposal or repurchase of:	(3,567,829)	(514,450)	(3,053,379)	593.5%
a) loans	(3,567,829)	(380,117)	(3,187,712)	838.6%
d) financial liabilities		(134,333)	134,333	-100.0%
120. Net banking income	**252,745,220**	**263,358,141**	**(10,612,921)**	**-4.0%**
130. Net losses / recoveries on impairment of:	(82,964,962)	(155,746,489)	72,781,527	-46.7%
a) loans	(82,983,585)	(155,801,831)	72,818,246	-46.7%
d) other financial assets	18,623	55,342	(36,719)	-66.3%
140. Net income from financial activities	**169,780,258**	**107,611,652**	**62,168,606**	**57.8%**
170. Net profit from financial and insurance activities	**169,780,258**	**107,611,652**	**62,168,606**	**57.8%**
180. Administrative expenses:	(106,872,329)	(98,124,779)	(8,747,550)	8.9%
a) payroll costs	(38,817,694)	(35,380,730)	(3,436,964)	9.7%
b) other administrative costs	(68,054,635)	(62,744,049)	(5,310,586)	8.5%
190. Net provisions for risks and charges	(14,347,811)	(3,503,431)	(10,844,380)	309.5%
200. Net adjustments / writebacks on tangible assets	(1,512,305)	(1,836,584)	324,279	-17.7%
210. Net adjustments / writebacks on intangible assets	(4,050,992)	(6,877,345)	2,826,353	-41.1%
220. Other operating expenses / income	5,253,920	4,803,140	450,780	9.4%
230. Operating costs	**(121,529,517)**	**(105,538,999)**	**(15,990,518)**	**15.2%**
280. Profit (loss) from continuing operations before tax	**48,250,741**	**2,072,653**	**46,178,088**	**2,228.0%**
290. Income taxes on continuing operations	(13,382,977)	582,854	(13,965,831)	-2,396.1%
300. Profit (loss) from continuing operations after tax	**34,867,764**	**2,655,507**	**32,212,257**	**1,213.0%**
320. Net profit (loss) for the year	**34,867,764**	**2,655,507**	**32,212,257**	**1,213.0%**
330. Net profit (loss) attributable to minority interests	(96,236)	(28,412)	(67,824)	238.7%
340. Net profit (loss) attributable to the parent company	**34,964,000**	**2,683,919**	**32,280,081**	**1,202.7%**

Statement of consolidated comprehensive income

In euro

		31/12/2015	31/12/2014
10.	**Net Profit (Loss) for the year**	**34,867,764**	**2,655,507**
40.	Defined benefit plans	5,661	(214,986)
90.	Cash flow hedges	2,025,853	2,070,797
100.	Available-for-sale financial assets	184,021	
130.	**Total of other comprehensive income after tax**	**2,215,535**	**1,855,811**
140.	**Comprehensive income (Item 10+130)**	**37,083,299**	**4,511,318**
150.	Consolidated comprehensive income attributable to minorities	(96,236)	(28,412)
160.	**Consolidated comprehensive income attributable to Parent Company**	**37,179,535**	**4,539,730**

Statement of changes in consolidated shareholders' equity

2015

In Euro

	Group shareholders' equity at 31.12.14	Changes in opening balances	Balance at 1.1.2015	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity: Stock options	Transactions on shareholders' equity: Changes of ownership interesrs	Comprehensive income for 2015	**Group shareholders' equity at 31.12.2015**	**Minority interests at 31.12.2015**
Share capital:	580,450,000		580,450,000												**573,000,000**	**7,450,000**
a) ordinary shares	580,450,000		580,450,000												**573,000,000**	**7,450,000**
b) other shares																
Share premium reserve	632,586		632,586												**632,586**	
Reserves:	(46,106,713)	122,990	(45,983,723)	2,655,507											**(43,522,393)**	**194,175**
a) retained earnings	(87,476,407)	122,990	(87,353,417)	2,655,507											**(84,892,087)**	**194,175**
b) other	41,369,694		41,369,694												**41,369,694**	
Valuation reserves	(3,700,855)	(122,990)	(3,823,845)											2,215,535	**(1,608,310)**	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	2,655,507		2,655,507	(2,655,507)										34,867,764	**34,964,000**	**(96,236)**
Shareholders' equity	526,286,350		526,286,350											37,179,535	**563,465,883**	
Minorities interests	7,644,175		7,644,175											(96,236)		**7,547,939**

2014

In Euro

	Balance at 31.12.2013	Changes in opening balances	Balance at 1.1.2014	Allocation of prior year results: Reserves	Allocation of prior year results: Dividends and other allocations	Changes during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of treasury shares	Transactions on shareholders' equity: Extraordinary distribution of dividends	Transactions on shareholders' equity: Changes in equity instruments	Transactions on shareholders' equity: Derivatives on treasury shares	Transactions on shareholders' equity:	Transactions on shareholders' equity: Stock options	Comprehensive income for 2014	**Group shareholders' equity at 31.12.2014**	**Minority interests at 31.12.2014**
Share capital:	575,450,000		575,450,000										5,000,000		**573,000,000**	**7,450,000**
a) ordinary shares	575,450,000		575,450,000										5,000,000		**573,000,000**	**7,450,000**
b) other shares																
Share premium reserve	632,586		632,586												**632,586**	
Reserves:	(4,040,189)		(4,040,189)	(42,066,524)											**(46,329,300)**	**222,587**
a) retained earnings	(45,409,883)		(45,409,883)	(42,066,524)											**(87,698,994)**	**222,587**
b) other	41,369,694		41,369,694												**41,369,694**	
Valuation reserves	(5,556,666)		(5,556,666)											1,855,811	**(3,700,855)**	
Equity instruments																
Treasury shares																
Net profit (loss) for the period	(42,066,524)		(42,066,524)	42,066,524										2,655,507	**2,683,919**	**(28,412)**
Shareholders' equity	521,746,620		521,746,620											4,539,730	**526,286,350**	
Minorities interests	2,672,587		2,672,587										5,000,000	-28,412		7,644,175

Consolidated cash flow statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount 31/12/2015	Amount 31/12/2014
1. Cash generated from operations	**66,156,713**	**194,921,396**
- net profit for the year (+/-)	34,867,764	2,655,507
- net gains/losses on financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss (+/-)	511,071	610,170
- gains (losses) from hedging activities (+/-)	666,003	(666,007)
- net adjustments for impairment (+/-)	82,288,115	154,557,406
- impairment/recoveries to property and equipment and intangible assets (+/-)	5,116,082	8,823,740
- net provisions for risks and charges and other costs/income (+/-)	17,072,045	(1,763,401)
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes (+)	15,557,753	44,463,319
- impairment/recoveries to disposal groups net of tax effect (-/+)		4,672
- other adjustments (+/-)	(89,922,120)	(13,764,011)
2. Cash generated/absorbed by financial assets	**(44,566,236)**	**558,502,379**
- financial assets held for trading	(991,377)	
- financial assets designated at fair value through profit and loss		
- financial assets available for sale	(406,517,019)	
- due from banks: on demand	110,291,896	479,817,422
- due from banks: other receivables	207,200,678	(265,447,274)
- loans to customers	45,261,561	354,430,912
- other assets	188,025	(10,298,681)
3. Cash generated/absorbed by financial liabilities	**(17,652,164)**	**(752,079,290)**
- due to banks: on demand		
- due to banks: other debts	(339,452,449)	(133,145,978)
- due to customers	164,988,966	(76,242,680)
- debt securities issued	199,123,071	(549,357,487)
- financial liabilities held for trading		
- financial liabilities designated at fair value through profit and loss		
- other liabilities	(42,311,752)	6,666,855
Net cash generated/absorbed by operating activities	**3,938,313**	**1,344,485**
B. INVESTING ACTIVITIES		
1. Cash generated by	**1,707,796**	**159,704**
- sale of equity investments		
- dividends collected on equity investments		
- sale of financial assets held to maturity		
- sale of property and equipment	1,707,796	159,704
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(5,652,157)**	**(1,505,834)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of property and equipment	(528,157)	(1,556,423)
- purchase of intangible assets	(5,124,000)	(4,949,412)
- purchase of lines of business		5,000,000
Net cash generated/absorbed by investing activities	**(3,944,361)**	**(1,346,131)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations		
Net cash generated/absorbed by financing activities		
NET CASH GENERATED/ABSORBED IN THE YEAR	**(6,048)**	**(1,646)**

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Items	Amount 31/12/2015	Amount 31/12/2014
Cash and cash equivalents at beginning of year	10,216	11,862
Net increase (decrease) in cash and cash equivalents	(6,048)	(1,646)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	4,168	10,216

Santander
CONSUMER BANK

Notes to the Consolidated Financial Statements

Part A - Accounting policies

A.1 – General information

Section 1 – Declaration of compliance with International Financial Reporting Standards

Pursuant to Legislative Decree 38 of 28 February 2005, the consolidated financial statements of the Santander Consumer Bank Group have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established by Regulation no. 1606 of 19 July 2002.
The consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with Circular 262/05 as subsequently amended by the 4th update of 15 December 2015 "Guidelines for the preparation of the financial statements and the consolidated financial statements of banks and finance companies of banking groups" issued by the Bank of Italy, in the exercise of the powers established by art. 9 of Legislative Decree no. 38/2005 and with the Regulation of 22 December 2005. These Instructions establish binding rules governing the financial statements and how they are to be prepared, including the contents of the notes.
In preparing the financial statements the IAS/IFRS in force at 31 December 2015 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Section 2 – Basis of preparation

The consolidated financial statements consist of the balance sheet, income statement, statement of changes in shareholders' equity, statement of comprehensive income, cash flow statement and the notes to the consolidated financial statements and are also accompanied by the directors' report on the operations, results and financial position of the Santander Consumer Bank Group.
In accordance with the provisions of art. 5 of Legislative Decree 38/2005, the financial statements have been prepared using the euro as the functional currency.
The amounts in the financial statements are expressed in euro, whereas unless otherwise specified, those in the notes and the report on operations are expressed in thousands of euro.
The financial statements are prepared in accordance with the general principles laid down in IAS 1 and the specific accounting standards endorsed by the European Commission, as described in Part A.2 of these notes. In particular, these financial statements have been prepared on a going concern basis (IAS 1 para. 25 and para. 26), in accordance with the principle of accrual accounting (IAS 1 para. 27 and para. 28) and in compliance with the consistency of presentation and classification of items in the financial statements (IAS 1 para. 29). The assets and liabilities, income and expenses have not been offset unless required or permitted by a standard or interpretation (IAS 1 para. 32).
No exceptions have been made to the application of IAS/IFRS.
In addition to the figures for the reporting period, the financial statements and notes also provide comparatives at 31 December 2014.
The report on operations and the notes provide the information required by International Accounting Standards, by Italian law and by the Bank of Italy, as well as other non-mandatory information considered necessary to give a true and fair view of the Group's situation.
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts recognised in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities reported in the financial statements. The development of such estimates involves the use of available information and the adoption of subjective judgments based on past experience, which are used to formulate reasonable assumptions for recording corporate events. By their nature, the estimates and assumptions used can vary from year to year, which means that it cannot be excluded that in future years the figures in the financial statements may differ significantly due to changes in the subjective judgments used.
The main situations in which management has to make subjective judgments include the following:

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

As regards the aforementioned merger by absorption with Santander Consumer Unifin, the transaction, which qualifies as a merger involving an entity under common control, was accounted for on a continuous basis by carrying over the same book values to the financial statements of the surviving company, effective for accounting and tax purposes from 1 January 2015.

Contents of the consolidated financial statements

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

Statement of comprehensive income
The statement of changes in comprehensive income is presented in the manner prescribed by the Bank of Italy, based on the information required by IAS 1.
"Net profit (loss)" is the same amount shown in item 320 of the income statement.
The "other elements of income, net of taxes" include changes in the value of assets recorded during the year with contra-entry to the valuation reserves (net of tax).

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

Cash flow statement
The cash flow statement for the current and previous years has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for non-monetary transactions.
Cash flows are broken down into those generated by operating activities, investing activities and financing activities.
In this statement, the cash flows generated during the year are shown without a sign, whereas those absorbed are shown in brackets.

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

Section 3 – Scope of consolidation and consolidation method

1. Investments in subsidiaries

Company name	Head Office	Registered Office	Type of relationship (1)	Nature of Holding		% of votes (2)
				Parent company	% held	
Santander Consumer Finance Media srl in liquidation	Torino	Torino	1	Santander Consumer Bank SpA	65%	
Banca PSA Italia S.p.A.	Milano	Milano	3	Santander Consumer Bank SpA	50%	

Key
(1) Type of relationship:

1 = majority of voting rights at ordinary shareholders' meeting

2 = significant influence at ordinary shareholders' meetings

3 = agreements with other shareholders

4 = other forms of control

5 = joint management pursuant to art. 26, paragraph 1, of Legislative Decree 87/92

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

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

2. Main considerations and assumptions for the determination of the scope of consolidation
The consolidated financial statements include Santander Consumer Bank and the companies controlled thereby, in accordance with the concept of control envisaged by IFRS 10.

The scope of consolidation includes Santander Consumer Finance Media S.r.l. in liquidation, Banca PSA Italia S.p.A. and the segregated funds pertaining to the SPE Golden Bar S.r.l. (Securitisation).
According to IFRS 10, an entity controls an investee if and only if all of the following requirements are met:

1) The entity has the power to direct the relevant activities, i.e. the activities that significantly affect the investee's returns;
2) The entity is exposed, or has rights, to variable returns from its involvement with the investee;
3) The entity has the ability to use its power over the investee to affect the amount of the investor's returns.

The analysis performed on the existence of control over the companies included in the scope of consolidation took account of the factors set out below.
Santander Consumer Bank holds an equity interest of 65% in Santander Consumer Finance Media S.r.l. in liquidation. In the absence of further elements (contractual arrangements) that could be taken into account in determining whether control exists, it is believed that the control assessment requirements of IFRS 10 have been met.
Banca PSA Italia S.p.A. (formerly PSA Italia S.p.A.), which was set up on 30 October 2014, was granted a banking licence by the European Central Bank on 6 October 2015.
The Parent Company, Santander Consumer Bank, and Banque PSA Finance each hold 50% of the share capital and the existence of control by Santander Consumer Bank was determined based on the following assumptions.
The company was set up under a framework agreement entered into between Santander Consumer Finance Group and Peugeot Group, through its subsidiary Banque PSA Finance.
The subsidiary offers a wide range of consumer financial services focused on the automotive sector.
As previously stated, based on IFRS 10, a company controls an investee if it has the ability, by means of a legal or substantial right, to significantly impact management decisions that affect the amount of the investor's returns and where it is exposed to variable returns.
In assessing the existence of control, identification was made of the relevant activities, that is, the activities that significantly affect the investee's returns, and the manner in which decisions are made in relation to these activities.
Activities identified as relevant, in a company that operates in the investee's sector, are financing activities, inclusive of ALM, risk management and commercial management.
Under the framework agreement executed by both Groups, by means of a casting vote, Santander Consumer Bank has the power to direct two of the three strategic areas; financing activities and risk management.
The above factors have led the two shareholders to conclude that Santander Consumer Bank exercises control over PSA Italia S.p.A. and that Banque PSA Finance exercises a significant influence thereover.
As regards the analysis performed of the impact of IFRS10 on the securitisations, on account of the contractual structure thereof and of the Parent Company's role as originator and servicer, the latter has the power, under the related contracts, to direct the relevant activities that impact the results of the securitised portfolio and, as subscriber of the Junior securities, is exposed to the returns on the portfolio, it has been concluded that there is still a requirement for the consolidation of the portfolios.
It has been deemed that there is no such requirement for the SPE, given that it is not subject, neither from an equity interest nor from a contractual point of view, to control by the Group.
The following is a list of the owners of the segregated funds included in the consolidation:

Company name	Head office
A. Companies	
1. Golden Bar (Securitisation) S.r.l.	Turin

3. Investments in subsidiaries with significant minority interests

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

Company Name	Minorities interests %	Minorities votes availability % (1)	Dividends paid to minorities
Santander Consumer Finance Media S.r.l. in liquidazione	35.0 %	35.0 %	35.0 %
Banca PSA Italia S.p.A.	50.0 %	50.0 %	50.0 %

(1) Available votes during the ordinary meeting

3.2 Investments with significant minority interests: accounting information

Company Name	Total Assets	Cash and cash equivalents	Financial assets	Tangible and intangible assets	Financial liabilities	Equity	Interest margin	Net interest and other banking income	Operating expenses	Profit (loss) from continuing operations before tax	Profit (loss) from continuing operations after tax	Profit (loss) from dismissing assets activity after tax	Prof (loss) for the period (1)	Other income elements after tax (2)	Consolidated comprehensive income (3) = (1) + (2)
Santander Consumer Finance Media S.r.l. in liquidazione	11,115		9,205		3,435	7,403	511	266	(312)	(191)	(151)		(151)		(151)
Banca PSA Italia S.p.A.	10,203		10,000			9,914			(290)	(290)	(86)		(86)		(86)

4. Significant restrictions

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

5. Other information

There is no further information to be disclosed.

Consolidation method

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

Section 4 – Subsequent events

The subsidiary Banca PSA underwent a capital increase on 4 January 2016, following which, the Parent Company acquired 50% of the new shares issued from Banque PSA to retain the same percentage holding.
Moreover, on 28 January 2016, the Spanish subsidiary Santander Consumer Finance S.A. paid in a capital contribution of Euro 80,000 thousand, which was recognised as a capital reserve of the Bank.
For further details on the foregoing matters, please see the section on “Significant subsequent events” in the report on operations that accompany the financial statements.
Pursuant to IAS 10, these financial statements were authorized for publication on 24 February 2016.

Section 5 – Other aspects

Listed below are changes in international accounting standards or related interpretations that have become effective as from the 2015 financial year:

- IFRIC Interpretation 21 Levies;
- Amendments to IFRS 3 Business combinations;
- Amendments to IFRS 13 Fair value measurement;

- Amendments to IAS 40 Investment property.

Complete copies of the last financial statements with the reports on operations of the companies that at 31 December 2015 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2016, will be deposited at head office.
The related reports of the Board of Statutory Auditors and Independent Auditors will also be deposited. The prior year financial statements of these companies will also be deposited.
Information on the activities and results achieved by the subsidiaries in 2015 are included in the report accompanying the consolidated financial statements.
The consolidated financial statements are audited by Deloitte & Touche S.p.A., pursuant to the Resolution of the Shareholders' Meeting of 27 April 2010, which appointed this firm to perform the audit for the nine years from 2010 to 2018.
As a result of the proposal by Banco Santander S.A. to appoint PriceWaterHouseCoopers S.p.A. as independent auditors for the financial years 2016-2018, a proposal will be submitted to the Shareholders' Meeting convened to approve the 2015 financial statements to mutually terminate the above appointment of Deloitte & Touche S.p.A. and to appoint new independent auditors for the financial years 2016-2024.

A.2 – Main captions in the financial statements

This section explains the accounting policies followed to prepare the 2015 financial statements. The Group's accounting policies are explained with reference to the classification, recognition, measurement and derecognition of assets and liabilities. A description of the economic effects is given for each of these stages, where relevant.

1. Financial assets held for trading

Recognition
Financial assets held for trading are initially recognised on the subscription date. They are recognised at fair value without considering transaction costs or income directly attributable to the instrument concerned.

Classification
Derivatives traded in connection with securitisations are classified within this category by the Parent Company. Derivatives are recognised as an asset if the fair value is positive and as a liability if the fair value is negative. These contracts are not subject to net settlement by either counterparty.
Reclassifications to other categories of financial assets are not allowed unless rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

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

2. Financial assets available for sale

Recognition
Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the payout date.
Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument. If, when permitted by the accounting standards, recognition occurs as a result of reclassification from "Financial assets held to maturity", the carrying amount is the fair value at the time of the transfer.

Classification
This category includes financial assets that are not otherwise classified as Loans, Assets held for trading, Assets held to maturity, or Assets designated at fair value through profit and loss.
In particular, this category comprises debt securities that are not held for trading and that are not classified as Assets held to maturity or designated at fair value through profit and loss or which are classified as Loans.

Measurement
Subsequent to initial recognition, "Financial assets available for sale" are measured at fair value, with recognition in the income statement of the corresponding value at amortised cost, while gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised or an impairment loss is recognised.

Upon disposal, in whole or in part, or on recognition of impairment, the accumulated gains or losses are recognised in profit or loss.
For the determination of fair value, estimates and valuation models are used based on prices quoted on an active market.
"Financial assets available for sale" are subject to impairment testing to determine whether there is objective evidence of impairment. If such evidence exists, the amount of the loss is measured as the difference between the carrying amount of the assets and their fair value.
If the reasons for impairment cease to exist due to an event occurring after recognition of the impairment, write-backs are made against the income statement. The amount of the reversal shall not in any case exceed the amortised cost that the instrument would have had in the absence of previous adjustments.

Derecognition
Financial assets are only derecognised if their disposal involves the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if legally ownership of the assets has effectively been transferred.
Even if the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflect the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.
Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the cash flows, with a simultaneous obligation to pay such cash flows, and only them, to third parties.

3. Loans

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

Classification
Loans include loans to customers and to banks, whether granted directly or acquired from third parties, with fixed or determinable payments, that are not quoted in an active market and which were not originally classified as "Financial assets available for sale". Loans also include lease receivables, salary assignment and delegation of payment, as well as loans sold in connection with securitisations that do not satisfy the conditions laid down by IFRS 10.

Measurement and recognition of components affecting the income statement
After initial recognition, loans are measured at their amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/recoveries and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans. The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.
Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. These include loans classified as non-performing in compliance with current Bank of Italy regulations. These loans are collectively assessed and the adjustment made for the loans equates to the difference between their carrying amount at the time of measurement (amortised cost) and the present value of expected cash flows, discounted using the original effective interest rate. Adjustments are booked to the income statement. The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent such adjustments. The writeback is recorded in the income statement. Loans for which there is no objective evidence of impairment, i.e. those usually classified as performing loans, are periodically assessed and adjusted if they are deemed to be impaired. This assessment takes place by homogeneous loan categories in terms of their credit risk and the relative loss percentages are estimated taking into account past experience, based on observable elements at the measurement date, which make it possible to estimate the value of the loss for each category of loans. Adjustments that are calculated on a collective basis are charged to the income statement.

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

4. Hedging derivatives

Type of hedges
Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. Of the types of hedges that are allowed, the Parent Company uses cash flow hedging (CFH) to neutralise the exposure of its liabilities to changes in future cash flows arising from unexpected fluctuations in interest rates and fair value hedging (FVH) to neutralise changes in fair value of hedged financial assets and liabilities.

Measurement
Hedging derivatives are measured at their fair value. Changes in the fair value of a cash flow hedge (CFH) are recognised directly in equity to the extent of the portion that is determined to be an effective hedge and are recognised in the income statement only when, with reference to the hedged item, the hedging instrument fails to provide an effective hedge. In the case of fair value hedges (FVH), any change in the fair value of the hedging instrument is recognised in the income statement, as are changes in the fair value of the hedged item, with a net effect to reflect the partial ineffectiveness of the hedge.
Hedging transactions are formally documented and subject to regular testing by:

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

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

Recognition of components affecting the income statement
In the case of CFH derivatives, as long as the effectiveness of the hedge remains, changes in the fair value of the hedging derivative are recorded in a specific cash flow hedging reserve with these reserves merely being released on expiry of the derivative or the ineffective portion being transferred to the income statement on failing the effectiveness test). In the case of FVH derivatives, changes in the fair value of the hedging derivative and of the hedged item are recognised in the income statement.
Differentials on hedging derivatives, whether FVH or CFH, are recognised in the income statement on a pro-rata basis.

5. Equity investments

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

6. Property and equipment

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

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

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

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

7. Intangible assets

Classification
This category includes non-monetary, identifiable intangible assets with a useful life of several years, mainly represented by software. Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

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

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

8. Non-current assets held for sale and discontinued operations and liabilities associated with groups of assets held for sale

Recognition
In this category are recognised non-current assets whose carrying value will be recovered principally through a sale rather than through its continuing use. This case includes leased assets that have been repossessed as a result of the premature interruption or termination of the period of the contract. The related recognition occurs once the full availability of the asset is ascertained, for an amount equal to the lower of the carrying value and its fair value net of costs to sell, that meets the requirements of high probability that it will be sold, as well as reduced time lag between initial recognition and subsequent disposal, usually within a year.

Classification and recognition of components affecting the income statement
Assets that meet the criteria to be classified as non-current assets held for sale are shown separately in the balance sheet.

Measurement
Assets that meet the criteria to be classified in this category are valued at the lower of their carrying value and fair value, net of costs to sell. The related adjustment is recorded under impairment losses on property and equipment, as required by the instructions for preparation of the financial statements of banks issued by the Bank of Italy (Circular 262/2005 4th update).

Derecognition
The derecognition of non-current assets held for sale takes place when the asset is sold.

9. Current and deferred taxation

The effects of current and deferred taxation are recognised by applying the current tax rates. Income taxes are recognised in the income statement.
The provision for income taxes is determined on the basis of a prudent estimate of current taxes, deferred tax assets and deferred tax liabilities. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences - without time limits - between the value of an asset or a liability according to statutory criteria and the corresponding values for tax purposes.
Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences or tax losses carried forward, are recognised to the extent that their recovery is likely.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in regulations or tax rates.

10. Financial liabilities held for trading

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

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

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

11. Provisions for risks and charges

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

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

Provisions for risks and charges include the provisions for risks and charges dealt with in IAS 37.

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

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

12. Debts and debt securities issued

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

Classification
Amounts due to banks, amounts due to customers, debt securities issued and financial liabilities held for trading represent the various forms of interbank and customer funding.

Measurement
After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. As an exception, short-term liabilities are measured at the amount collected, as the effect of the time factor is insignificant.

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

13. Other information

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

Provision for employee termination indemnities
The provision for employee termination indemnities is recognised on the basis of its actuarial value. For the purposes of discounting, the projected unit credit method is used, which involves the projection of future payments based on historical statistical analyses and the demographic curve, and the discounting of these flows on the basis of a market interest rate. The contributions paid in each year are considered as separate units, recorded and evaluated individually in order to determine the final obligation.
Following implementation of the changes to IAS 19 - Employee Benefits, the accounting treatment of the various components are as follows: personnel charges include interest costs (which correspond to the change in the current value of the actuarial estimate at the previous year-end, merely due to the fact that the estimated date of disbursement is getting closer) and service costs (which correspond to the higher cost due mainly to the increase in salaries and in the workforce). Actuarial gains and losses (reflecting any variation in the present value caused by changes in the macroeconomic scenario or in interest rate estimates) have been posted to shareholders' equity.

Provisions for commitments and guarantees given
There are no guarantees given or commitments.

Share-based payments
There are no share-based payments.

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

Fair value measurements
Fair value may be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required by IFRS 13, fair value measurement has been adopted for each specific asset or liability. Accordingly, the characteristics of the asset or liability being measured have been taken into account. The characteristics include the following:
- the condition and location of the asset;
- any restrictions on the sale and use of the asset.

Fair value measurement assumes that the sale or transfer of the asset or liability takes place:
- in the principal market for the asset or liability;
- or in the absence of a principal market, the most advantageous market for the asset or liability.

For the criteria used for the determination of the fair value of financial assets and liabilities, please see Part A Accounting policies – A.4 Information on fair value.

Method of determining amortised cost
The amortised cost of a financial asset or liability is the amount at which it was measured on initial recognition, net of repayments of principal, plus or minus accumulated amortisation (calculated using the effective interest method) of the differences between the initial value and its value on maturity, less any impairment loss.
The effective interest rate is the rate that equates the present value of a financial asset or a liability to the contractual flow of future cash payments, either received up to the expected maturity or to the next date that the price is recalculated. To calculate the present value, the effective interest rate is applied to the future cash flows received or paid through the entire life of the financial asset or liability, or for a shorter period under certain conditions (for example, if there is a change in market rates).
After initial recognition, the amortised cost permits the allocation of revenues and costs to decrease or increase the instrument over its entire expected life through the amortisation process.
With particular reference to loans or finance that arise from the consumer finance business, leases and salary assignment and delegation of payment, contributions received from affiliates under special conventions as part of promotional campaigns (consumer contracts and leases at subsidised rates of interest) and preliminary fees in excess of the costs incurred are classified as transaction income; reimbursements of stamp duty and legal fees, on the other hand, are excluded, as they are mere recoveries of expenses. Reimbursements of collection expenses are also excluded from the calculation of the effective interest rate because of the low mark-up compared with the actual charges incurred for the collection of loan repayments.
On the cost side, commissions and rappels paid to credit intermediaries and insurance premiums relating to salary assignment and delegation of payment are attributed to the financial instrument.
With regard to credit cards, the immateriality of the amounts of associated transaction costs, and the absence of a sinking fund plan known beforehand because of their floating-rate structure, means that the income and expenses associated with such an instrument tend to be excluded from the scope of amortised cost.
As mentioned in the sections on the measurement of loans and debts and debt securities issued, measurement at amortised cost is not applied to financial assets and liabilities whose short duration means the effect of discounting is insignificant, nor to non-performing loans.

Method of determining the impairment of financial assets
At each reporting date, financial assets classified as "held for trading" are subjected to an impairment test to verify whether there is objective evidence that their carrying amount may not be fully recoverable.
There is impairment if there is objective evidence of a reduction in future cash flows compared with those originally estimated, as a result of specific events; the loss must be quantified in a reliable manner and associated with actual events rather than just expected events.
The assessment of impairment is carried out on an individual basis for financial assets that present specific evidence of impairment and collectively for financial assets for which no analytical assessment is required or for which analytical assessment did not result in an impairment.
Loans to customers and banks are subject to analytical assessment if they have been classified as doubtful, unlikely to pay or past due according to the definitions of the Bank of Italy, which are consistent with IAS/IFRS.
These non-performing loans are assessed analytically and the adjustment made to each position represents the difference between their carrying amount at the time of measurement (amortised cost) and the present value of expected cash flows, discounted using the original effective interest rate.

Expected cash flows take account of the likely recovery period, the estimated realisable value of any guarantees obtained and the probable costs to be incurred to recover the outstanding loan. Cash flows relating to loans whose recovery is expected in the short term are not discounted, as the financial factor is not significant.
Loans for which there is no objective evidence of loss are assessed for impairment on a collective basis.

Intercompany transactions

Banking and commercial transactions with the shareholder, the parent company and its subsidiary Santander Consumer Finance Media S.r.l. in liquidation and Banca PSA Italia S.p.A. are regulated on an arm's-length basis.

Securitisations

IFRS 10 introduced a single control model to be applied to all entities, comprising those previously considered to be special purpose entities under SIC 12. Based on this definition of control, an investor controls an investee when the investor has power over relevant activities, it is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Accordingly, segregated funds pertaining to special purpose entities, consisting of assets sold but not derecognised, are consolidated on a line-by-line basis.
With reference to the Financial Stability Forum's recommendations on transparency and in accordance with the Supervisory Authority's instructions regarding the disclosure requirements relating to exposures to certain financial instruments, such as asset-backed securities (ABS), please refer to Part E, paragraph C. "Securitisation and assignment of assets".

A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: carrying value, fair value and effects on comprehensive income

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

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

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

A.3.3 Transfer of financial assets held for trading

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

A.3.4 Effective interest rate and cash flows expected from reclassified assets

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

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

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

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

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

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

A.4.2 Valuation processes and sensitivity

The process used for the determination of the fair value of individual financial statement components is illustrated below.
With respect to balance sheet assets:

- Cash, bank accounts, demand loans and current amounts due from banks. For these items, it is assumed that their fair value corresponds to their carrying amount.
- Short term amounts due from banks. The fair value is calculated by discounting expected cash flows.
- Derivatives: Fair value is determined by means of daily measurement based on expected cash flows.
- Securities portfolio: fair value is based on quoted market prices of financial instruments in active markets, or, if not available, on those for comparable assets.
- Loans to customers:
  - Demand loans. It is assumed that their fair value corresponds to their carrying amount.
  - Other assets. The fair value of the portfolio is calculated by discounting expected cash flows, net of impairment adjustments, using the average interest rate on loans granted in the month on which the valuation is based for each type of product.

With respect to balance sheet liabilities**:**

- Due to banks: on demand. It is assumed that their fair value corresponds to their carrying amount.
- Short and medium-to-long term amounts due to banks and debt securities issued: the fair value is calculated by discounting expected cash flows based on an interest rate curve observed directly in the market plus the intercompany spread applicable at the measurement date. For floating rate transactions, expected cash flows do not take account of the variable component that is not capable of being determined at the measurement date.
- Due to customers:
  - Time deposit accounts. Fair value is determined by discounting expected cash flows using the interest rate actually applied to the customer at the measurement date for the same maturities.
  - Current accounts and deposits. For these items, it is assumed that their fair value corresponds to their carrying amount.
- Derivatives: Please see the assumptions given for hedging derivatives under balance sheet assets.

A.4.3 Fair value hierarchy

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.
The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. Fair value is directly observable in active markets that the entity can access at the date of fair value measurement of identical or similar assets or liabilities.
- Level 2. Fair value is determined internally based on directly observable market inputs.
- Level 3. Fair value is determined internally based on unobservable inputs. The company makes use of assumptions determined internally.

A.4.4 Other information

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

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities designated at fair value	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		4,577			19,669	
2. Financial assets at fair value through P&L						
3. Available for sale financial assets	407,389					
4. Hedging derivative assets					1,009	
5. Property, plant and equipment						
6. Intangible assets						
Total	**407,389**	**4,577**			**20.678**	
1. Financial liabilities held for trading		5,091			20,669	
2. Financial liabilities at fair value through P&L						
3. Hedging derivative liabilities		28,643			51,646	
Total		**33,734**			**72,315**	

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

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

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

The Group does not hold any financial assets measured at fair value (Level 3).

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

The Group does not hold any financial liabilities measured at fair value (Level 3).

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

Assets/liabilities not valued at fair value or valued at fair value on non-recurring basis	31/12/2015				31/12/2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held to maturity financial assets								
2. Due from banks	449,019			449,054	772,661			772,661
3. Loans to customers	4,826,256			4,817,854	4,964,004			4,922,132
4. Investment property								
5. Non-current assets held for sale and discontinued operations					16		16	
Total	**5,275,275**			**5,266,909**	**5,736,681**		**16**	**5,694,793**
1. Due to banks	4,528,989			4,544,466	4,890,788			4,894,273
2. Due to customers	376,114			374,667	214,174			213,602
3. Debt securities in issue	300,045			298,032	136,926			137,142
4. Liabilities associated with non-current assets held for sale								
Total	**5,205,147**			**5,217,165**	**5,241,888**			**5,245,017**

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

A.5 Information on "day one profit/loss"

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

Part B - Information on the consolidated balance sheet

ASSETS

Section 1 – Cash and cash equivalents – item 10

1.1 Cash and cash equivalents: breakdown

This item shows a balance of Euro 4 thousand (Euro 10 thousand at 31 December 2014) and includes the liquidity held at the head office and at branches throughout the country in the form of cash:

	31/12/2015	31/12/2014
a) Cash	4	10
b) Demand deposits with Central banks		
Total	**4**	**10**

Section 2 – Financial assets held for trading – item 20

2.1 Financial assets held for trading: breakdown

These amount to Euro 4.577 thousand (Euro 19.669 thousand at 31 December 2014) and include the positive fair value of derivatives entered into in connection with securitisations with the Parent Company Banco Santander.

Items/Values	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other						
2. Equity securities						
3. Units in investment funds						
4. Loans						
4.1 Repos						
4.2 Other						
Total (A)						
B. Derivatives						
1. Financial derivatives:						
1.1 Trading		4,577			19,669	
1.2 Related to fair value option assets / liabilities						
1.3 Other						
2. Credit derivatives:						
2.1 Trading						
2.2 Related to fair value option assets / liabilities						
2.3 Other						
Total (B)		**4,577**			**19,669**	
Total (A+B)		**4,577**			**19,669**	

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

Items/Values	31/12/2015	31/12/2014
A. Cash assets		
1. Debt securities		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equity securities		
a) Banks		
b) Other issuers:		
- Insurance companies		
- Financial companies		
- Non-financial companies		
- Other		
3. Units investment funds		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total A		
B. Derivatives		
a) Banks		
- Fair value	4,577	19,669
b) Customers		
- Fair value		
Total B	**4,577**	**19,669**
Total (A+B)	**4,577**	**19,669**

Section 3 – Financial assets designated at fair value through profit and loss – item 30

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

Section 4 – Financial assets available for sale – item 40

4.1 Financial assets available for sale: breakdown

Items/Values	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	407,389					
1.1 Structured securities						
1.2 Other	407,389					
2. Equty instruments						
2.1 Designated at fair value						
2.2 Recognised at cost						
3. Units investment funds						
4. Loans						
Total	**407,389**					

These include securities issued by the Italian Treasury Ministry that have been classified, for the purpose of the computation of the new LCR requirements, as high quality liquid assets.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Items/Values	31/12/2015	31/12/2014
1. Debt securities	**407,389**	
a) Governments and central banks	407,389	
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equity instruments		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. Units in investment funds (including Private Equity funds)		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other entities		
Total	**407,389**	

4.3 Financial assets with specific hedges available for sale

No specific writedowns of financial assets classified as available for sale have been recognised in the year.

Section 5 – Financial assets held to maturity – item 50

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

Section 6 – Due from banks – item 60

6.1 Due from banks: breakdown

Amounts due from banks come to Euro 449,019 thousand (Euro 772,661 thousand at 31 December 2014) and are made up as follows:

Type of transaction / Values	31/12/2015				31/12/2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	**4,698**			**4,698**	**4,442**			**4,442**
1. Time deposits		X	X	X		X	X	X
2. Compulsory reserves	4,698	X	X	X	4,442	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	**444,321**			**444,356**	**768.219**			**768.219**
1. Loans	444,321			444,356	768.219			768.219
1.1 Current accounts and demand deposits	161,982	X	X	X	275,733	X	X	X
1.2 Time deposits		X	X	X		X	X	X
1.3 Other loans:		X	X	X		X	X	X
- Repos		X	X	X		X	X	X
- Finance leases		X	X	X		X	X	X
- Other	282,339	X	X	X	492,486	X	X	X
2. Debts securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other		X	X	X		X	X	X
Total	**449,019**			**449,054**	**772,661**			**772,661**

Key:
FV = Fair Value
BV = Book Value

Amounts due from central banks of Euro 4,698 thousand (Euro 4,442 thousand at 31 December 2014) consist of receivables due from the Bank of Italy relating to the compulsory reserve of the Parent Company.
Amounts due from banks refer to:

- credit balances on bank current accounts for Euro 161,982 thousand (Euro 275,733 thousand at 31 December 2014), consisting of cash deposits belonging to the segregated funds of the securitisations (Euro 142,219 thousand);
- other loans, which mainly include commercial paper of Euro 252,989 thousand, inclusive of accrued interest, issued by Santander Consumer Finance S.A. and subscribed for as a liquidity investment by the aforementioned segregated funds, whereas an amount of Euro 29,350 thousand relates to amounts paid by way of guarantee deposit and interest accrued thereon to the counterparty, Banco Santander, corresponding to the negative fair value of the derivative contracts entered into therewith.

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

6.2 Due from banks with specific hedges

As at the reporting date, there were no amounts due from banks with specific hedges.

6.3 Finance leases

As at the reporting date, there were no receivables under finance leases with banks.

Section 7 – Loans to customers – item 70

7.1 Loans to customers: breakdown

Loans to customers amount to Euro 4,826,256 thousand (Euro 4,964,004 thousand at 31 December 2014) and are made up as follows:

Type of transaction / Values	**31/12/2015**						**31/12/2014**					
	Book Value			**Fair Value**			**Book Value**			**Fair Value**		
	Not impaired	Non - performing loans		L1	L2	L3	Not impaired	Non - performing loans		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**4,688,087**		**138,169**			**4,817,854**	**4,801,876**		**162,128**			**4,922,132**
1. Current accounts	8,736		35	X	X	X	15,154		159	X	X	X
2. Repos				X	X	X				X	X	X
3. Mortgages				X	X	X				X	X	X
4. Credit cards, personal loans and wage assignment	2,577,446		128,638	X	X	X	2,842,251		141,206	X	X	X
5. Financial leasing	33,986		99	X	X	X	37,778		264	X	X	X
6. Factoring	151,884			X	X	X	115,532		259	X	X	X
7. Other loans	1,916,034		9,397	X	X	X	1,791,161		20,240	X	X	X
Debts securities												
8. Structured				X	X	X				X	X	X
9. Other				X	X	X				X	X	X
Total	**4,688,087**		**138,169**			**4,817,854**	**4,801,876**		**162,128**			**4,922,132**

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

In particular, loans to customers include:

- Euro 8,772 thousand (of which, Euro 35 thousand non-performing loans) for current accounts balances to customers and postal current accounts;
- Euro 2,706,084 thousand (of which, Euro 128,638 thousand non-performing loans) for loans to customers arising from financing personal loan transactions, credit cards and loans guaranteed by salary and pension assignment;
- Euro 34,085 thousand (of which, Euro 99 thousand non-performing loans) for loans to customers for finance leases, recorded at amortised cost;
- Euro 151,884 thousand of loans relating to factoring transactions with car manufacturers;
- Euro 1,925,431 thousand (of which, Euro 9,397 thousand non-performing loans) for loans to customers resulting from financing for car loans and other special-purpose loans.

The total of assets assigned and not derecognised, which, net of impairment adjustments, amounts to Euro 2,124,321 thousand, of which Euro 11,660 thousand is non-performing, was allocated to the various forms of financing, as required by the instructions for preparation of the financial statements.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction / Values	31/12/2015			31/12/2014		
	Not impaired	Non - performing loans		Not impaired	Non - performing	
		Purchased	Other		Purchased	Other
1. Debt securities issued by						
a) Governments						
b) Other public-sector entities						
c) Other issuers						
- non-financial companies						
- financial companies						
- insurance companies						
- other						
2. Loans to:						
a) Governments						
b) Other public-sector entities	25			82		
c) Other entities						
- non-financial companies	415,761		2,224	393,007		5,555
- financial companies	1,215		5	493		19
- insurance companies						
- other	4,271,086		135,940	4,408,294		156,554
Total	**4,688,087**		**138,169**	**4,801,876**		**162,128**

7.3 Loans to customers with specific hedges

There are no loans to customers with specific hedges.

7.4 Finance leases

	Amounts at 31/12/2015	
INFORMATION BY LESSOR	**Minimum lease payments**	**Present value of minimum lease payments**
Finance lease instalments due		
Up to 12 months	14,225	12,939
1 to 5 years	18,709	17,017
Beyond 5 years	4,883	4,442
Total	**37,817**	**34,398**
of which: Unguaranteed residual values accruing to the lessor		
Less: unearned finance income	3,419	X
Present value of minimum lease payments	**34,398**	**34,398**

The table provides information in accordance with IAS 17, paragraph 47, a) and c) and paragraph 65, as required by the instructions contained in the Bank of Italy's Circular 262 of 22 December 2005. The lease contracts with customers mainly form part of the general category of motor vehicle leasing.

Section 8 – Hedging derivatives – item 80

8.1 Hedging derivatives: breakdown by type of hedge and level

As at the reporting date, there were no hedging derivatives with a positive fair value (Euro 1,009 thousand at 31 December 2014).

	FV 31/12/2015			NV	FV 31/12/2014			NV
	L1	L2	L3	31/12/2015	L1	L2	L3	31/12/2014
A) Financial derivatives								
1) Fair value						1,009		499,000
2) Cash flows								
3) Net investments in foreign operations								
B) Credit derivatives								
1) Fair value								
2) Cash flows								
Total						**1,009**		**499,000**

Key:
FV = Fair Value
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The micro fair value hedging instruments that existed at 31 December 2014 and which had been taken out with the Spanish Parent Company Banco Santander to hedge changes in the fair value of fixed-rate loans payable, were terminated in September 2015.

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

For the related comments please read the description in point 8.1.

Section 9 – Fair value change of financial assets in hedged portfolios – item 90

9.1 Remeasurement of hedged assets: breakdown by hedged portfolio

Remeasurement of hedged assets / Group components	31/12/2015	31/12/2014
1. Positive fair value changes		
1.1 of specific portfolios:		
a) loans and receivables	24,246	43,654
b) available for sale financial instruments		
1.2 overall		
2. Negative fair value changes		
2.1 of specific portfolios:		
a) loans and receivables		
b) available for sale financial instruments		
2.2 overall		
Total	**24,246**	**43,654**

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

9.2 Assets subject to general hedging of interest rate risk

Hedged assets	31/12/2015	31/12/2014
1. Loans	1,391,653	2,256,845
Total	**1,391,653**	**2,256,845**

Section 10 – Equity investments – item 100

Following the line-by-line consolidation of the subsidiaries Santander Consumer Finance Media S.r.l. in liquidation and Banca PSA Italia S.p.A., no equity investments have been recognised in the financial statements.

Section 11 – Technical reserves carried by reinsurers – item 110

No Group company carries on insurance business.

Section 12 – Property and equipment – item 120

12.1 Property and equipment for business purposes: breakdown of assets measured at cost

Property and equipment amount to Euro 1,713 thousand (Euro 3,860 thousand at 31 December 2014) and are made up as follows:

Activities/Values	31/12/2015	31/12/2014
1.1 Own assets		
a) lands		
b) buildings		
c) office furniture and fitting	169	205
d) electronic system	1,189	1,179
e) other	355	2,476
1.2 Leased assets		
a) lands		
b) buildings		
c) office furniture and fitting		
d) electronic system		
e) other		
Total	**1,713**	**3,860**

"Other" consists of, in particular, vehicles owned by the Parent Company and used by employees to perform their work of Euro 76 thousand, deferred charges to be amortised, arising from expenditure on leasehold improvements (reclassified to property and equipment in accordance with IAS 38) of Euro 105 thousand and telephone systems, appliances and equipment of Euro 174 thousand.

The Group's fixed assets have been given the following useful lives for the purpose of calculating the annual depreciation charge:

Category of assets	Useful life (years)
OFFICE FURNITURE AND FURNISHINGS	9
ORDINARY OFFICE MACHINES	9
DATA PROCESSING MACHINES	5
TELEPHONE SYSTEMS	4
VEHICLES	4
MISCELLANEOUS EQUIPMENT	4
DEFERRED CHARGES TO BE AMORTIZED	6

12.2 Investment property: breakdown of assets measured at cost

No investment property is held.

12.3 Property and equipment for business purposes: breakdown revalued assets

There are no items of property and equipment used in operations that have been revalued.

12.4 Investment property: breakdown of assets measured at fair value

No investment property is held.

12.5 Property and equipment used for business purposes: changes in the period

Assets/Values	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening gross balance			**3,552**	**10,093**	**12,816**	**26,462**
A.1 Total net reduction value			(3,347)	(8,914)	(10,340)	(22,601)
A.2 Opening net balance			**205**	**1,179**	**2,476**	**3,860**
B. Increase			**15**	**422**	**90**	**528**
B.1 Purchases			15	422	90	528
B.2 Capitalized improvement costs						
B.3 Write-backs						
B.4 Posit. changes in fair value allocated to:						
- a) net equity						
- b) profit & loss						
B.5 exchange difference (+)						
B.6 Transfer from investment properties						
B.7 Other adjustment						
C. Decreases			**52**	**413**	**2,211**	**2,676**
C.1 Sales				9	1,155	1,163
C.2 Depreciation			52	404	1,056	1,512
C.3 Impairment losses allocated to:						
- a) net equity						
- b) profit & loss						
C.4 Negat.changes in fair value allocated to:						
- a) net equity						
- b) profit & loss						
C.5 exchange difference (-)						
C.6 Trasfers to:						
- a) held-for-sales investments						
- b) assets classified as held-for-sales						
C.7 Other adjustment						
D. Closing net balance			**169**	**1,189**	**355**	**1,713**
D.1 Total net write-down			(3,365)	(8,009)	(7,880)	(19,254)
D.2 Final gross balance			**3,534**	**9,197**	**8,236**	**20,966**
E. Carried at cost						

Each class of assets is measured at cost. Sub-item E (Measurement at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for tangible assets that are carried in the balance sheet at fair value.
The main additions in the year relate to upgrades to data processing equipment.
Depreciation relates, in particular, to vehicles (Euro 755 thousand) and data processing equipment (Euro 400 thousand).

12.6 Investment property: changes in the period

No investment property has been recognised in the financial statements.

12.7 Commitments to purchase property and equipment

There are no commitments to repurchase property and equipment.

Section 13 – Intangible assets – item 130

13.1 Intangible assets: breakdown by type

Intangible assets amount to Euro 9,141 thousand (Euro 8,165 thousand at 31 December 2014).

Assets/Values	31/12/2015		31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X		X	
A.1.1 Attributable to the Group	X		X	
A.1.2 Attributable to minorities	X		X	
A.2 Other intangible assets				
A.2.1 Assets valued at cost:				
a) Internally generated Intangible assets				
b) Other assets	9,141		8,165	
A.2.2 Assets valued at fair value:				
a) Internally generated Intangible assets				
b) Other assets				
Total	**9,141**		**8,165**	

"Other intangible assets" refer entirely to the software supplied to the Group companies.
The amortisation of software into production is calculated on the basis of a useful life of three years.

13.2 Intangible assets: change in the period

	Goodwill	Other internally generated intangible assets		Other intangible assets: other		Total
		Finite	indefinite	Finite	indefinite	
A. Opening gross balance				**66.844**		**66.844**
A.1 Total net reduction in value				(58.679)		(58.679)
A.2 Opening net balance				**8,165**		**8,165**
B. Increases				**5,124**		**5,124**
B.1 Puchases				5,124		5,124
B.2 Increases in internally generated intagible assets	X					
B.3 Write-backs	X					
B.4 Increases in fair value:						
- net equity	X					
- profit & loss	X					
B.5 Positive exchange differences						
B.6 Other changes						
C. Reductions				**4,148**		**4,148**
C.1 Disposals				97		97
C.2 Write-downs				4,051		4,051
- Amortization	X			4,051		4,051
- Write-downs						
+ in equity	X					
+ profit & loss						
C.3 Reduction in fair value						
- in equity	X					
- through profit or loss	X					
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Closing net balance				**9,141**		**9,141**
D.1 Total net reduction in value				(62,730)		(62,730)
E. Closing balance				**71,871**		**71,871**
F. Carried at cost						

Each class of assets is measured at cost. Sub-item F (Measurement at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for intangible assets that are carried in the balance sheet at fair value.
The additions in item B.1 relate to the capitalisation of costs incurred for the implementation of EDP application packages and the development of new computer programmes. Amortisation is calculated on the basis of a useful life of three years.

13.3 Other information

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

Section 14 – Tax assets and liabilities – asset item 140 and liability item 80

Current tax assets recognised in asset line item 140 amount to Euro 42,162 thousand (Euro 27,094 thousand in 2014), while current liabilities recognised in liability line item 80 amount to Euro -20,492 thousand (Euro 47,391 thousand in 2014).

14.1 Deferred tax assets: breakdown

	31/12/2015	31/12/2014
Deffered tax assets balancing the income statement	222,254	220,376
Deffered tax assets balancing net equity	886	1,889
Total	**223,140**	**222,265**

Deferred tax assets are accounted for with reference to deductible temporary differences, based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12.
The balance of Euro 223,140 thousand (Euro 222,265 thousand at 31 December 2014) consists of deferred tax assets through the income statement of Euro 222,254 thousand, mainly attributable to temporary differences arising from the deferred deductibility for IRES and IRAP purposes of loan adjustments, as well as Euro 1,139 thousand from adjustments required to adopt a consistent accounting policy for the salary assignment loan portfolio, and deferred tax assets through shareholders' equity of Euro 886 thousand attributable to the tax effect of actuarial gains and losses pertaining to termination indemnities (Euro 353 thousand) and the tax effect (Euro 533 thousand) of hedging derivatives with a negative fair value (Cash Flow Hedging Model).

14.2 Deferred tax liabilities: breakdown

The Group has recognised deferred tax liabilities at 31 December 2015 of Euro 106 thousand, of which Euro 91 thousand relates to changes in fair value of the available-for-sale securities portfolio.

	31/12/2015	31/12/2014
Deffered tax liabilities recognised to the income statement	15	15
Deffered tax liabilities recognised to the net equity	91	
Total	**106**	**15**

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

	31/12/2015	31/12/2014
1. Opening balance	**220.376**	**186,949**
2. Increases	**15,145**	**53,201**
2.1 Deferred tax assets of the year		
a) relating to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other (creation of temporary differences, use of TLCF)	15,145	49,153
2.2 New taxes or increases in tax rates		
2.3 Other increases		4,048
3. Decreases	**13,267**	**19,774**
3.1 Deferred tax assets derecognised in the year		
a) reversals of temporary differences	13,265	5,943
b) write-downs of non-recoverable items		
c) change in accounting policies		
d) other	2	814
3.2 Reduction in tax rates		
3.3 Other decreases		
a) conversion into tax credit under L. 214/2011		12,771
b) others		246
4. Closing balance	**222,254**	**220,376**

The increase in deferred tax assets included in "Deferred tax assets recognised during the year - other" mainly reflects the temporary differences caused by the deductibility for IRES and IRAP purposes of impairment losses on loans (Euro 8,003 thousand), as well as the creation of deferred tax assets related to provisions for risks and charges made in the year.

With respect to writedowns of and losses arising from loans to customers as per art. 106, paragraph 3 of Presidential Decree 917/1986, the new deferred tax assets recognised for IRES and IRAP purposes in 2015 are consistent with the legislative amendments introduced by art. 16, paragraph 1 of Government Decree 83 of 27 June 2015 that was converted into Law 132 of 6 August 2015. In particular, as from 27 June 2015, these income components have become fully deductible in the year in which they are recognised in the financial statements. For 2015 alone, 75% of the amounts thereof is deductible. The excess, as well as prior year deferred tax assets not yet deducted, are deductible to the extent of the percentages set out in paragraph 4 of the above article.

"Reversals", on the other hand, relate to the utilisation of provisions for risks and charges of an amount of Euro 7,599 thousand, to the reversal in the year of deferred tax assets recognised on adjustments required to adopt a consistent accounting policy for salary assignment loans measured at amortised cost of an amount of Euro 5,502 thousand and to the reversal in the year of deferred tax assets recognised on writedowns of other assets of Euro 164 thousand.

14.3.1 Changes in deferred tax assets as per Law 214/2011 (through the income statement)

The increase arises from the temporary non-deductibility of loan adjustments made in the year.

	31/12/2015	31/12/2014
1. Opening balance	**202,984**	**175,091**
2. Increases	**8,003**	**42,690**
3. Decreases	**2**	**14,797**
3.1 Reversals of temporary differences		102
3.2 Conversion into tax credits		
a) from year losses		12,771
b) from tax losses		
3.3 Other decreases	2	1,924
4. Closing balance	**210,985**	**202,984**

14.4 Changes in deferred tax liabilities (recognised in the income statement)

	31/12/2015	31/12/2014
1. Opening balance	**15**	**15**
2. Increases		
2.1 Deferred tax liabilities of the year		
a) relating to previous years		
b) due to change in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals of temporary differences		
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing balance	**15**	**15**

14.5 Changes in deferred tax assets (recognised to shareholders' equity)

	31/12/2015	31/12/2014
1. Opening balance	**1,889**	**6,855**
2. Increases		**106**
2.1 Deferred tax assets of the year		
a) relating to previous years		
b) due to change in accounting principles		
c) other (creation of temporary differences)		106
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases	**1,003**	**5,072**
3.1 Deferred tax assets derecognised in the year		
a) reversals of temporary differences		1,024
b) writedowns of non-recoverable items	1,003	
c) due to change in accounting principles		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		4,048
4. Closing balance	**886**	**1,889**

The decrease relates to the valuation at fair value of cash flow hedging derivatives (according to the Cash Flow Hedging Model) for Euro 1,000 thousand and to the actuarial valuation of employee termination indemnities for Euro 3 thousand.

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

	31/12/2015	31/12/2014
1. Opening balance		
2. Increases	**91**	
2.1 Deferred tax liabilities of the year	91	
a) relating to previous years		
b) due to change in accounting principles		
c) Other (creation of temporary differences)	91	
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversal of temporary differences		
b) due to change in accounting principles		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Final amount	**91**	

The increases in deferred tax liabilities (through shareholders' equity) relate to changes in fair value of available-for-sale securities.

Section 15 – Non-current assets held for sale and discontinued operations and associated liabilities – asset item 150 and liability item 90

15.1 Non-current assets held for sale and discontinued operations: breakdown by type

	31/12/2015	31/12/2014
A. Individual assets		
A.1 Financial assets		
A.2 Partecipazioni		
A.3 Property and equipment		16
A.4 Intangible assets		
A.5 Other non-current assets		
Total A		**16**
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		16
of which carried at fair value level 3		
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading		
B.2 Financial assets designated at fair value		
B.3 Available for sale financial assets		
B.4 Held to maturity investments		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
Total B		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		
C. Liabilities included in disposal groups classified as held for sale		
C.1 Deposits		
C.2 Securities		
C.3 Other liabilities		
Total C		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		
D. Liabilities included in disposal groups classified as held for sale		
D.1 Deposits from banks		
D.2 Deposits from customers		
D.3 Debt securities in issue		
D.4 Financial liabilities held for trading		
D.5 Financial liabilties designated at fair value		
D.6 Provisions		
D.7 Other Liabilities		
Total D		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		

15.2 Other information

There is no further information that needs to be disclosed to comply with IFRS 5, paragraph 42.

15.3 Information on equity investments in companies subject to significant influence not valued at equity

The Group has no equity investments in companies subject to significant influence.

Section 16 – Other assets – item 160

16.1 Other assets: breakdown

The balance of "Other assets", amounting to Euro 53,919 thousand (Euro 39,406 thousand at 31 December 2014), is made up as follows:

	31/12/2015	31/12/2014
Advances to suppliers	1,983	1,293
VAT receivables	909	733
Due from Tax Authorities for IRES & IRAP		
Stamp duties	1,778	2,858
Withholding taxes	4,616	219
Other tax receivables	14,610	14,798
Due from dealers	2,429	2,274
Due from insurances	9,893	9,850
Accruals and prepaid expenses	345	455
Assets in transit	15,300	5,613
Other items	2,055	1,312
Total	**53,919**	**39,406**

"Other amounts due from tax authorities" mainly relate to receivables due from the tax authorities for which the Bank has submitted an application for a refund (Euro 12,811 thousand) in connection with a settlement agreement entered into with the Regional Tax Office concerning intercompany transfers in the three year period 2008-2010, as well as to claims for tax rebates for the higher IRES paid in previous years on personnel costs not deducted for IRAP purposes (Euro 1,695 thousand).
"Items in transit" include items temporarily in transit relating to instalment collection.
“Insurance receivables” relate to receivables due for insurance brokerage commission.
Further details have been provided of the prior year balances to enhance the clarity of disclosures.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Due to banks – item 10

1.1 Due to banks: breakdown by type

Amounts due to banks amount to Euro 4,528,989 thousand (Euro 4,890,788 thousand at 31 December 2014) and are made up as follows:

Type of transactions/Group components	31/12/2015	31/12/2014
1. Due to central banks	**923,417**	**1,500,017**
2. Due to banks	**3,605,572**	**3,390,771**
2.1 Other current accounts and demand deposits	35,409	115,858
2.2 Time deposits	647,881	685,800
2.3 Loans		
2.3.1 Repos	412,544	796,567
2.3.2 Other	2,509,387	1,792,349
2.4 Payables for commitments to repurchase own equity instruments		
2.5 Other payables	352	197
Total	**4,528,989**	**4,890,788**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**4,544,466**	**4,894,273**
Total Fair value	**4,544,466**	**4,894,273**

"Due to central banks" includes loans received from the Bank of Italy in connection with LTRO and TLTRO operations with the European Central Bank (Euro 923,417 thousand).
"Due to banks" consist of:

- current accounts with a debit balance at the end of the year (Euro 409 thousand) and overnight lending operations (Euro 35,000 thousand);
- short-term loans granted by Santander Group companies (Euro 647,881 thousand);
- repo transactions with other banks (Euro 412,544 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon (Euro 199,750 thousand), loans granted by Santander Group companies as part of ordinary funding operations (Euro 2,303,356 thousand) and deposits offered as collateral against changes in fair value of securities underlying repo transactions (Euro 6,381 thousand);
- other payables, consisting of accrued balances on other amounts due to banks.

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

1.2 Details of item 10 "Due to banks": subordinated debts

This item, totalling Euro 199,500 thousand (229,000 thousand at 31 December 2014), includes loans granted by Santander Group companies aimed at strengthening the capital base of the Bank, and consists of:

Type	31/12/2015	31/12/2014
UPPER TIER II subordinated debt to Openbank S.A. - maturing in 2018	32,500	32,500
LOWER TIER II subordinated debt to Openbank S.A. - maturing in 2018	19,500	26,000
UPPER TIER II subordinated debt to Openbank S.A. - maturing in 2016	32,500	32,500
LOWER TIER II subordinated debt to Openbank S.A. - maturing in 2016	6,500	13,000
LOWER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2015		10,000
UPPER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2015		50,000
UPPER TIER II subordinated debt to Banco Madesant S.A. - maturing in 2019	12,500	12,500
LOWER TIER II subordinated debt to Banco Madesant S.A. - maturing in 2019	10,000	12,500
UPPER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2019	20,000	20,000
LOWER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2019	16,000	20,000
TIER II subordinated debt to Santander Consumer Finance - maturing in 2025	50,000	
Total	**199,500**	**229,000**

For further details on subordinated debt to banks mentioned in the table, see Part F (Information on Consolidated Shareholders' Equity), Section 2 (Capital and capital adequacy ratios), Section A.2 (Tier II capital).

1.3 Details of item 10 "Due to banks": structured debts

The Group has no structured debts.

1.4 Due to banks with specific hedges

The Group does not have any amounts due to banks with specific hedges.

1.5 Finance lease payables

The Group does not have any finance lease obligations.

Section 2 – Due to customers – item 20

2.1 Due to customers: breakdown

Due to customers amount to Euro 376,114 thousand (Euro 214,174 thousand at 31 December 2014) and are made up as follows:

Operations type/Group components	31/12/2015	31/12/2014
1. Current accounts and demand deposits	321,720	122,196
2. Time deposits	52,183	91,826
3. Loans		
3.1 Repos		
3.2 Other		
4. Payables for commitments to repurchase own equity instruments		
5. Other payables	2,210	152
Total	**376,114**	**214,174**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**374,667**	**213,602**
Fair value	**374,667**	**213,602**

"Current accounts and deposits" include demand deposits from customers, in particular the funds deposited on "Conto Santander" deposit accounts (Euro 296,068 thousand), ordinary current accounts (Euro 4,006 thousand) and savings deposit books held by employees (Euro 21,646 thousand).
"Other payables" mainly consist of payments in transit to customers.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

2.2 Details of item 20 "Due to customers": subordinated debts

The Group does not have any subordinated debts with customers.

2.3 Details of item 20 "Due to customers": structured debts

The Group does not have any structured debts with customers.

2.4 Due to customers with specific hedges

The Group does not have any amounts due to customers with specific hedges.

2.5 Finance lease payables

The Group does not have any finance lease obligations.

Section 3 – Debt securities issued – item 30

3.1 Debt securities issued: breakdown

Type of securities/Group components	31/12/2015				31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**300,045**			**298,032**	**136,926**			**137,142**
1. Bonds								
1.1 structured								
1.2 other	300,045			298,032	136,926			137,142
2. Other structured securities								
2.1 structured								
2.2 other								
Total	**300,045**			**298,032**	**136,926**			**137,142**

“Debt securities issued” relate to securities underlying a medium-to-long term bond issue programme that have been placed with institutional customers. This item also includes accrued interest.
For further details relating to the issues, please see the information provided on funding in the report on operations.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

3.2 Analysis of item 30 "Debt securities issued": subordinated securities

The Group has not issued any subordinated securities.

3.3 Details of item 30 "Debt securities issued": securities with specific hedges

The Group has not issued any securities with specific hedges.

Section 4 – Financial liabilities held for trading – item 40

4.1 Financial liabilities held for trading: breakdown

Operations type/Group components	31/12/2015					31/12/2014				
	VN	FV			FV*	VN	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.2 Bonds										
3.1.1 Structured					X					X
3.1.2 Other bond					X					X
3.2 Other securities										
3.2.1 Structured					X					X
3.2.2 Other					X					X
Total A										
B. Derivatives										
1. Financial derivatives			5,091					20,669		
1.1 Held for trading	X		5,091		X	X		20,669		X
1.2 Related to fair value option	X				X	X				X
1.3 Other	X				X	X				X
2. Credits derivatives										
2.1 Held for trading	X				X	X				X
2.2 Related to fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	**X**		**5,091**		**X**	**X**		**20,669**		**X**
Total (A+B)	**X**		**5,091**		**X**	**X**		**20,669**		**X**

Key:
FV= fair value
FV*= fair value calculated by excluding changes due to issuer’s creditworthiness variation from the issuance date
VN= notional value
L1= level 1
L2= level 2
L3= level 3

The derivatives in question relate to interest rate swaps entered into to hedge self-securitisations arranged by the Group.

4.2 Details of item 40 "Financial liabilities held for trading": subordinated liabilities

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

4.3 Details of item 40 "Financial liabilities held for trading": structured debts

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

Section 5 – Financial liabilities designated at fair value through profit and loss – item 50

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

Section 6 – Hedging derivatives – item 60

6.1 Hedging derivatives: breakdown by type of hedge and level

	Fair Value 31/12/2015			NV	Fair Value 31/12/2014			NV
	L1	**L2**	**L3**	**31/12/2015**	**L1**	**L2**	**L3**	**31/12/2014**
A. Financial derivatives								
1) Fair value		26,642		1,380,887		46,205		2,228,387
2) Cash flows		2,000		400,000		5,441		640,000
3) Net investments in foreign operations								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**28,643**		**1,780,887**		**51,646**		**2,868,387**

Key:
VN= notional value
L1= level 1
L2= level 2
L3= level 3

The amount shown in the above table refers to the negative fair value of interest rate swaps entered into by the Bank with the Spanish Parent Company Banco Santander and with the direct Parent Company Santander Consumer Finance. The derivatives portfolio consists of contracts taken out to hedge changes in the fair value of fixed-rate underlying assets, and contracts taken out to hedge the interest rate risk on the cash flows of floating-rate liabilities for the financing of fixed-rate assets. The change in their fair value, net of tax and accrued differentials for the year, is recorded with a contra-entry to the valuation reserves in equity, which at year end show a negative balance of Euro 1,079 thousand.
As regards checking the effectiveness of the hedge with respect to the underlying, reference should be made to Part E, Section 2 - Market risk, Subsection 2.2 - Interest rate risk and price risk, paragraph A (General aspects, management processes and methods of measuring interest rate risk and price risk).

The following table gives details of hedging derivatives with negative fair values at 31 December 2015 (in euro):

Notional (euro)	Start date	Settlement date	Counterparty	Fair value (euro)
15,000,000	09/02/2010	09/08/2016	Banco Santander	170,281
45,000,000	30/08/2010	30/08/2016	Banco Santander	364,529
40,000,000	31/08/2010	30/09/2016	Banco Santander	285,661
157,500,000	29/09/2010	29/03/2017	Banco Santander	2,119,650
17,600,000	25/10/2010	25/07/2017	Banco Santander	361,120
17,700,000	27/10/2010	27/07/2017	Banco Santander	364,277
19,000,000	17/11/2010	17/11/2017	Banco Santander	472,981
19,000,000	25/11/2010	27/11/2017	Banco Santander	464,061
49,437,000	27/12/2010	27/04/2018	Banco Santander	1,393,706
13,500,000	07/01/2011	07/07/2017	Banco Santander	263,439
50,500,000	14/02/2011	14/03/2019	Banco Santander	2,091,370
34,000,000	17/03/2011	18/09/2017	Banco Santander	945,852
60,000,000	27/05/2011	27/02/2018	Banco Santander	2,887,916
60,500,000	21/06/2011	21/03/2018	Banco Santander	2,167,489
63,500,000	14/07/2011	14/01/2019	Banco Santander	2,632,625
45,500,000	12/08/2011	12/08/2019	Banco Santander	1,438,619
29,900,000	06/07/2012	08/10/2018	Banco Santander	556,075
25,000,000	12/07/2012	12/10/2018	Banco Santander	276,107
107,000,000	02/08/2012	02/11/2018	Banco Santander	1,380,081
87,000,000	25/09/2012	25/03/2019	Banco Santander	1,075,260
112,500,000	09/11/2012	10/06/2019	Banco Santander	1,394,485
108,000,000	10/06/2013	10/04/2018	Banco Santander	874,671
99,500,000	21/06/2013	21/03/2019	Banco Santander	1,310,778
93,000,000	01/07/2013	01/02/2019	Banco Santander	1,283,595
75,000,000	19/07/2013	19/07/2016	Banco Santander	375,506
75,000,000	22/07/2013	22/07/2016	Banco Santander	356,760
5,000,000	21/01/2010	21/01/2016	Banco Santander	28,984
6,250,000	22/12/2009	22/03/2016	Banco Santander	38,854
250,000,000	31/05/2012	31/05/2016	Santander Consumer Finance	1,268,089
1,780,887,000				**28,642,822**

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value						Cash flow		Net investments in foreign operations
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Available for sale financial assets						X		X	X
2. Loans and receivables				X		X		X	X
3. Held to maturity investments	X			X		X		X	X
4. Porrfolio	X	X	X	X	X	26,642	X		X
5. Others						X		X	
Total assets						**26,642**			
1. Financial liabilities				X		X		X	X
2. Portfolio	X	X	X	X	X		X	2,000	X
Total liabilities								**2,000**	
1. Forecasted transactions	X	X	X	X	X	X		X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X		X		

For the related comments please read the description in point 6.1

Section 7 – Remeasurement of financial liabilities with general hedges – item 70

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

Section 8 – Tax liabilities – item 80

Please refer to Section 14 of the Assets.

Section 9 – Liabilities associated with non-current assets held for sale – item 90

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

Section 10 – Other liabilities – item 100

10.1 Other liabilities: breakdown

Other liabilities amount to Euro 185,907 thousand (Euro 192,671 thousand at the end of 2014) and consist of:

	31/12/2015	31/12/2014
Invoices to be received	39,718	33,937
Payables to employees	5,029	4,666
Due to Social Security institutions	2,193	1,875
Tax payables	2,645	2,141
Other amounts due to customers	12,985	39,862
Due to insurances	12,730	9,196
Factoring payables	61,572	62,711
Accruals and deferred income	128	128
Items in transit	25,070	15,765
Other liabilities for commissions	9,107	9,718
Provision for endorsement credits		19
Other payables	14,729	12,632
Due to Isban		21
Total	**185,907**	**192,671**

"Other amounts due to customers" include temporary credit balances with customers for early repayments and the temporary credit balances for instalment payments received in advance of the contractual expiry date. The prior year balance included amounts collected out of employee termination indemnities in relation to salary assignment loans that, following the merger, were recognised as an adjustment to loans to customers.
"Items in transit" mainly include items in transit relating to instalment collection and customer refunds, as well as the settlement of loans.

“Other payables” mainly include a provision for agents' indemnity (Euro 5,536 thousand), payables due to companies to which loan portfolios have been sold, consisting of amounts due to the companies for which the Bank provides servicing activities (Euro 3,223 thousand) and expenses incurred for the collection of salary assignment loan instalments (Euro 1,645 thousand).

Further details have been provided of prior year comparatives to enhance the clarity of disclosures.

Section 11 – Provision for employee termination indemnities – item 110

11.1 Provision for employee termination indemnities: change in the year

	31/12/2015	31/12/2014
A. Opening balance	**4,223**	**4,754**
B. Increases	**10**	**455**
B.1 Provision of the year	10	133
B.2 Other increases		322
C. Decreases	**595**	**986**
C.1 Payments made	586	986
C.2 Other decreases	8	
D. Closing balance	**3,639**	**4,223**

The provision for employee termination indemnities amounts to Euro 3,639 thousand (Euro 4,223 thousand at 31 December 2014) and, as required by IAS 19, this coincides with its actuarial valuation (Defined Benefit Obligation – DBO).
The actuarial assumptions adopted for the valuation of the provision at the reporting date are the following:

- discount rate: 1.75%;
- expected inflation rate: 2%;
- annual rate of increase in provision for employee termination indemnities: 2%;
- frequency of advances: 6.5%.

The following demographic assumptions were used:

- death: ISTAT 2013 mortality tables;
- disability: INPS tables broken down by age and gender;
- retirement: in accordance with law 214/2011.

With the introduction of the reform envisaged by Law 296/2006 (2007 Finance Act) on supplementary pensions, amounts provided relate to interest cost, corresponding to interest cost accrued at the beginning of the period and interest cost pertaining to movements in the year.
In addition, in line with the amendment to IAS 19 regarding the recognition of actuarial gains and losses accrued at the balance sheet date, they have been recognised with the OCI method as decreases or increases under item "other changes" (Euro 8 thousand at 31 December 2015).

Section 12 – Provisions for risks and charges – item 120

12.1 Provisions for risks and charges: breakdown

Items	31/12/2015	31/12/2014
1. Provisions for pensions and similar obligations		
2. Other provisions for risk and charges	21,530	9,379
2.1 Legal disputes	10,017	5,355
2.2 personnel charges		
2.3 Other	11,512	4,024
Total	**21,530**	**9,379**

With reference to the items in the table, see the next section.

12.2 Provisions for risks and charges: change in the year

	31/12/2015	
	Pensions and post retirement benefit obligations	**Other provisions**
A. Opening balance		**9,379**
B. Increases		**15,314**
B.1 Provision for the year		15,309
B.2 Time value change		
B.3 Difference due to discount-rate changes		
B.4 Other increases		5
C. Decreases		**3,163**
C.1 Utilisations during the year		961
C.2 Difference due to discount-rate changes		
C.3 Other decreases		2,202
D. Closing balance		**21,530**

The main increases in item "B.1 - Provisions for the year" relate to provisions for legal disputes with customers and dealers, as well as allocations to provisions for customer disputes relating to the salary assignment loan portfolio. For further details, please refer to the corresponding income statement table.
“Utilisations during the year” relate to reversals of provisions through line item 160 of the income statement, set up in prior years for lawsuits, whereas “Other changes” relate to utilisations of provisions set up in prior years as a result of disbursements made.

12.3 Defined-benefit pension plans

The Group has not established any company pension funds with defined benefits.

12.4 Provisions for risks and charges - other provisions

The Group has not set aside any provisions as per IAS 37, paragraphs 85, 86, 91.

Section 13 – Technical reserves – item 130

The Group does not have any technical reserves.

Section 14 – Redeemable shares – item 150

The Group has not approved any share redemption plans.

Section 15 – Group shareholders' equity – items 140, 160, 170, 180, 190, 200 and 220

The Group Shareholders' Equity amounts to Euro 563,466 thousand (Euro 526,287 thousand at 31 December 2014) broken down as follows:

Items/Amounts	31/12/2015	31/12/2014
1. Share capital	573,000	573,000
2. Share premium reserve	633	633
3. Reserves	(43,522)	(46,329)
4. (Treasury shares)		
a) parent company		
b) subsidiaries		
5. Valuation reserve	(1,608)	(3,701)
6. equity instruments		
7. Group profit (loss) of the year	34,964	2,684
Total	**563,466**	**526.287**

Retained earnings are described later in this section.
Valuation reserves relate to positive changes in fair value of available-for-sale financial assets (Euro 184 thousand), cash flow hedging derivatives (Euro -1,079 thousand) and the impact of measurement in accordance with IAS 19 of the provision for termination indemnities (-713 thousand).

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

For the breakdown of share capital, see point 15.2 below.

15.2 Share capital – number of shares of the Parent Company: change in the year

Items/Types	Ordinary	Other
A. Outstanding shares at the beginning of the year	**573,000**	
- fully paid	573,000	
- not fully paid		
A.1 Treasury shares (-)		
A.2 Outstanding shares: opening balance	**573,000**	
B. Increases		
B.1 New issues		
- against payment		
- business combinations		
- bonds converted		
- warrants exercised		
- other		
- free		
- to employees		
- to Directors		
- other		
B.2 Sales of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**573,000**	
D.1 Treasury Shares (+)		
D.2 Outstanding shares at the end of the year		
- fully paid		
- not fully paid		

15.3 Share capital: other information

At 31 December 2015, the share capital of Santander Consumer Bank S.p.A. amounts to Euro 573 million, made up as follows:

	Total 31/12/2015	**Total 31/12/2014**
Par value per share (zero if the shares have no par value)	1,000	1,000
Fully paid		
Number	573,000	573,000
Amount	573,000,000	573,000,000
- Agreed sale of shares:		
Number of shares under contract		
Total amount		

15.4 Retained earnings: other information

The retained earnings of the Group at 31 December 2015 consist of accumulated losses of the Parent Company Santander Consumer Bank (Euro -75,556 thousand), the legal reserve (Euro 424 thousand), retained earnings of the subsidiary Santander Consumer Finance Media S.r.l. in liquidation (Euro 361 thousand) and merger reserves (Euro -10,121 thousand).

15.5 Other information

The Group has not issued any puttable financial instruments ("financial instruments repayable on demand") and has not approved any distribution of dividends.

Section 16 – Minority interests – item 210

16.1 Details of item 210 “Minority interests"

Minority interests are made up as follows:

Company name	31/12/2015	31/12/2014
Investments in consolidated companies with significant minority interests		
1. Banca PSA Italia S.p.A.	4,957	5,000
2. Santander Consumer Finance Media S.r.l. in liqu.	2,591	2,644
Others investments		
Total	**7,548**	**7,644**

These amounts relate to the portion of shareholders' equity attributable to De Agostini Group in relation to its 35% equity interest in Santander Consumer Finance Media s.r.l. in liquidation and to Banque PSA in relation to its 50% equity interest in Banca PSA Italia S.p.A.

16.2 Equity instruments: breakdown and change during the period

There are no equity instruments attributable to minority interests.

OTHER INFORMATION

1. Guarantees given and commitments

Operations	31/12/2015	31/12/2014
1) Financial guarantees given to		
a) Banks		551
b) Customers		
2) Commercial guarantees given to		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) certain to be called		
ii) not certain to be called		
b) Customers		
i) certain to be called	108,720	94,871
ii) not certain to be called		
4) Commitments underlying credit derivatives: protection sales		
6) Assets formed as collateral for third-party obligations		
6) Other commitments		
Total	**108,720**	**95,422**

Irrevocable loan commitments relate to factoring arrangements with car manufacturers.

2. Assets used to guarantee own liabilities and commitments

There are no assets used to guarantee own liabilities or commitments.

3. Information on operating leases

No Group company has taken out operating leases.

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

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

5. Administration and trading on behalf of third parties

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

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

Technical forms	Gross amounts of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet values of fiinancial asset (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
				Financial instruments (d)	Cash deposits posted as collateral (e)		
1) Derivatives	4,577		4,577		4,530	47	674
2) Repos							
3) Securities lending							
4) Others							
Total 31/12/2015	**4,577**		**4,577**		**4,530**	**47**	**X**
Total 31/12/2014	**17,138**		**17,138**		**16,464**	**X**	**674**

As required by IFRS 7, it is hereby disclosed that derivatives entered into with the Spanish Group company Abbey National Treasury Services Plc, the amount of which at 31 December 2015 is shown in "column c)" of the above table, are subject to an ISDA based framework agreement. The effects of the potential offsetting of exposures for which cash collateral has been provided are shown in column e) "Cash deposits received/offered as collateral".

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

Technical forms	Gross amounts of financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet values of fiinancial liabilities (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
				Financial instruments (d)	Cash deposits posted as collateral (e)		
1) Derivatives	27,375		27,375		27,375		
2) Repos	412,256		412,256		412,256		
3) Securities lending							
4) Others							
Total 31/12/2015	**439,631**		**439,631**		**439,631**		**X**
Total 31/12/2014	**836,978**		**836,978**		**836,978**	**X**	

As required by IFRS 7, it is hereby disclosed that derivatives entered into with Banco Santander, the amount of which at 31 December 2015 is shown in "column c)" of the above table, are subject to an ISDA based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives, which, at the reporting date, are recognised as assets (with positive fair values), against derivatives, which are recognised as liabilities (with negative fair values). The effects of the potential offsetting of exposures for which cash collateral has been provided are shown in column e) "Cash deposits received/offered as collateral".

8. Securities lending

The Group does not have any transaction in securities lending.

9. Disclosure on joint ventures

The Group does not have any joint venture.

Part C – Information on the consolidated income statement

Section 1 - Interests - items 10 and 20

1.1 Interest and similar income: breakdown

Interest and similar income amounts to Euro 295,165 thousand (Euro 343,965 thousand at 31 December 2014) and is made up of:

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Financial assets held for trading					
2. Financial assets designated at fair value through profit or loss					
3. Available for sale financial assets	76			**76**	
4. Held to maturity investments					
5. Due from banks		263		**263**	**926**
6. Loans to customers		294,826		**294,826**	**343,039**
7. Hedging derivatives	X	X			
8. Other assets	X	X			
Total	**76**	**295,089**		**295,165**	**343,965**

Interest income on available-for-sale financial assets relates to interest accrued on Government securities.
Interest income on amounts due from banks consists of interest on bank deposits (Euro 87 thousand) and commercial paper subscribed by the securitisation SPE (Euro 173 thousand).
The amount of interest on loans to customers is represented by interest and other components of amortised cost as per IAS 39, in relation to the different technical forms.

Interest on non-performing loans accrued during the year has been fully covered by the provision for loan losses. Total interest receivable at the reporting date amounts to Euro 7,462 thousand.

1.2 Interest and similar income: differentials on hedging transactions

The balance of differentials on hedging interest rate swaps is negative (as in 2014).
For details, reference should be made to paragraph 1.5.

1.3 Interest and similar income: other information

1.3.1 Interest and similar income on foreign currency assets

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

1.3.2 Interest and similar income on finance lease transactions

Interest income on finance lease transactions for the year 2015 amount to Euro 1,793 thousand (Euro 2,968 thousand in 2014).

Items	31/12/2015	31/12/2014
Interest income on financial leasing activities	1,793	2,968

1.4 Interest and similar expense: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Due to central banks	510	X		510	2,078
2. Due to banks	41,503	X		41,503	58,919
3. Due to customers	4,996	X		4,996	6,590
4. Debt securities issued	X	406		406	5,681
5. Financial liabilities held for trading					
6. Financial liabilities at fair value through profit or loss					
7. Other liabilities and provisions	X	X	1	1	1.804
8. Hedging derivatives	X	X	27,904	27,904	39,378
Total	**47,009**	**406**	**27,905**	**75,320**	**114,450**

Interest payable to central banks relates to lending operations (TLTROs) with the Bank of Italy.
Interest expense on amounts due to banks mainly derives from loans granted by Santander Group companies as part of ordinary funding operations (Euro 36,308 thousand) and by other banks (Euro 5,196).
Interest expense to customers is the cost of funding provided by customers through current and deposit accounts (Euro 4,995 thousand).
Interest expense on debt securities issued relates to securities issued under an EMTN programme.
"Hedging derivatives" include the net balance of differentials on hedging derivatives as reported in table 1.5 below.

1.5 Interest and similar expense: differentials on hedging transactions

Items	31/12/2015	31/12/2014
A. Positive differentials related to hedging operations		712
B. Negative differentials related to hedging operations	(27,904)	(40,090)
C. Net differentials (A-B)	**(27,904)**	**(39,378)**

1.6 Interest and similar expense: other information

1.6.1 Interest and similar expense on foreign currency liabilities
The Group has no liabilities in foreign currency.

1.6.2 Interest and similar expense on finance lease obligations
None of the companies in the Group has entered into a purchase lease.

Section 2 – Commissions – items 40 and 50

2.1 Commission income: breakdown

The commission income generated during the year amounts to Euro 101,823 thousand (Euro 95,914 thousand at 31 December 2014) and is broken down as follows:

Type of service/Segments	Total 31/12/2015	Total 31/12/2014
a) guarantees given		
b) credit derivatives		
c) management, brokerage and consulting services:		
1. trading in financial instruments		
2. trading in foreign exchange		
3. portfolio management		
3.1. individual		
3.2. collective		
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. reception and transmission of orders		
8. advisory services		
8.1 related to investments		
8.2 related to financial structure		
9. distribution of third party services		
9.1 portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2 insurance products	31,091	29,769
9.3 other products	54,873	48,731
d) collection and payment services	12,285	13,174
e) securitization servicing		
f) factoring services		
g) tax collection services		
h) management of multilateral trading facilities		
i) management of current accounts		
j) other services	3,574	4,240
Total	**101,823**	**95,914**

"Management, dealing and advisory services" include commission income from insurance products placed with customers financed of Euro 31,091 thousand and from salary assignment loans granted by the Bank of Euro 54,873 thousand, whereas commissions generated during the year from collection and payment services provided amount to Euro 12,285 thousand.
Item j) "other services", on the other hand, comprises:

- income recognised in respect of damages and penalties for late payment (Euro 2,491 thousand);
- fees and commission income for the management of credit cards (Euro 279 thousand);
- commission income on stock financing (Euro 661 thousand);
- commissions for other services (Euro 143 thousand).

2.2 Commission expense: breakdown

Commissions expense amount to Euro 64,752 thousand (Euro 61,235 thousand at 31 December 2014) and are broken down as follows:

Services/Amounts	Total 31/12/2015	Total 31/12/2014
a) guarantees received	16	372
b) credit derivatives		
c) management and brokerage services:		
1.trading in financial instruments		
2. trading in foreign exchange		
3. portfolio management:		
3.1 own portfolio		
3.2 third party portfolio		
4. custody and administration securities	80	98
5. financial instruments placement		
6. off-site distribution of financial instruments. products and services	59,909	56,914
d) collection and payment services	4,351	3,432
e) other services	396	419
Total	**64,752**	**61,235**

Point 6 of item c) of the table relates almost entirely to commissions paid on the sale of insurance products (Euro 13,320 thousand) and salary assignment loans (Euro 42,014 thousand) and to contributions and termination indemnities accrued by the agents' network based on targets for the placement of loans with customers (Euro 4,574 thousand).
Item d) relates to the amount charged to the Group by the Interbank Network for the collection of loan instalments and for payments made (Euro 2,485), charges paid for the collection of salary assignments (Euro 1,320 thousand) and postal charges (Euro 160 thousand).
Item e) mainly includes commissions incurred for the structuring of securitisation transactions (Euro 258 thousand) and for management of the EMTN issue programme.

Section 3 – Dividends and similar income – item 70

3.1 Dividends and similar income: breakdown

No dividends were received in the year.

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

4.1 Net trading income (loss): breakdown

Net trading income (loss) amounts to Euro 269 thousand and may be broken down as follows:

Transactions / Income components	Unrealized profits (A)	Realized profits (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (A+B)-(C+D) 31/12/2015
1. Held for trading Financial assets					
1.1 Debt securities					
1.2 Equity					
1.3 Units in investment funds					
1.4 Loans					
1.5 Other					
2. Held for trading Financial liabilities					
2.1 Debt securities					
2.2 Debts					
2.3 Other					
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	
4. Derivatives					
4.1 Financial derivatives:					
- on debt securities and interest rates	269				269
- on equity securities and shares indexes					
- on currencies and gold	X	X	X	X	
- Other					
4.2 Credit derivatives					
Total	**269**				**269**

The above includes the net result arising from financial derivatives held to hedge interest rate risk associated with securitisations that do not meet the requirements under IAS 39 for classification as hedging derivatives (Euro 104 thousand), as well as the result arising from micro fair value hedging derivatives that became ineffective in the year (Euro 165 thousand).

Section 5 – Net hedging gains (losses) – item 90

5.1 Net hedging gains (losses): breakdown

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

Items/Sectors	Total 31/12/2015	Total 31/12/2014
A. Income relating to:		
A.1 Fair value hedges	18,535	15,378
A.2 Hedged asset items (in fair value hedge relationships)		
A.3 Hedged liability items (in fair value hedge relationship)		
A.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)		
A.5 Foreign currency assets and liabilities		
Total income from hedging activity (A)	**18,535**	**15,378**
B. Expenses relating to:		
B.1 Fair value hedges		(10,403)
B.2 Hedged asset items (in fair value hedge relationship)	(19,407)	(4,309)
B.3 Hedged liabilities items (in fair value hedge relationships)		
B.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)		
B.5 Foreign currency assets and liabilities		
Total charges from hedging activity (B)	**(19,407)**	**(14,712)**
C. Net profit from hedging activity (A-B)	**(872)**	**666**

Section 6 - Gains (losses) on disposal or repurchase - item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items / Income components	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Due from banks						
2. Loans to customers		(3,568)	(3,568)		(380)	(380)
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Equity Instruments						
3.3 Units in investment funds						
3.4 Loans						
4. Financial assets held to maturity						
Total assets		**(3,568)**	**(3,568)**		**(380)**	**(380)**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Debt Securities in issue					(134)	(134)
Total financial liabilities					**(134)**	**(134)**

Gains (losses) on sale/repurchase of loans to customers arose on receivables sold without recourse during the year, net of related writedowns.

Section 7 – Net result on financial assets and liabilities designated at fair value - item 110

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

Section 8 – Net losses/recoveries on impairment – item 130

8.1 Net losses/recoveries on impairment of loans and receivables: breakdown

Transactions/Income components	Adjustments (1)			Write - backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write - offs	Others		A	B	A	B		
A. Due from banks									
- Loans									
- Debt securities									
B. Loans to customers	2,129	138,956	31,447		(67,827)		(21,721)	82,984	155,802
Non-performing purchased loans									
- Loans			X			X	X		
- Debt securities			X			X	X		
Other receivables									
- Loans	2,129	138,956	31,447		(67,827)		(21,721)	82,984	155,802
- Debt securities									
C. Total	**2,129**	**138,956**	**31,447**		**(67,827)**		**(21,721)**	**82,984**	**155,802**

Key:
A= from interests
B= other recoveries

8.2 Net impairment losses to financial assets available for sale: breakdown

The Group has not made any impairment adjustments to financial assets available for sale.

8.3 Net impairment losses to financial assets held to maturity: breakdown

The Group has no financial assets held to maturity.

8.4 Net impairment adjustments to other financial transactions: breakdown

Transactions / Income	Adjustments (1)			Reversals of impairment losses (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write - offs	Other		A	B	A	B		
A. Guarantees given					(19)			(19)	(55)
B. Credit derivatives									
C. Commitments to disburse funds									
D. Other transactions									
E.Total					**(19)**			**(19)**	**(55)**

Key:
A= from interests
B= other recoveries

Section 9 – Net premiums – item 150

The Group does not include any insurance companies.

Section 10 – Net other insurance income/expense – item 160

The Group does not include insurance companies.

Section 11 – Administrative expenses – item 180

11.1 Payroll: breakdown

Payroll amount to Euro 38,818 thousand (Euro 35,381 thousand at 31 December 2014) and are split as follows:

Type of expense/Amounts	Total 31/12/2015	Total 31/12/2014
1) Employees		
a) wages and salaries	26,798	24,629
b) social security contributions	7,320	6,518
c) Severance pay (only for Italian legal entities)	1	2
d) Social security costs		
e) allocation to employee severance pay provision	10	133
f) provision for retirements and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution_old	1,803	1,590
- defined benefit		
h) Expenses resulting from share based payments		
i) other employee benefits	1,472	1,476
2) Other staff	628	498
3) Directors and Statutory Auditors	786	535
4) Early retirement costs		
Total	**38,818**	**35,381**

"Social security charges" include pension costs incurred by the Group in 2015.
The "provision for employee termination indemnities" shows the amount calculated in accordance with actuarial estimates for the interest cost only. With the reform introduced by Law 296/2006 (Finance Law 2008) on supplementary pensions, termination indemnities do not include any service cost due to the fact that all new accruals are transferred to third-party pension funds, as shown in the table in paragraph g).

11.2 Average number of employees, by categories

	Total 31/12/2015	Total 31/12/2014
2) Employees		
a) Senior managers	13	10
b) Managers	151	144
of which 3rd and 4th level	62	58
c) Remaining employees staff	423	396
Total	**587**	**550**
Other personnel	**20**	**12**

11.3 Post-retirement defined benefit plans: total costs

The Group has not allocated post-retirement defined benefit plans.

11.4 Other personnel benefits

	31/12/2015	31/12/2014
Ancillary staff expenses (contributions to rent and health insurance, luncheon vouchers, other minor benefits and training costs)	1,468	1,402
Incentive plan reserved for managers and middle managers	4	74
Totale	**1,472**	**1,476**

The "incentive plan reserved for managers and middle managers" relates to the cost incurred for the distribution of shares of the parent company Banco Santander to key persons within the Group.

11.5 Other administrative expenses: breakdown

Other administrative expenses amount to Euro 68,055 thousand (Euro 62,744 thousand at 31 December 2014) and are made up as follows:

Type of service/Amounts	Total 31/12/2015	Total 31/12/2014
Indirect taxes and duties	9,135	2,685
Telephone, broadcasting and postal	5,163	5,095
Maintenance, cleaning and waste disposal	1,286	1,231
Property lease, removals and condominium expenses	3,249	3,881
Professional fees and corporate expenses	8,141	7,445
Travel and accomodation	2,439	1,809
Stamp duty and flat-rate substitute tax	1,434	1,965
Insurance charges	351	323
Forms, stationery and consumables	216	187
Supplies, licences EDP consulting and maintenance	10,801	10,546
Debt recovery charges	14,275	16,325
Legal fees	3,050	3,079
Advertising, promotion and representation	1,099	980
Commercial information and searches	2,662	2,728
Other expenses	4.754	4,465
Total	**68,055**	**62,744**

Section 12 – Net provisions for risks and charges – item 190

12.1 Net provisions for risks and charges: breakdown

	Total 31/12/2015	Total 31/12/2014
Net provision for legal disputes	5,170	820
Other provisions	9,178	2,683
Total	**14,348**	**3,503**

"Provisions for legal risks" mainly include provisions for risks and charges made during the year for litigation with customers and dealers, based on a reliable assessment of the expected financial outlay.
“Provisions for other liabilities” relate to an amount provided for a dispute over the criteria applied for the early redemption of loans guaranteed by salary and pension assignment. For further information thereon, please see the section on "Other facts worth mentioning" in the report on operations.

Section 13 – Net adjustments to/recoveries on property and equipment – item 200

13.1 Net adjustments to/recoveries on property and equipment: breakdown

Net adjustments to property and equipment amount to Euro 1,512 thousand and refer to the depreciation of the Group's fixed assets.

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b + c) 31/12/2015
A. Property and equipment				
A.1 Owned				
- For business purposes	1,512			1,512
- For investment purposes				
A.2 Held under finance lease				
- For business purposes				
- For investment purposes				
Total	**1,512**			**1,512**

Section 14 – Net adjustments to/recoveries on intangible assets – item 210

14.1 Net adjustments to/recovery on intangible assets: breakdown

Net adjustments to intangible assets amount to Euro 4,051 thousand and relate to the amortisation of the year, as shown in the following table:

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net risult (a + b + c) 31/12/2015
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	4,051			4,051
A.2 Held under finance lease				
Total	**4,051**			**4,051**

Section 15 – Other operating expenses/income – item 220

15.1 Other operating expenses: breakdown

Other operating expenses amount to Euro 5,570 thousand (Euro 5,968 thousand at 31 December 2014) and are divided as follows:

	Total 31/12/2015	Total 31/12/2014
Rebates and discounts	56	154
Losses on disposal	287	54
Miscellaneous expenses	253	1,032
Expenses related to leasing activities	598	1,172
Other expenses	4,376	3,556
Total	**5,570**	**5,968**

The item "expenses related to leasing transactions" mainly includes administrative expenses related to the leasing business (Euro 500 thousand).
"Other" mainly relates to out-of-period expenses for legal disputes (Euro 515 thousand), miscellaneous out-of-period expenses (Euro 1,287 thousand) and compensation for customer claims (Euro 2,370).

15.2 Other operating income: breakdown

Other operating income amounts to Euro 10,824 thousand (Euro 10,771 thousand at 31 December 2014) and can be broken down as follows:

	Total 31/12/2015	Total 31/12/2014
Recovery of taxes	3,851	3,691
Recovery of lease instalments	66	66
Recovery of other expenses	601	786
Recovery of preliminary expenses	4,146	3,621
Rebates and discounts received	4	59
Insurance reimbursements	90	122
Gains on disposal	615	225
Income related to leasing transactions	1,095	2,030
Other income	356	171
Total	**10,824**	**10,771**

"Income related to leasing transactions" includes, among other things, the recovery of car lease expenses charged to customers for Euro 589 thousand, recovery of provincial transcription tax (IPT) for Euro 202 thousand and damages received for Euro 206 thousand.
"Recovery of taxes" relates to the recovery of stamp duty.

Section 16 – Profit (loss) on equity investments – item 240

The Group has not recognised any profit or loss on equity investments.

Section 17 – Net gains (losses) arising on fair value measurement of property and equipment and intangible assets – item 250

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

Section 18 – Adjustments to goodwill – item 260

The Group has not recognised any goodwill.

Section 19 – Gains (losses) on disposal of investments – item 270

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

Section 20 – Income tax for the year on current operations – item 290

20.1 Income tax for the year on current operations: breakdown

The item "Income tax for the year" shows a balance of Euro (13,383) thousand (Euro 583 thousand at 31 December 2014) and represents the provision made during the year in accordance with current tax law. It is made up as follows:

Income components/Sectors	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(15,467)	(41,511)
2. Change in prior period income taxes (+/-)	(1)	(56)
3. Reduction in current tax expense for the period (+)	207	
3.bis Reduction in current taxes for tax credits as per Law 214/2011 (+)		12,771
4. Change in deferred tax assets (+/-)	1.878	29,409
5. Change in deferred tax liabilities (+/-)		(30)
6. Income tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(13,383)**	**583**

The change is due to the recognition of deferred tax assets generated by deductible temporary differences, mostly due to write-downs of loans, as well as the reversal to income of the year of the portions of tax assets recorded in previous years and accruing to the current year.
For further details of changes in tax balances, please see section 14 – Tax assets and tax liabilities.

20.2 Reconciliation between the theoretical and effective tax burden

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

	31/12/2015	31/12/2014
Profit (loss) from continuing operations before tax	48,251	2,073
Profit before tax on discontinuing operations		
Theoretical taxable income	**48,251**	**2,073**
Income tax - Theoretical tax charge	-13,269	-563
- effect of income and expenses that do not contribute to the tax base	3,846	3,424
- effect of expenses that are wholly or partially non-deductible	-2,645	-185
- differences due to the scope of consolidation	-10	78
IRES - Effective tax burden	**-12,078**	**2,754**
IRAP - Theoretical tax charge	-2,703	-115
- portion of non-deductible administrative expenses, depreciation and amortisation	-2,556	-2,368
- portion of non-deductible interest expense	-115	-230
- effect of income and expenses that do not contribute to the tax base	4,301	586
- effect of expenses that are wholly or partially non-deductible	-239	-44
- differences due to the scope of consolidation	7	
IRAP - Effective tax burden	**-1,305**	**-2,171**
Effective tax burden as shown in the financial statements	**-13,383**	**583**

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

Section 21 – Profit (loss) after tax on discontinuing operations – item 310

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

Section 22 – Net profit (loss) pertaining to minority interests – item 330

22.1 Analysis of item 330 "Net profit (loss) pertaining to minority interests"

	31/12/2015	31/12/2014
Investments in consolidated companies with significant minority interests		
1. Santander Consumer Finance Media S.r.l. in liquidation	(53)	(28)
2. Banca PSA Italia S.p.A.	(43)	
Other investments		
Total	**(96)**	**(28)**

The loss attributable to minority interests amounts to Euro 96 thousand and relates to the portion attributable to the group headed by De Agostini Editore S.p.A. arising from its 35% equity interest in the subsidiary Santander Consumer Finance Media S.r.l. in liquidation of Euro 53 thousand and to the portion attributable to Banque PSA arising from its 50% interest in Banca PSA Italia S.p.A. of Euro 43 thousand.

Section 23 – Other information

No further information has to be given in addition to what has already been provided in the previous sections.

Section 24 – Earnings per share

24.1 Average number of ordinary shares (fully diluted)

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

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

24.2 Other Information

Profit (loss) for the year	34,868
Basic earnings per share	**0.06**

Profit (loss) for the period pertaining to the Parent Company	34,964
Basic earnings per share	**0.06**

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

Part D - Consolidated comprehensive income

Statement of consolidated comprehensive income

		31/12/2015		
		Gross Amount	**Tax Effects**	**After tax effects**
10.	**Net Profit (Loss) for the year**	**X**	**X**	**34,868**
	Other comprehensive income after tax not to be recycled to income statement			
20.	Tangible assets			
30.	Intangible assets			
40.	Defined benefit plans	8	(3)	5
50.	Non current assets classified as held for sale			
60.	Valuation reserves from investments accounted for using the equity method			
	Other comprehensive income after tax to be recycled to income statement			
70.	**Hedge of foreign investments:**			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other variations:			
80.	**Exchange differences:**			
	a) value changes			
	b) reclassification through profit or loss			
	c) other variations:			
90.	**Cash flow hedges:**	**3,027**	**(1,001)**	**2,026**
	a) changes in fair value	3,027	(1,001)	2,026
	b) reclassifications through profit or loss			
	c) other variations:			
100.	**Available-for-sale financial assets:**	**275**	**(91)**	**184**
	a) changes in fair value	275	(91)	184
	b) reclassifications trough profit or loss			
	- impairment losses			
	- following disposal			
	c) other variations:			
110.	**Non current assets classified as held for sale:**			
	a) changes in fair value			
	b) reclassifications through profit or loss			
	c) other variations:			
120.	**Valutation reserves from investments accounted for using the equity method;**			
	a) changes in fair value			
	b) reclassifications trough profit or loss			
	- impairment losses			
	- following disposal			
	c) other variations:			
130.	**Total of other comprehensive income after tax**	**3,310**	**(1,095)**	**2,215**
140.	**Comprehensive income (Items 10+130)**			**37,083**
150.	Consolidated comprehensive income attributable to minorities			(96)
160.	**Consolidated comprehensive income attributable to Parent Company**			**37,179**

Part E - Information on risks and related hedging policies

Introduction

Santander Consumer Bank Group (the Group) places great importance on the management and control of risks as a means of ensuring reliable and sustainable value creation in a context of controlled risk.
Risk management strategy focuses on a complete and consistent overview of risks. It takes account of the macro-economic scenario and the Group's risk profile, it stimulates a growing risk culture and encourages a transparent and accurate presentation of the risks associated with the Group's portfolios.

The Group's risk appetite is summarised in the Risk Appetite Framework (RAF), a strategically important tool used to present to the Board of directors and senior management the main risks to which the Group is exposed and the level of such risks that it is willing to assume under normal and stressed conditions.

The general principles on which the Group's risk assumption strategy is based may be summarised as follows:

- Santander Consumer Bank is a Banking Group the operations of which are almost entirely focused on retail customers, where the risk in question is highly differentiated and pulverised. In fact, overall, the Group's assets are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. So in general, credit risk exists, but in a situation of high fragmentation;
- the Group's objective is to understand and manage risks in a manner which ensures an adequate return for the risks assumed and solidity and business continuity in the long term;
- Santander Consumer Bank intends to maintain tight control over the main specific risks (not necessarily related to macroeconomic shocks) to which the Group is exposed.

The Risk Appetite Framework sets out the policy for the level of risks assumed by the Group and provides a definition of the maximum risk tolerance thresholds and the consequent controls needed to monitor:

- the overall risk profile;
- the Group's main specific risks.

The overall risk profile stems from the general principles defined by the risk policies and consists of a structure of limits to ensure that the Group, even under stressed conditions, meets minimum levels of solvency, liquidity and earnings.
The risk appetite of the Santander Consumer Bank Group is based on the following requisites and features:

- the Board of Directors is ultimately responsible for the approval and supervision of compliance with the risk appetite;
- it reflects an aggregated view and applies to all functional areas;
- it considers the main types of risk that impact business development;
- it takes a prospective view of the risk profile in certain circumstances, with the use of stress tests and scenario analysis;
- it is dynamic and adapts to the changing business environment;
- it combines quantitative and qualitative standards;
- it is concise and simple to communicate to senior management and external stakeholders;
- it enables a structured comparison of risk profile against risk appetite;
- it is linked to overall corporate strategy and to objectives concerning capital, liquidity and yield;
- it is integrated with risk management of ordinary activities, given that it was designed to take account of existing policies and limits.

The definition of the Risk Appetite Framework and the consequent operational limits for major specific risks, the use of risk measurement tools as part of credit and liquidity management and operational risk control processes and the use of capital at risk measures to report corporate performance and the assessment of the adequacy of the Group's internal capital, are fundamental steps for the operational application of long term risk strategy along the Group's decision-making chain, down to each operating unit.

Risk culture

Utmost attention is given to the transmission and sharing of a risk culture, by means of regular updates to relevant documents (such as Tableau de Bord, ICAAP, Risk Appetite Framework, Capital Planning and Monitoring, Credit Management Programme and Internal Control System/SOX) and by initiatives implemented to address specific issues as they arise.
Moreover, the Group ensures the dissemination of risk culture by means of extensive training aimed at the correct application of internal and external models designed to prevent, mitigate and monitor risks in an effective manner.
The approach to risk management is orientated towards an increasingly integrated and consistent management of risks, by taking account of the macro-economic scenario and the Group's risk profile, by stimulating a growing risk culture by means of an extensive and transparent presentation of the risks associated with portfolios.

Organisation and risk governance

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

- ensuring the separation of operational functions from control functions;
- ensuring the identification, measurement and monitoring of risks inherent in operational processes;
- guaranteeing that any anomalies, which result from checks performed by the control functions, are rapidly brought to the attention of the appropriate level of management and dealt with promptly.

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

- Line controls (first-level controls): these are performed by the operating units to verify that the processes and tasks within its competence have been carried out in accordance with internal procedures. Where possible, these types of controls are automated IT procedures;
- risk management controls (second-level controls): these are performed by the Risk Control Unit to ensure the correct functioning of the risk management process by means of the measurement and assessment of the level of risks assumed as well as compliance with any limits assigned to operational areas;
- compliance controls (second-level controls): these are performed by Compliance and AML, which verifies compliance with internal and external regulations applicable to the Group;
- internal audit controls (third-level controls): these are carried out by Internal Audit, which has the task of verifying the correct performance of processes (management and production, business and commercial, support and functional) and their compliance with corporate standards, the substantial correctness of the conduct of operations and the suitability, from the standpoint of its framework and rules governing how it should function, of the internal control system and the adequacy and effectiveness of the monitoring systems, in relation to the various types of risk.

In detail, the structures involved in the overall process of risk management are:

- Board of Directors;
- Chief Executive Officer and General Manager;
- Administration and Control Department;
- Institutional Relations, Legal and Compliance Department;
- Information Processes and Technology Department;
- Finance Department;
- Sales and Marketing Department;
- Risk Management Department;
- Collection Business Unit;
- Human Resources;
- Internal Audit (directly reports to the Board of Directors through a direct functional relationship with the Chief Executive Officer).

As set out in greater detail in the annual financial statements, the corporate bodies avail themselves of specific internal committees, which, as far as risk management is concerned, include the following:

- the Management Committee;
- the Risk Management Committee;
- the Senior Risk Committee;
- the Collection Business Unit Committee;
- the Legal and Compliance Committee;
- the Financial Risk Management Committee (ALCO);
- the Operational and Technological Risk Committee.

Scope

An overview of the risks to which Santander Consumer Bank is mainly exposed, given the nature and characteristics of its business, is summarised in the following table. An assessment of the significance of risks is performed for the purpose of the ICAAP (Internal Capital Adequacy Assessment Process) report, based on criteria approved by the Board of Directors.

	Type of risk	Definition	Classification
Pillar I	Credit risk	Risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the bank to possible future losses	Significant
Pillar I	Market risk	Risk of an unfavourable change in the value of financial instruments, included in the trading portfolio for supervisory purposes, caused by adverse movements in interest rates, foreign exchange rates, inflation rates, volatility, equity prices, credit spread, commodity prices (general risk) and credit standing of the issuer (specific risk)	Not significant
Pillar I	Counterparty risk	Risk that the counterparty in one of the transactions shown below may default prior to settlement of the transaction. Specifically, this applies to the following categories: - Derivatives linked to interest rates, foreign exchange rates and gold and credit derivatives; - repo transactions and securities or commodities lending or borrowing; - transactions with long-term settlement; - margin lending transactions secured by securities or commodities	Significant
Pillar I	Operational risk	Risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This type of risk includes legal risk, but does not include strategic and reputational risk	Significant
Pillar II	Compliance risk	Risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of violations of obligatory rules (laws or regulations) or of self-regulation (e.g. articles of association, codes of conduct, codes of ethics)	Significant
Pillar II	Country risk	Risk of incurring losses caused by events that occur in countries other than Italy	Not significant
Pillar II	Transfer risk	Risk that a bank exposed to a party that takes out a loan in a currency other than the one in which it receives its main sources of income, incurs losses due to difficulties encountered by the debtor in converting its own currency into the currency of the loan	Not significant
Pillar II	Interest rate risk in the Banking Book	Risk arising from the possibility that changes in market interest rates will impact assets and liabilities held other than for trading ("banking book"), thus impacting the Group's earnings or capital.	Significant
Pillar II	Liquidity risk	Risk that the Group will be unable to meet its payment commitments due to the inability to raise funds on the market (funding liquidity risk) or the inability to sell its assets (market liquidity risk)	Significant
Pillar II	Securitisation risk	Risk that the economic substance of a securitisation is not fully reflected in pricing decisions and risk management	Not significant
Pillar II	Strategic risk	Current or prospective risk of a decline in earnings or capital arising from changes in the operating environment or from adverse business decisions, improper implementation of decisions or a lack of responsiveness to changes in the competitive environment	Significant

Type of risk	Definition	Classification
Reputational risk	Current or prospective risk of a decline in earnings or capital arising from a negative perception of the Group's image on the part of customers, counterparties, Group's shareholders, investors or supervisory authorities	Significant
Concentration risk	Risk arising from exposures with counterparties, inclusive of central counterparties, groups of connected counterparties and counterparties operating in the same economic sector, in the same geographical area or engaged in the same business or that deal with the same commodities, as well as from the application of credit risk mitigation techniques, comprising, in particular, risks arising from indirect exposures, such as from individual collateral providers	Significant
Provisioning risk	Risk that adjustments booked by the Group are underestimated compared to losses actually present in the loan portfolio	Significant
Excessive leverage risk	Risk that a particularly high level of debt with respect to capital makes the Group vulnerable, forcing it to adopt corrective measures in its business plan, such as selling off assets at a loss, which could result in impairment on the part of the remaining assets	Not significant
Residual Risk	Risk that the recognised techniques for mitigating credit risk used by the Group are less effective than expected	Not significant
Business Risk	Risk of changes in earnings and margins, versus budget, generally due to changes in the competitive environment, in customers' behaviour or in technological development (encompassed by the wider risk category of strategic risk)	Significant
Structural foreign exchange rate risk	Risk arising from foreign currency exposures stemming from commercial operations when these are linked to strategic investment decisions (encompassed by the wider risk category of market risks)	Not significant
Risk associated with Goodwill and Intangible assets	Risk that intangible assets, consisting of purchased goodwill or other types of deferred charges, are reduced or fully written down, with a consequent negative impact on the income statement as a result of the performance of impairment tests in compliance with IAS/IFRS	Not significant
Pension Risk	Risk that an entity, which is a sponsor of a pension plan, is forced to pay additional contributions in order to meet its obligations. This risk is not applicable to the Italian pension system	Not significant
DTA Risk	Risk that deferred tax assets, which are not capable of being converted to amounts recoverable from the tax authorities, are deducted from own funds with negative consequences in terms of a reduction of total capital	Not significant

The risks assumed are the same for all Group companies.

Section 1 - Risks faced by the banking group

1.1 Credit risk

Qualitative information

General aspects

Credit risk is the main type of risk to which the Group is exposed.
It is the risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the Group to possible future losses. The Group's operations in Italy are mainly focused on retail customers, where the risk in question is highly differentiated and "pulverised". In fact, overall, the Group's assets are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. So in general, credit risk exists, but in a situation of high fragmentation.
Credit risk arises from the existence of a contractual relationship relating to the placement of the following products:

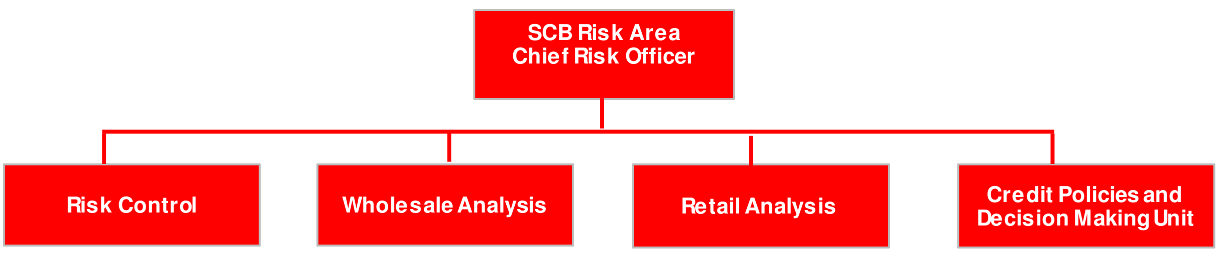
- car loans: specific-purpose loans for the purchase of vehicles, including motorcycles, to persons who apply for loans offered by dealers affiliated with the Group. The loans are granted directly by the affiliated dealers. The customer undertakes to repay the loan in accordance with a fixed rate repayment plan in equal instalments and has the possibility to take out insurance cover (such as for death, injury and disability);
- special-purpose loans: loans granted solely by the agency channel to persons for the purchase of goods other than cars and/or for the provision of services. These have the same repayment and contractual features of car loans;
- personal loans: these have the same repayment and contractual features of car loans and special-purpose loans. In addition, they provide the possibility to take out other forms of insurance cover (such as third party liability and property damage);
- consumer car leasing: these are financing transactions offered by Santander Consumer Bank (in its capacity as lessor) for the use for an agreed period of time, upon payment of periodic lease charges, of motor vehicles, commercial vehicles and motorcycles, purchased or constructed by a third party supplier, as requested by the lessor and chosen and indicated by the customer (user with a VAT number); the latter assumes all the risks and retains the right, at the end of the contractual term, to purchase the goods for a predetermined price and to extend the use thereof under predetermined or predeterminable financial conditions. For leasing products, the typical risks of finance leases, apart from those arising from a contractual breach by the customer, are of a contractual and financial nature;
- credit cards: a line of credit for an unlimited period made available to a customer, who may make use thereof in one or more lots. The user undertakes to repay the amounts utilised and interest payable thereon, complying with the payment of monthly minimum instalments, but with the right to make larger repayments if desired. The repayment of the capital element ensures the availability once again of the full credit facility, which may be reutilised by the customer. Interest rates are generally fixed, but the Group has the right to modify the financial conditions during the relationship, in compliance with regulations in force. The loan may be guaranteed
- salary assignment: a particular type of personal loan that is settled through the assignment of a portion of salary or pension up to one fifth of the amount thereof net of withholdings. This product has a set maximum duration and a minimum duration that is not normally less than twenty four months.

As well as credit risk, there is also a counterparty risk, which, in the case of the Group's business, is linked to derivatives (interest rate swaps) entered into for hedging purposes: these mostly consist of contracts entered into with the Spanish Parent Company or with institutional counterparties.

Credit risk management policies

- Organisational aspects

Santander Consumer Bank's Risk Management Department ensures effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Parent Company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long term strategic objectives and short term earnings objectives. To ensure the independence of the risk function, the head of the function hierarchically reports to the Chief Executive Officer and functionally reports to the Chief Risk Officer of the Consumer Finance Division to which Santander Consumer Bank Group belongs from an operational point of view.
The department is structured along four services lines as detailed below.



The mission of the Credit Policies and Credit Decision System is to protect the company from credit risk pertaining to customers and affiliates by defining operating policies and strategies concerning affiliation criteria and lending, by staff training and by constant monitoring of lending activities. It verifies that the operability and behaviour of staff comply with internal data acquisition procedures and current regulations.
The main functions are:

- to define the risk policies, the strategies and internal procedures for the management of products / channels, the monitoring of compliance therewith, ensuring the constant updating thereof and the communication thereof to all relevant areas of the Group;
- to create (internally or with the help of external suppliers), to monitor, to implement and to update automatic applications for decision-making and support in setting up dossiers;
- to monitor the riskiness of products and channels, highlighting abnormal situations for timely corrective action;
- to prepare an overview of the qualitative trend of corporate loans and any balances showing significant changes in riskiness that need to be analysed;
- to handle relations with official data bases relating to its sphere of operations, especially with regard to changes in the information provided, reporting anomalies and cancellations, and monitoring their bills;
- to assign approval levels according to the level of experience of staff members and in accordance with the guidelines authorised by the Board of Directors and to organise training sessions needed to ensure that updates are provided on new policies and/or processes, as well as the maintenance of a high level of skills of operating personnel;
- to provide support to the operating units and other corporate functions of other Group companies;
- to prepare a management budget.

Wholesale Analysis prepares motions concerning wholesale positions that are subsequently submitted for the attention of the decision-making Committees (Risk Management Committee or Board of directors depending on their signatory powers). The foregoing positions consist entirely of credit lines granted to dealers to finance their showroom cars, given that the Group has no other corporate customer business.
The main functions assigned to this unit are:

- to prepare positions for submission to the Committees with powers of approval;
- to carry out an annual review of dealers' positions in "non-standardized" products;
- to develop together with the Collection Business Unit debt recovery strategies to be implemented with affiliates (only with respect to "non-standardized" products);
- to manage collaborations with leading automobile brands with regard to wholesale;
- to perform the periodic analysis of the F.E.V.E (Firmas en Situaciòn de Vigilancia Especial - signature powers in particular monitoring situations).

The mission of the Risk Control Unit is to measure, control and monitor risk. This control must take place efficiently and is essential to facilitate the maximization of profit in a context of careful and dynamic management of risk situations.
The function has to guarantee the comprehensive and organic treatment of risks related to the Group's activities in order to facilitate their identification, measurement and analysis and measures needed to address them.
The unit has to quantify the overall exposure of the institution at risk to allow the delegated bodies to define a strategy for the management thereof and to define the desired risk profile (risk appetite).
The main functions assigned to this unit are:

- monitoring of the main risk indicators;
- assistance in deciding the provisions to cover current and future losses;
- calculation and monitoring of expected losses;
- ensure the reliability and automatic generation of reports;
- monitor financial risks periodically, with particular reference to interest rate risk and liquidity risk, using Asset & Liability Management (ALM) techniques;
- liaise with the internal and external control bodies periodically to verify the level of implementation of company policies.

The functions assigned to the unit are performed by four Offices: Risk Control and Monitoring, Risk models and scenario analysis, Risk reporting and Internal controls.

- Risk Control and Monitoring: handles the management of second-level controls relating to: control of market risk (liquidity risk and interest rate risk, of operational risk, of credit risk, of technological risk, of concentration risk, of reputational risk, of risk mitigation (collateral) and any other marginal risks;
- Risk models and scenario analysis: ensures the control and verification of the use of decision-making tools within the Group, including stress tests on future loss coverage and budgeting models. It monitors the containment of risks within the limits indicated by the Risk Appetite Framework (RAF);
- Risk reporting: collaborates with the preparation of the documentation required by the Bank of Italy as a tool for the management and control of risks, such as the Risk Appetite Framework (RAF), the ICAAP report, the activity report and the planning of and reporting on the function's activities;
- Internal Controls: identifies, together with the heads of other units, the risks associated with the major business processes and maps the related mitigating controls; develops and maintains the Internal Control Model, based on changes in relevant legislation and the organisational structure of the Company; supervises the implementation of internal control indicators and performs the monitoring thereof. It identifies weaknesses

(weaknesses in the internal control model and recommendations made by internal audit, the independent auditors or the Supervisory Authority) in collaboration with Internal Audit, it provides support to business functions for the definition of action plans for the resolution thereof and regularly monitors their status. It coordinates the certification process for the local internal control model for SOX (Sarbanes-Oxley Act) purposes.

Retail Analysis's mission is the assessment and approval of retail transactions that fall within its sphere of competence. The main function assigned thereto is the correct application of risk assumption policies and procedures laid down by the Credit Policies and Credit Decision System with regard to particular credit proposals.

- Internal controls / Sarbanes – Oxley

As regards internal controls, the Group has an Internal Control Model (ICM) based on guidelines provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework 2013), aligned with Santander Group's global methodology.

This is a conceptual framework that has the following objectives:

- to describe the activities regarding the generation of financial information and the processes that could be impacted by operational risk, potential losses, errors, fraud and non-compliance with legislative requirements;
- to strengthen the management of the internal control system, which is understood to be a set of rules, procedures and organisational structures aimed at permitting, by means of an adequate identification process, the measurement, management and monitoring of the main risks and of the sound and proper conduct of the business, in a manner consistent with agreed objectives.

The Internal Control Model meets regulatory and corporate requirements, applies to all Santander Group companies and sets out a common methodology for the documentation and assessment of processes and controls that mitigate potential risks, in line with best practices demanded by the market, by supervisory bodies and by the auditors. Internal control activities are performed by all employees at all staff levels and control is integrated into operational management.
The Internal Control Model is based on four pillars:

- methodology: consists of a common framework for the documentation of processes, risks and controls that are updated and validated at least every six months and also consists of a set of indicators of control that objectively assess the main processes;
- system: consists of a corporate internal control portal used for the dissemination of regulatory requirements and as a centralised archive of continuous, dynamic information and also consists of a local internal control portal used to store evidence of the controls;
- global scope: involves the entire organisational control structure through a scheme that assigns individual responsibilities. The Internal Control Model applies to all the Group's geographical locations and related businesses;
- structure: this consists of three main players; a corporate team for coordination, control and supervision, a local team for management, control and supervision, and control functions directly implemented at all levels of the organisation.

The coverage of business processes is based, internally, on four levels:

- activities: represent the highest level of the structure and describe macro-activities;
- processes: describe the procedures that cover all the areas of the company;
- sub-processes: consist of a description of internal procedures within an office that form part of a business process;
- controls: form the basis for the model and consist of a description of the controls performed by staff and supervisors.

The Internal Control Model is certified once a year, in compliance with Section 404 of the Sarbanes-Oxley Act (which requires every company or group listed in the United States to assess and report on its financial reporting internal control model) by a pyramid structure of rising responsibility, which culminates with the final certification by the CEO, the CFO and the CRO.

The unit responsible for the coordination, management and monitoring of the Internal Control Model is the Internal Control Office (Risk Management Department), the duties of which have been described above.

- Risk managing, measuring and monitoring systems

The Risk Management Department looks after the credit risk management process, from the approval of policies, to the identification, measurement, control and management, where applicable, of risks. The Risk Control Unit collaborates with the definition and implementation of the Risk Appetite Framework and measures and monitors the various business risks. The areas that assume risks and senior management are involved in the risk management process. In addition, it relates these activities to business development by identifying new opportunities and business plans, budgets and optimisation of risk-adjusted profitability, in collaboration with those who take the risks, performing analyses of the loan portfolios in a way that makes it possible to adjust business development to desired risk profile and, where applicable, to mitigate the risk and handle debt collection case by case.

Within Santander Consumer Bank, the credit risk assumed by the Company's activity can essentially be split into two categories: Standardized and Non-Standardized. Both of these types basically involve the risk that the borrower will default on its obligations under the terms of the agreement, but it is necessary to distinguish between contracts that are treated in a standardized way and others that require separate treatment by an analyst or portfolio manager.
As regards the first category (Standardized), the following phases are identified:

1. acceptance of a loan application;
2. monitoring and reporting;
3. credit collection.

1. The acceptance of a loan application is in turn split into <u>input to the system, credit analysis, assessment and approval</u>:
   - the input phase requires those responsible to key in the following information:
     - socio-demographic variables relating to counterparties
     - information relating to the financial plan (amount to be lent, the asset to be financed etc.).

     The information that needs to be appraised varies depending on the type of counterparty (retail, sole proprietorship, company) and the asset to be financed.
   - The credit analysis phase aims to ascertain the accuracy, the validity and the completeness of the data provided by the counterparty along with the loan application; this enables an accurate assessment of the customer's credit standing and an early identification of possible cases of fraud.
   - The information entered into the system during the credit analysis phase is processed and assessed through a credit scoring system managed by Credit Policies and Credit Decision System. Through the use of rating models and policy rules, Credit Scoring provides a summary of the counterparty's credit risk, reflecting the probability of default within a time period of one year. This assessment will lead to one of the following outcomes: Automatic Refusal/Automatic Approval/ Manual Review; the assessment is based both on data provided by the customer at the dossier input phase and certified during the credit analysis phase and on external data provided by Credit Information Systems. For dossiers subjected to manual review, as well as the usual assessment done with a scoring system, a manual review is performed by an operator.
   - The approval phase is the third phase of the loan application process and is delegated, by the competent corporate bodies, to various persons in the structure based on grids that show the signatory powers and based on the type of customer, the amount to be lent, the type of product/service and, in certain cases, the asset to be financed.
   - Once concluded, the origination of a dossier phase may provide for a process of mitigation and collateral management, where the analyst has to analyse in detail all of the items acquired by the applicant and, where necessary, foresee the inclusion of appropriate collateral (in order to minimise the credit risk inherent in lending activities), such as a second signature and/or guarantees, insurance assignment and bills of exchange.

2. the monitoring phase is handled by Credit Policies and Credit Decision System. Its purpose is to identify, analyse, forecast and model the behaviour of all the variables that could potentially result in changes to the asset quality assumed by the Group. It is also useful for the recalibration of the acceptance process, given that the information obtained is used to optimise the rules for acceptance and the cut-off levels of the score grids. Further monitoring is performed by the Risk Control Unit as part of its second level control function and is aimed at forming an overall opinion on risk-taking, through checks of compliance with the risk limits or trend analysis or specific analysis. It produces detailed reports of the phenomena analysed that are distributed to the risk-taking functions, senior management and the Board of directors in line with the agreed reporting schedule.

3. the credit collection phase is handled by the Collection Business Unit. The Unit aims for maximum efficiency in the management of the portfolio to be recovered through the application of strategies that make it possible to prioritise the collection depending on the customer's risk profile and the ageing of their balances. The objective is to collect unpaid loans with a simultaneous assessment of the customer's current position via a qualitative and quantitative analysis; the potential tools that may be used include the renegotiation of the amount of the instalment, repayment via bills of exchange and a settlement. It also carries out debt collection subsequent to the issue of a document known as "Loss of Benefit of Term" (LBT) that is intended to recover the full amount of the residual debt. At the same time and to support this activity, external law firms send borrowers injunctions and, later, where there are grounds for doing so, they initiate the most appropriate legal proceedings (injunction decree, writ of summons, bankruptcy petition or lawsuits).

Salary or pension assignment differs from the above procedure. The credit analysis phase provides for a commercial agreement for distribution of the product through the specifically dedicated sales network. Credit analysis, assessment and approval are carried out by structures specifically designed for that purpose within Santander Consumer Bank. Post-delivery monitoring is primarily based on earnings related data and is also performed by the Collection Business Unit, which also performs credit collection services.

On the other hand, as regards Non-Standardized Risk management, the process gets split into the following phases:

1. customer analysis;
2. customer's credit rating;
3. analysis of credit transactions;
4. preparation of resolutions regarding transactions and customers;
5. monitoring:
    a. customer tracking
    b. portfolio tracking
    c. controls
    d. check on production volumes
6. collection.

- Credit risk mitigation techniques

The risk mitigation techniques used in portfolio management are closely linked to the characteristics of the products. The main types of collateral currently in use are:

- consumer credit: co-obligation, guarantee, bill of exchange, mortgage, mandate to register a mortgage, insurance assignment. Note, however, that the provision covering the portfolio is extremely limited (around 1%);
- Stock finance: Diversion & Repossession Agreement (93% of the portfolio), signed by the parent companies (captive agreements) and the Parent Company at the signing of the framework agreement;
- salary assignment: as collateral for the loan, specific life and unemployment insurance cover is provided, as well as, for private and parapublic companies, a restriction on the borrower's termination indemnity.

- Impaired financial assets

Impaired financial assets are managed by the Collection Business Unit, which coordinates debt collection activities for the entire country and for all products, in accordance with the law and the operating procedures.
The unit aims for maximum efficiency in the management of the portfolio to be recovered through the application of strategies to prioritise collection depending on the customer's risk profile and the ageing of their balances; this efficiency is achieved thanks to the introduction of valid strategies, the launch of campaigns and the use of appropriate tools.
Litigation management, understood as "massive collection" is carried out on dossiers that have at least one instalment past due.
This last activity operates alongside the management of positions considered special cases, which require the application of particular procedures. The Group also makes use of external collection entities that are carefully selected and monitored on an ongoing basis.

For all impaired loans, there is also an activity of monitoring and classification according to an internal model (used by all local units of the Santander Group). The main monitoring indicator is level of insolvency (based on a similar definition to that of impaired financial assets provided by the Supervisory Authority). In particular, this category includes:

- loans that are more than ninety days past due;
- loans affected by "drag" (i.e. pertaining to a customer whereby the ratio of impaired loans to total exposure exceeds 5%);
- loans involved in credit restructuring (refinancing, reclassifications, queueing) for which the so-called "cure period" is not yet over;
- dossiers characterised by specific events such as bankruptcy or fraud;
- contracts characterised by loss of benefits and write-off.

The state of insolvency is constantly monitored by the Risk Control Unit with respect to inflows and outflows, in its distribution by overdue periods and broken down by product categories. In particular, outflows are primarily defined on the basis of days overdue (i.e. in case they fall below the ninety-day period), as well as specific operations related to particular categories included in default (listed above). The above composition of the portfolio is also essential for the application of the impairment definition model, based on past due and product bands.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired loans: amounts, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolios/quantity	Non-performing loans	Unlikely to pay	Impaired past due exposures	Not impaired past due exposures	Not impaired exposures	Total
1. Available-for-sale financial assets					407,389	407,389
2. Held-to-maturity financial instruments						
3. Loans and receivables with banks					449,019	449,019
4. Loans and receivables with customers	18,529	40,917	78,724	180,875	4,507,212	4,826,256
5. Financial assets at fair value through profit or loss						
6. Financial instruments classified as held for sale						
Total 31/12/2015	**18,529**	**40,917**	**78,724**	**180,875**	**5,363,620**	**5,682,665**

As regards information provided in the explanatory notes on “asset quality”, there is no obligation to provide comparative information relating to 2014 in financial statements for the year ended 31 December 2015 as per the Bank of Italy's Note of 17 December 2015, which clarifies certain aspects linked to Circular 262 – 4th update.

The only portfolio that has impaired assets consists of loans to customers. The amount of doubtful, unlikely-to-pay and past due loans corresponds to what was communicated to the Bank of Italy in the ordinary supervisory reports.

A.1.2 Distribution of credit exposure by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Not impaired assets			Total (net exposure)
	Gross exposures	Specific writedowns	Net exposure	Gross exposures	Portfolio adjustments	Net exposure	
1. Available-for-sale financial assets				407,389		407,389	407,389
2. Held-to-maturity financial instruments							
3. Loans and receivables with banks				449,019		449,019	449,019
4. Loans and receivables with customers	414,105	(275,935)	138,169	4,741,728	(53,641)	4,688,087	4,826,256
5. Financial assets at fair value through profit or loss				X	X		
6. Financial instruments classified as held for sale							
Total 31/12/2015	**414,105**	**(275,935)**	**138,169**	**5,598,136**	**(53,641)**	**5,544,495**	**5,682,665**

Portfolio / Quality	Assets of obvious poor credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			4,577
2. Hedging instruments			
Total 31/12/2015			**4,577**

As regards information provided in the explanatory notes on “asset quality”, there is no obligation to provide comparative information relating to 2014 in financial statements for the year ended 31 December 2015 as expected by the Bank of Italy's Note of 17 December 2015, which clarifies certain aspects linked to Circular 262 – 4th update.

The following is an ageing analysis of performing loans to customers that are past due. The Group does not have any exposures subject to renegotiation as part of collective agreements.

	Gross exposure	Specific adjustments	Portfolio writedowns	Net exposure	Pastdue amount
Performing exposure with ageing breakdown:					
up to 3 months	188,080		(13,829)	174,252	14,849
from 3 months to 6 months	4,528		(616)	3,913	152
from 6 months to 1 year	1,038		(32)	1,006	47
over 1 year	1,733		(46)	1,688	57
Total	**195,380**		**(14,522)**	**180,858**	**15,105**

Note that these receivables are classified as performing, in accordance with supervisory instructions, as the total amount of the instalments due or past due is less than 5% of the total exposure.

A.1.3 Banking Group – On- and off-balance sheet exposures to banks: gross and net values and past-due time bands

Type of exposure/Amounts	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Impaired exposures							
	Till 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Not impaired exposures			
A. BALANCE SHEET EXPOSURE								
a) Non-performing loans					X		X	
-of wich: forborne exposures					X		X	
b) Unlikely to pay					X		X	
- of wich forborne exposures					X		X	
c) Impaired past due exposures					X		X	
- of wich forborne exposures					X		X	
d) past due not impaired	X	X	X	X		X		
- of wich forborne exposures	X	X	X	X		X		
e) Other not impaired exposures	X	X	X	X	449,019	X		449,019
- of wich forborne exposures	X	X	X	X		X		
TOTAL A					**449,019**			**449,019**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired					X		X	
b) Not impaired	X	X	X	X	118,799	X		118,799
TOTAL B					**118,799**			**118,799**
TOTAL (A+B)					**567,818**			**567,818**

On-balance sheet exposures to banks include the assets in asset line item 60, while off-balance sheet exposures include the fair value of derivatives in asset line items 20 and 80, net of netting arrangements for counterparty risk and counterparty risk linked to repurchase agreements. For details, please refer to the specific sections of the notes.

A.1.4 Banking Group – Cash credit exposures to banks: dynamics of gross non-performing loans

The Group does not have any exposures to banks that are subject to impairment.

A.1.5 Banking Group – Cash non-performing credit exposures to banks: dynamics of total writedowns

Exposures to banks are not subject to writedowns.

A.1.6 Banking Group – On- and off-balance sheet credit exposures to customers: gross and net values and past due time bands

Type of exposure/Amounts	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Impaired exposures				Not impaired exposures			
	Till 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. BALANCE SHEET EXPOSURE								
a) Non-performing loans	16,108	1,905	21,528	148,344	X	169,357	X	18,529
- of wich forborne exposures	3,779	1,245	5,406	33,580	X	40,852	X	3,157
b) Unlikely to pay	35,263	7,365	13,073	57,234	X	72,018	X	40,917
- of wich forborne exposures	23,065	6,297	6,288	5,334	X	24,572	X	16,412
c) Impaired past due exposures	11,610	51,472	35,629	14,573	X	34,560	X	78,724
- of wich forborne exposures	99	670	98		X	588	X	278
d) past due not impaired	X	X	X	X	195,402	X	14,527	180,875
- of wich forborne exposures	X	X	X	X	8,658	X	2,727	5,931
e) Other not impaired exposures	X	X	X	X	4,953,715	X	39,114	4,914,601
- of wich forborne exposures	X	X	X	X	49,598	X	2,293	47,305
TOTAL A	**62,981**	**60,742**	**70,231**	**220,150**	**5,149,117**	**275,935**	**53,641**	**5,233,646**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired					X		X	
b) Not impaired	X	X	X	X	108,720	X		108,720
TOTAL B					**108,720**			**108,720**
TOTAL (A+B)	**62,981**	**60,742**	**70,231**	**220,150**	**5,257,837**	**275,935**	**53,641**	**5,342,366**

This table gives details of impaired and performing loans to customers, gross and net of specific and portfolio adjustments.
Non-performing exposures with forbearance measures, which, in the cure period, do not comprise any past due positions falling within the time band “Up to 3 months”, consist of a gross exposure of Euro 17,346 thousand and loan adjustments of Euro 5,947 thousand.
“Off-balance sheet exposures” show the amount of commitments relating to factoring transactions.

A.1.7 Banking Group – Cash credit exposures to customers: dynamics of gross non-performing loans

Description/Category	Non-performing loans	Unlikely to pay	Past due impaired exposures
A. Opening balance (gross amount)	**380,506**	**120,493**	**65,922**
- Sold but not derecognised	188,630	46,454	40,318
B. Increases	**213,669**	**136,075**	**164,608**
B.1 transfers from performing loans	5,210	64,321	133,772
B.2 transfers from other impaired exposures	69,899	20,814	2,866
B.3 other increases	138,559	50,940	27,969
C. Decreases	**406,289**	**143,632**	**117,246**
C.1 transfers to perfomorming loans	3,696	16,367	7,083
C.2 write-offs	4,797	1,850	361
C.3 recoveries	16,025	16,203	18,007
C.4 sales proceeds	30,138	8,881	34
C.5 losses on disposals	179,352	15,602	238
C.6 transfers to other impaired exposures	2,210	42,429	48,941
C.7 other decreases	170,071	42,300	42,583
D. Closing balance (gross amounts)	**187,885**	**112,935**	**113,284**
- Sold but not derecognised	48,900	11,305	25,764

A.1.8 Banking Group – Cash credit exposures to customers: dynamics of total writedowns

Description/Category	Non-performing loans		Unlikely to pay		Impaired Past due exposures	
	Total	Of wich: forborne exposures	Total	Of wich: forborne exposures	Total	Of wich: forborne exposures
A. Opening balance overall amount of ...	**311,369**		**68,314**		**25,174**	
- Sold but not derecognised	157,693		38,448		16,247	
B. Increases	**89,843**		**55,886**		**33,333**	
B.1 write-downs	59,524		48,830		32,731	
B.2 bis losses on disposal	2,110		868		266	
B.3 transfer from other impaired exposure	28,210		6,188		336	
B.4 other increases						
C. Reductions	**231,855**		**52,182**		**23,947**	
C.1 write-backs from assessments	26,616		11,609		2,387	
C.2 write-backs from recoveries	21,033		4,707		1,475	
C.3 gains on disposal						
C.4 write-offs	5,016		1,011		982	
C.5 transfers to other impaired exposures	1,403		15,639		17,692	
C.6 other decreases	177,788		19,216		1,410	
D. Closing overall amount of writedowns	**169,357**		**72,018**		**34,560**	
- Sold but not derecognised	47,283		8,666		18,360	

"Total opening adjustments" have been reclassified based on the new categorisation set out in the 4th update to the Bank of Italy Instructions.
Lastly, “Other decreases” include adjustments attributable to portfolio sales.
As provided for by the Bank of Italy's Note of 17 December 2015, information relating to forborne exposures may be omitted from financial statements for the year ended 31 December 2015.

A.2 Classification of exposures based on external and internal ratings

A.2.1 Banking Group – Distribution of on- and off-balance sheet exposures by external rating class

The table below shows the net amounts of credit exposures to banks corresponding to those shown in the table at A.1.3 and the net amounts of credit exposures to customers shown in the table at A.1.6. Given the nature of the latter customers, they have not been subjected to rating.

Exposures	External rating classes						Unrated	Total
	1	2	3	4	5	6		
A. Cash credit exposures				856,408			4,826,257	**5,682,665**
B. Derivatives								
B.1 Financial derivatives	47							**47**
B.2 Credit derivatives								
C. Guarantees given								
D. Other commitments to disburse funds							108,720	**108,720**
E. Others	118,752							**118,752**
Total	**118,799**			**856,408**			**4,934,977**	**5,910,184**

A.2.2 Banking Group – Distribution of on- and off-balance sheet exposures by internal rating classes

This table has not been prepared because the internal ratings are not currently used in the calculation of capital requirements for the management of credit risk.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking Group – Guaranteed credit exposures to banks

The Group has no guaranteed credit exposures to banks.

A.3.2 Banking Group – Guaranteed credit exposures to customers

	Net exposure	Collaterals (1)				Unsecured Guarantees									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Property Mortgages	Financial leasing property	Securities	Other secured guarantees	CLN	Governments and Central Banks	Other public entities	Banks	Other entities	Governments and Central Banks	Other public entities	Banks	Other parties	
1. Guaranteed cash credit exposures:															
1.1 fully guaranteed	30,126													30,126	30,126
- of which impaired	471													471	471
1.2 partially guaranteed															
- of which impaired															
2. Guaranteed off-Balance Sheet credit exposures:															
2.1 fully guaranteed															
- of which impaired															
2.2 partially guaranteed															
- of which impaired															

B. Distribution and concentration of credit exposures

B.1 Banking Group - Distribution by sector of on- and off-balance sheet exposures to customers (book value)

Exposures/Counterparts	Goverments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Non-performing loans			x			x		50	x			x	536	29,741	x	17,993	139,566	x
- of wich: forborne exposures			x			x			x			x	37	1,413	x	3,120	39,439	x
A.2 Unlikely to pay			x			x		6	x			x	563	4,668	x	40,353	67,345	x
- of wich: forborne exposures			x			x			x			x	318	471	x	16,094	24,101	x
A.3 Impaired past due exposures			x			x	5	11	x			x	1,125	1,670	x	77,594	32,879	x
- of wich: forborne exposures			x			x			x			x	14	16	x	265	571	x
A.4 Not impaired exposures	407,389	x		25	x		1,215	x	26		x		415,761	x	3,006	4,271,086	x	50,608
- of wich: forborne exposures		x			x		47	x			x		841	x	61	52,348	x	4,959
TOTAL A	**407,389**			**25**			**1,219**	**67**	**26**				**417,986**	**36,078**	**3,006**	**4,407,026**	**239,790**	**50,608**
B. Off-balance sheet exposures																		
B.1 Non-performing loans			x			x			x			x			x			x
B.2 Unlikely to pay			x			x			x			x			x			x
B.3 Other impaired assets			x			x			x			x			x			x
B.4 Not impaired exposures		x			x			x			x		108,720	x			x	
TOTAL B													**108,720**					
Total (A+B) 31/12/2015	**407,389**			**25**			**1,219**	**67**	**26**				**526,706**	**36,078**	**3,006**	**4,407,026**	**239,790**	**50,608**
Total (A+B) 31/12/2014				**82**	**2**		**512**	**146**	**5**				**398,562**	**47,282**	**2,563**	**4,564,848**	**357,362**	**42,343**

The above table shows the cash positions with customers by sector. It shows the distinct prevalence of exposures to retail customers.

B.2 Banking Group - Territorial distribution of on- and off-balance sheet exposures to customers (book values)

Exposures / Geographical		North West Italy		North East Italy		Italian Centre		South Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet exposures									
A.1 Non-performing loans		3,255	28,028	1,118	11,360	3,353	37,083	10,802	92,886
A.2 Unlikely to pay		7,344	13,254	2,641	5,574	7,808	14,366	23,124	38,825
A.3 Impaired past due exposures		13,586	6,414	5,417	2,441	14,856	7,539	44,864	18,165
A.4 Not impaired exposures		1,225,868	12,130	565,535	5,610	1,415,795	12,281	1,888,278	23,620
TOTAL A		**1,250,053**	**59,826**	**574,712**	**24,985**	**1,441,812**	**71,269**	**1,967,068**	**173,497**
B. Off-balance sheet exposures									
B.1 Non-performing loans									
B.2 Unlikely to pay									
B.3 Other impaired assets									
B.4 Not impaired exposures		31,894		24,836		23,759		28,231	
TOTAL B		**31,894**		**24,836**		**23,759**		**28,231**	
Total (A+B)	**31/12/2015**	**1,281,947**	**59,826**	**599,548**	**24,985**	**1,465,571**	**71,269**	**1,995,300**	**173,497**
Total (A+B)	**31/12/2014**	**1,262,238**	**83,649**	**540,167**	**32,853**	**1,066,553**	**95,188**	**2,095,046**	**238,013**

The Group has exposures exclusively to Italian customers; the geographical breakdown used in the table is taken from the instructions issued by the Bank of Italy and is consistent with the allocation used for regulatory reporting.

B.3 Banking Group - Territorial distribution of on- and off-balance sheet exposures to banks (book value)

Exposures / Geographical		Italy		Other european countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet exposures											
A.1 Non-performing loans											
A.2 Unlikely to pay											
A.3 Impaired past due exposures											
A.4 Not impaired exposuress		166,680		282,339							
TOTAL A		**166,680**		**282,339**							
B. Off-balance sheet											
B.1 Non-performing loans											
B.2 Unlikely to pay											
B.3 Other impaired assets											
B.4 Not impaired exposures				118,799							
TOTAL B				**118,799**							
Total A+B	**31/12/2015**	**166,680**		**401,138**							
Total A+B	**31/12/2014**	**280,728**		**513,162**							

This table contains, for cash exposures to residents, the positive balance of current accounts with banks, while for exposures to foreigners, the balance is made up primarily of commercial paper subscribed for by the securitisation SPE and issued by the Spanish Parent Company Santander Consumer Finance.
With respect to off balance sheet exposures, please see the information provided at point B.4.

B.4 Large exposures

At the balance sheet date there was only one counterparty classified as a large exposure, relating to the difference between the fair value of securities provided as collateral for repo transactions recognised in the financial statements at the year end and the amount of the loan received in connection with the transaction. The amount of the exposure is Euro 118,752 thousand.

C. Securitisations

As regards securitisations, note that the Parent Company has subscribed the entire amount of securities issued and, thus, there is no information to be provided in this section.

D. Information on structured entities (other than special purpose entities created for securitisations)

The Group does not have any positions with structured entities.

E. Disposal transactions

A. Financial assets sold but not fully derecognised

Qualitative information

This section is not applicable given that the Group is involved solely in self-securitisations.

Quantitative information

E.1 Banking Group - Financial assets sold but not derecognised: book value and full value

Please refer to paragraph A. - Qualitative information.

E.2 Banking Group - Financial liabilities for financial assets sold but not derecognised: book value

Please refer to paragraph A. - Qualitative information.

E.3 Banking Group - Transfers with liabilities that have recourse only against the assets sold: fair value

Please refer to paragraph A. - Qualitative information.

B. Financial assets sold and fully derecognised with recognition of the continued involvement

Qualitative information

The Group has not been party to any sale transactions with recognition of continued involvement.

Quantitative information

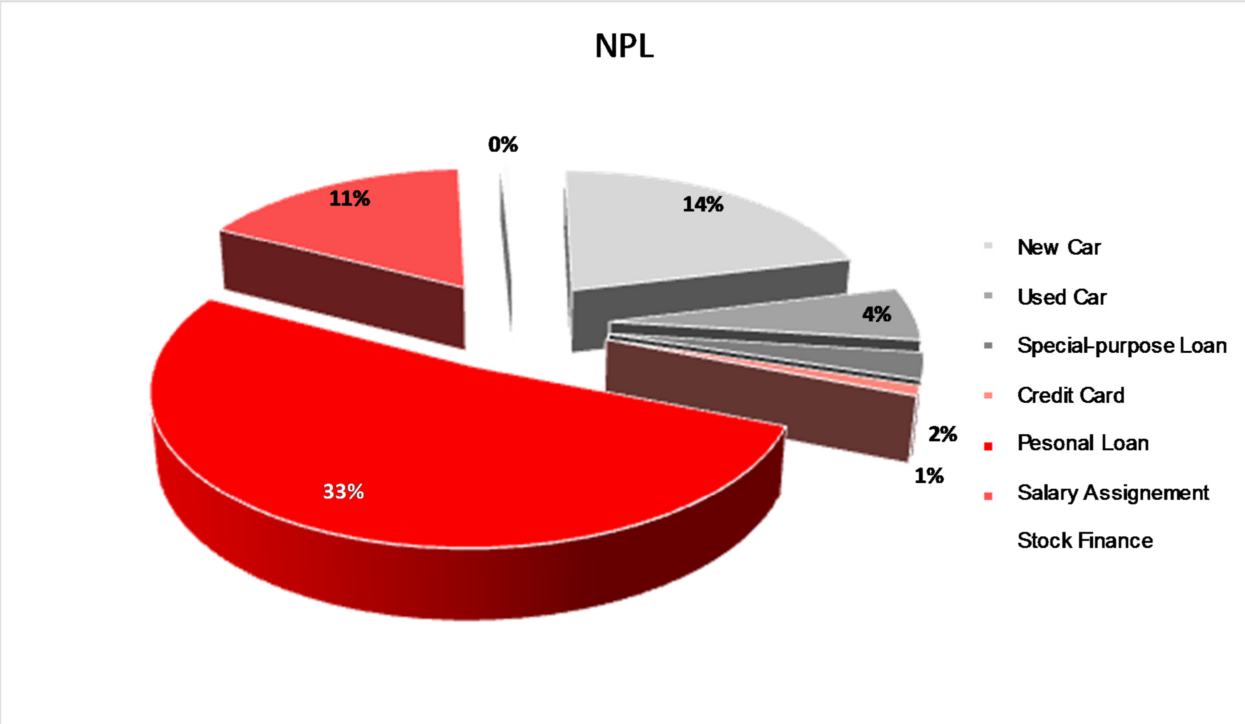
Please see the information provided above.

E.4 Banking Group - Covered bond transactions

The Group has not carried out any covered bond transactions.

F. Banking Group – Models for the measurement of credit risk

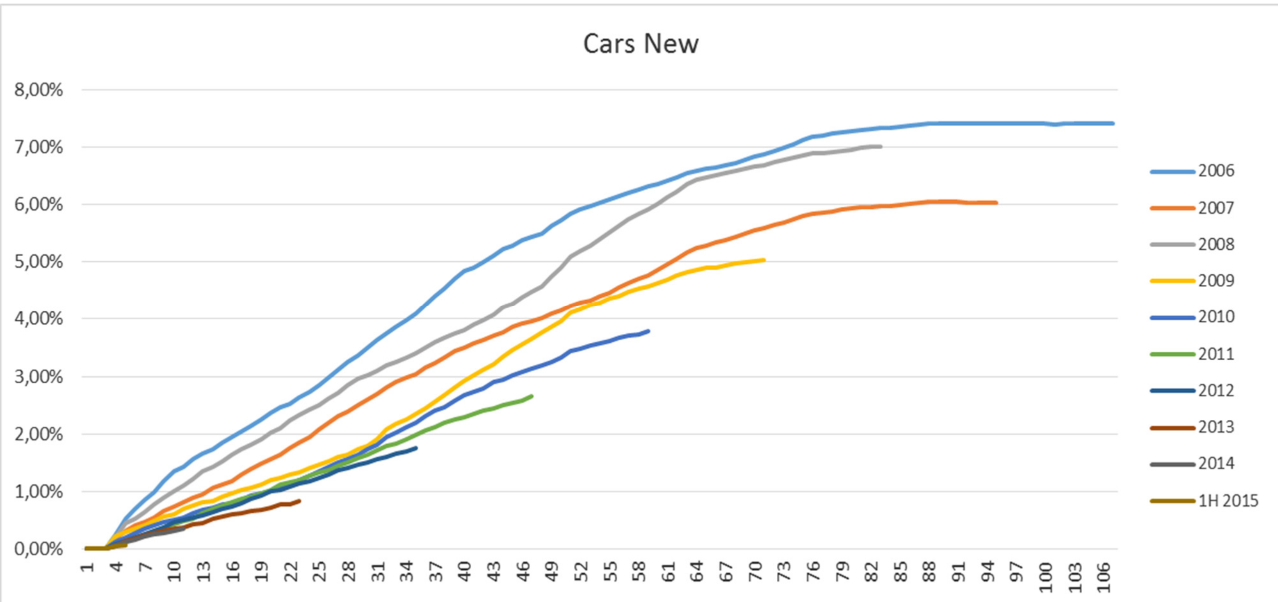
The balance at risk by product of the "dossiers in delinquency" (i.e. that have amounts past due by more than 90 days and with other characteristics that make them be considered high risk) is monitored on a monthly basis. Note that the monthly change in the delinquency helps to define another metric, called VMG (*Variación de Mora Gestionada*).



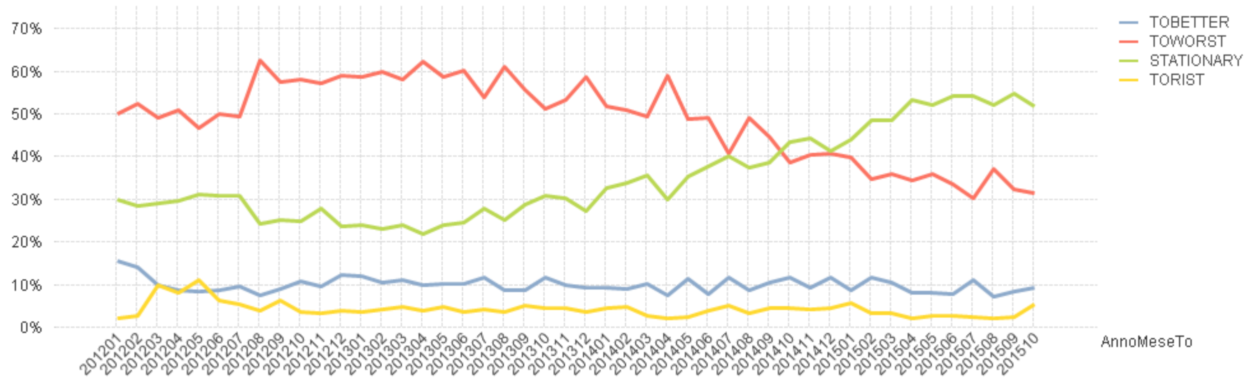
The chart shows how the breakdown of the figure by product reflects the features of the Group's business. The main products are *new cars* (14%), *direct loans* (33%) and *salary assignment* (10%).

Credit risk is assessed, among other things, by:

- *Vintage analysis.* This indicator is the ratio of a generation of loans that in any month have been classified as bad to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to their segmentation. The comparison is between products with a similar production date, so you can identify any deviations from past performances. Usually, graphic representations are used to keep track of the trend, such as the one that shows the relationship between age and the loss rate;



- Trend analysis (roll rate); Represents the trend of loans between T0 and T1, with the determination of any status change in T1 of the loans, which at T0 were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio.



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

- Expected Loss, in collaboration with the Spanish Parent Company, we calculate the value of EL/LGD for each dossier, the main objectives being:
    - to estimate expected recoveries;
    - to set up a reserve for expected losses;
    - to create a database that can be used for analysis performed by other areas of the company;
    - to reduce the impact of riskier products on the portfolio.

1.2. Banking Group - Market risks

1.2.1 Interest rate risk and price risk - Trading portfolio reported for supervisory purposes

This is not applicable to the Group.

1.2.2 Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The Parent Company is exposed to fair value interest rate risk (risk that the value of assets and liabilities issued at fixed rates changes as a consequence of a fluctuation in the interest rate curve) and cash flow risk (risk that interest-related cash flow changes as a consequence of a fluctuation in the interest rate curve).

The sources of interest rate risk for the Group are mainly related to loans to customers, which are generated by the placement of consumer credit products and services (asset items) and their means of funding (liability items). In fact, the sector in which the Group operates is characterised by the asset mix, which is typically composed of loans granted mainly at fixed rates, whereas the funding sources are both fixed rate and floating rate. Accordingly, the main interest rate categories to which the Group is exposed lead to repricing risk.

Interest rate risk is managed by macro-strategies shared at Group level within well defined, formalised exposure limits.
Internal processes for the management and monitoring of interest rate risk prescribe the processing of information each month at operating level by the responsible organisational units and a critical assessment by the ALCO Committee.
Monitoring involves comparing the results of stress tests performed on sensitive assets and liabilities with the limits established by the Bank of Italy and the policies indicated by the Spanish Parent Company.
Specific ratios are formalised by the Finance Department and monitored by the Risk Management Department. Specific quantitative limits are set for the following risk metrics:

- Market Value of Equity Sensitivity (MVE Sens.);
- Net interest margin Sensitivity (NIM Sens.).

To mitigate the risk of fluctuations in interest rates, the Group implements two main forms of mitigation:

- use of derivatives (interest rate swaps);
- natural hedges, that is, recourse to fixed rate loans.

Of the various types of risk hedges that are acceptable, the Group has chosen to use derivatives according to the following methods.

B. Fair value hedges

As regards fair value hedging, the Parent Company mainly enters into amortising derivatives to neutralise the exposure to changes in fair value of a portfolio of financial assets, attributable to unexpected fluctuations in interest rates.

The effectiveness of the hedges is periodically measured and formalised, based on predefined tests (both retrospective and prospective):

- retrospective test. This test is designed to assess the difference between changes in the fair value of the hedged item and those of the hedging instrument, quantifying it by means of a specific percentage (efficiency percentage);
- prospective test. This assessment is based on expectations of the future trend of the hedging relationship by identifying different scenarios for the trend in interest rate curves. In order to assess the effectiveness of the hedge, the difference between changes in the fair value of the hedged item and those of the hedging instrument have to be considered jointly for each scenario (quantifying them by means of a percentage).

The observation interval and effectiveness meet the requirements of IAS-IFRS.
The metrics are defined and maintained in accordance with the Spanish Parent Company's instructions.

C. Cash flow hedges

As regards cash flow hedges, the Parent Company enters into bullet derivatives to neutralise the exposure of its liabilities to changes in future cash flows arising from unexpected fluctuations in interest rates.

The effectiveness of the hedges is periodically measured and formalised, based on predefined tests (both retrospective and prospective):

- prospective test. The prospective test also involves preparing a report that identifies the correlation between the cash flows (interest) arising from the item being hedged by the hedging instrument;
- retrospective test. The aim of the test is to verify the correlation between interest expense generated by loans granted and interest income earned from traded derivatives (floating flow).

The observation interval and effectiveness meet the requirements of IAS-IFRS.
The metrics are defined and maintained in accordance with the Spanish Parent Company's instructions.

Quantitative information

1. Banking book: distribution by residual duration (repricing date) of financial assets and liabilities

This table is not prepared as the next section gives an analysis of the sensitivity to interest rate risk based on internal models and this analysis covers the whole of the banking book.

2. Banking book: internal models and other methodologies for analysing sensitivity

The measurement/quantification of financial risks, especially the interest rate risk, is carried out by analysing the specific synthetic indicators described below. These indicators are calculated on a monthly basis, which involves calculating an actual figure at the end of each month, as well as a forecast figure for the next reporting period. Monitoring interest rate risk is the responsibility of the Finance Department. When reporting, specific ratios are formalised by that Department and monitored by the Risk Management Department.

Sensitivity indicator "Market Value of Equity" (MVE)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on shareholders' equity. The scenarios on which the calculation is performed are ±25, ±50, ±75, ±100, ±200 and +250 b.p. The following paragraph shows the results obtained by applying the scenario +100 basis points on which are based the monthly analysis and the decisions on interest rate risk. The measurement of interest rate risk is then carried out by assessing the impact of changes in interest rates on the value of interest-bearing assets/liabilities inclusive of derivatives (Interest Rate Swap); the sensitivity of the market value of equity is computed as the difference between the present value of all future cash flows discounted using market interest rate curves and the present value of future cash flows discounted using stressed interest rate curves.
At 31 December 2015, the MVE calculated with a shift of +100 basis points was Euro -24.3 million; in 2015, the average figure was Euro -20.3 million, with a minimum of Euro -11.5 million and a maximum of Euro -33.8 million.

Sensitivity indicator "Net Interest Margin" (NIM)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on net interest income (the analysis period was 12 months). As regards the interest rate shift scenarios, please refer to the paragraph on MVE.
At 31 December 2015, the NIM was Euro -1 million (with a shift of +100 basis points).

+100 bps MM	MVE	NIM
December 15	-24.3	-1.0
Limit	-50.0	-15.0
-100 bps MM	MVE	NIM
December 15	21.8	0.0
Limit	50.0	15.0

1.2.3 Exchange risk

The Group is not exposed to exchange risk.

1.2.4 Derivatives

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: period-end notional values

There are no financial derivatives in the trading portfolio for supervisory purposes.

A.2 Banking book: period-end notional amounts

A.2.1 For hedging

Underlying assets / Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	**1,780,887**		**5,797,676**	
a) Options				
b) Swap	1,780,887		5,797,676	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**1,780,887**		**5,797,676**	
Average	**2,632,662**		**3,706,788**	

For details of interest rate swaps, please see the information provided in the relevant asset and liability sections.

A.2.2 Other derivatives

Underlying assets / Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	**1,293,600**		**1,215,145**	
a) Options				
b) Swap	1,293,600		1,215,145	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**1,293,600**		**1,215,145**	
Average	**1,781,553**		**2,633,225**	

A.3 Financial derivatives: positive gross fair value – breakdown by product

Portfolios / Types of derivatives	Positive fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Other				
B. Banking book - Hedging derivatives				
a) Options				
b) Interest rate swap			1,009	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Other				
C. Banking book - Other derivatives				
a) Options				
b) Interest rate swap	4,577		19,669	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
Total	**4,577**		**20,678**	

A.4 Financial derivatives: negative gross fair value – allocation by product

Portfolios / Types of derivatives	Negative fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
B. Banking book - Hedging derivatives				
a) Options				
b) Interest rate swap	28,643		51,646	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
C. Banking book - Other derivatives				
a) Options				
b) Interest rate swap	5,091		20,669	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
Total	**33,734**		**72,315**	

A.5 OTC financial derivatives: trading portfolio for supervisory purposes – notional amounts, positive and negative gross fair values by counterparty – contracts not included in netting agreements

The Group does not have any derivatives classified in the trading portfolio for supervisory purposes.

A.6 OTC financial derivatives: trading portfolio for supervisory purposes - notional amounts, positive and negative gross fair values by counterparty – contracts included in netting agreements

The Group does not have any derivatives classified in the trading portfolio for supervisory purposes.

A.7 OTC financial derivatives agreements: banking portfolio - notional amounts, positive and negative gross fair value by counterparty – contracts not included in netting agreements

The Group has not entered into OTC financial derivatives not included in netting agreements.

A.8 OTC financial derivatives agreements: banking portfolio - notional amounts, positive and negative gross fair value by counterparty – contracts included in netting agreements

Contracts included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount			3,074,487				
- positive fair value			4,577				
- negative fair value			(33,734)				
2. Equity instruments and stock indexes							
- notional amount							
- positive fair value							
- negative fair value							
3. Gold and currencies							
- notional amount							
- positive fair value							
- negative fair value							
4. Other instruments							
- notional amount							
- positive fair value							
- negative fair value							

A.9 Residual life of OTC financial derivatives: notional values

Underlying / residual value	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A. Regulatory trading book				
A.1 Financial derivative contracts on debt securities and interest rates				
A.2 Financial derivative contracts on equity securities and stock indexes				
A.3 Financial derivative contracts on exchange rates and gold				
A.4 Financial derivative contracts on other values				
B. Banking portfolio				
B.1 Financial derivative contracts on debt securities and interest rates	1,459,200	1,615,287		**3,074,487**
B.2 Financial derivative contracts on equity securities and stock indexes				
B.3 Financial derivative contracts on exchange rates and gold				
B.4 Financial derivative contracts on other values				
Total 31/12/2015	**1,459,200**	**1,615,287**		**3,074,487**
Total 31/12/2014	**2,135,952**	**3,661,724**		**5,797,676**

A.10 OTC financial derivatives: di counterparty risk /financial risk – Internal models

The Group does not use EPE-type internal models to calculate counterparty risk and, accordingly, this table has not been completed, although tables A.3 and A.8 have been completed.
For information on the notional value of derivatives by counterparty, please see *Part B – information on the balance sheet*, Assets *Section 8* and Liabilities *Section 6*.

B. Credit derivatives

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

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Bilateral financial derivatives agreements							
- positive fair value			4,577				
- negative fair value			(33,734)				
- future exposure			8,076				
- net counterparty risk			12,653				
2) Bilateral credit derivatives agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3) Cross product agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

1.3. Banking Group - Liquidity risk

Qualitative information

A. General aspects, management and measurement of liquidity risk

The Group is exposed to liquidity risk, defined as the probability that it may, at any time, not have sufficient cash reserves to meet payments arising from its obligations, or it may not be able to source sufficient liquidity in the markets to renew maturing deposits.

The Parent Company has implemented a liquidity policy that defines the principles and means for the management of a timing mismatch between maturing assets and liabilities.

The Finance Department manages liquidity risk in accordance with the liquidity policy approved by the Board of directors.

Based on the governance model adopted by the Parent Company, liquidity risk is monitored by the Risk Management Department (second-level controls), whereas internal audit performs third-level controls.

The quantification of liquidity risk is made primarily by calculating the Minimum Liquidity Ratio (MLR), the logic of which has been agreed at Santander Consumer Finance Group level. This ratio is a synthetic indicator of the liquidity situation and expresses the Group's ability to meet its commitments at the contractual maturities.

According to the Group's methodology, account is taken of inflows from the repayment of customer loans and from any securities held and used as collateral for refinancing operations with the Central Bank or with other banks as well of outflows for maturing deposits.

The MLR is updated monthly and summarises the liquidity position over 12 months.

The MLR ratio is computed using the following formula:

$$\text{Liquidity limit} \geq \frac{\text{Available Liquidity} + \text{Total Sensitive Asset} < \text{X months}}{\text{Total Sensitive Liabilities} < \text{X months}}$$

Along with the MLR, the Parent Company manages its liquidity by means of maturity ladder methodology that has also been agreed at Santander Consumer Finance Group level. This analysis is designed to identify and quantify the imbalances between cash inflows and outflows that occur in different timeframes.

As well as the above mentioned indicators, the Parent Company also monitors its Liquidity Coverage Ratio defined as:

$$\text{LCR} = \frac{\text{Stock of high quality liquidi assets}}{\text{Total net cash flow in the subsequent 30 calendar days}}$$

At 31 December 2015 the Group held Euro 400 million of high quality liquid assets, purchased in 5 separate tranches in 2015 (consisting of Italian government securities).

The LCR officially came into force on 1 October 2015 and has to constantly remain above 60% throughout the year, as required by European Commission Regulation 575/2013 and by Directive 2013/36/EU, for Basel III purposes. The Group's liquidity ratio meets with the above requirement.

Each month a meeting is held of the ALCO (Asset Liability Committee) that comprises representatives from Risk Management, the Finance Department and the Parent Company Administration and Control Department, as well as colleagues from the corresponding Spanish Parent Company departments. The objective of this committee is to agree on strategies for interest rate and liquidity risk, funding policies and the cost of funding.

The Parent Company diversifies its sources of funding by recourse to financing provided by the Spanish Parent Company, bond issues, customer deposits and repurchase agreements (repos).

The Parent Company, however, has obtained credit lines from the Spanish Parent Company to mitigate its liquidity risk.

As regards transactions which require the payment of a margin call, the Parent Company is a party to agreements for net interest margin hedging instruments entered into with Banco Santander, with Abbey National Treasury Services plc and with another counterparty with which it has entered into repurchase agreements.

Quantitative information

1. Distribution of assets and liabilities by residual maturity

Items / time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
On-balance sheet assets	**264,397**	**1,698**	**302,030**	**58,174**	**310,599**	**762,863**	**874,298**	**2,656,224**	**679,039**	**4,698**
A.1 Government securities					1,188	304,062	101,875			
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans	264,397	1,698	302,030	58,174	309,411	458,800	772,423	2,656,224	679,039	4,698
- Banks	191,332		253,000							4,698
- Customers	73,064	1,698	49,030	58,174	309,411	458,800	772,423	2,656,224	679,039	
On-balance sheet liabilities	**331,072**	**35,040**	**330**	**203,816**	**323,647**	**500,073**	**634,334**	**3,152,728**	**50,000**	
B.1 Deposits and current accounts	324,339	35,040	186	259	319,652	243,193	117,909	19,972		
- Banks	409	35,040			317,377	223,299	108,267			
- Customers	323,930		186	259	2,275	19,894	9,642	19,972		
B.2 Debt securities					165	100,174	251	200,000		
B.3 Other liabilities	6,733		144	203,557	3,830	156,706	516,174	2,932,756	50,000	
Off-balance sheet transactions										
C.1 Physically settled fin. derivatives										
- Long positions										
- Short positions										
C.2 Cash settled Fin. derivatives										
- Long positions					737	67	112	200,000		
- Short positions		134	580	636	5,232	5,092	207,328			
C.3 Deposit to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds										
- Long positions										
- Short positions										
C.5 Written guarantees										
C.6 Financial guarantees received										
C.7 Physically settled cred. derivatives										
- Long positions										
- Short positions										
C.8 Cash settled Cred. derivatives										
- Long positions										
- Short positions										

With respect to financial assets subject to self-securitisations, at the end of 2015, the Parent Company was involved in three securitisations of performing loans for which it had subscribed all of the securities issued.
The securitisations are stand-alone.
At 31 December 2015 a further securitisation had been launched called Whole Loan Note, given that it involved a single class of securities.

In the operation called *Golden Bar Securitisation Programme IV 2009-1*, launched with the purchase of an initial portfolio of performing consumer loans worth Euro 800,001,181, on 23 December 2009 the company issued the first series of

notes for a total of Euro 800,000,000 divided into three classes with a decreasing order of priority which were fully subscribed by the originator. In April 2013, as part of the structuring of the operation, a further subordinated loan of Euro 50,000,000 was granted.
On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2011-1*, the company purchased a portfolio of performing loans granted for the purchase of new and second-hand cars of Euro 600,001,249, which was completed on 31 March 2011 with the issuance of a single series of securities for a total of Euro 600,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator. On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 81,000,000.
On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2011-2* the company purchased a portfolio of performing loans for a total of Euro 950,000,104, which was completed on 12 October 2011 with the issuance of a single series of securities for a total of Euro 950,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2012-1* the company purchased a portfolio of performing consumer loans (special purpose loans and personal loans) for a total of Euro 753,106,836, which was completed on 23 July 2012 with the issuance of a single series of securities for a total of Euro 753,100,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
The redemption of Class A securities continued in the year, of an amount of Euro 117,039,934.

As part of Operation *Golden Bar Stand-Alone 2012-2*, the company purchased a portfolio of performing loans consisting of loans secured by salary assignment for a total of Euro 1,209,317,467 and which was completed on 31 October 2012 with the issuance of a single series of securities for a total of Euro 1,209,317,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 54,418,925, so as to guarantee the cash reserve of Euro 30,232,925 and the liquidity reserve of Euro 24,186,000 required by contract.
During 2014, the transaction was subject to a contractual amendment that enabled a further purchase of performing loans of an amount of Euro 266,851,648 and which was completed with the issuance, on 25 June 2014, of a new series of securities denominated *Golden Bar Stand Alone 2014-2* of an amount of Euro 266,850,000. These securities, which were divided into three classes with decreasing order of priority, were subscribed entirely by the originator.
On 27 November 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Whole Loan Note VFN 2013-1* the company purchased a portfolio of performing loans for a total of Euro 425,143,451, which was completed on 23 July 2013. In October 2013 an additional transfer of loans for Euro 66,447,730 was made and a single series of notes was issued for Euro 491,590,000, with a revolving period of 5 years.
During the year, the SPE made four further purchases of performing loans amounting to Euro 235,017,955. These purchases made it possible to increase, in accordance with the variable funding structure of the transaction, the total capital issued by an amount of Euro 29,573,400 relating to the portion not financed by proceeds from the loan portfolio, bringing the securities to a total value of Euro 570,596,900.

As part of Operation *Golden Bar Whole Loan Note 2013-2,* the company purchased a portfolio of performing loans secured by salary assignment for a total of Euro 254,826,452 and which was completed on 25 July 2013. In November 2013 a single issue of notes was issued for Euro 254,820,000. On 27 November 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand Alone 2014-1* the company purchased a portfolio of performing loans granted for the purchase of new and second-hand cars of Euro 752,046,351, which was completed on 25 June 2014 with the issuance of a single series of securities for a total of Euro 752,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator. On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 18,830,000, so as to guarantee the cash reserve of Euro 18,800,000 required by contract. At the end of the year the subordinated loan has been fully repaid.
During the year, the SPE made four further revolving acquisitions of performing loans for a total of Euro 320,262,619.

As part of Operation *Golden Bar Stand Alone 2015-1* the company purchased a portfolio of performing loans for a total of Euro 700,091,097, which was completed on 9 October 2015 with the issuance of a single series of securities for a total of Euro 700,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 17,530,000, so as to guarantee the cash reserve of Euro 17,500,000 required by contract. At the year end, the amount of the outstanding

subordinated loan equated to its entire initial value. The variable funding structure of the transaction made it possible to increase the value of the securities issued up to an amount of Euro 1,000,000,000.

During the year, the programme and the operations were monitored by Moody's Investors Services and Standard & Poor's for the programme, by Moody's Investor Services and Fitch Ratings for the operation *Golden Bar Stand Alone 2011-1*, by Moody's Investors Services and DBRS for the operations *Golden Bar Stand Alone 2011-2, 2012-1, 2012-2, 2014-1, 2014-2 and 2015-1.*

As the servicer, Santander Consumer Bank handles the management of payments from customers, the immediate crediting of the funds received to the SPE and the activation of debt collection procedures where necessary.

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Attività detenute dal Gruppo	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar Stand Alone 2012-1	262,152	103,706	169,400	116,167	4,826,256	n.a.	n.a.	n.a.	n.a.
Golden Bar Whole Loan Note VFN 2013-1	530,956		570,597	8,325		n.a.	n.a.	n.a.	n.a.
Golden Bar Stand Alone 2014-1	732,785	676,900	75,100	33,061		n.a.	n.a.	n.a.	n.a.
Golden Bar Stand Alone 2015-1	702,926	623,000	77,000	40,198		n.a.	n.a.	n.a.	n.a.

In accordance with international accounting standards, it was decided to consolidate the portfolios securitised, having verified the requirements of IFRS 10 relating to control over transactions, as the subscriber of the Junior Securities issued by the SPE.

During the year, the Junior Securities generated income of Euro 7,518 thousand (Euro 30,535 thousand in 2014) for the Programme IV, Euro 852 thousand (Euro 6,167 thousand in 2014) for the stand-alone operation 2011-1, Euro 9,562 thousand (Euro 34,432 thousand in 2014) for the stand alone operation 2011-2, Euro 24,607 thousand for the stand alone operation 2012-1 (Euro 35,109 thousand in 2014), Euro 22,421 thousand for the stand alone operation 2012-2 (Euro 33,450 thousand in 2014), Euro 43,749 thousand for the WLN 2013-1 operation (Euro 43,833 thousand in 2014), Euro 7,769 thousand for the WLN 2013-2 operation (Euro 11,104 in 2014), Euro 39,729 thousand for the stand-alone operation 2014-1 (Euro 28,798 in 2014) and Euro 22,668 thousand for the stand alone operation 2015-1.

To enhance the transparency of disclosures, the following is a breakdown of the various components that generated the excess spread accrued on the various operations, which was booked to the income statement in 2015 and 2014.

Compared with the previous year, the securitisations completed are "*Golden Bar Programme IV*", *"Golden Bar Stand Alone 2011-1", "Golden Bar Stand Alone 2011-2", "Golden Bar Stand Alone 2012-2"* and "*Golden Bar Whole Loan Note 2013-2"*, while a new securitisation has been launched, named "*Golden Bar Stand Alone 2015-1*".

2015

Breakdown of the excess spread accrued during the year	31/12/2015								
	Golden Bar Programme IV	**Golden Bar Stand Alone 2011-1**	**Golden Bar Stand Alone 2011-2**	**Golden Bar Stand Alone 2012-1**	**Golden Bar Stand Alone 2012-2**	**Golden Bar Whole Loan Note VFN 2013-1**	**Golden Bar Whole Loan Note 2013-2**	**Golden Bar Stand Alone 2014-1**	**Golden Bar Stand Alone 2015-1**
Interest expense on securities issued	(2,040)	(536)	(384)	(2,087)	(8,654)			(7,640)	(2,220)
- for servicing	(568)	(421)	(1,072)	(950)	(3,046)	(2,943)	(953)	(3,799)	(171)
- for other services	(10)	(13)	(11)	(22)	(17)	(19)	(11)	(25)	(6)
Other charges	(290)	(2,689)	(4,146)	(942)	(86)	(445)	(8)	(2,496)	(158)
Interest generated by the securitised assets	9,592	4,140	14,686	27,930	34,209	45,341	8,740	50,674	24,069
Other revenues	834	371	489	678	15	1,815	1	3,015	1,154
Total	**7,518**	**852**	**9,562**	**24,607**	**22,421**	**43,749**	**7,769**	**39,729**	**22,668**

2014

Breakdown of the excess spread accrued during the year	31/12/2014								
	Golden Bar Programme IV	**Golden Bar Stand Alone 2011-1**	**Golden Bar Stand Alone 2011-2**	**Golden Bar Stand Alone 2011-3**	**Golden Bar Stand Alone 2012-1**	**Golden Bar Stand Alone 2012-2**	**Golden Bar Whole Loan Note VFN 2013-1**	**Golden Bar Whole Loan Note 2013-2**	**Golden Bar Stand Alone 2014-1**
Interest expense on securities issued	(7,068)	(2,554)	(3,717)	(2,733)	(4,014)	(12,375)			(4,898)
- for servicing	(1,456)	(1,330)	(2,841)	(1,603)	(1,167)	(2,287)	(2,564)	(1,155)	(2,436)
- for other services	(36)	(117)	(119)	(7)	(28)	(28)	(37)	(21)	(13)
Other charges	(365)	(6,937)	(8,879)	(5,443)	(436)	(219)	(100)	(13)	(922)
Interest generated by the securitised assets	36,615	15,912	48,491	11,217	39,847	48,210	45,061	12,290	35,066
Other revenues	2,845	1,193	1,497	851	907	149	1,473	3	2,001
Total	**30,535**	**6,167**	**34,432**	**2,282**	**35,109**	**33,450**	**43,833**	**11,104**	**28,798**

1.4 Banking Group - Operational risk

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This last type includes losses deriving from fraud, human error, business interruption, non-availability of systems, contractual non-performance and natural catastrophes. Operational risk includes legal risk, but not strategic or reputation risks.
Operational risk is therefore closely linked to the Group's operations. Exposure to this type of risk can come from various sources, particularly during the following phases of the business:

- customer acceptance
- completion of the contract
- funding
- after-sale processes
- back office processes
- backend activities
- marketing activities
- debt collection activities

Moreover, exposure to operational risk can also arise at the same time as potential errors connected to support processes, such as:

- administrative processes
- Information Systems.

In the area of operational risk, the exposure is measured by the Group according to the criteria laid down in the rules of internal governance. The main tools of supervision include: segregation of duties, identification of possible risk indicators (alert signals that can be quantified, totalised and compared with the Group benchmark), self-assessment questionnaires (local, based on the Parent Company's guidelines) and risk scenario analysis.
A database are also used to store the losses generated by inadequate processes and information systems, and by fraud, as well as reports of events that could be a source of operational risk and potential losses.
Legal risk includes various types of regulatory violations, illegal behaviour and non-compliant business methods that could result in financial losses for the intermediary. These include, for example, losses resulting from:

- violations of laws or regulations;
- fines and penalties resulting from measures taken by the Supervisory Authority;
- transactions carried out as part of non-traditional activities with non-residents, which the counterparty is banned from entering into by law or regulations;
- use of unacceptable business methods.

Also falling within the definition of legal risk are losses from retroactive changes in the regulatory framework, as well as those resulting from settlements.
The risk of litigation has been the subject of specific and careful analysis by the Bank. In the presence of legal obligations, for which it is probable that there will be an outflow of economic resources for their fulfillment, and for which it is possible to make a reliable estimate of the amount involved, the Bank decided to set up provisions for risks and charges, distinguishing between situations according to the most appropriate Basel II category (i.e. Provision for Legal Risks, categories IV/VII). These two Basel categories of legal-type risk include the following:

- Category IV: practices connected with customers, products and activities such as breach of the fiduciary relationship, abuse of confidential information.
- Category VII: executive and procedural compliance such as incorrect data entry, incomplete legal documentation, breach of contract by non-customer counterparties, legal disputes with suppliers.

The provisions for legal risks in place at 31 December 2015 amount to Euro 9,721 thousand, with a provision for the year of Euro 6,081 thousand for category IV and Euro 45 thousand for category VII.

Quantitative information

The risk exposure of each unit is identified by the corporate risk matrix. The model used for the self-assessment questionnaires consists of three phases:

1. Identification of risks by business areas, with the creation of a specific library containing objectives, activities and root cause that trigger risk events
2. measurement of inherent risk: risk associated with an activity/process regardless of the level of control present. The level of risk is given by the combination of probability/frequency of realisation of the asset/process and the

potential impact generated by the event. The size of the impact is assessed using different criteria depending on the type of risk being considered

3. verification of the presence of appropriate control tools: control systems must be evaluated according to effectiveness (0%-100%), adequacy and possible future developments for the year.
4. measurement of residual risk determined by the combination of inherent risk and evaluation of control systems and measured in terms of probability/frequency of realisation of the asset/process and the potential impact generated by the event
5. definition of controls for risks deemed acceptable or mitigation plans for risks deemed not acceptable

Details are provided below of gross losses suffered and net provisions made in 2015 by risk category:

	2015		
In thousands of local unit	**Net Losses**	**Net provisions**	**Net Op Risk Impact**
Internal Fraud	-	-	-
External Fraud	2,145	- 1,350	795
Employment. Practices & Workplace Safety	290	- 232	59
Clients, Products & Business Practices	4,224	14,217	18,441
Damage to Physical Assets	-	-	-
Business Disruption & System Failures	-	-	-
Execution, Delivery & Process Management	52	- 95	- 43
Total	**6,711**	**12,540**	**19,252**

Section 2 – Risks of insurance companies

There are no insurance companies in the consolidation.

Section 3 – Risks of other companies

There are no other active companies in the consolidation.

Part F - Information on consolidated shareholders' equity

Section 1 – Consolidated shareholders' equity

A. Qualitative information

Equity management of the Santander Consumer Bank Group is designed to identify and maintain shareholders' equity at the proper size, as well as to reach an optimal combination of the various different methods of capitalisation, in order to ensure full compliance with the regulatory requirements and consistency with the risk profiles assumed.
The Group's strategic objectives in terms of capital include:

- Adequate expected profitability: special attention is paid to the Return on Risk Weighted Assets (RORWA)[14]. This indicator allows us to interpret the Group's performance effectively, integrating the component parts of the financial statements (assets, liabilities and RWAs) with the components of the income statement (revenues and expenses); it provides support to management in risk-return decisions.
  Profitability in terms of RORWA is measured and assessed at Group level, by product / channel / agreement, on generations of new productions.
- Maintaining levels of capitalisation in line with current regulations and with the constraints imposed by the Supervisory Authority, as well as with the objectives agreed with the Parent Company.

The Group makes sure that adequate capital levels are maintained through an evaluation and monitoring process based on the following instruments:

- Capital Planning and monitoring;
- RAF (Risk Appetite Framework)[15];
- ICAAP.

"Capital Planning and Monitoring" is a way of measuring regulatory capital availability for the period of reference and for subsequent periods according to the expected developments, with the aim of verifying the level of the mandatory minimum requirements and anticipate any corrective measures.
In capital planning, [16] all components of regulatory capital and the corresponding RWA are monitored constantly. The key indicators for monitoring purposes are:

- CET I ratio
- Tier I ratio
- Total Capital Ratio

The indicators are calculated using total internal capital as the taxable basis; they are monitored both on an actual basis, with reference to the supervisory reports,[17] and prospectively[18], based on foreseeable developments in the aggregates under observation.

The Risk Appetite Framework (RAF) is a framework of reference that defines - in line with the maximum assumable risk, the business model and strategic plan - the risk appetite, tolerance thresholds, risk limits, risk management policies, key processes needed to define and implement them. The following indicators are monitored within the RAF with regard to capital adequacy:

- CET I ratio;
- Total Capital Ratio;
- Total Adequacy Ratio.

These indicators are measured in terms of Risk capacity, Risk appetite, Risk tolerance, Risk profile, Risk limits.

The Internal Capital Adequacy Assessment Process (ICAAP) is the process by which we evaluate capital adequacy relative to the significant risks connected with the company's operations and reference markets. The Second Pillar, which is the process for controlling supervised bank's overall risk exposure, is intended to support the quantitative rules envisaged in the First Pillar for the determination of regulatory capital requirements with a process (the ICAAP), which makes it possible, through self-assessment and discussions between the Supervisory Authority and the intermediaries, to take into account the peculiarities and specific risk profiles of individual banks and to assess the possible impact on them of the evolution of markets, products and technology.

[14] It is calculated as the ratio between Profit After Taxes and RWAs.
[15] Policy risk appetite framework.
[16] They are viewed monthly by the Management Committee and sent to the Parent Company; then periodically, at least once a quarter, they are presented to the Board of Directors.
[17] Figures sent on a quarterly basis.
[18] Monthly with a time horizon included in the 12 months of the current year.

Since December 2014, the Group's minimum capital requirements have been 8.5% for the Common Equity Tier 1 Ratio, 9.5% for the Tier 1 Ratio and 12.5% for the Total Capital Ratio.
In October 2015, the Group received a communication from the ECB on its total minimum capital requirements to be respected at a consolidated level (10.25% for the CET1, Tier 1 and Total Capital Ratios).

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by type of business

The following table analyses the various items in Group shareholders' equity.

Shareholders equity items	Banking Group	Insurance companies	Other companies	Consolidation adjustments and eliminations	31/12/2015
1. Share capital	**590,000**			**(9,550)**	**580,450**
2. Share premium reserve	**633**				**633**
3. Reserves	**(43,328)**				**(43,328)**
4. Equity instruments					
5. (Treasury shares)					
6. Revaluation reserves	**(1,608)**				**(1,608)**
- Financial assets available for sale	184				184
- Property, plant and equipment					
- Intangible assets					
- Foreign investment hedges					
- Cash flow hedges	(1,079)				(1,079)
- Exchange differences					
- Non-current assets held for sale					
- Actuarial gains(losses) on defined benefit plans	(713)				(713)
- Portion of measurement reserves relating to investments carried at equity					
- Special revaluation laws					
7. Net income (loss) (+/-) group and minorities	**34,868**				**34,868**
Shareholders equity	**580,564**			**(9,550)**	**571,014**

B.2 Valuation reserves for financial assets for sale: breakdown

Assets / values	Banking group		Insurance companies		Other companies		Consalidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	209	(25)							209	(25)
2. Equity securities										
3. Units in investment fund										
4. Loans										
Total 31/12/2015	**209**	**(25)**							**209**	**(25)**
Total 31/12/2014										

B.3 Valuation reserves for financial assets available for sale: change in year

	Debt securities	Equity securities	Units in investments funds	Loans
1. Opening balance				
2. Positive changes	**209**			
2.1 Fair value increases	209			
2.2 Reclassification through profit or loss of negative				
- due to impairment				
- following disposal				
2.3 Other changes				
3. Negative changes	**25**			
3.1 Fair value reductions	25			
3.2 Impairment losses				
3.3 Reclassification throught profit or loss of positive reserves: following disposal				
3.4 Other changes				
4. Closing balance	**184**			

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

During the year there was a decrease in valuation reserves related to defined-benefit pension plans of Euro 117 thousand and, in particular:

- a decrease of Euro 123 thousand relating to the merger by absorption of Santander Consumer Unifin on 31 December 2015, effective for accounting and tax purposes as of 1 January 2015;
- an increase relating to gains on defined-benefit pension plans included in comprehensive income for the year amounting to Euro 8 thousand (Euro 6 thousand net of the corresponding tax effect).

Section 2 – Own funds and capital adequacy ratios

2.1 Scope of application of the regulation

Own Funds and the capital adequacy ratios are calculated on the basis of the current instructions (Circular 285 and 286 and update of Circular 154 of 22 November 1991) issued by the Bank of Italy following the transposition of Directive 2013/36/EU (CRD IV) and (EU) Regulation 575/2013 (CRR) which introduce into the European Union the standards laid down by the Basel Committee on Banking Supervision.
Note that the scope of application of the regulations on own funds and capital ratios is the same as the one for financial statement regulation.

2.2 Bank's own funds

A. Qualitative information

The Santander Consumer Bank Banking Group is subject to capital adequacy requirements set by the Basel Committee, as incorporated into the current regulations of the Bank of Italy. Under these rules, the ratio between capital and risk-weighted assets at a consolidated level must be at least 8%; compliance with this requirement is checked by the Supervisory Board every six months.

Compliance with the capital requirements is verified from two different perspectives.

A forward-looking perspective, at the same time that the Three-Year Plans and Annual Budget are agreed, to identify the main impacts, which are typically the expected growth in loans and quantification of the different elements of risk (credit, interest rate, operational). Based on quantitative information, a capitalisation plan is prepared in consultation with the Shareholder and on a monthly basis, any new capital requirements and the instruments to be used are identified (typically securitisation operations, increases in capital, subordinated "Tier II" deposits).

A backward-looking perspective, to assess on a quarterly basis during the year any significant variances with respect to the capitalisation plan and, where appropriate, to identify suitable corrective measures to ensure compliance with the capital requirements.

Even in the case of extraordinary operations, such as acquisitions or the start-up of new business initiatives, a capitalisation plan is prepared which then becomes an integral part of the overall business plan.

1. Common Equity Tier 1 – CET1
Tier 1 capital includes paid-up capital, reserves and net profit for the period, net of intangible assets.

2. Additional Tier 1 – AT1
Similarly, the Group does not have any instruments classified as Additional Tier 1.

3. Tier 2 –T2
The contracts relating to the subordinated liabilities are not subject to provisions that allow the liabilities to be converted into capital or any other type of liability, and envisage the following:
- in the event of liquidation of the Bank, repayment of the debt only after all the other creditors not equally subordinated have been satisfied;
- early repayment, if foreseen, only on the Bank’s initiative and after receiving authorisation from the Bank of Italy.

	Issue date	Amount (Euro)	Interest rate	Duration
UPPER TIER II subordinated debt to Openbank S.A.	22/06/2006	32,500,000	Euribor 6 mesi + 1,3%	10 years
UPPER TIER II subordinated debt to Openbank S.A.	30/06/2008	16,250,000	Euribor 6 mesi + 2,8%	10 years
UPPER TIER II subordinated debt to Openbank S.A.	31/10/2008	16,250,000	Euribor 6 mesi + 2,8%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	22/06/2006	6,500,000	Euribor 6 mesi + 0,75%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	30/06/2008	9,750,000	Euribor 6 mesi + 1,8%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	31/10/2008	9,750,000	Euribor 6 mesi + 1,8%	10 years
TIER II subordinated debt to Santander Consumer Finance S.A.	30/06/2015	50,000,000	Euribor 6 mesi + 3,2%	10 years

The table shows the carrying amounts of subordinated loans outstanding at the balance sheet date, which for the purposes of determining the Tier 2 capital shown in *Section B - Quantitative information*, are calculated on the basis of a daily repayment schedule.

B. Quantitative information

	Total 31/12/2015	Total 31/12/2014
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**533,031**	**529,717**
of which CET1 instruments subject to transitional provisions	4,529	6.115
B. Prudential filters CET1 (+/-)	1,079	3.105
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**534,110**	**532,822**
D. Deductions from CET1	**9,141**	**8.165**
E.Temporary regime – impact on Tier 1 (+/-), including minority interests subject to transitional provisions		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**524,969**	**524,657**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements		
of which AT1 instruments subject to transitional provisions		
H. Deductions dall'AT1		
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries that are given recognition in AT1 pursuant to transitional provisions		
L. Total Capital Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)		
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	**83,189**	**139,515**
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries that are given recognition in T2 pursuant to transitional provisions		
P. Total Share of Class 2 (Tier 2 -T2) (M - N +/- O)	**83,189**	**139,515**
Q. Total own funds (F + L + P)	**608,157**	**664,172**

The table shows the amount of capital for supervisory purposes and its fundamental components which correspond to those indicated in supervisory reports.

2.3 Capital adequacy

A. Qualitative information

Please refer to paragraph A - qualitative information.

B. Quantitative information

Categories / Values	Non weighted assets		Weighted assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,680,571	7,247,954	4,129,344	4,423,041
1. Standardized approach	6,680,571	7,247,954	4,129,344	4,423,041
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			330,348	353,843
B.2 Risk valuation adjustment credit				
B.3 Regulation Risk				
B.4 Market Risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			27,360	26,849
1. Basic inidcator approach (BIA)				
2. Traditional standardized approach (TSA)			27,360	26,849
3. Advanced measurement approach (AMA)				
B.6 Other calculation elements				
B.7 Total capital requirements			357,708	380,692
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			4,471,344	4,758,654
C.2 Capital primary class1 / Risk			11.74 %	11.03%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			11.74 %	11.03%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			13.60 %	13.96%

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

Section 3 – Insurance capital and capital ratios

Not applicable.

Section 4 – The capital adequacy of the financial conglomerate

Not applicable.

Part G - Business combinations

Section 1 – Transactions carried out during the year

During the year there were no business combinations, as regulated by IFRS 3, which resulted in the acquisition of control of business or legal entities.
On the other hand, an extraordinary operation was carried out within the Group, outside the scope of IFRS 3, which led to the absorption of Santander Consumer Unifin (a legal entity) by the Parent Company Santander Consumer Bank. Given that the purpose of this transaction was merely to reorganise the Group, it was accounted for on a continuous basis by carrying over the same book values to the separate financial statements of the Parent Company Santander Consumer Bank, without any impact on the income statement.

Section 2 – Transactions subsequent to the year end

The Group has not carried out any business combination after the balance sheet date.

Section 3 – Retrospective adjustments

The Group has not carried out any business combination after the balance sheet date.

Part H - Related-party transactions

1. Information on the remuneration of directors, auditors and managers

The following table shows the amounts of compensation paid in 2015 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of "related party".

	31/12/2015
Short-term benefits	2,974
Post-employment benefits	144
Other long-term benefits	
Termination indemnities	
Share-based payments	
Total	**3,118**

2. Related party disclosures

Shown below are the principal relationships with related parties according to the size of the year-end balance (in thousands of euro):

	Receivables	Payables	Derivatives	Expenses	Income
Banco Santander	29,350	26,815	1,530,887	25,754	18,762
Santander Consumer Finance	252,989	2,678,897	250,000	31,149	162
Other Santander Group companies	4,577	516,826	1,293,600	16,113	405

Versus the Spanish Parent Company Banco Santander:

- the receivables relate to amounts paid by way of guarantee deposit payments in connection with derivative contracts entered into with the Spanish counterparty;
- the payables relate to the measurement of derivatives and related interest;
- the derivatives relate to trading and interest risk hedging transactions as mentioned in Part E, Section 2. The figure shown in the table represents the sum of the notional amounts;
- the expenses mainly relate to hedging activities (Euro 25,751 thousand);
- income mainly relates to hedging activities (Euro 18,534 thousand) and to trading (Euro 228 thousand);

Versus the direct Parent Company Santander Consumer Finance:

- the receivables entirely consist of commercial paper and related accrued interest, subscribed in connection with securitisations;
- the payables refer to loans and related interest accruals received from the Parent Company as part of normal funding activities (Euro 2,678,681 thousand), as well as the measurement of the hedging derivative entered into with it and the related accruals (Euro 216 thousand);
- the derivative refers to the notional amount of interest risk hedging transactions as mentioned in Part E, Section 2;
- the charges relate to interest expenses on loans received (Euro 28,970 thousand) and to negative differentials on the hedging result (Euro 2,179 thousand);
- the income relates to commercial paper.

Relationships are also maintained with other companies of the Santander Group. Receivables relate to the measurement of derivatives and related accruals of Euro 4,577 thousand. The payables mainly consist of short-term financing transactions (Euro 357,464 thousand), subordinated and hybrid capital instruments (Euro 149,741 thousand) and traded derivatives entered into in connection with securitisations (Euro 5,091 thousand), whereas the expenses mainly consist of interest expense accrued on loans requested (Euro 7,840 thousand) and consulting and services offered by Group companies (Euro 8,143 thousand), while income is generated mainly by the recovery of expenses (Euro 351 thousand).
The derivatives relate to trading transactions entered into in connection with securitisations.

Other information

As required by Art. 2427, paragraph 16 bis) of the Civil Code, the following table shows the total amount of fees due to the independent auditors for the statutory audit of the annual accounts, including audit activities during the year on the regularity of the bookkeeping, correct recognition of transactions in the accounting records and verification of the result included in the capital for supervisory purposes at 30 June. The amounts are shown net of an expense allowance, supervisory contribution and VAT.

Type of services	Supplier	Recipient	Description	Fees (euro)
Audit	Deloitte & Touche S.p.A.	Parent Company	Audit services (annual report, consolidated financial statements, interim report, accounting checks)	154,942
	Deloitte & Touche S.p.A.	Subsidiaries		63,094
	Deloitte & Touche S.p.A.	SPV Golden Bar		36,208
Certification services	Deloitte & Touche S.p.A.	Parent Company	Performance of agreed-upon procedures related to the servicing activity report on securitisations and pool audits; preparation of a comfort letter relating to a bond issue (EMTN)	55,500
	Deloitte, S.L.	Parent Company	Preparation of a comfort letter relating to a bond issue (EMTN)	52,880
Tax consultancy	Studio Tributario e Societario Deloitte	Parent Company	Transfer pricing services	27,500
Other services	Deloitte & Touche S.p.A.	Parent Company	Services related to TLTRO	33,000
	Deloitte, S.L.	Parent Company	Services related to "FATCA"	18,632
				441,756

Part I – Share-based payments

The Group has not entered into any payment agreements based on its own equity instruments.

Part L – Segment reporting

Based on the analyses carried out to verify whether the quantitative thresholds laid down in IFRS 8 had been exceeded, the predominant operating segment of the Group is "consumer credit". It is therefore not necessary to provide separate information for the various operating segments of the Group.

Santander
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Separate Financial Statements of Santander Consumer Bank

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Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2015

Report of the Board of Statutory Auditors on the Financial Statements at 31 December 2015

SANTANDER CONSUMER BANK SPA
Head office via Nizza 262/26, Turin
Share capital Euro 573,000,000
Turin Companies Register 05634190010
Parent Company of the Santander Consumer Bank Spa Banking Group

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AT 31 DECEMBER 2015 PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

Shareholders,

The financial statements at 31.12.2015, presented for your approval by the Board of Directors, closes with a net profit of Euro 35,105,667.

The directors have provided extensive information on developments in the Company's operations and on the corporate structure, the events and accounting entries, both in the report on operations, referring to the scope of consolidation, and in the explanatory notes, which give the disclosures required by law, the Bank of Italy and International Accounting Standards.

We were appointed as the current Board of Statutory Auditors by the Shareholders' Meeting on 28 April 2015 and, during the year, we carried out our supervisory duties

as required by law, by current secondary regulations and by Bank of Italy recommendations; We also carried out the duties taking into account the standards of conduct for Statutory Auditors recommended by the Italian Accounting Profession (as represented by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

The checks carried out during the year and our attendance at meetings of the Board of Directors and the Shareholders have always shown substantial compliance of the Bank's corporate governance with the articles of association and current regulations, also with reference to specific provisions relating to the Bank's activity.

At meetings we acquired information from the executive directors on the general performance of the business and its prospects, and on the more important transactions in terms of their size or nature carried out by the Company and its subsidiaries. Based on the information that we acquired, there are no matters to report.

The financial statements have been audited by Deloitte & Touche Spa, the firm appointed to carry out the legal audit, and periodically we have held meetings with them to exchange data and information that may be of use in the performance of our respective duties. These meetings did not reveal anything negative about the Company, as can be seen from their audit report prepared in accordance with art. 14 of Decree no. 39/2010, in which they give their opinion without any qualifications.

We have acquired knowledge and verified, to the extent of our responsibility, the adequacy and functioning of the Company's organisational structure, also by gathering information from departmental heads. We have no matters to report in this regard.

We have acquired knowledge and verified, to the extent of our responsibility, the adequacy and functioning of the Company's administrative and accounting system, as well as its reliability in giving a true and fair view of the Company's operations, by gathering information from departmental heads and from the independent auditors. We have no matters to report in this regard.

We completed all of our duties as required by law, ensuring compliance with the regulations and articles of association, respect for the principles of good administration.

We did not receive any complaints pursuant to art. 2408 of the Italian Civil Code during the year

We would reiterate that the financial statements at 31.12.2015 were prepared according to the instructions issued by the Bank of Italy with Circular no. 262/2005, as updated with the application of the IAS/IFRS, including the supplementary documents called SIC and IFRIC, in force at 31 December 2015.

In particular, we would point out that the intangible assets, recognised at cost, including ancillary charges, and amortised systematically over their estimated useful lives, relate mainly to software

The Directors confirm in the explanatory notes that any transactions with related parties were made at arm's length.

We believe that the financial statements for the year ended 31 December 2015 and the report on operations, together with the proposed allocation of net profit, should be approved by the shareholders as proposed by the Board of Directors.

Turin, 14 March 2016

The Board of Statutory Auditors

(Walter Bruno)

(Stefano Caselli)

(Maurizio Giorgi)

Notice of calling of the Shareholders' Meeting

Notice of calling of the Shareholders' Meeting

Shareholders are hereby convened to the Ordinary Shareholders' Meeting at the head office in Via Nizza 262, Turin, on 30 March 2016 at 11:30 a.m. at first calling and, if necessary, at second calling on 31 March 2016, same place and hour, to discuss and vote on the following:

AGENDA

1. Report on operations and financial statements at 31.12.2015. Report of the Board of Statutory Auditors and Report of the Independent Auditors. Related resolutions;
2. Proposed confirmation of a director co-opted under art. 2386 of the Italian Civil Code;
3. Mutual termination of appointment of Deloitte & Touche S.p.A. as independent auditors. Appointment of new independent auditors for the period 2016-2024 and determination of their fees; related resolutions;
4. Revision of remuneration of Board of Directors; related resolutions;
5. Information on the 2015 remuneration and bonus system;
6. Information on the internal control policies adopted by the Bank (New Rules on Capital Requirements for Banks).

Santander
CONSUMER BANK

Proposals to the Shareholders' Meeting

Proposals to the Shareholders' Meeting
Proposal of allocation of the net profit

Shareholders,

as we have mentioned already, the year ended with a net profit of Euro 35,105,667.

We propose (i) to cover accumulated losses, negative valuation reserves and negative reserves arising from the merger by absorption of the subsidiary Santander Consumer Unifin S.p.A. by using Euro 85,369,694 of the capital reserve and (ii) to allocate the result for 2015 in the following manner:

	Euro
Net profit for the period	35,105,667
Legal reserve	1,755,283
Previous losses coverage	1,915,538
Extraordinary reserve	434,846
Dividends	31,000,000

Independent Auditors' report on the Financial Statements at 31 December 2015

Independent Auditors' report on the Financial Statements at 31 December 2015

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Sole Shareholder of
SANTANDER CONSUMER BANK S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of Santander Consumer Bank S.p.A., which comprise the balance sheet as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, No. 3, of Italian Legislative Decree No. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of 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 the Directors, as well as evaluating the overall presentation of the financial statements.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

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 financial statements give a true and fair view of the financial position of Santander Consumer Bank S.p.A. as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree No. 38/2005.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) No. 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by paragraph 2, letter b) of article 123-bis of Italian Legislative Decree No. 58/1998, which are the responsibility of the Directors of Santander Consumer Bank S.p.A., with the financial statements of Santander Consumer Bank S.p.A. as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of Santander Consumer Bank S.p.A. as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco De Ponti
Partner

Milan, Italy
March 11, 2016

This report has been translated into the English language solely for the convenience of international readers.

Santander
CONSUMER BANK

Financial statements

Balance sheet

In Euro

Balance sheet - Assets	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Cash and cash equivalents	3,928	9,282	(5,354)	-57.7%
20. Held for trading financial assets	4,576,959	19,668,861	(15,091,902)	-76.7%
40. Available-for-sale financial assets	407,389,431		407,389,431	--
60. Due from banks	43,778,918	53,766,049	(9,987,130)	-18.6%
70. Loans to customers	5,207,769,637	5,596,588,515	(388,818,878)	-6.9%
80. Hedging derivatives		1,008,513	(1,008,513)	-100.0%
90. Changes in fair value of portfolio heged items (+/-)	24,246,480	43,653,521	(19,407,042)	-44.5%
100. Equity investments	9,550,000	71,182,586	(61,632,586)	-86.6%
110. Property, plant and equipment	1,712,877	3,578,998	(1,866,121)	-52.1%
120. Intangible assets	9,140,815	7,490,091	1,650,724	22.0%
130. Tax assets	263,307,659	227,349,298	35,958,361	15.8%
a) current tax assets	42,113,053	25,034,371	17,078,682	68.2%
b) deferred tax assets	221,194,606	202,314,927	18,879,679	9.3%
of wich Law 214/2011	209,243,893	195,700,356	13,543,538	6.9%
140. Non-current assets and disposal groups classified as held for sale		16,007	(16,007)	-100.0%
160. Other assets	53,822,099	39,477,280	14,344,819	36.3%
Total Assets	**6,025,298,803**	**6,063,789,001**	**(38,490,198)**	**-0.6%**

Liabilities and Shareholders' equity	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Due to banks	4,528,969,242	4,851,929,200	(322,959,958)	-6.7%
20. Due to customers	376,246,053	308,126,145	68,119,908	22.1%
30. Debt securities in issue	300,044,578	136,926,194	163,118,384	119.1%
60. Hedging derivatives	28,642,822	51,646,139	(23,003,317)	-44.5%
80. Tax liabilities	20,597,728	46,351,371	(25,753,643)	-55.6%
a) current tax liabilities	20,491,635	46,351,371	(25,859,735)	-55.8%
b) differite	106,092		106.092	0,0%
100.Other liabilities	182,383,094	121,871,624	60,511,470	49.7%
110. Provision for employee severance pay	3,638,628	3,585,503	53,125	1.0%
120. Provisions for risks and charges	21,529,716	7,177,671	14,352,046	200,0%
b) Other reserves	21,529,716	7,177,671	14,352,046	200.0%
130. Revaluation reserves	(1,608,309)	(3,695,196)	2,086,887	-56.0%
160. Reserves	(43,883,002)	(42,246,760)	(1,636,242)	3.9%
170. Share premium	632,586	632,586		0.0%
180. Share capital	573,000,000	573,000,000		0.0%
200. Net profit (loss) for the year (+/-)	35,105,667	8,484,524	26,621,143	313.8%
Total liabilities and Shareholders' Equity	**6,025,298,803**	**6,063,789,001**	**(38,490,199)**	**-1.0%**

Income statement

In Euro

Items	31/12/2015	31/12/2014	Changes	
			absolute	%
10. Interest and similar income	301,235,600	345,224,965	(43,989,364)	-12.7%
20. Interest expense and similar charges	(75,319,599)	(112,405,486)	37,085,887	-33.0%
30. Net interest income	**225,916,002**	**232,819,479**	**(6,903,477)**	**-3.0%**
40. Commissions income	102,061,798	36,662,623	65,399,174	178.4%
50. Commissions expense	(64,615,292)	(13,225,263)	(51,390,028)	388.6%
60. Net commission income	**37,446,506**	**23,437,360**	**14,009,146**	**59.8%**
80. Net trading income	(6,727,435)	(2,981,738)	(3,745,697)	125.6%
90. Net hedging gains (losses)	(872,160)	666,007	(1,538,167)	-231.0%
100. Gains (losses) on disposal or repurchase of:	(3,567,829)	(519,022)	(3,048,807)	587.4%
a) loans	(3,567,829)	(384,689)	(3,183,140)	827.5%
d) financial liabilities		(134,333)	134,333	-100.0%
120. Net banking income	**252,195,084**	**253,422,086**	**(1,227,002)**	
130. Net losses / recoveries on impairment of:	(82,820,196)	(148,401,518)	65,581,322	-44.2%
a) loans	(96,799,040)	(148,401,518)	51,602,478	-34.8%
d) other financial assets	13,978,844			
140. Net income from financial activities	**169,374,888**	**105,020,568**	**64,354,320**	**61.3%**
150. Administrative costs:	(105,909,503)	(90,647,327)	(15,262,176)	16.8%
a) payroll costs	(38,547,761)	(32,897,757)	(5,650,004)	17.2%
b) other administrative costs	(67,361,742)	(57,749,570)	(9,612,172)	16.6%
160. Net provisions for risks and charges	(14,347,811)	(1,950,251)	(12,397,561)	635.7%
170. Net adjustments / write-backs on tangible assets	(1,512,305)	(1,700,767)	188,462	-11.1%
180. Net adjustments / write-backs on intangible assets	(4,050,992)	(6,521,229)	2,470,237	-37.9%
190. Other operating expenses / income	5,177,784	6,918,357	(1,740,573)	-25.2%
200. Operating costs	**(120,642,827)**	**(93,901,217)**	**(26,741,611)**	**28.5%**
250. Profit (loss) from continuing operations before tax	**48,732,061**	**11,119,351**	**37,612,709**	**338.3%**
260. Income taxes on continuing operations	(13,626,393)	(2,634,827)	(10,991,566)	417.2%
270. Profit (loss) from continuing operations after tax	**35,105,667**	**8,484,524**	**26,621,143**	**313.8%**
290. Net profit (loss) for the year	**35,105,667**	**8,484,524**	**26,621,143**	**313.8%**

Statement of comprehensive income

In Euro

		31/12/2015	31/12/2014
10.	**Net Profit (Loss) for the year**	**35,105,667**	**8,484,524**
40.	Defined benefit plans	5,661	(173,236)
90.	Cash flow hedges	2,025,853	2,070,797
100.	Available-for-sale financial assets	184,021	
130.	**Total of other comprehensive income after tax**	**2,215,535**	**1,897,561**
140.	**Comprehensive income (Item 10+130)**	**37,321,202**	**10,382,085**

Statement of changes in shareholders' equity

2015

In Euro

				Allocation of prior year results		Changes during the year	Transactions on shareholders' equity							
	Group shareholders' equity at 31.12.14	Changes in opening balances	Balance at 1.1.2015	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2015	**Shareholders' equity at 31.12.2015**
Share capital:	573,000,000		573,000,000											**573,000,000**
a) ordinary shares	573,000,000		573,000,000											**573,000,000**
b) other shares														
Share premium reserve	632,586		632,586											**632,586**
Reserves:	(42,246,760)	(10,120,766)	(52,367,526)	8,484,524										**(43,883,002)**
a) retained earnings	(83,616,454)	(10,120,766)	(93,737,220)	8,484,524										**(85,252,696)**
b) other	41,369,694		41,369,694											**41,369,694**
Valuation reserves	(3,695,196)	(128,648)	(3,823,844)										2,215,535	**(1,608,309)**
Equity instruments														
Treasury shares														
Net profit (loss) for the period	8,484,524		8,484,524	(8,484,524)									35,105,667	**35,105,667**
Shareholders' equity	536,175,154	(10,249,414)	525,925,740										37,321,202	**563,246,943**

2014

In Euro

				Allocation of prior year results		Changes during the year	Transactions on shareholders' equity							
	Balance at 31.12.2013	Changes in opening balances	Balance at 1.1.2014	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income for 2014	**Shareholders' equity at 31.12.2014**
Share capital:	573,000,000		573,000,000											**573,000,000**
a) ordinary shares	573,000,000		573,000,000											**573,000,000**
b) other shares														
Share premium reserve	632,586		632,586											**632,586**
Reserves:	626,304		626,304	(42,873,064)										**(42,246,760)**
a) retained earnings	(40,743,390)		(40,743,390)	(42,873,064)										**(83,616,454)**
b) other	41,369,694		41,369,694											**41,369,694**
Valuation reserves	(5,592,757)		(5,592,757)										1,897,561	**(3,695,196)**
Equity instruments														
Treasury shares														
Net profit (loss) for the period	(42,873,064)		(42,873,064)	42,873,064									8,484,524	**8,484,524**
Shareholders' equity	525,793,070		525,793,070										10,382,085	**536,175,154**

As regards changes in opening balances as at 1 January 2015, please refer to Part A - Accounting policies, concerning the merger with the subsidiary Santander Consumer Unifin.

Cash flow statement (indirect method)

In Euro

A. OPERATING ACTIVITIES	Amount 31/12/2015	Amount 31/12/2014
1. Cash generated from operations	**162,659,954**	**124,459,730**
- net profit for the year (+/-)	35,105,666	8,484,524
- net gains/losses on financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss (+/-)	(991,377)	22,057,582
- gains (losses) from hedging activities (+/-)	872,160	(41,950,608)
- net adjustments for impairment (+/-)	82,751,232	148,754,395
- impairment/recoveries to property and equipment and intangible assets (+/-)	4,159,758	8,331,806
- net provisions for risks and charges and other costs/income (+/-)	19,273,024	(3,309,951)
- net premiums not collected (-)		
- other income insurance income/expense not collected (-/+)		
- unsettled taxes (+)	15,761,218	43,380,382
- impairment/recoveries to disposal groups net of tax effect (-/+)		4,672
- other adjustments (+/-)	5,728,273	(61,293,072)
2. Cash generated/absorbed by financial assets	**(221,352,438)**	**708,775,148**
- financial assets held for trading	15,356,195	
- financial assets designated at fair value through profit and loss		
- financial assets available for sale	(406,517,019)	
- due from banks: on demand	130,493	(2,024,756)
- due from banks: other receivables	3,750,000	(16,630,000)
- loans to customers	188,529,804	737,345,002
- other assets	(22,601,911)	(9,915,098)
3. Cash generated/absorbed by financial liabilities	**62,631,491**	**(822,400,281)**
- due to banks: on demand		
- due to banks: other debts	(300,713,682)	(135,507,284)
- due to customers	164,988,966	(707,727,571)
- debt securities issued	163,723,071	35,532,969
- financial liabilities held for trading		
- financial liabilities designated at fair value through profit and loss		
- other liabilities	34,633,136	(14,698,395)
Net cash generated/absorbed by operating activities	**3,939,007**	**10,834,597**
B. INVESTING ACTIVITIES		
1. Cash generated by	**1,707,796**	**159,704**
- sale of equity investments		
- dividends collected on equity investments		
- sale of financial assets held to maturity		
- sale of property and equipment	1,707,796	159,704
- sale of intangible assets		
- sale of lines of business		
2. Cash absorbed by	**(5,652,157)**	**(10,995,308)**
- purchase of equity investments		
- purchase of financial assets held to maturity		
- purchase of property and equipment	(528,157)	(1,455,112)
- purchase of intangible assets	(5,124,000)	(4,540,197)
- purchase of lines of business		(5,000,000)
Net cash generated/absorbed by investing activities	**(3,944,361)**	**(10,835,605)**
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares		
- issue/purchase of equity instruments		
- dividends distributed and other allocations		
Net cash generated/absorbed by financing activities		
NET CASH GENERATED/ABSORBED IN THE YEAR	**(5,354)**	**(1,007)**

Key:
(+) generated
(-) absorbed

RECONCILIATION

Items	Amount	Amount
	31/12/2015	31/12/2014
Cash and cash equivalents at beginning of year	9,282	10,289
Net increase (decrease) in cash and cash equivalents	(5,354)	(1,007)
Cash and cash equivalents: effect of change in exchange rates		
Cash and cash equivalents at end of year	3,928	9,282

Explanatory notes

Part A - Accounting policies

A.1 – General information

Section 1 – Declaration of compliance with International Financial Reporting Standards

Pursuant to Legislative Decree 38 of 28 February 2005, the financial statements of Santander Consumer Bank have been prepared in compliance with the IAS/IFRS issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission, as established by Regulation no. 1606 of 19 July 2002.
The separate financial statements for the year ended 31 December 2015 have been prepared in accordance with Circular 262/05 as subsequently amended by the 4th update of 15 December 2015 "Guidelines for the preparation of the financial statements and the consolidated financial statements of banks and finance companies of banking groups" issued by the Bank of Italy, in the exercise of the powers established by art. 9 of Legislative Decree no. 38/2005 and with the Regulation of 22 December 2005. These Instructions establish binding rules governing the financial statements and how they are to be prepared, including the contents of the notes.
In preparing the financial statements the IAS/IFRS in force at 31 December 2015 have been applied (including the SIC and IFRIC interpretations), as endorsed by the European Commission.

Section 2 – Basis of preparation

The financial statements consist of the balance sheet, income statement, statement of changes in shareholders' equity, statement of comprehensive income, cash flow statement and the notes to the financial statements and are also accompanied by the directors' report on the operations, results and financial position of Santander Consumer Bank.
In accordance with the provisions of art. 5 of Legislative Decree 38/2005, the financial statements have been prepared using the euro as the functional currency.
The amounts in the financial statements are expressed in euro, whereas unless otherwise specified, those in the notes and the report on operations are expressed in thousands of euro.
The financial statements are prepared in accordance with the general principles laid down in IAS 1 and the specific accounting standards endorsed by the European Commission, as described in Part A.2 of these notes. In particular, these financial statements have been prepared on a going concern basis (IAS 1 para. 25 and para. 26), in accordance with the principle of accrual accounting (IAS 1 para. 27 and para. 28) and in compliance with the consistency of presentation and classification of items in the financial statements (IAS 1 para. 29). The assets and liabilities, income and expenses have not been offset unless required or permitted by a standard or interpretation (IAS 1 para. 32).
No exceptions have been made to the application of IAS/IFRS.
In addition to the figures for the reporting period, the financial statements and notes also provide comparatives at 31 December 2014.
The report on operations and the notes provide the information required by International Accounting Standards, by Italian law and by the Bank of Italy, as well as other non-mandatory information considered necessary to give a true and fair view of the Bank's situation.
The preparation of financial reports requires the use of estimates and assumptions that may have a significant effect on the amounts recognised in the balance sheet and income statement, and on the disclosure of contingent assets and liabilities reported in the financial statements. The development of such estimates involves the use of available information and the adoption of subjective judgments based on past experience, which are used to formulate reasonable assumptions for recording corporate events. By their nature, the estimates and assumptions used can vary from year to year, which means that it cannot be excluded that in future years the figures in the financial statements may differ significantly due to changes in the subjective judgments used.
The main situations in which management has to make subjective judgments include the following:

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

As regards the aforementioned merger by absorption with Santander Consumer Unifin, the transaction, which qualifies as a merger involving an entity under common control, was accounted for on a continuous basis by carrying over the same book values to the financial statements of the surviving company, effective for accounting and tax purposes from 1 January 2015. On account of the foregoing, the results and financial position of the merged company have been recognised as from that date by the Bank, whereby the 2015 results and balance sheet components of the merged company have been included in the accounting records of the surviving company.
The process of unification and consolidation was achieved in various stages, as follows:

- the merger accounting situation of the merged company has been added up in order to obtain a first reference aggregate;
- in application of the legal principle of "amalgamation" that takes place between the merging company and the merged company, intercompany balance sheet and income statement balances existing at the date of the merger have been eliminated;

- the equity components of the merged company have been eliminated together with the carrying amount of the investment in the books of the surviving company, giving rise to a merger reserve resulting from the difference between the two (Euro 3,319 thousand) and from an adjustment needed for the consistent application of the accounting policy for the salary assignment loan portfolio (Euro 13,439 thousand).

In order to facilitate the comparability of the figures for the year just ended with those for the prior year, the financial statements for the year ended 31 December 2014 have been restated, inclusive of the amounts pertaining to the merged company, and have been presented in the "Pro-forma separate financial statements for 2014" section of the report on operations.
Moreover, to enhance the clarity of disclosures, where significant, the impact of the merger has been disclosed in footnotes to the tables presented in the notes to the financial statements.

Contents of the consolidated financial statements

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

Statement of comprehensive income
The statement of changes in comprehensive income is presented in the manner prescribed by the Bank of Italy, based on the information required by IAS 1.
"Net profit (loss)" is the same amount shown in item 320 of the income statement.
The "other elements of income, net of taxes" include changes in the value of assets recorded during the year with contra-entry to the valuation reserves (net of tax).

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

Cash flow statement
The cash flow statement for the current and previous years has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the year adjusted for non-monetary transactions.
Cash flows are broken down into those generated by operating activities, investing activities and financing activities.
In this statement, the cash flows generated during the year are shown without a sign, whereas those that are absorbed are preceded by a minus sign.

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

Section 3 - Subsequent events

The subsidiary Banca PSA underwent a capital increase on 4 January 2016, following which, the Parent Company acquired 50% of the new shares issued from Banque PSA to retain the same percentage holding.
Moreover, on 28 January 2016, the Spanish subsidiary Santander Consumer Finance S.A. paid in a capital contribution of Euro 80,000 thousand, which was recognised as a capital reserve.
For further details on the two foregoing matters, please see the section on "Significant subsequent events" in the report on operations that accompany the financial statements.
Pursuant to IAS 10, these financial statements were authorized for publication on 24 February 2016.

Section 4 - Other aspects

Listed below are changes in international accounting standards or related interpretations that have become effective as from 2015:
- IFRIC Interpretation 21 Levies;
- Amendments to IFRS 3 Business combinations;
- Amendments to IFRS 13 Fair value measurement;
- Amendments to IAS 40 Investment property.

Complete copies of the last financial statements with the reports on operations of the companies that at 31 December 2015 were subsidiaries or associates, and that their respective Boards of Directors will submit for approval of their shareholders' meeting by 30 April 2016, will be deposited at head office.
The related reports of the Board of Statutory Auditors and Independent Auditors will also be deposited. The prior year financial statements of these companies will also be deposited.
Information on the activities and results achieved by the subsidiaries in 2015 are included in the report accompanying the consolidated financial statements.
The financial statements are audited by Deloitte & Touche S.p.A., pursuant to the Resolution of the Shareholders' Meeting of 27 April 2010, which appointed this firm to perform the audit for the nine years from 2010 to 2018.
As a result of the proposal by Banco Santander S.A. to appoint PriceWaterHouseCoopers S.p.A. as independent auditors for the financial years 2016-2018, a proposal will be submitted to the Shareholders' Meeting convened to approve the 2015 financial statements to mutually terminate the above appointment of Deloitte & Touche S.p.A. and to appoint new independent auditors for the financial years 2016-2024.

A.2 – Main captions in the financial statements

This section explains the accounting policies followed to prepare the 2015 financial statements. The Company's accounting policies are explained with reference to the classification, recognition, measurement and derecognition of assets and liabilities. A description of the economic effects is given for each of these stages, where relevant.

1. Financial assets held for trading

Recognition
Financial assets held for trading are initially recognised on the subscription date. They are recognised at fair value without considering transaction costs or income directly attributable to the instrument concerned.

Classification
Derivatives traded in connection with securitisations are classified within this category. Derivatives are recognised as an asset if the fair value is positive and as a liability if the fair value is negative. These contracts are not subject to net settlement by either counterparty.
Reclassifications to other categories of financial assets are not allowed unless rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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

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

2. Financial assets available for sale

Recognition
Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the payout date.
Upon initial recognition, financial assets are measured at fair value, including transaction costs and income directly attributable to the instrument. If, when permitted by the accounting standards, recognition occurs as a result of reclassification from "Financial assets held to maturity", the carrying amount is the fair value at the time of the transfer.

Classification

This category includes financial assets that are not otherwise classified as Loans, Assets held for trading, Assets held to maturity, or Assets designated at fair value through profit and loss.
In particular, this category comprises debt securities that are not held for trading and that are not classified as Assets held to maturity or designated at fair value through profit and loss or which are classified as Loans.

Measurement
Subsequent to initial recognition, "Financial assets available for sale" are measured at fair value, with recognition in the income statement of the corresponding value at amortised cost, while gains or losses arising from changes in fair value are recorded in a specific equity reserve until the financial asset is derecognised or an impairment loss is recognised. Upon disposal, in whole or in part, or on recognition of impairment, the accumulated gains or losses are recognised in profit or loss.

For the determination of fair value, estimates and valuation models are used based on prices quoted on an active market.
"Financial assets available for sale" are subject to impairment testing to determine whether there is objective evidence of impairment. If such evidence exists, the amount of the loss is measured as the difference between the carrying amount of the assets and their fair value.
If the reasons for impairment cease to exist due to an event occurring after recognition of the impairment, write-backs are made against the income statement. The amount of the reversal shall not in any case exceed the amortised cost that the instrument would have had in the absence of previous adjustments.

Derecognition
Financial assets are only derecognised if their disposal involves the substantial transfer of all the risks and benefits related to the assets. On the other hand, if a portion of the risks and benefits of the financial assets transferred has been retained, they continue to be recognised, even if legally ownership of the assets has effectively been transferred.
Even if the transfer of essentially all the risks and benefits cannot be demonstrated, financial assets are derecognised if no form of control over them has been retained. Otherwise, even if only part of this control has been retained, the assets have to be kept in the balance sheet at an amount that reflect the residual involvement, measured by the exposure to changes in the value of assets sold and to variations in their cash flows.
Lastly, financial assets that have been sold are derecognised if the company retains the contractual rights to receive the cash flows, with a simultaneous obligation to pay such cash flows, and only them, to third parties.

3. Loans

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

Classification
Loans include loans to customers and to banks, whether granted directly or acquired from third parties, with fixed or determinable payments, that are not quoted in an active market and which were not originally classified as "Financial assets available for sale". Loans also include lease receivables, salary assignment and delegation of payment, as well as loans sold in connection with securitisations that do not satisfy the conditions for derecognition.

Measurement and recognition of components affecting the income statement
After initial recognition, loans are measured at their amortised cost, corresponding to the initial cost less/plus principal repayments, net adjustments/recoveries and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans. The effective interest rate is the rate that equates the present value of future cash flows of loans, for principal and interest, to the amount granted, including costs/income attributable to the loan. This accounting method, using a financial logic, allows distribution of the economic effect of costs/income over the estimated residual life of the loan.
Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. These include loans classified as non-performing in compliance with Bank of Italy regulations. These loans are collectively assessed and the adjustment made for the loans equates to the difference between their carrying amount at the time of measurement (amortised cost) and the present value of expected cash flows, discounted using the original effective interest rate. Adjustments are booked to the income statement. The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent such adjustments. The writeback is recorded in the income statement. Loans for which there is no objective evidence of impairment, i.e. those classified as performing loans, are periodically assessed and adjusted if they are deemed to be impaired. This assessment takes place by homogeneous loan categories in terms of their credit risk and the relative loss percentages are estimated taking into account past experience, based on observable elements at the measurement date, which make it possible to estimate the value of the loss for each category of loans. Adjustments that are calculated on a collective basis are charged to the income statement.

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

4. Hedging derivatives

Type of hedges
Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. Of the types of hedges that are allowed, the Bank uses cash flow hedging (CFH) to neutralise the exposure of its liabilities to changes in future cash flows arising from unexpected fluctuations in interest rates and fair value hedging (FVH) to neutralise changes in fair value of hedged financial assets and liabilities.

Measurement
Hedging derivatives are measured at their fair value. Changes in the fair value of a cash flow hedge (CFH) are recognised directly in equity to the extent of the portion that is determined to be an effective hedge and are recognised in the income statement only when, with reference to the hedged item, the hedging instrument fails to provide an effective hedge. In the case of FVH derivatives, any change in the fair value of the hedging instrument is recognised in the income statement, as are changes in the fair value of the hedged item, with a net effect to reflect the partial ineffectiveness of the hedge.
Hedging transactions are formally documented and subject to regular testing by:

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

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

Recognition of components affecting the income statement
In the case of CFH derivatives, as long as the effectiveness of the hedge remains, changes in the fair value of the hedging derivative are recorded in a specific cash flow hedging reserve with these reserves merely being released on expiry of the derivative or the ineffective portion being transferred to the income statement on failing the effectiveness test). In the case of FVH derivatives, changes in the fair value of the hedging derivative and of the hedged item are recognised in the income statement.
Differentials on hedging derivatives, whether FVH or CFH, are recognised in the income statement on a pro-rata basis.

5. Equity investments

Recognition and measurement
This category includes investments in subsidiaries carried at cost, in accordance with IAS 27. If there is evidence that an investment may be impaired, its recoverable amount is estimated. If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement. If the reasons for impairment cease to exist due to an event occurring after recognition of the impairment, write-backs are made against the income statement.

Derecognition
Equity investments are derecognised on expiry of the contractual rights over the related cash flows or when the investment is sold with the transfer of essentially all the related risks and benefits of ownership.

6. Property and equipment

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

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

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

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

7. Intangible assets

Classification
This category includes non-monetary, identifiable intangible assets with a useful life of several years, mainly represented by software. Intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

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

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

8. Non-current assets held for sale and discontinued operations and liabilities associated with groups of assets held for sale

Recognition
In this category are recognised non-current assets whose carrying value will be recovered principally through a sale rather than through its continuing use. This case includes leased assets that have been repossessed as a result of the premature interruption or termination of the period of the contract. The related recognition occurs once the full availability of the asset is ascertained, for an amount equal to the lower of the carrying value and its fair value net of costs to sell, that meets the requirements of high probability that it will be sold, as well as reduced time lag between initial recognition and subsequent disposal, usually within a year.

Classification and recognition of components affecting the income statement
Assets that meet the criteria to be classified as non-current assets held for sale are shown separately in the balance sheet.

Measurement
Assets that meet the criteria to be classified in this category are valued at the lower of their carrying value and fair value, net of costs to sell. The related adjustment is recorded under impairment losses on property and equipment, as required by the instructions for preparation of the financial statements of banks issued by the Bank of Italy (Circular 262/2005 4th update).

Derecognition
The derecognition of non-current assets held for sale takes place when the asset is sold.

9. Current and deferred taxation

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

The provision for income taxes is determined on the basis of a prudent estimate of current taxes, deferred tax assets and deferred tax liabilities. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences - without time limits - between the value of an asset or a liability according to statutory criteria and the corresponding values for tax purposes.
Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences or tax losses carried forward, are recognised to the extent that their recovery is likely.
Deferred tax assets and liabilities are systematically assessed to take account of any changes in regulations or tax rates.

10. Provisions for risks and charges

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

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

Provisions for risks and charges include the provisions for risks and charges dealt with in IAS 37.

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

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

11. Debts and debt securities issued

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

Classification
Amounts due to banks, amounts due to customers, debt securities issued and financial liabilities held for trading represent the various forms of interbank and customer funding.

Measurement
After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. As an exception, short-term liabilities are measured at the amount collected, as the effect of the time factor is insignificant.

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

12. Other information

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

Provision for employee termination indemnities
The provision for employee termination indemnities is recognised on the basis of its actuarial value. For the purposes of discounting, the projected unit credit method is used, which involves the projection of future payments based on historical statistical analyses and the demographic curve, and the discounting of these flows on the basis of a market interest rate. The contributions paid in each year are considered as separate units, recorded and evaluated individually in order to determine the final obligation.
On the basis of IAS 19 - Employee Benefits, the accounting treatment of the various components are as follows: personnel charges include interest costs (which correspond to the change in the current value of the actuarial estimate at the previous year-end, merely due to the fact that the estimated date of disbursement is getting closer) and service costs (which correspond to the higher cost due mainly to the increase in salaries and in the workforce as well as any

adjustments during the year, due, for example, to extraordinary operations or regulatory changes). Actuarial gains and losses (reflecting any variation in the present value caused by changes in the macroeconomic scenario or in interest rate estimates) have been posted to shareholders' equity.

Provisions for commitments and guarantees given
The Bank has not recognised any provisions for commitments and guarantees given.

Share-based payments
The Bank has not made any share-based payments in the year.

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

Fair value measurements
Fair value may be defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required by IFRS 13, fair value measurement has been adopted for each specific asset or liability. Accordingly, the characteristics of the asset or liability being measured have been taken into account. The characteristics include the following:
- the condition and location of the asset;
- any restrictions on the sale and use of the asset.

Fair value measurement assumes that the sale or transfer of the asset or liability takes place:
- in the principal market for the asset or liability;
- or in the absence of a principal market, the most advantageous market for the asset or liability.

For the criteria used for the determination of the fair value of financial assets and liabilities, please see Part A Accounting policies – A.4 Information on fair value.

Method of determining amortised cost
The amortised cost of a financial asset or liability is the amount at which it was measured on initial recognition, net of repayments of principal, plus or minus accumulated amortisation (calculated using the effective interest method) of the differences between the initial value and its value on maturity, less any impairment loss.
The effective interest rate is the rate that equates the present value of a financial asset or a liability to the contractual flow of future cash payments, either received up to the expected maturity or to the next date that the price is recalculated. To calculate the present value, the effective interest rate is applied to the future cash flows received or paid through the entire life of the financial asset or liability, or for a shorter period under certain conditions (for example, if there is a change in market rates).
After initial recognition, the amortised cost permits the allocation of revenues and costs to decrease or increase the instrument over its entire expected life through the amortisation process.
With particular reference to loans or finance that arise from the consumer finance business, leases and salary assignment and delegation of payment, contributions received from affiliates under special conventions as part of promotional campaigns (consumer contracts and leases at subsidised rates of interest) and preliminary fees in excess of the costs incurred are classified as transaction income; reimbursements of stamp duty and legal fees, on the other hand, are excluded, as they are mere recoveries of expenses. Reimbursements of collection expenses are also excluded from the calculation of the effective interest rate because of the low mark-up compared with the actual charges incurred for the collection of loan repayments.
On the cost side, commissions and rappels paid to credit intermediaries and insurance premiums relating to salary assignment and delegation of payment are attributed to the financial instrument.
With regard to credit cards, the immateriality of the amounts of associated transaction costs, and the absence of a sinking fund plan known beforehand because of their floating-rate structure, means that the income and expenses associated with such an instrument tend to be excluded from the scope of amortised cost.
As mentioned in the sections on the measurement of loans and debts and debt securities issued, measurement at amortised cost is not applied to financial assets and liabilities whose short duration means the effect of discounting is insignificant, nor to non-performing loans.

Method of determining the impairment of financial assets
At each reporting date, financial assets classified as "held for trading" are subjected to an impairment test to verify whether there is objective evidence that their carrying amount may not be fully recoverable.
There is impairment if there is objective evidence of a reduction in future cash flows compared with those originally estimated, as a result of specific events; the loss must be quantified in a reliable manner and associated with actual events rather than just expected events.
The assessment of impairment is carried out on an individual basis for financial assets that present specific evidence of impairment and collectively for financial assets for which no analytical assessment is required or for which analytical assessment did not result in an impairment.

Loans to customers and banks are subject to analytical assessment if they have been classified as doubtful, unlikely to pay or past due according to the definitions of the Bank of Italy, which are consistent with IAS/IFRS.
These non-performing loans are assessed analytically and the adjustment made to each position represents the difference between their carrying amount at the time of measurement (amortised cost) and the present value of expected cash flows, discounted using the original effective interest rate.
Expected cash flows take account of the likely recovery period, the estimated realisable value of any guarantees obtained and the probable costs to be incurred to recover the outstanding loan. Cash flows relating to loans whose recovery is expected in the short term are not discounted, as the financial factor is not significant.
Loans for which there is no objective evidence of loss are assessed for impairment on a collective basis.

Intercompany transactions

Banking and commercial transactions with the shareholder, with the subsidiary Santander Consumer Finance Media S.r.l. in liquidation and Banca PSA Italia S.p.A. and with other companies of the Santander Group are regulated on an arm's-length basis.

Securitisations

The provisions of IAS 39 on derecognition allow the derecognition of financial assets and liabilities only when the risks and benefits associated with the asset being sold are transferred to the buyer. Securitised loans are recognised and measured in the same manner as loans to customers, with the recognition of a corresponding payable to the SPE (classified among amounts due to customers, liability caption 20) in the case of market transactions. In the case where securities have been fully subscribed by the originator, recognition is made of a receivable due from the SPE for the cash generated by the securitised portfolio held by the SPE (classified in asset caption 70).
In terms of the income statement, the related income items are recorded in the financial statements as follows:

- interest expense on the payable, corresponding to the total costs recorded by the securitised portfolios, net of income other than the interest income on the portfolio;
- interest earned on the portfolio being re-recorded;
- adjustments to the securitised portfolio, under the corresponding balance sheet item.

A.3 – INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: carrying value, fair value and effects on comprehensive income

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

A.3.2 Reclassified financial assets: effects on comprehensive income before transfer

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

A.3.3 Transfer of financial assets held for trading

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

A.3.4 Effective interest rate and cash flows expected from reclassified assets

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

A.4 – INFORMATION ON FAIR VALUE

Qualitative information

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

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

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

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

A.4.2 Valuation processes and sensitivity

The process used for the determination of the fair value of individual financial statement components is illustrated below.
With respect to balance sheet assets:

- Cash, bank accounts, demand loans and current amounts due from banks: for these items, it is assumed that their fair value corresponds to their carrying amount.
- Short term amounts due from banks. The fair value is calculated by discounting expected cash flows.
- Derivatives: fair value is determined by means of daily measurement based on expected cash flows.
- Securities portfolio: fair value is based on quoted market prices of financial instruments in active markets, or, if not available, on those for comparable assets.
- Loans to customers:
  - Demand loans. It is assumed that their fair value corresponds to their carrying amount.
  - Other assets. The fair value of the portfolio is calculated by discounting expected cash flows, net of impairment adjustments, using the average interest rate on loans granted in the month on which the valuation is based for each type of product.

With respect to balance sheet liabilities:

- Due to banks: on demand. It is assumed that their fair value corresponds to their carrying amount.
- Short and medium-to-long term amounts due to banks and debt securities issued. The fair value is calculated by discounting expected cash flows based on an interest rate curve observed directly in the market plus the intercompany spread applicable at the measurement date. For floating rate transactions, expected cash flows

do not take account of the variable component that is not capable of being determined at the measurement date.

- Due to customers:
  - Time deposit accounts. Fair value is determined by discounting expected cash flows using the interest rate actually applied to the customer at the measurement date for the same maturities.
  - Current accounts and deposits. For these items, it is assumed that their fair value corresponds to their carrying amount.
- Hedging derivatives. Please see the assumptions given for hedging derivatives under balance sheet assets.

A.4.3 Fair value hierarchy

To increase consistency and comparability in fair value measurements, IFRS 13 establishes a hierarchy based on inputs used for the various valuation techniques.
The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. More in detail, the inputs used to measure fair value are categorised as follows:

- Level 1. Fair value is directly observable in active markets that the entity can access at the date of fair value measurement of identical or similar assets or liabilities.
- Level 2. Fair value is determined internally based on directly observable market inputs.
- Level 3. Fair value is determined internally based on unobservable inputs. The company makes use of assumptions determined internally.

A.4.4 Other information

There is no further information that needs to be disclosed to comply with IFRS 13 paragraphs 51, 93 i) and 96.

Quantitative information

A.4.5 Fair value hierarchy

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

Financial assets/liabilities designated at fair value	**31/12/2015**			**31/12/2014**		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading		4,577			19,669	
2. Financial assets at fair value through P&L						
3. Available for sale financial assets	407,389					
4. Hedging derivative assets					1,009	
5. Property, plant and equipment						
6. Intangible assets						
Total	**407,389**	**4,577**			**20.678**	
1. Financial liabilities held for trading						
2. Financial liabilities at fair value through P&L						
3. Hedging derivative liabilities		28,643			51,646	
Total		**28,643**			**51,646**	

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

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

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

The Bank does not hold any financial assets measured at fair value (Level 3).

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

The Bank does not hold any financial assets measured at fair value (Level 3).

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

Assets/liabilities not valued at fair value or valued at fair value on non-recurring basis	31/12/2015				31/12/2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held to maturity financial assets								
2. Due from banks	43,779			43,779	53,766			53,766
3. Loans to customers	5,207,770			5,200,019	5,596,589			5,520,459
4. Investment property								
5. Non-current assets held for sale and discontinued operations					16		16	
Total	**5,251,549**			**5,243,798**	**5,650,371**		**16**	**5,574,225**
1. Due to banks	4,528,969			4,544,447	4.851.930			4,842,187
2. Due to customers	376,246			374,799	308,126			307,554
3. Debt securities in issue	300,045			298,032	136,926			137,142
4. Liabilities associated with non-current assets held for sale								
Total	**5,205,260**			**5,217,278**	**5,296,982**			**5,286,883**

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

A.5 – Information on "day one profit/loss"

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

Part B - Information on the balance sheet

ASSETS

Section 1 – Cash and cash equivalents – item 10

1.1 Cash and cash equivalents: breakdown

This item shows a balance of Euro 4 thousand (Euro 9 thousand at 31 December 2014) and includes the liquidity held at the head office and at branches throughout the country in the form of cash:

	31/12/2015	31/12/2014
a) Cash	4	9
b) Demand deposits with Central banks		
Total	**4**	**9**

Section 2 – Financial assets held for trading – item 20

2.1 Financial assets held for trading: breakdown

These amount to Euro 4,577 thousand (Euro 19,669 thousand at 31 December 2014) and include the fair value of derivatives entered into in connection with securitisations with Banco Santander Group.

Items/Values	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other						
2. Equity securities						
3. Units in investment funds						
4. Loans						
4.1 Repos						
4.2 Other						
Total (A)						
B. Derivatives						
1. Financial derivatives:						
1.1 Trading		4,577			19,669	
1.2 Related to fair value option assets / liabilities						
1.3 Other						
2. Credit derivatives:						
2.1 Trading						
2.2 Related to fair value option assets / liabilities						
2.3 Other						
Total (B)		**4,577**			**19,669**	
Total (A+B)		**4,577**			**19,669**	

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

Items/Values	31/12/2015	31/12/2014
A. CASH ASSETS		
1. Debt securities		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equity securities		
a) Banks		
b) Other issuers:		
- Insurance companies		
- Financial companies		
- Non-financial companies		
- Other		
3. Units investment funds		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other issuers		
Total A		
B. DERIVATIVES		
a) Banks	4,577	19,669
b) Customers		
Total B	**4,577**	**19,669**
Total (A+B)	**4,577**	**19,669**

Section 3 – Financial assets designated at fair value through profit and loss – item 30

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

Section 4 - Financial assets available for sale – item 40

4.1 Financial assets available for sale: breakdown

These amount to Euro 407,389 thousand and include securities issued by the Italian Treasury Ministry that have been classified, for the purpose of the computation of the new LCR requirements, as high quality liquid assets.

Items/Values	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	407,389					
1.1 Structured securities						
1.2 Other	407,389					
2. Equty instruments						
2.1 Designated at fair value						
2.2 Recognised at cost						
3. Units investment funds						
4. Loans						
Total	**407,389**					

4.2 Financial assets available for sale: breakdown by borrower/issuer

Items/Values	31/12/2015	31/12/2014
1. Debt securities	**407,389**	
a) Governments and central banks	407,389	
b) Other public-sector entities		
c) Banks		
d) Other issuers		
2. Equity instruments		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. Units in investment funds (including Private Equity funds)		
4. Loans		
a) Governments and Central Banks		
b) Other public-sector entities		
c) Banks		
d) Other entities		
Total	**407,389**	

4.3 Financial assets with specific hedges available for sale

No specific writedowns of financial assets classified as available for sale have been recognised in the year.

Section 5 – Financial assets held to maturity – item 50

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

Section 6 – Due from banks – item 60

6.1 Due from banks: breakdown

Amounts due from banks come to Euro 43,779 thousand (Euro 53,766 thousand at 31 December 2014) and are made up as follows:

Type of transaction / Values	31/12/2015				31/12/2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Loans to Central Banks	**4,698**			**4,698**	**4,442**			**4,442**
1. Time deposits		X	X	X		X	X	X
2. Compulsory reserves	4,698	X	X	X	4,442	X	X	X
3. Repurchase agreements		X	X	X		X	X	X
4. Other		X	X	X		X	X	X
B. Loans to banks	**39,081**			**39,081**	**49,324**			**49,324**
1. Loans	39,081			39,081	49,324			49,324
1.1 Current accounts and demand deposits	9,731	X	X	X	13,319	X	X	X
1.2 Time deposits		X	X	X		X	X	X
1.3 Other loans:		X	X	X		X	X	X
- Repos		X	X	X		X	X	X
- Finance leases		X	X	X		X	X	X
- Other	29,350	X	X	X	36,005	X	X	X
2. Debts securities								
2.1 Structured		X	X	X		X	X	X
2.2 Other		X	X	X		X	X	X
Total	**43,779**			**43,779**	**53,766**			**53,766**

Key:
BV=book value
FV= Fair value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Amounts due from central banks of Euro 4,698 thousand (Euro 4,442 thousand at 31 December 2014) consist of receivables due from the Bank of Italy relating to the compulsory reserve.
Amounts due from banks refer to current accounts and demand deposits for Euro 9,731 thousand (Euro 13,319 thousand at 31 December 2014) and to the temporary debit balances on current accounts.
Other loans relate to the amounts paid as a guarantee deposit to the other party, Banco Santander, corresponding to the negative fair value of the derivative contracts entered into with it.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

6.2 Due from banks with specific-hedges

As at the reporting date, there were no amounts due from banks with specific hedges.

6.3 Finance leases

As at the reporting date, there were no receivables under finance leases with banks.

Section 7 – Loans to customers – item 70

7.1 Loans to customers: breakdown

Loans to customers amount to Euro 5,207,770 thousand (Euro 5,596,589 thousand at 31 December 2014) and are made up as follows:

Type of transaction / Values	31/12/2015						31/12/2014					
	Book Value			Fair Value			Book Value			Fair Value		
	Not impaired	Non - performing loans		L1	L2	L3	Not impaired	Non - performing loans		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**5,069,664**		**138,106**			**5,200,019**	**5,490,203**		**106,386**			**5,520,459**
1. Current accounts	8,499		35	X	X	X	10,717		159	X	X	X
2. Repos				X	X	X				X	X	X
3. Mortgages				X	X	X				X	X	X
4. Credit cards, personal loans and wage assignment	2,577,446		128,638	X	X	X	2,869,735		85,464	X	X	X
5. Financial leasing	33,986		99	X	X	X	37,778		264	X	X	X
6. Factoring	151,884			X	X	X	115,532		259	X	X	X
7. Other loans	2,297,849		9,334	X	X	X	2,456,441		20,240	X	X	X
Debts securities												
8. Structured				X	X	X				X	X	X
9. Other				X	X	X				X	X	X
Total	**5,069,664**		**138,106**			**5,200,019**	**5,490,203**		**106,386**			**5,520,459**

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

In particular, loans to customers include:

- Euro 8,534 thousand (of which, Euro 35 thousand non-performing loans) for current accounts balances to customers and postal current accounts;
- Euro 2,706,084 thousand (of which, Euro 128,638 thousand non-performing loans) for loans to customers arising from financing personal loan transactions, credit cards and loans guaranteed by salary assignment;
- Euro 34,085 thousand (of which, Euro 99 thousand non-performing loans) for loans to customers for finance leases, recorded at amortised cost;
- Euro 151,884 for factoring receivables related to operations with automotive companies;
- Euro 2,307,183 thousand (of which Euro 9,334 thousand consists of non-performing loans) of loans to customers resulting from car loans and other special-purpose loans, as well as a loan granted to the subsidiary Santander Consumer Finance Media S.r.l. in liquidation (Euro 3,410 thousand), including interest accrued thereon. This caption also includes the amount due from the SPE for the proceeds arising from the portfolio involved in the self-securitisation (Euro 386,865 thousand).

The total of assets assigned and not derecognised, which, net of impairment adjustments, amounts to Euro 2,124,321 thousand, of which Euro 11,660 thousand is non-performing, was allocated to the various forms of financing, as required by the instructions for preparation of the financial statements.
For further information about the methodology used for the determination of the fair value of this component, please see *Part A Accounting policies – A.4 Information on fair value.*

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction / Values	31/12/2015			31/12/2014		
	Not impaired	Non - performing loans		Not impaired	Non - performing loans	
		Purchased	Other		Purchased	Other
1. Debt securities issued by						
a) Governments						
b) Other public-sector entities						
c) Other issuers						
- non-financial companies						
- financial companies						
- insurance companies						
- other						
2. Loans to:						
a) Governments						
b) Other public-sector entities	25			82		
c) Other entities						
- non-financial companies	415,474		2,224	388,432		5,555
- financial companies	391,490		5	665,772		19
- insurance companies						
- other	4,262,675		135,877	4,435,917		100,812
Total	**5,069,664**		**138,106**	**5,490,203**		**106,386**

7.3 Loans to customers with specific hedges

There are no loans to customers with specific hedges.

7.4 Finance leases

INFORMATION BY LESSOR	Amounts at 31/12/2015	
	Minimum lease payments	Present value of minimum lease payments
Finance lease instalments due		
Up to 12 months	14,225	12,939
1 to 5 years	18,709	17,017
Beyond 5 years	4,883	4,442
Total	**37,817**	**34,398**
of which: Unguaranteed residual values accruing to the lessor		
Less: unearned finance income	3,419	X
Present value of minimum lease payments	**34,398**	**34,398**

The table provides information in accordance with IAS 17, paragraph 47, a) ,c) and f) and paragraph 65, as required by the instructions contained in the Bank of Italy's Circular 262 of 22 December 2005. The lease contracts with customers mainly form part of the general category of car leasing.

Section 8 – Hedging derivatives – item 80

8.1 Hedging derivatives: breakdown by type of hedge and level

As at the reporting date, there were no hedging derivatives with a positive fair value (Euro 1,009 thousand at 31 December 2014).

	FV 31/12/2015			NV	FV 31/12/2014			NV
	Level 1	Level 2	Level 3	31/12/2015	Level 1	Level 2	Level 3	31/12/2014
A) Financial derivatives								
1) Fair value						1,009		499,000
2) Cash flows								
3) Net investments in foreign								
B) Credit derivatives								
1) Fair value								
2) Cash flows								
Total						**1,009**		**499,000**

Key:
FV= Fair value
NV= Notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The micro fair value hedging instruments that existed at 31 December 2014 and which had been taken out with the Spanish Parent Company Banco Santander to hedge changes in the fair value of fixed-rate loans payable, were terminated in September 2015.

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

For the related comments please read the description in point 8.1.

Section 9 – Fair value change of financial assets in hedged portfolios – item 90

9.1 Remeasurement of hedged assets: breakdown by hedged portfolio

Fair value of hedged assets / values	31/12/2015	31/12/2014
1. Positive fair value changes		
1.1 of specific portfolios:		
a) loans and receivables	24,246	43,654
b) available for sale financial instruments		
1.2 overall		
2. Negative fair value changes		
2.1 of specific portfolios:		
a) loans and receivables		
b) available for sale financial instruments		
2.2 overall		
Total	**24,246**	**43,654**

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

9.2 Assets subject to general hedging of interest rate risk

Hedged assets	31/12/2015	31/12/2014
1. Loans	1,391,653	2,256,845
Total	**1,391,653**	**2,256,845**

Section 10 – Equity investments – item 100

10.1 Equity investments: disclosures

The Bank's equity investments at 31 December 2015 are made up as follows:

Company name	Registered Office	Head Office	% holding	% of votes
A. Subsidiaries				
1. Santander Consumer Finance Media S.r.l. in liquidazione	Torino	Torino	65.0 %	
2. Banca PSA Italia S.p.A.	Milano	Milano	50.0 %	
B. Joint ventures				
C. Companies under significant influence				

For further information, please refer to the notes to the consolidated financial statements, Part A – Section 3 – paragraph 2 - Main considerations and assumptions for the determination of the scope of consolidation.

10.2 Significant investments: book value, fair value and dividends received

The information required for this caption has been disclosed under the same caption of the consolidated financial statements, pursuant to applicable legislation.

10.3 Significant investments: accounting information

The information required for this caption has been disclosed under the same caption of the consolidated financial statements, pursuant to applicable legislation.

10.4 Insignificant investments: accounting information

The Bank does not hold any insignificant investments.

10.5 Equity investments: changes in the period

Equity investments in subsidiaries are recognised in the financial statements at 31 December 2015 for Euro 9,550 thousand (Euro 71,183 thousand at 31 December 2014), as shown in the following table:

	Total 31/12/2015	Total 31/12/2014
A. Opening balance	**71,183**	**66,183**
B. Increases		**5,000**
B.1 Purchases		5,000
B.2 Writebacks		
B.3 Revaluations		
B.4 Other changes		
C. Decreases	**(61,633)**	
C.1 Sales		
C.2 Adjustments		
C.3 Other changes	(61,633)	
D. Closing balance	**9,550**	**71,183**
E. Total revaluations		
F. Total adjustments		

Caption C.3 relates to the derecognition of the investment in the subsidiary Santander Consumer Unifin following the merger therewith.

10.6 Commitments relating to investments in subsidiaries under joint control

The Bank has no equity investments in subsidiaries under joint control.

10.7 Commitments relating to equity investments in companies subject to significant influence

The Bank has no equity investments in companies subject to significant influence.

10.8 Significant restrictions

The equity investments held by the Bank are not subject to any significant restrictions.

10.9 Other information

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

Section 11 - Property and equipment – item 1110

11.1 Property and equipment for business purposes: breakdown of assets measured at cost

Property and equipment amount to Euro 1,713 thousand (Euro 3,579 thousand at 31 December 2014) and are made up as follows, net of accumulated depreciation:

Activities/Values	31/12/2015	31/12/2014
1.1 Own assets		
a) lands		
b) buildings		
c) office furniture and fitting	169	157
d) electronic system	1,189	1,160
e) other	355	2,262
1.2 Leased assets		
a) lands		
b) buildings		
c) office furniture and fitting		
d) electronic system		
e) other		
Total	**1,713**	**3,579**

"Other" consists of, in particular, vehicles owned by the Bank and used by employees to perform their work of Euro 76 thousand, deferred charges to be amortised, arising from expenditure on leasehold improvements (reclassified to property and equipment in accordance with IAS 38) of Euro 105 thousand and telephone systems, appliances and equipment of Euro 174 thousand.

Fixed assets have been given the following useful lives for the purpose of calculating the annual depreciation charge:

Category of assets	Useful life (years)
OFFICE FURNITURE AND FURNISHINGS	9
ORDINARY OFFICE MACHINES	9
DATA PROCESSING MACHINES	5
TELEPHONE SYSTEMS	4
VEHICLES	4
MISCELLANEOUS EQUIPMENT	4
DEFERRED CHARGES TO BE AMORTIZED	6

11.2 Investment property: breakdown of assets measured at cost

No investment property is held.

11.3 Property and equipment for business purposes: breakdown revalued assets

There are no items of property and equipment used in operations that have been revalued.

11.4 Investment property: breakdown of assets measured at fair value

No investment property is held.

11.5 Property and equipment used for business purposes: changes in the period

Assets/Values	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening gross balance			**3,269**	**9,720**	**12,216**	**25,205**
A.1 Total net reduction value			(3,110)	(8,560)	(9,956)	(21,626)
A.2 Opening net balance			**159**	**1,160**	**2,260**	**3,579**
B. Increase			**62**	**442**	**306**	**810**
B.1 Purchases			15	422	90	528
B.2 Capitalized improvement costs						
B.3 Write-backs						
B.4 Posit. changes in fair value allocated to:						
- a) net equity						
- b) profit & loss						
B.5 exchange difference (+)						
B.6 Transfer from investment properties						
B.7 Other adjustment			47	19	215	281
C. Decreases			**52**	**413**	**2,211**	**2,676**
C.1 Sales				9	1,155	1,163
C.2 Depreciation			52	404	1,056	1,512
C.3 Impairment losses allocated to:						
- a) net equity						
- b) profit & loss						
C.4 Negat.changes in fair value allocated to:						
- a) net equity						
- b) profit & loss						
C.5 exchange difference (-)						
C.6 Trasfers to:						
- a) held-for-sales investments						
- b) assets classified as held-for-sales						
C.7 Other adjustment						
D. Closing net balance			**169**	**1,189**	**355**	**1,713**
D.1 Total net write-down			(3,365)	(8,009)	(7,880)	(19,254)
D.2 Final gross balance			**3,534**	**9,197**	**8,236**	**20,966**
E. Carried at cost						

Each class of assets is measured at cost. Sub-item E (Measurement at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for tangible assets that are carried in the balance sheet at fair value.
The main additions in the year relate to upgrades to data processing equipment.
Depreciation relates, in particular, to vehicles (Euro 755 thousand) and data processing equipment (Euro 400 thousand).
Note that B.7 includes the balances at 31 December 2014 of property, plant and equipment arising from the merger by absorption of the subsidiary Santander Consumer Unifin; in particular, the net book value of these assets consists of furniture (Euro 47 thousand), electronic systems (Euro 19 thousand), vehicles (Euro 135 thousand) and other assets (Euro 81 thousand).

11.6 Investment property: changes in the period

No investment property has been recognised in the financial statements.

11.7 Commitments to purchase property and equipment (IAS 16/74 c)

There are no commitments to repurchase property and equipment.

Section 12 - Intangible assets – item 120

12.1 Intangible assets: breakdown by type

Intangible assets amount to Euro 9,141 thousand (Euro 7,490 thousand at 31 December 2014) and are made up as follows:

Assets/Values	Total 31/12/2015		Total 31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X		X	
A.2 Other intangible assets				
A.2.1 Assets valued at cost:				
a) Internally generated Intangible assets				
b) Other assets	9,141		7,490	
A.2.2 Assets valued at fair value:				
a) Internally generated Intangible assets				
b) Other assets				
Total	**9,141**		**7,490**	

Other intangible assets refer entirely to the Bank's software. The amortisation of software into production is calculated on the basis of a useful life of three years.

12.2 Intangible assets: change in the period

	Goodwill	Other internally generated intangible assets		Other intangible assets: other		Total
		Finite	indefinite	Finite	indefinite	
A. Opening gross balance				**64,206**		**64,206**
A.1 Total net reduction in value				(56,716)		(56,716)
A.2 Opening net balance				**7,490**		**7,490**
B. Increases				**5,799**		**5,799**
B.1 Puchases				5,124		5,124
B.2 Increases in internally generated intagible assets	X					
B.3 Write-backs	X					
B.4 Increases in fair value:						
- net equity	X					
- profit & loss	X					
B.5 Positive exchange differences						
B.6 Other changes				675		675
C. Reductions				**4,148**		**4,148**
C.1 Disposals				97		97
C.2 Write-downs				4,051		4,051
- Amortization	X			4,051		4,051
- Write-downs						
+ in equity	X					
+ profit & loss						
C.3 Reduction in fair value						
- in equity	X					
- through profit or loss	X					
C.4 Transfers to non-current assets held for sale						
C.5 Negative exchange differences						
C.6 Other changes						
D. Closing net balance				**9,141**		**9,141**
D.1 Total net reduction in value				(62,661)		(62,661)
E. Closing balance				**71,802**		**71,802**
F. Carried at cost						

Each class of assets is measured at cost. Sub-item F (Measurement at cost) shows a zero balance because, in accordance with Bank of Italy's Circular 262/2005, it is only for intangible assets that are carried in the balance sheet at fair value.
The additions in item B.1 relate to the capitalisation of costs incurred for the implementation of EDP application packages and the development of new computer programmes. Amortisation is calculated on the basis of a useful life of three years.
Note that B.6 includes the balance at 31 December 2014 of software arising from the merger by absorption of the subsidiary Santander Consumer Unifin, the net book value of which was Euro 675 thousand.

12.3 Other information

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

Section 13 – Tax assets and liabilities – asset item 130 and liability item 80

Current tax assets recognised in asset line item 130 amount to Euro 42,113 thousand (Euro 25,034 thousand in 2014), while current liabilities recognised in liability line item 80 amount to Euro (20,492) thousand (Euro 46,351 thousand in 2014).

13.1 Deferred tax assets: breakdown

	31/12/2015	31/12/2014
Deffered tax assets balancing the income statement	220,309	200,489
Deffered tax assets balancing net equity	886	1,826
Total	**221,195**	**202,315**

Deferred tax assets are accounted for with reference to deductible temporary differences, based on the probability that the Company will be able to generate sufficient taxable income in the future for the deferred tax asset to meet the criteria for accounting recognition, as required by IAS 12.
The balance of deferred tax assets through income statement of Euro 221,195 thousand (Euro 202,315 thousand at 31 December 2014) is mainly attributable to temporary differences arising from the deferred deductibility for IRES and IRAP purposes of loan adjustments (Euro 209,244 thousand), to temporary differences generated mainly by provisions for risks and charges (Euro 9,926) and to the tax effect of the consistent application of the accounting policy for the salary assignment loan portfolio (Euro 1,139 thousand), as a result of the aforementioned merger by absorption of Santander Consumer Unifin.
Deferred tax assets through equity of Euro 886 thousand relate to the tax effect of actuarial gains and losses pertaining to termination indemnities and of changes in the fair value of hedging derivatives with a negative fair value (Cash Flow Hedging Model).

13.2 Deferred tax liabilities: breakdown

	31/12/2015	31/12/2014
Deffered tax liabilities recognised to the income statement	15	
Deffered tax liabilities recognised to the net equity	91	
Total	**106**	

The Bank has recognised deferred tax liabilities at 31 December 2015 of Euro (106) thousand, of which Euro 91 thousand relates to changes in fair value of the available-for-sale securities portfolio.

13.3 Changes in deferred tax assets (through income statement)

	31/12/2015	31/12/2014
1. Opening balance	**200,489**	**175,408**
2. Increases	**32,921**	**43,089**
2.1 Deferred tax assets of the year		
a) relating to previous years		
b) due to change in accounting policies		
c) write-backs		
d) other (creation of temporary differences, use of TLCF)	14,942	43,089
2.2 New taxes or increases in tax rates		
2.3 Other increases	17,979	
3. Decreases	**13,101**	**18,008**
3.1 Deferred tax assets derecognised in the year		
a) reversals of temporary differences	13,101	5,253
b) write-downs of non-recoverable items		
c) change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
a) conversion into tax credit under L. 214/2011		12,755
b) others		
4. Closing balance	**220,309**	**200,489**

The increase in "Deferred tax assets recognised during the year - other" mainly reflects temporary differences arising from the deductibility for IRES and IRAP purposes of impairment losses on loans (Euro 8,003 thousand), as well as an increase attributable to temporary differences arising from provisions for risks and charges made in the year (Euro 6,939 thousand).

With respect to writedowns and losses arising from loans to customers as per art. 106, paragraph 3 of Presidential Decree 917/1986, the new deferred tax assets recognised for IRES and IRAP purposes in 2015 are consistent with the legislative amendments introduced by art. 16, paragraph 1 of Government Decree 83 of 27 June 2015 that was converted into Law 132 of 6 August 2015. In particular, as from 27 June 2015, these income components have become fully deductible in the year in which they are recognised in the financial statements. For 2015 alone, 75% of the amounts thereof is deductible. The excess, as well as prior year deferred tax assets not yet deducted, are deductible to the extent of the percentages set out in paragraph 4 of the above article.

"Other increases" are attributable to deferred tax assets recognised on temporary differences arising from the deductibility of impairment losses on loans and from provisions for risks and charges, which existed at the effective date of the merger with the subsidiary Santander Consumer Unifin, as well as temporary differences arising from adjustments required to adopt a consistent accounting policy for the salary assignment loan portfolio.

"Reversals", on the other hand, relate to the utilisation of provisions for risks and charges of an amount of Euro 7,599 thousand and to the reversal in the year of deferred tax assets recognised on adjustments required to adopt a consistent accounting policy for salary assignment loans arising from the merger of an amount of Euro 5,502 thousand.

13.3.1 Changes in deferred tax assets as per Law 214/2011 (through the income statement)

	31/12/2015	31/12/2014
1. Opening balance	**195,700**	**169,701**
2. Increases	**13,544**	**40,449**
3. Decreases		**14,450**
3.1 Reversals of temporary differences		
3.2 Conversion into tax credits		
a) from year losses		12,755
b) from tax losses		
3.3 Other decreases		1,695
4. Closing balance	**209,244**	**195,700**

The increase includes an amount of Euro 5,541 thousand relating to deferred tax assets triggered by Law 214/2011 and which arose from the merger with the subsidiary Santander Consumer Unifin, as well as an increase arising from the temporary non-deductibility of loan adjustments made in the year.

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

	31/12/2015	31/12/2014
1. Opening balance		
2. Increases	**15**	
2.1 Deferred tax liabilities of the year		
a) relating to previous years		
b) due to change in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases	15	
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals of temporary differences		
b) due to change in accounting policies		
c) other		
3.2 Reductions in tax rates		
3.3 Other decreases		
4. Closing balance	**15**	

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

	31/12/2015	31/12/2014
1. Opening balance	**1,826**	**2,764**
2. Increases	**64**	**86**
2.1 Deferred tax assets of the year		
a) relating to previous years		
b) due to change in accounting principles		
c) other (creation of temporary differences)		86
2.2 New taxes or increase in tax rates		
2.3 Other increases	64	
3. Decreases	**1,004**	**1,024**
3.1 Deferred tax assets derecognised in the year		
a) reversals of temporary differences	1,004	1,024
b) writedowns of non-recoverable items		
c) due to change in accounting principles		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**886**	**1,826**

"Other increases" are attributable to deferred tax assets arising from the merger with the subsidiary Santander Consumer Unifin relating to temporary differences arising from the actuarial valuation of employee termination indemnities.

The decrease relates to the valuation at fair value of cash flow hedging derivatives (according to the Cash Flow Hedging Model) for Euro 1,001 thousand and to the actuarial valuation of employee termination indemnities for Euro 3 thousand.

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

	31/12/2015	31/12/2014
1. Opening balance		
2. Increases	**91**	
2.1 Deferred tax liabilities of the year	91	
a) relating to previous years		
b) due to change in accounting principles		
c) Other (creation of temporary differences)	91	
2.2 New taxes or increase in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversal of temporary differences		
b) due to change in accounting principles		
c) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Final amount	**91**	

The increases in deferred tax liabilities (through shareholders' equity) relate to the tax effect of the changes in fair value of available-for-sale securities.

13.7 Other information

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

Section 14 - Non-current assets held for sale and discontinued operations and associated liabilities – asset item 140 and liability item 90

14.1 Non-current assets held for sale and discontinued operations: breakdown by type

	31/12/2015	31/12/2014
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property and equipment		16
A.4 Intangible assets		
A.5 Other non-current assets		
Total A		**16**
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		16
of which carried at fair value level 3		
B. Groups of assets (discontinued operations)		
B.1 Financial assets held for trading		
B.2 Financial assets designated at fair value		
B.3 Available for sale financial assets		
B.4 Held to maturity investments		
B.5 Loans to banks		
B.6 Loans to customers		
B.7 Equity investments		
B.8 Tangible assets		
B.9 Intangible assets		
B.10 Other assets		
Total B		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		
C. Liabilities included in disposal groups classified as held for sale		
C.1 Deposits		
C.2 Securities		
C.3 Other liabilities		
Total C		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		
D. Liabilities included in disposal groups classified as held for sale		
D.1 Deposits from banks		
D.2 Deposits from customers		
D.3 Debt securities in issue		
D.4 Financial liabilities held for trading		
D.5 Financial liabilties designated at fair value		
D.6 Provisions		
D.7 Other Liabilities		
Total D		
of which carried at cost		
of which carried at fair value level 1		
of which carried at fair value level 2		
of which carried at fair value level 3		

14.2 Other information

There is no further information that needs to be disclosed to comply with IFRS 5, paragraph 42.

14.3 Information on equity investments in companies subject to significant influence not valued at equity

The Bank has no equity investments in companies subject to significant influence.

Section 15 - Other assets – item 150

15.1 Other assets: breakdown

The balance of "Other assets", amounting to Euro 53,822 thousand (Euro 39,477 thousand at 31 December 2014), is made up as follows:

	31/12/2015	**31/12/2014**
Tax consolidation	17	561
Advances to suppliers	1,983	1,165
VAT receivables	909	733
Due from Tax Authorities for IRES & IRAP		
Stamp duties	1,778	2,779
Withholding taxes	4,616	219
Other tax receivables	14,506	14,483
Due from dealers	2,416	1,940
Due from insurances	9,893	1,254
Accruals and prepaid expenses	344	437
Assets in transit	15,297	5,610
Other items	2,054	9,753
Due from Unifin S.p.A.		535
Due from SCFM S.r.l	9	8
Total	**53,822**	**39,477**

"Other amounts due from tax authorities" mainly relate to receivables due from the tax authorities for which the Bank has submitted an application for a refund (Euro 12,811 thousand) in connection with a settlement agreement entered into with the Regional Tax Office concerning intercompany transfers in the three year period 2008-2010, as well as to claims for tax rebates for the higher IRES paid in previous years on personnel costs not deducted for IRAP purposes (Euro 1,695 thousand).
"Items in transit" include items temporarily in transit relating to instalment collection.
"Insurance receivables" relate to receivables due for insurance brokerage commission.
Further details have been provided of prior year comparatives to enhance the clarity of disclosures.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Due to banks – item 10

1.1 Due to banks: breakdown by type

Amounts due to banks amount to Euro 4,528,969 thousand (Euro 4,851,929 thousand at 31 December 2014) and are made up as follows:

Type of transaction/Values	31/12/2015	31/12/2014
1. Due to central banks	**923,417**	**1,500,017**
2. Due to banks	**3,605,552**	**3,351,912**
2.1 Other current accounts and demand deposits	35,409	77,074
2.2 Time deposits	647,881	685,800
2.3 Loans		
2.3.1 Repos	412,544	796,566
2.3.2 Other	2,509,387	1,792,349
2.4 Payables for commitments to repurchase own equity instruments		
2.5 Other payables	332	123
Total	**4,528,969**	**4,851,929**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**4,544,447**	**4,842,187**
Total Fair value	**4,544,447**	**4,842,187**

"Due to central banks" includes loans received from the Bank of Italy in connection with LTRO and TLTRO operations with the European Central Bank (Euro 923,417 thousand).
"Due to banks" consist of:

- current accounts with a debit balance at the end of the year (Euro 409 thousand) and overnight lending operations (Euro 35,000 thousand);
- short-term loans granted by Santander Group companies (Euro 647,881 thousand);
- repo transactions with other banks (Euro 412,544 thousand);
- other loans, relating to subordinated loans, inclusive of interest accrued thereon (Euro 199,750 thousand), loans granted by Santander Group companies as part of ordinary funding operations (Euro 2,303,256 thousand) and deposits offered as collateral against changes in fair value of securities underlying repo transactions (Euro 6,381 thousand);
- accrued amounts due to banks (Euro 332 thousand).

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

1.2 Details of item 10 "Due to banks": subordinated debts

This item, totalling Euro 199,500 thousand (Euro 229,000 thousand at 31 December 2014), includes loans granted by Santander Group companies and consist of:

Type	31/12/2015	31/12/2014
UPPER TIER II subordinated debt to Openbank S.A. - maturing in 2018	32,500	32,500
LOWER TIER II subordinated debt to Openbank S.A. - maturing in 2018	19,500	26,000
UPPER TIER II subordinated debt to Openbank S.A. - maturing in 2016	32,500	32,500
LOWER TIER II subordinated debt to Openbank S.A. - maturing in 2016	6,500	13,000
LOWER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2015		10,000
UPPER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2015		50,000
UPPER TIER II subordinated debt to Banco Madesant S.A. - maturing in 2019	12,500	12,500
LOWER TIER II subordinated debt to Banco Madesant S.A. - maturing in 2019	10,000	12,500
UPPER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2019	20,000	20,000
LOWER TIER II subordinated debt to Santander Benelux S.A. - maturing in 2019	16,000	20,000
TIER II subordinated debt to Santander Consumer Finance - maturing in 2025	50,000	
Total	**199,500**	**229,000**

1.3 Details of item 10 "Due to banks": structured debts

The Bank has no structured debts.

1.4 Due to banks with specific hedges

The Bank does not have any amounts due to banks with specific hedges.

1.5 Finance lease payables

The Bank does not have any finance lease obligations.

Section 2 – Due to customers – item 20

2.1 Due to customers: breakdown

Due to customers amount to Euro 376,246 thousand (Euro 308,126 thousand at 31 December 2014) and are made up as follows:

Type of transaction/Values	31/12/2015	31/12/2014
1. Current accounts and demand deposits	321,923	216,194
2. Time deposits	52,183	91,826
3. Loans		
3.1 Repos		
3.2 Other		
4. Payables for commitments to repurchase own equity instruments		
5. Other payables	2,140	106
Total	**376,246**	**308,126**
Fair value - level 1		
Fair value - level 2		
Fair value - level 3	**374,799**	**307,554**
Fair value	**374,799**	**307,554**

"Current accounts and deposits" include demand deposits from customers, in particular funds deposited on "Conto Santander" deposit accounts (Euro 296,068 thousand) and those on the current account held by the subsidiary Santander Consumer Finance Media S.r.l. (for an amount of Euro 202 thousand) and ordinary current accounts (Euro 4,006 thousand) and savings deposit books held by employees (Euro 21,646 thousand).
"Other payables" to customers (Euro 2,140 thousand) consist of payments in transit to customers.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

2.2 Details of item 20 "Due to customers": subordinated debts

The Bank does not have any subordinated debts with customers.

2.3 Details of item 20 "Due to customers": structured debts

The Bank does not have any structured debts with customers.

2.4 Due to customers with specific hedges

The Bank does not have any amounts due to customers with specific hedges.

2.5 Finance lease payables

The Bank does not have any finance lease obligations.

Section 3 – Securities issued - item 30

3.1 Debt securities issued: breakdown

Type of securities/Values	31/12/2015				31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**300,045**			**298,032**	**136,926**			**137,142**
1. Bonds								
1.1 structured								
1.2 other	300,045			298,032	136,926			137,142
2. Other structured securities								
2.1 structured								
2.2 other								
Total	**300,045**			**298,032**	**136,926**			**137,142**

"Debt securities issued" relate to securities underlying a medium-to-long term bond issue programme that have been placed with institutional customers. This item also includes accrued interest.
For further details relating to the issues, please see the information provided on funding in the report on operations.
For further information about the methodology used for the determination of the fair value of this component, please see Part A Accounting policies – A.4 Information on fair value.

3.2 Analysis of item 30 "Debt securities issued": subordinated securities

The Bank has not issued any subordinated securities.

3.3 Debt securities issued with specific hedges

The Bank has not issued any securities with specific hedges.

Section 4 – Financial liabilities held for trading – item 40

The Bank has not designated financial liabilities under this category.

Section 5 – Financial liabilities designated at fair value through profit and loss - item 50

The Bank has not designated financial liabilities under this category.

Section 6 – Hedging derivatives – item 60

6.1 Hedging derivatives: breakdown by type and hierarchical level

	Fair Value 31/12/2015			NV	Fair Value 31/12/2014			NV
	L1	L2	L3	31/12/2015	L1	L2	L3	31/12/2014
A. Financial								
1) Fair value		26,642		1,380,887		46,205		2,228,387
2) Cash flows		2,000		400,000		5,441		640,000
3) Net investments in foreign operations								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total		**28,643**		**1,780,887**		**51,646**		**2,868,387**

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

The amount shown in the above table refers to the negative fair value of interest rate swaps entered into by the Bank with the Spanish Parent Company Banco Santander and with the direct Parent Company Santander Consumer Finance. The derivatives portfolio consists of contracts taken out to hedge changes in the fair value of fixed-rate underlying assets, and contracts taken out to hedge the interest rate risk on the cash flows of floating-rate liabilities for the financing of fixed-rate assets. The change in their fair value, net of tax and accrued differentials for the year, is recorded with a contra-entry to the valuation reserves in equity, which at year end show a negative balance of Euro (1,079) thousand.
As regards checking the effectiveness of the hedge with respect to the underlying, reference should be made to Part E, Section 2 - Market risk, Subsection 2.2 - Interest rate risk and price risk, paragraph A (General aspects, management processes and methods of measuring interest rate risk and price risk).

The following table gives details of hedging derivatives with negative fair values at 31 December 2015 (in euro):

Notional (euro)	Start date	Settlement date	Counterparty	Fair value (euro)
15,000,000	09/02/2010	09/08/2016	Banco Santander	170,281
45,000,000	30/08/2010	30/08/2016	Banco Santander	364,529
40,000,000	31/08/2010	30/09/2016	Banco Santander	285,661
157,500,000	29/09/2010	29/03/2017	Banco Santander	2,119,650
17,600,000	25/10/2010	25/07/2017	Banco Santander	361,120
17,700,000	27/10/2010	27/07/2017	Banco Santander	364,277
19,000,000	17/11/2010	17/11/2017	Banco Santander	472,981
19,000,000	25/11/2010	27/11/2017	Banco Santander	464,061
49,437,000	27/12/2010	27/04/2018	Banco Santander	1,393,706
13,500,000	07/01/2011	07/07/2017	Banco Santander	263,439
50,500,000	14/02/2011	14/03/2019	Banco Santander	2,091,370
34,000,000	17/03/2011	18/09/2017	Banco Santander	945,852
60,000,000	27/05/2011	27/02/2018	Banco Santander	2,887,916
60,500,000	21/06/2011	21/03/2018	Banco Santander	2,167,489
63,500,000	14/07/2011	14/01/2019	Banco Santander	2,632,625
45,500,000	12/08/2011	12/08/2019	Banco Santander	1,438,619
29,900,000	06/07/2012	08/10/2018	Banco Santander	556,075
25,000,000	12/07/2012	12/10/2018	Banco Santander	276,107
107,000,000	02/08/2012	02/11/2018	Banco Santander	1,380,081
87,000,000	25/09/2012	25/03/2019	Banco Santander	1,075,260
112,500,000	09/11/2012	10/06/2019	Banco Santander	1,394,485
108,000,000	10/06/2013	10/04/2018	Banco Santander	874,671
99,500,000	21/06/2013	21/03/2019	Banco Santander	1,310,778
93,000,000	01/07/2013	01/02/2019	Banco Santander	1,283,595
75,000,000	19/07/2013	19/07/2016	Banco Santander	375,506
75,000,000	22/07/2013	22/07/2016	Banco Santander	356,760
5,000,000	21/01/2010	21/01/2016	Banco Santander	28,984
6,250,000	22/12/2009	22/03/2016	Banco Santander	38,854
250,000,000	31/05/2012	31/05/2016	Santander Consumer Finance	1,268,089
1,780,887,000				**28,642,822**

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value						Cash flow		Net investments in foreign operations
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Available for sale financial assets						X		X	X
2. Loans and receivables				X		X		X	X
3. Held to maturity investments	X			X		X		X	X
4. Porrfolio	X	X	X	X	X	26,642	X		X
5. Others						X		X	
Total assets						**26,642**			
1. Financial liabilities				X		X		X	X
2. Portfolio	X	X	X	X	X		X	2,000	X
Total liabilities								**2,000**	
1. Forecasted transactions	X	X	X	X	X	X		X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X		X		

For the related comments please read the description in point 6.1.

Section 7 - Remeasurement of financial liabilities with general hedges – item 70

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

Section 8 – Tax liabilities – item 80

Please refer to Section 13 of Assets.

Section 9 - Liabilities associated with non-current assets held for sale – item 90

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

Section 10 - Other liabilities - item 100

10.1 Other liabilities: breakdown

Other liabilities amount to Euro 182,383 thousand (Euro 121,872 thousand at the end of 2014) and consist of:

	31/12/2015	31/12/2014
Tax consolidation	207	
Invoices to be received	39,538	25,451
Payables to employees	4,789	4,475
Due to Social Security institutions	2,193	1,495
Tax payables	2,645	1,868
Other amounts due to customers	9,936	1,315
Due to insurances	12,730	7,179
Factoring payables	61,572	62,712
Accruals and deferred income	128	
Items in transit	25,051	9,482
Other liabilities for commissions	9,107	
Provision for endorsement credits		
Other payables	14,485	6,913
Due to SCFM S.r.l.	2	1
Due to Unifin S.p.A.		960
Due to Isban		21
Total	**182,383**	**121,872**

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

"Items in transit" mainly include items in transit relating to instalment collection and customer refunds, as well as the settlement of loans.

"Other payables" mainly include a provision for agents' indemnity (Euro 5,536 thousand), payables due to companies to which loan portfolios have been sold, consisting of amounts due to the companies for which the Bank provides servicing activities (Euro 3,223 thousand) and expenses incurred for the collection of salary assignment loan instalments (Euro 1,645 thousand).

Further details have been provided of prior year comparatives to enhance the clarity of disclosures.

Section 11 - Provision for employee termination indemnities - item 110

11.1 Provision for employee termination indemnities: change in the year

	31/12/2015	31/12/2014
A. Opening balance	**3,586**	**4,115**
B. Increases	**648**	**346**
B.1 Provision of the year	10	87
B.2 Other increases	637	259
C. Decreases	**595**	**875**
C.1 Payments made	586	875
C.2 Other decreases	8	
D. Closing balance	**3,639**	**3,586**

The provision for employee termination indemnities amounts to Euro 3,639 thousand (Euro 3,586 thousand at 31 December 2014) and, as required by IAS 19, this coincides with its actuarial valuation (Defined Benefit Obligation – DBO).
The actuarial assumptions adopted for the valuation of the provision at the reporting date are the following:

- discount rate: 1.75%;

- expected inflation rate: 2%;
- annual rate of increase in provision for employee termination indemnities: 2%;
- frequency of advances: 6.5%;

The following demographic assumptions were used:
- death: ISTAT 2013 mortality tables;
- disability: INPS tables broken down by age and gender;
- retirement: in accordance with law 214/2011.

With the introduction of the reform envisaged by Law 296/2006 (2007 Finance Act) on supplementary pensions, amounts provided relate to interest cost, corresponding to interest cost accrued at the beginning of the period and interest cost pertaining to movements in the year
In addition, in line with the amendment to IAS 19 regarding the recognition of actuarial gains and losses accrued at the balance sheet date, they have been recognised with the OCI method as decreases or increases under item "other changes" (Euro 8 thousand at 31 December 2015).

11.2 Other information

The provision for employee termination indemnities covers the amount of accruing employee rights, in accordance with the law in force and collective and supplementary labour agreements and amounts to Euro 3,639 thousand at the reporting date. Excluding the components relating to actuarial gains and losses, the provision amounts to Euro 2,573 thousand.
As regards the application of the amendments made to IAS 19 by EU Regulation 475/2012, set out below is a sensitivity analysis for changes in the discount rate.

Sensitivity analysis	**31/12/2015**
Sensitivity to the discount rate	
a. Assumption (+25 bps)	2.0%
b. DBO	3,570
c. Interest cost and expenses for the year	68
d. Assumption (-25 bps)	1.5 %
e. DBO	3,688
f. Interest cost and expenses for the year	53

Section 12 – Provisions for risks and charges - item 120

12.1 Provisions for risks and charges: breakdown

Items / Values	31/12/2015	31/12/2014
1. Provisions for pensions and similar obligations		
2. Other provisions for risk and charges	21,530	7,178
2.1 Legal disputes	10,017	5,279
2.2 Staff expenses		
2.3 other	11,512	1,899
Total	**21,530**	**7,178**

For further details of the items in the table, please see 12.2 below.

12.2 Provisions for risks and charges: change in the year

	31/12/2015	
	Pensions and post retirement benefit obligations	**Other provisions**
A. Opening balance		**7,178**
B. Increases		**17,515**
B.1 Provision for the year		15,309
B.2 Time value change		
B.3 Difference due to discount-rate changes		
B.4 Other increases		2,206
C. Decreases		**3,163**
C.1 Utilisations during the year		961
C.2 Difference due to discount-rate changes		
C.3 Other decreases		2,202
D. Closing balance		**21,530**

The main increases in item "B.1 - Provisions for the year" relate to provisions for legal disputes with customers and dealers, as well as allocations to provisions for customer disputes relating to the salary assignment loan portfolio. For further details, please refer to the corresponding income statement table.
B.4 “Other changes” includes the balances pertaining to the subsidiary Santander Consumer Unifin, which was merged by absorption in the year.
"Utilisations during the year" relate to reversals of provisions through line item 160 of the income statement, set up in prior years for lawsuits, whereas "Other changes" relate to utilisations of provisions set up in prior years as a result of disbursements made.

12.3 Defined-benefit pension plans

The Bank has not established any company pension funds with defined benefits.

12.4 Provisions for risks and charges - other provisions

The Bank has not set aside any provisions as per IAS 37, paragraphs 85, 86, 91.

Section 13 – Redeemable shares – item 140

The Bank has not approved any share redemption plans.

Section 14 – Shareholders' equity – items 130, 150, 160, 170, 180, 190 and 200

Shareholders' equity: breakdown

Shareholders' equity amounts to Euro 563,247 thousand (Euro 536,176 thousand at 31 December 2014) broken down as follows:

Items/Amounts	31/12/2015	31/12/2014
1. Share capital	573,000	573,000
2. Share premium reserve	633	633
3. Reserves	(43,883)	(42,247)
4. (Treasury shares)		
5. Valuation reserve	(1,608)	(3,695)
6. equity instruments		
7. Profit (loss) of the year	35,106	8,485
Total	**563,247**	**536,176**

Retained earnings are described later in this section.
Valuation reserves relate to positive changes in fair value of available-for-sale financial assets (Euro 184 thousand), cash flow hedging derivatives (Euro -1,079 thousand) and the impact of measurement in accordance with IAS 19 of the provision for termination indemnities (-713 thousand).

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

For information on this section, please refer to paragraph 14.2.

14.2 Share capital - number of shares: change in the year

Items/Types	Ordinary	Other
A. Outstanding shares at the beginning of the year	**573,000**	
- fully paid	573,000	
- not fully paid		
A.1 Treasury shares (-)		
A.2 Outstanding shares: opening balance	**573,000**	
B. Increases		
B.1 New issues		
- against payment		
- business combinations		
- bonds converted		
- warrants exercised		
- other		
- free		
- to employees		
- to Directors		
- other		
B.2 Sales of treasury shares		
B.3 Other changes		
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Outstanding shares: closing balance	**573,000**	
D.1 Treasury Shares (+)		
D.2 Outstanding shares at the end of the year		
- fully paid		
- not fully paid		

14.3 Share capital: other information

At 31 December 2015, the share capital of the Bank amounts to Euro 573 million.

	Total 31/12/2015	Total 31/12/2014
Par value per share (zero if the shares have no par value)	1,000	1,000
Fully paid		
Number	573,000	573,000
Amount	573,000,000	573,000,000
- Agreed sale of shares:		
Number of shares under contract		
Total amount		

14.4 Profit reserves: other information

The Company's retained earnings (accumulated losses) at 31 December 2015 consist of prior year accumulated losses of Euro -75,556 thousand, the legal reserve of Euro 424 thousand and merger reserves of Euro -10,121 thousand. Moreover, “Other Reserves” consist of the residual amount of two capital contributions made in 2012 and 2013, respectively, by the parent Santander Consumer Finance S.A. (totalling Euro 41,370 thousand), as well as a share premium reserve arising from the acquisition of Santander Consumer Unifin S.p.A. by Santander Consumer Finance S.A. (Euro 633 thousand).

14.5 Equity instruments: breakdown and change in year

The Bank has not issued any equity instruments.

14.6 Other information

The Bank has not issued any puttable financial instruments ("financial instruments repayable on demand") and has not approved any distribution of dividends.

As required by art. 2427, paragraph 7-bis of the Italian Civil Code, the following table describes in detail the items of shareholders' equity with an indication of their origin, extent to which they are available for use or for distribution, as well as how they have been used in previous years.

Items	Amount	Permitted uses (*)	Available portion	Summary of use in the three previous fiscal year	
				to cover losses	for other reasons
Share capital	**573,000**				
Share premium reserve	**633**				
Reserves	**(43,883)**				
Legal reserve	*424*	A(1), B			
Extraordinary reserve		A, B, C			
FTA reserve					
Changes in previus period earning		(2)			
Reserve Earning	*(75,556)*				
Capital reserve	*41,370*	A, B			
Merger reserve	*(10,121)*				
Other reserve					
Revaluation reserves	**(1,608)**				
Cash flow hedges reserves	*(1,079)*	(2)			
Revaluation reserves available for sale financial assets	*184*	(2)			
Actuarial gains(losses) on defined benefit plans	*(713)*	(2)			
Net income (loss)	**35,106**				
Total	**563,247**				

(*) A = for increase in capital; B = to cover losses; C = for distribution to shareholders
(1) To be used to increase capital (A) for the portion exceeding one fifth of share capital
(2) The reserve is restricted pursuant to art. 6 of Legislative Decree no. 38/2005

The profit for 2014 has been allocated to the legal reserve (Euro 424 thousand) and to cover accumulated losses (Euro 8,060 thousand).

OTHER INFORMATION

1. Guarantees given and commitments

Operations	31/12/2015	31/12/2014
1) Financial guarantees given to		
a) Banks		551
b) Customers		
2) Commercial guarantees given to		
a) Banks		
b) Customers		
3) Irrevocable commitments to disburse funds		
a) Banks		
i) certain to be called		
ii) not certain to be called		
b) Customers		
i) certain to be called	108,720	94,871
ii) not certain to be called		
4) Commitments underlying credit derivatives: protection sales		
6) Assets formed as collateral for third-party obligations		
6) Other commitments		
Total	**108,720**	**95,422**

Irrevocable loan commitments relate to factoring arrangements with car manufacturers.

2. Assets used to guarantee own liabilities and commitments

There are no assets used to guarantee own liabilities or commitments.

3. Information on operating leases

The Bank does not have any operating leases.

4. Administration and trading on behalf of third parties

The Bank does not operate in the field of administration and trading on behalf of third parties.

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

Technical forms	Gross amounts of financial assets (a)	Financial liabilities offset in Balance Sheet (b)	Net Balance Sheet values of fiinancial asset (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
				Financial instruments (d)	Cash deposits posted as collateral (e)		
1) Derivatives	4,577		4,577		4,530	47	674
2) Repos							
3) Securities lending							
4) Others							
Total 31/12/2015	**4,577**		**4,577**		**4,530**	**47**	**X**
Total 31/12/2014	**17,138**		**17,138**		**16,464**	**X**	**674**

As required by IFRS 7, it is hereby disclosed that derivatives entered into with the Spanish Group company Abbey National Treasury Services Plc, the amount of which at 31 December 2015 is shown in "column c)" of the above table, are subject to an ISDA based framework agreement. The effects of the potential offsetting of exposures for which cash collateral has been provided are shown in column e) "Cash deposits received/offered as collateral".

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

Technical forms	Gross amounts of financial liabilities (a)	Financial assets offset in Balance Sheet (b)	Net Balance Sheet values of fiinancial liabilities (c=a-b)	Related amounts not subject to offsetting in Balance Sheet		Net amount 31/12/2015 (f=c-d-e)	Net amount 31/12/2014
				Financial instruments (d)	Cash deposits posted as collateral (e)		
1) Derivatives	27,375		27,375		27,375		
2) Repos	412,256		412,256		412,256		
3) Securities lending							
4) Others							
Total 31/12/2015	**439,631**		**439,631**		**439,631**		**X**
Total 31/12/2014	**836,978**		**836,978**		**836,978**	**X**	

As required by IFRS 7, it is hereby disclosed that derivatives entered into with Banco Santander, the amount of which at 31 December 2015 is shown in "column c)" of the above table, are subject to an ISDA based framework agreement and are thus subject to net settlement arrangements. There are no arrangements in place for the offsetting of derivatives, which, at the reporting date, are recognised as assets (with positive fair values), against derivatives, which are recognised as liabilities (with negative fair values). The effects of the potential offsetting of exposures for which cash collateral has been provided are shown in column e) "Cash deposits received/offered as collateral".

7. Securities lending

The Bank is not party to any securities lending.

8. Information on joint arrangements

The Bank is not party to any joint arrangements.

Part C - Information on the income statement

Section 1 - Interests - items 10 and 20

1.1 Interest and similar income: breakdown

Interest and similar income amounts to Euro 301,236 thousand (Euro 345,225 thousand at 31 December 2014) and is made up of:

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Financial assets held for trading					
2. Available-for-sale financial assets	76			**76**	
3. Held-to-maturity investments					
4. Due from banks		75		**75**	**53**
5. Loans to customers		294,315	6,769	**301,084**	**345,172**
6. Financial assets designated at fair value through P&L					
7. Hedging derivatives	X	X			
8. Other assets	X	X			
Total	**76**	**294,390**	**6,769**	**301,236**	**345,225**

Interest income on available-for-sale financial assets relates to interest accrued on Government securities.
Due from banks mainly consists of interest income accrued on current accounts (Euro 73 thousand).
The value of interest on loans to customers is represented by the economic consequences on an accrual basis of the components identified as relevant for amortised cost purposes as per IAS 39, in relation to the different technical forms. It is also represented by the amount of interest on securitised loans in the financial statements according to IAS 39 on reversal derecognition.
Again with reference to securitisations, shown under other transactions are the income statement components attributable to cash generated by the self-securitised portfolio (Euro 6,769 thousand).

Interest on non-performing loans accrued during the year has been fully covered by the provision for loan losses. Total interest receivable at the reporting date amounts to Euro 7,462 thousand.

1.2. Interest and similar income: differentials on hedging transactions

The balance of differentials on hedging interest rate swaps is negative (as in 2014).
For details, reference should be made to paragraph 1.5.

1.3 Interest and similar income: other information

1.3.1 Interest and similar income on foreign currency assets

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

1.3.2 Interest and similar income on finance lease transactions

Interest income on finance lease transactions for the year 2015 amounts to Euro 1,793 thousand (Euro 2,968 thousand in 2014).

Items	31/12/2015	31/12/2014
Interest income on financial leasing activities	1,793	2.968

1.4 Interest and similar expense: breakdown

Interest and similar expense amounts to Euro 75,320 thousand at 31 December 2015 (Euro 112,405 thousand at 31 December 2014) and is made up of:

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2015	Total 31/12/2014
1. Due to central banks	510	X		510	2,078
2. Due to banks	41,503	X		41,503	58,919
3. Due to customers	4,996	X		4,996	7,234
4. Debt securities issued	X	406		406	2,993
5. Financial liabilities held for trading					
6. Financial liabilities at fair value through profit or loss					
7. Other liabilities and provisions	X	X	1	1	1,803
8. Hedging derivatives	X	X	27,904	27,904	39,378
Total	**47,009**	**406**	**27,905**	**75,320**	**112,405**

Interest payable to central banks relates to lending operations (TLTROs) with the Bank of Italy.
Interest expense on amounts due to banks mainly derives from loans granted by Santander Group companies as part of ordinary funding operations (Euro 36,308 thousand) and by other banks (Euro 5,196).
Interest expense on amounts due to customers mainly consists of the cost of funding provided by customers through current and deposit accounts (Euro 4,995 thousand).
Interest expense on debt securities issued relates to securities issued under an EMTN programme.
"Hedging derivatives" include the net balance of differentials on hedging derivatives as reported in table 1.5 below.

1.5 Interest and similar expense: differentials on hedging transactions

Items	31/12/2015	31/12/2014
A. Positive differentials related to hedging operations		712
B. Negative differentials related to hedging operations	(27,904)	(40,090)
C. Net differentials (A-B)	**(27,904)**	**(39,378)**

1.6 Interest and similar expense: other information

1.6.1 Interest and similar expense on foreign currency liabilities
The Bank has no liabilities in foreign currency.

1.6.2 Interest and similar expense on finance lease obligations
The Bank has not entered into any purchase leases.

Section 2 – Commissions – items 40 and 50

2.1 Commission income: breakdown

The commission income generated during the year amounts to Euro 102,062 thousand (Euro 36,663 thousand at 31 December 2014) and is broken down as follows:

Type of service/Segments	Total 31/12/2015	Total 31/12/2014
a) guarantees given		
b) credit derivatives		
c) management, brokerage and consulting services:		
1. trading in financial instruments		
2. trading in foreign exchange		
3. portfolio management		
3.1. individual		
3.2. collective		
4. custody and administration of securities		
5. custodian bank		
6. placement of securities		
7. reception and transmission of orders		
8. advisory services		
8.1 related to investments		
8.2 related to financial structure		
9. distribution of third party services		
9.1 portfolio management		
9.1.1. individual		
9.1.2. collective		
9.2 insurance products	31,091	29,769
9.3 other products	54,873	
d) collection and payment services	12,525	2,701
e) securitization servicing		
f) factoring services		
g) tax collection services		
h) management of multilateral trading facilities		
i) management of current accounts		
j) other services	3,573	4,193
Total	**102,062**	**36,663**

Item c) includes commission income on insurance products placed with customers financed of Euro 31,091 thousand and on salary assignments of Euro 54,873 thousand;
Item d) includes commissions generated during the year for collection and payment services provided to customers for Euro 12,210 thousand and servicing fees accrued during 2015 versus the subsidiary Santander Consumer Finance Media s.r.l. in liquidation for Euro 240 thousand.
Item j) "other services", on the other hand, comprises:

- income recognised in respect of damages and penalties for late payment (Euro 2,491 thousand);
- fees and commission income for the management of credit cards (Euro 279 thousand);
- commission income on stock financing (Euro 661 thousand);
- commissions for other services (Euro 141 thousand).

2.2 Commission income: distribution channels for products and services

Channels/Values	Total 31/12/2015	Total 31/12/2014
a) through Group bank branches		
1. portfolio management		
2. placement of securities		
3. third-party services and products	85,964	29,769
b) off-site		
1. portfolio management		
2. placement of securities		
3. third-party services and products		
c) other distribution channels		
1. portfolio management		
2. placement of securities		
3. third-party services and products		

Of the amount shown in the table, Euro 31,091 thousand relates to income from insurance products placed with customers and Euro 54,873 thousand relates to income received to cover costs incurred for brokerage of salary assignment products.

2.3 Commission expense: breakdown

Commission expense amounts to Euro 64,615 thousand (Euro 13,225 thousand at 31 December 2014) and is broken down as follows:

Services/Amounts	Total 31/12/2015	Total 31/12/2014
a) guarantees received	12	182
b) credit derivatives		
c) management and brokerage services:		
1.trading in financial instruments		
2. trading in foreign exchange		
3. portfolio management:		
3.1 own portfolio		
3.2 third party portfolio		
4. custody and administration securities	80	98
5. financial instruments placement		
6. off-site distribution of financial instruments. products and services	59,909	10,112
d) collection and payment services	4,217	2,468
e) other services	397	365
Total	**64,615**	**13,225**

Item c) mainly refers to commissions paid on the sale of insurance products (Euro 13,320 thousand) and salary assignment loans (Euro 42,014 thousand), contributions and termination indemnities accrued by the network of agents based on targets for the placement of loans with customers (Euro 4,575 thousand).
The total of item d) in the table refers to the cost incurred for the collection of loan instalments and for payments made.
Item e) mainly includes charges incurred for securitisation transactions and for management of the EMTN issue programme.

Section 3 – Dividends and similar income – item 70

3.1 Dividends and similar income: breakdown

In 2015 there were no amounts relating to dividends paid by subsidiaries.

Section 4 – Net trading income – item 80

4.1 Net trading income (loss): breakdown

Transactions / Income components	Unrealized profits (A)	Realized profits (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (A+B)-(C+D) 31/12/2015
1. Held for trading Financial assets					
1.1 Debt securities					
1.2 Equity					
1.3 Units in investment funds					
1.4 Loans					
1.5 Other					
2. Held for trading Financial liabilities					
2.1 Debt securities					
2.2 Debts					
2.3 Other					
3. Financial assets and liabilities in foreign currency: exchange differences	**X**	**X**	**X**	**X**	
4. Derivatives					
4.1 Financial derivatives:					
- on debt securities and interest rates	165		(6,893)		(6,727)
- on equity securities and shares indexes					
- On currencies and gold	X	X	X	X	
- Other					
4.2 Credit derivatives					
Total	**165**		**(6,893)**		**(6,727)**

The above table includes the net positive result arising from financial derivatives held to hedge interest rate risk associated with securitisations that do not meet the requirements under IAS 39 for classification as hedging derivatives (Euro 6,893 thousand), as well as the result arising from micro fair value hedging derivatives that became ineffective in the year (Euro 165 thousand).

Section 5 – Net hedging gains (losses) – item 90

5.1 Net hedging gains (losses): breakdown

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

Items/Sectors	Total 31/12/2015	Total 31/12/2014
A. Income relating to:		
A.1 Fair value hedges	18,535	15,378
A.2 Hedged asset items (in fair value hedge relationships)		
A.3 Hedged liability items (in fair value hedge relationship)		
A.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)		
A.5 Foreign currency assets and liabilities		
Total income from hedging activity (A)	**18,535**	**15,378**
B. Expenses relating to:		
B.1 Fair value hedges		(10,403)
B.2 Hedged asset items (in fair value hedge relationship)	(19,407)	(4,309)
B.3 Hedged liabilities items (in fair value hedge relationships)		
B.4 Cash-flow hedging derivatives (including ineffectivness of net investment hedge)		
B.5 Foreign currency assets and liabilities		
Total charges from hedging activity (B)	**(19,407)**	**(14,712)**
C. Net profit from hedging activity (A-B)	**(872)**	**666**

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

6.1 Gains (losses) on disposal or repurchase: breakdown

Items / Income components	Total 31/12/2015			Total 31/12/2014		
	Gains	Losses	Net profit	Gains	Losses	Net profit
Financial assets						
1. Due from banks						
2. Loans to customers		(3,568)	(3,568)		(385)	(385)
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Equity Instruments						
3.3 Units in investment funds						
3.4 Loans						
4. Financial assets held to maturity						
Total assets		**(3,568)**	**(3,568)**		**(385)**	**(385)**
Financial liabilities						
1. Due to banks						
2. Due to customers					(134)	(134)
3. Debt Securities in issue						
Total financial liabilities					**(134)**	**(134)**

Gains (losses) on sale/repurchase of loans to customers arose on receivables sold without recourse during the year, net of related writedowns.

Section 7 – Net result on financial assets and liabilities designated at fair value - item 110

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

Section 8 – Net losses/recoveries on impairment - item 130

8.1 Net losses/recoveries on impairment of loans and receivables: breakdown

Transactions/Income components	Adjustments (1)			Write - backs (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write - offs	Others		A	B	A	B		
A. Due from banks									
- Loans									
- Debt securities									
B. Loans to customers	2,129	147,966	36,252		(67,827)		(21,721)	96,799	148,402
Non-performing purchased loans									
- Loans			X				X		
- Debt securities			X				X		
Other receivables									
- Loans	2,129	147,966	36,252		(67,827)		(21,721)	96,799	148,402
- Debt securities									
C. Total	**2,129**	**147,966**	**36,252**		**(67,827)**		**(21,721)**	**96,799**	**148,402**

8.2 Net impairment losses to financial assets available for sale: breakdown

The Bank has not made any impairment adjustments to financial assets available for sale.

8.3 Net impairment losses to financial assets held to maturity: breakdown

The Bank has no financial assets held to maturity.

8.4 Net impairment adjustments to other financial transactions: breakdown

Transactions / Income	Adjustments (1)			Reversals of impairment losses (2)				Total	
	Specific		Portfolio	Specific		Portfolio		31/12/2015	31/12/2014
	Write - offs	Other		A	B	A	B		
A. Guarantees given					(13,979)			(13,979)	
B. Credit derivatives									
C. Commitments to disburse									
D. Other transactions									
E.Total					**(13,979)**			**(13,979)**	

Key:
A = from interests
B = other recoveries

The recoveries shown in the table relate to the release, as a result of the merger by absorption, of the provision, recognised by Santander Consumer Unifin, for collateral provided by the latter on the salary assignment portfolio held by the parent company.

Section 9 - Administrative expenses - item 150

9.1 Payroll: breakdown

Payroll amount to Euro 38,548 thousand (Euro 32,898 thousand at 31 December 2014) and are split as follows:

Type of expense/Amounts	Total 31/12/2015	Total 31/12/2014
1) Employees		
a) wages and salaries	27,089	23,038
b) social security contributions	7,320	6,098
c) Severance pay (only for Italian legal entities)	1	1
d) Social security costs		
e) allocation to employee severance pay provision	10	87
f) provision for retirements and similar provisions:		
- defined contribution		
- defined benefit		
g) payments to external pension funds:		
- defined contribution_old	1,803	1,527
- defined benefit		
h) Expenses resulting from share based payments		
i) other employee benefits	1,472	1,350
2) Other staff	628	410
3) Directors and Statutory Auditors	516	387
4) Early retirement costs		
5) Recovery of expenses for employees seconded to other companies	(291)	
6) Reimbursement of cost of third-party employees seconded to the Bank		
Total	**38,548**	**32,898**

"Social security charges" include pension costs incurred by the Bank in 2015.

The "provision for employee termination indemnities" shows the amount calculated in accordance with actuarial estimates for the interest cost only. With the reform introduced by Law 296/2006 (Finance Law 2008) on supplementary pensions, termination indemnities do not include any service cost due to the fact that all new accruals are transferred to third-party pension funds, as shown in the table in paragraph g).

Fees payable to directors amount to Euro 236 thousand, while fees relating to members of the Board of Statutory Auditors amount to Euro 280 thousand.

9.2 Average number of employees, by categories

	Total 31/12/2015	Total 31/12/2014
2) Employees		
a) Senior managers	13	8
b) Managers	151	136
of which 3rd and 4th level	62	56
c) Remaining employees staff	423	371
Total	**587**	**515**
Other personnel	**20**	**10**

9.3 Post-retirement defined benefit plans: costs and revenues

The Bank has not allocated post-retirement defined benefit plans.

9.4 Other personnel benefits

	31/12/2015	31/12/2014
Ancillary staff expenses (contributions to rent and health insurance, luncheon vouchers and other minor benefits)	1,468	1,277
Incentive plan reserved for managers and middle managers	4	73
Total	**1,472**	**1,350**

The "incentive plan reserved for managers and middle managers" relates to the cost incurred for the distribution of shares of the parent company Banco Santander to key persons within the Group.

9.5 Other administrative expenses: breakdown

Other administrative expenses amount to Euro 67,362 thousand (Euro 57,750 thousand at 31 December 2014) and are made up as follows:

Type of service/Amounts	Total 31/12/2015	Total 31/12/2014
Indirect taxes and duties	9,077	2,547
Telephone, broadcasting and postal	5,113	4,928
Maintenance, cleaning and waste disposal	1,286	1,165
Property lease, removals and condominium expenses	3,249	3,592
Professional fees and corporate expenses	7,684	6,542
Travel and accomodation	2,439	1,691
Stamp duty and flat-rate substitute tax	1,379	1,820
Insurance charges	351	310
Forms, stationery and consumables	216	144
Supplies, licences EDP consulting and maintenance	10.781	9,990
Debt recovery charges	14,275	14,329
Legal fees	3,042	2,768
Advertising, promotion and representation	1,099	958
Commercial information and searches	2,662	2,724
Other expenses	4.709	4,242
Total	**67,362**	**57,750**

Section 10 – Net provisions for risks and charges - item 160

10.1 Net provisions for risks and charges: breakdown

	Total 31/12/2015	Total 31/12/2014
Net provision for legal disputes	5,170	812
Other provisions	9,178	1,138
Total	**14,348**	**1,950**

"Provisions for legal risks" mainly include provisions for risks and charges made during the year for litigation with customers and dealers, based on a reliable assessment of the expected financial outlay.
"Provisions for other liabilities" relate to an amount provided for a dispute over the criteria applied for the early redemption of loans guaranteed by salary and pension assignment. For further information thereon, please see the section on "Other facts worth mentioning" in the report on operations.

Section 11 – Net adjustments to/recoveries on property and equipment – item 170

11.1. Net adjustments to/recoveries on property and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b + c) 31/12/2015
A. Property and equipment				
A.1 Owned				
- For business purposes	1,512			1,512
- For investment purposes				
A.2 Held under finance lease				
- For business purposes				
- For investment purposes				
Total	**1,512**			**1,512**

Net adjustments to property and equipment refer to the depreciation of the Bank's fixed assets, classified under item 110 of assets for Euro 1,512 thousand.

Section 12 – Net adjustments to intangible assets – item 180

12.1 Net adjustments to intangible assets: breakdown

Net adjustments to intangible assets amount to Euro 4,051 thousand and relate to the amortisation of the year.

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net risult (a + b + c) 31/12/2015
A. Intangible assets				
A.1 Owned				
- Internally generated				
- Other	4,051			4,051
A.2 Held under finance lease				
Total	**4,051**			**4,051**

Section 13 – Other operating expenses/income - item 190

13.1 Other operating expenses: breakdown

Other operating expenses amount to Euro 5,499 thousand (Euro 3,918 thousand at 31 December 2014) and are divided as follows:

	Total 31/12/2015	Total 31/12/2014
Rebates and discounts	53	135
Losses on disposal	287	54
Miscellaneous expenses	253	704
Expenses related to leasing activities	598	1,172
Other expenses	4,307	1,853
Total	**5,499**	**3,918**

The item "expenses related to leasing transactions" mainly includes administrative expenses related to the leasing business (Euro 500 thousand).
"Other" mainly relates to out-of-period expenses for legal disputes (Euro 515 thousand), miscellaneous out-of-period expenses (Euro 1,287 thousand) and compensation for customer claims (Euro 2,370).

13.2 Other operating income: breakdown

Other operating income amounts to Euro 10,677 thousand (Euro 10,836 thousand at 31 December 2014) and can be broken down as follows:

	Total 31/12/2015	Total 31/12/2014
Recovery of taxes	3,851	3,692
Other income for services rendered to Group companies	8	307
Recovery of lease instalments	66	66
Recovery of other expenses	591	718
Recovery of preliminary expenses	4,146	3,621
Rebates and discounts received	4	9
Insurance reimbursements	90	120
Gains on disposal	615	219
Income related to leasing transactions	1,095	2,030
Revenues from operating leases - rentals		
Other income	211	55
Total	**10,677**	**10,836**

"Income related to leasing transactions" includes, among other things, the recovery of car lease expenses charged to customers for Euro 589 thousand, recovery of provincial transcription tax (IPT) for Euro 202 thousand and damages received for Euro 206 thousand.
"Recovery of taxes" relates to the recovery of stamp duty.

Section 14 – Profit (loss) from equity investments - item 210

14.1 Profit (loss) from equity investments: breakdown

There were no profits or losses on equity investments in 2015.

Section 15 - Net gains (losses) arising on fair value measurement of property and equipment and intangible assets - item 220

15.1 Net gains (losses) arising on fair value (or revalued) measurement of property and equipment and intangible assets: breakdown

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

Section 16 – Adjustments to goodwill - item 230

16.1 Adjustments to goodwill: breakdown

The Bank has not recognised any goodwill.

Section 17 – Gains (losses) on disposal of investments - item 240

17.1 Gains (losses) on disposal of investments: breakdown

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

Section 18 - Income tax for the year on current operations - item 260

18.1 Income taxes for the year on current operations: breakdown

The item "Income tax for the year" shows a balance of Euro -13,626 thousand (Euro -2,635 thousand at 31 December 2014) and represents the provision made during the year in accordance with current tax law. It is made up as follows:

Income/Value	Total 31/12/2015	Total 31/12/2014
1. Current taxes (-)	(15,467)	(40,471)
2. Change in prior period income taxes (+/-)		
3. Reduction in current tax expense for the period (+)		
3.bis Reduction in current taxes for tax credits as per Law 214/2011 (+)		12,755
4. Change in deferred tax assets (+/-)	1,841	25,081
5. Change in deferred tax liabilities (+/-)		
6. Income tax for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(13,626)**	**(2,635)**

The sub-caption "Change in deferred tax assets" corresponds to the difference between the opening and closing balance shown in table 13.3 in Part B - Information on the balance sheet, except for the sub-caption "Other increases", which shows the effect relating to deferred tax assets arising from the merger with Santander Consumer Unifin. For further details, see Section 13 of Part B - Information on the balance sheet.

18.2 Reconciliation between the theoretical and effective tax charge

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

	31/12/2015	31/12/2014
Profit (loss) from continuing operations before tax	48,732	11,119
Profit before tax on discontinuing operations		
Theoretical taxable income	**48,732**	**11,119**
IRES - Theoretical tax charge	(13,401)	(3,058)
- effect of income and expenses that do not contribute to the tax base	3,722	3,415
- effect of expenses that are wholly or partially non-deductible	(2,635)	(466)
IRES - Effective tax burden	**(12,314)**	**(109)**
IRAP - Theoretical tax charge	(2,714)	(619)
- portion of non-deductible administrative expenses, depreciation and amortisation	(2,553)	(2,200)
- portion of non-deductible interest expense	(115)	(227)
- effect of income and expenses that do not contribute to the tax base	4,301	697
- effect of income and expenses that are wholly or partially non-deductible	(231)	(177)
IRAP - Effective tax burden	**(1,312)**	**(2,526)**
Effective tax burden as shown in the financial statements	**(13,626)**	**(2,635)**

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

Section 19 – Profit (loss) after tax on non-current assets held for sale - item 280

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

Section 20 Other information

No further information has to be given in addition to what has already been provided in the previous sections.

Section 21 – Earnings per share

21.1 Average number of ordinary shares (fully diluted)

	Number	Days	Weighted number
Opening balance	573,000	365	573,000
Total	**573,000**		**573,000**

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

Net profit (loss) for the period	35,106
Basic earnings (losses) per share	**0,06**

21.2 Other information

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

Part D - Comprehensive income

Statement of comprehensive income

		31/12/2015		
		Gross Amount	**Tax Effects**	**After tax effects**
10.	**Net Profit (Loss) for the year**	**X**	**X**	**35,106**
	Other comprehensive income after tax not to be recycled to income statement			
20.	Tangible assets			
30.	Intangible assets			
40.	Defined benefit plans	8	(3)	5
50.	Non current assets classified as held for sale			
60.	Valuation reserves from investments accounted for using the equity method			
	Other comprehensive income after tax to be recycled to income statement			
70.	**Hedge of foreign investments:**			
	a) changes in fair value			
	b) reclassification through profit or loss			
	c) other variations:			
80.	**Exchange differrences:**			
	a) value changes			
	b) reclassification through profit or loss			
	c) other variations:			
90.	**Cash flow hedges:**	**3,027**	**(1,001)**	**2,026**
	a) changes in fair value	3,027	(1,001)	2,026
	b) reclassifications through profit or loss			
	c) other variations:			
100.	**Available-for-sale financial assets:**	**275**	**(91)**	**184**
	a) changes in fair value	275	(91)	184
	b) reclassifications trough profit or loss			
	- impairment losses			
	- following disposal			
	c) other variations:			
110.	**Non current assets classified as held for sale:**			
	a) changes in fair value			
	b) reclassifications through profit or loss			
	c) other variations:			
120.	**Valutation reserves from investments accounted for using the equity method;**			
	a) changes in fair value			
	b) reclassifications trough profit or loss			
	- impairment losses			
	- following disposal			
	c) other variations:			
130.	**Total of other comprehensive income after tax**	**3,310**	**(1,095)**	**2,215**
140.	**Comprehensive income (Items 10+130)**			**37,321**

Part E - Information on risks and related hedging policies

Introduction

Santander Consumer Bank (the Bank) places great importance on the management and control of risks as a means of ensuring reliable and sustainable value creation in a context of controlled risk.
Risk management strategy focuses on a complete and consistent overview of risks. It takes account of the macro-economic scenario and risk profile, it stimulates a growing risk culture and encourages a transparent and accurate presentation of the risks associated with the portfolios held.

The Bank's risk appetite is summarised in the Risk Appetite Framework (RAF), a strategically important tool used to present to the Board of directors and senior management the main risks to which the Bank is exposed and the level of such risks that it is willing to assume under normal and stressed conditions.

The Risk Appetite Framework sets out the policy for the level of risks assumed and provides a definition of the maximum risk tolerance thresholds and the consequent controls needed to monitor:

- the overall risk profile;
- the main specific risks.

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

Credit risk is the main type of risk to which the Bank is exposed and is associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the bank to possible future losses.

The Bank's operations in Italy are mainly focused on retail customers, where the risk in question is highly differentiated and "pulverised". In fact, overall, the Group's assets are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. So in general, credit risk exists, but in a situation of high fragmentation.

The Bank's risk appetite is based on the following requisites and features:

- the Board of Directors is ultimately responsible for the approval and supervision of compliance with the risk appetite;
- it reflects an aggregated view and applies to all functional areas of the Bank;
- it considers the main types of risk that impact the Bank's business development;
- it takes a prospective view of the Bank's risk profile in certain circumstances, with the use of stress tests and scenario analysis;
- it is not static and adapts to the changing business environment;
- it combines quantitative and qualitative standards;
- it is concise and easy to communicate to senior management and external stakeholders;
- it enables a structured comparison of risk profile against risk appetite;
- it is linked to overall corporate strategy and to liquidity, funding and capital;
- it is integrated with risk management of the Bank's ordinary activities, given that it was designed to take account of existing policies and limits.

The definition of the Risk Appetite Framework and the consequent operational limits for major specific risks, the use of risk measurement tools as part of credit and liquidity management and operational risk control processes and the use of capital at risk measures to report corporate performance and the assessment of the adequacy of internal capital, are fundamental steps for the operational application of long term risk strategy along the Bank's decision-making chain, down to each operating unit.

Risk culture
Utmost attention is given to the transmission and sharing of a risk culture, by means of regular updates to relevant documents and by initiatives implemented to address specific issues as they arise.
Moreover, the Bank ensures the dissemination of risk culture by means of extensive training aimed at the correct application of internal and external models designed to prevent, mitigate and monitor risks in an effective manner.
The approach to risk management is orientated towards an increasingly integrated and consistent management of risks, by taking account of the macro-economic scenario and the Group's risk profile, by stimulating a growing risk culture by means of an extensive and transparent presentation of the risks associated with portfolios.

The Bank's risk management model provides for the involvement of the Board of Directors and Top Management, along with the structures that perform direct risk management activities.
The policies relating to the assumption of risks are defined and approved by the Board of directors, which is supported by specific committees and by the Head of the Risk Control Unit, who reports directly thereto. The latter is responsible for proposing the Risk Appetite Framework, in line with company strategies and objectives, for the coordination and

verification of the implementation of the guidelines and the policies concerning risk management by the various units that fall within the scope thereof. It also ensures there is control over the overall risk profile, by monitoring the exposures to various types of risk.

Organisation and risk governance

The organisational standards applied to ensure an effective risk governance system are aimed at:

- ensuring the separation of operational functions from control functions;
- ensuring the identification, measurement and monitoring of risks inherent in operational processes;
- guaranteeing that any anomalies, which result from control activities performed by the control functions, are rapidly brought to the attention of the appropriate level of management and dealt with promptly.

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

- line controls (first-level controls): these are performed by the operating units to verify that the processes and tasks within its competence have been carried out in accordance with internal procedures. Where possible, these types of controls are incorporated in automated IT procedures;
- risk management controls (second-level controls): these are performed by the Risk Control Unit to ensure the correct functioning of the risk management process by means of the measurement and assessment of the level of risks assumed as well as compliance with any limits assigned to operational areas;
- compliance controls (second-level controls): these are performed by Compliance and AML, which verifies compliance with internal and external regulations applicable to the Bank;
- internal audit controls (third-level controls): these are carried out by Internal Audit, which has the task of verifying the orderly performance of processes (management / production, business / commercial and support / functional) and their compliance with corporate standards, the substantial correctness of the conduct of operations and the suitability, from the standpoint of its framework and rules governing how it should function, of the internal control system and the adequacy and effectiveness of the monitoring systems, in relation to the various types of risk.

In detail, the structures involved in the overall process of risk management are:

- Board of Directors;
- Chief Executive Officer and General Manager;
- Administration and Control Department;
- Institutional Relations, Legal and Compliance Department;
- Information Processes and Technology Department;
- Finance Department;
- Sales and Marketing Department;
- Risk Management Department;
- Collection Business Unit;
- Human Resources;
- Internal Audit (reports to the Board of Directors through a direct functional relationship with the Chief Executive Officer).

As set out in greater detail in the Corporate Governance section, the corporate bodies avail themselves of specific internal committees, which, as far as risk management is concerned, include the following:

- the Management Committee;
- the Risk Management Committee;
- the Senior Risk Committee;
- the Collection Committee;
- the Legal and Compliance Committee;
- the Financial Risk Management Committee (ALCO);
- the Operational and Technological Risk Committee.

Main Risks
An overview of the risks to which Santander Consumer Bank is mainly exposed, given the nature and characteristics of its business, is summarised in the following table:

	Type of risk	Definition	Classification
Pillar I	Credit risk	It is the risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the Bank to possible future losses.	Significant
Pillar I	Market risk	Risk of an unfavourable change in the value of financial instruments, included in the trading portfolio for supervisory purposes, caused by adverse movements in interest rates, foreign exchange rates, inflation rates, volatility, equity prices, credit spread, commodity prices (general risk) and credit standing of the issuer (specific risk).	Not significant
Pillar I	Counterparty risk	Risk that the counterparty in one of the transactions shown below may default prior to settlement of the transaction. Specifically, this applies to the following categories: - Derivatives linked to interest rates, foreign exchange rates and gold and credit derivatives; - repo transactions and securities or commodities lending or borrowing; - transactions with long-term settlement; - margin lending transactions secured by securities or commodities.	Significant
Pillar I	Operational risk	Risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This type of risk includes legal risk, but does not include strategic and reputational risk.	Significant
Pillar II	Compliance risk	Risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of violations of obligatory rules (laws or regulations) or of self-regulation (e.g. articles of association, codes of conduct, codes of ethics).	Significant
Pillar II	Country risk	Risk of incurring losses caused by events that occur in countries other than Italy.	Not significant
Pillar II	Transfer risk	Risk that a bank exposed to a party that takes out a loan in a currency other than the one in which it receives its main sources of income, incurs losses due to difficulties encountered by the debtor in converting its own currency into the currency of the loan.	Not significant
Pillar II	Interest rate risk in the Banking Book	Risk arising from the possibility that changes in market interest rates will impact assets and liabilities held other than for trading ("banking book"), thus impacting the Bank's earnings or capital.	Significant
Pillar II	Liquidity risk	Risk that the Bank will be unable to meet its payment commitments due to the inability to raise funds on the market (funding liquidity risk) or the inability to sell its assets (market liquidity risk).	Significant
Pillar II	Securitisation risk	Risk that the economic substance of a securitisation is not fully reflected in pricing decisions and risk management.	Not significant

Type of risk	Definition	Classification
Strategic risk	Current or prospective risk of a decline in earnings or capital arising from changes in the operating environment or from adverse business decisions, improper implementation of decisions or a lack of responsiveness to changes in the competitive environment.	Significant
Reputational risk	Current or prospective risk of a decline in earnings or capital arising from a negative perception of the Bank's image on the part of customers, counterparties, Bank's shareholders, investors or supervisory authorities.	Significant
Concentration risk	Risk arising from exposures with counterparties, inclusive of central counterparties, groups of connected counterparties and counterparties operating in the same economic sector, in the same geographical area or engaged in the same business or that deal with the same commodities, as well as from the application of credit risk mitigation techniques, comprising, in particular, risks arising from indirect exposures, such as from individual collateral providers.	Significant
Provisioning risk	Risk that adjustments booked by the Bank are underestimated compared to losses actually present in the loan portfolio.	Significant
Excessive leverage risk	Risk that a particularly high level of debt with respect to capital makes the Bank vulnerable, forcing it to adopt corrective measures in its business plan, such as selling off assets at a loss, which could result in impairment on the part of the remaining assets.	Not significant
Residual Risk	Risk that the recognised techniques for mitigating credit risk used by the Bank are less effective than expected.	Not significant
Business Risk	Risk of changes in earnings and margins, versus budget, generally due to changes in the competitive environment, in customers' behaviour or in technological development (encompassed by the wider risk category of strategic risk).	Significant
Structural foreign exchange rate risk	Risk arising from foreign currency exposures stemming from commercial operations when these are linked to strategic investment decisions (encompassed by the wider risk category of market risks).	Not significant
Risk associated with Goodwill and Intangible assets	Risk that intangible assets, consisting of purchased goodwill or other types of deferred charges, are reduced or fully written down, with a consequent negative impact on the income statement as a result of the performance of impairment tests in compliance with IAS/IFRS.	Not significant
Pension Risk	Risk that an entity, which is a sponsor of a pension plan, is forced to pay additional contributions in order to meet its obligations. This risk is not applicable to the Italian pension system.	Not significant
DTA Risk	Risk that deferred tax assets, which are not capable of being converted to amounts recoverable from the tax authorities, are deducted from own funds with negative consequences in terms of a reduction of total capital.	Not significant

Section 1 – Credit risk

Qualitative information

1. General aspects

The main risk to which the company is exposed is credit risk. It is the risk associated with the probability that a borrower may be unable to meet its contractual obligations, thus exposing the bank to possible future losses. The Bank's operations in Italy are mainly focused on retail customers, where the risk in question is highly differentiated and "pulverised". In fact, overall, the Bank's assets are characterised by a very high average number of customers, a low average exposure and a limited average residual duration. So in general, credit risk exists, but in a situation of high fragmentation.
Credit risk arises from the existence of a contractual relationship relating to the placement of the following products:

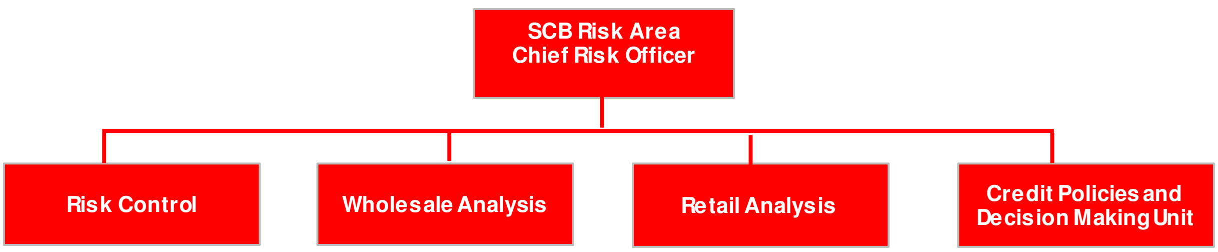
- car loans: specific-purpose loans for the purchase of vehicles, including motorcycles, to persons who apply for loans offered by dealers affiliated with the bank. The loan amount is granted directly by the affiliated dealer. The customer undertakes to repay the loan in accordance with a fixed rate repayment plan in equal instalments. The customer may take out insurance cover for the loan or the object financed;
- special-purpose loans: loans granted solely by the agency channel to persons for the purchase of goods (not cars) and/or for the provision of services. These have the same repayment / contractual features of car loans;
- personal loans: loans granted directly to the customer that have the same repayment / contractual features of car loans. It is possible to take out insurance cover for the loan;
- consumer car leasing: financing transactions offered by the Bank (in its capacity as lessor) for the use for an agreed period of time, upon payment of periodic lease charges, of motor vehicles, commercial vehicles and motorcycles, purchased or constructed by a third party supplier, as requested by the lessor and chosen and indicated by the customer (user with a VAT number); the latter assumes all the risks and retains the right, at the end of the contractual term, to purchase the goods for a predetermined price and to extend the use thereof under predetermined or predeterminable financial conditions. For leasing products, the typical risks of finance leases, apart from those arising from a contractual breach by the customer, are of a contractual and financial nature;
- credit cards: a line of credit for an unlimited period made available to a customer, who may make use thereof in one or more lots. The user undertakes to repay the amounts utilised and interest payable thereon, complying with the payment of monthly minimum instalments, but with the right to make larger repayments if desired. The repayment of the capital element ensures the availability once again of the full credit facility, which may be reutilised by the customer. Interest rates are generally fixed, but SCB has the right to modify the financial conditions during the relationship, in compliance with regulations in force. The loan may be guaranteed;
- salary assignment: a particular type of personal loan that is settled through the assignment of a portion of salary or pension up to one fifth of the amount thereof net of withholdings. This product has a set maximum duration and a minimum duration that is not normally less than twenty four months.

As well as credit risk, there is also a counterparty risk, which, in the case of the Bank's business, is linked to derivatives (interest rate swaps) entered into for hedging purposes: these mostly consist of contracts entered into with the Parent Company Banco Santander S.A. or with institutional counterparties.

2. Credit risk management policies

2.1. Organisational aspects

Santander Consumer Bank's Risk Management Department ensures effective risk management in all key areas, starting with the definition of tools for the analysis and measurement of risks (in collaboration with the Parent Company's methodology functions) and the definition of policies and strategies for the acceptance and control of existing risks, ensuring a correct balance between long term strategic objectives and short term earnings objectives. To ensure the independence of the risk function, the head of the function hierarchically reports to the Chief Executive Officer and functionally reports to the Chief Risk Officer of the Parent Company's Consumer Finance Division.
The department is structured along four services lines as detailed below.



The main tasks of the **Credit Policies and Credit Decision System** are:

- to define the risk policies, the strategies and internal procedures for the management of products / channels, the monitoring of compliance therewith, ensuring the constant updating thereof and the communication thereof to all relevant areas of the Bank;
- to create (internally or with the help of external suppliers), to monitor, to implement and to update automatic applications for decision-making and support in setting up dossiers;
- to monitor the riskiness of products and channels, highlighting abnormal situations for timely corrective action;
- to prepare an overview of the qualitative trend of corporate loans and any balances showing significant changes in riskiness that need to be analysed;
- to handle relations with official data bases relating to its sphere of operations, especially with regard to changes in the information provided, reporting anomalies and cancellations, and monitoring their bills;
- to assign approval levels according to the level of experience of staff members and in accordance with the guidelines authorised by the Board of Directors and to organise training sessions needed to ensure that updates are provided on new policies and/or processes, as well as the maintenance of a high level of skills of operating personnel;
- to provide support to the operating units and other corporate functions of other Group companies;
- to prepare a management budget.

Wholesale Analysis prepares motions concerning positions of corporate customers that are subsequently submitted for the attention of the decision-making Committees (Risk Management Committee or Board of directors depending on their signatory powers). The foregoing positions consist entirely of credit lines granted to dealers to finance their showroom cars, given that the Bank has no other corporate customer business.
The main functions assigned to this unit are:

- to prepare positions for submission to the Committees with powers of approval;
- to carry out an annual review of dealers' positions in "non-standardized" products;
- to develop together with the Collection Business Unit debt recovery strategies to be implemented with affiliates (only with respect to "non-standardized" products);
- to manage collaborations with leading automobile brands with regard to wholesale;
- to perform periodic analysis of positions subjected to special monitoring (F.E.V.E - *Firmas en Situaciòn de Vigilancia Especial* - signature powers in special monitoring situations)

The mission of the **Risk Control Unit** is to measure, control and monitor risk. This control must take place efficiently and is essential to facilitate the maximization of profit in a context of careful and dynamic management of risk situations.
The function has to guarantee the comprehensive and organic treatment of risks related to the Bank's activities in order to facilitate their identification, measurement, analysis and definition of measures needed to address them.
The unit has to quantify the overall exposure of the institution at risk to allow the delegated bodies to define a strategy for the management thereof and to define the desired risk profile (risk appetite).
The main functions are:

- monitoring of the main risk indicators;
- assistance in deciding the provisions to cover current and future losses;
- calculation and monitoring of expected losses;
- ensure the reliability and automatic generation of reports;
- monitor financial risks periodically, with particular reference to interest rate risk and liquidity risk, using Asset & Liability Management (ALM) techniques;
- to liaise with the internal and external control bodies to verify the level of implementation of company policies.

The functions assigned to the unit are performed by four Offices:

- Risk Control and Monitoring: handles the management of second-level controls relating to: control of market risk (liquidity risk and interest rate risk, of operational risk, of credit risk, of technological risk, of concentration risk, of reputational risk, of risk mitigation (collateral) and any other marginal risks of the bank;
- Risk models and scenario analysis: ensures the control and verification of the use of decision-making tools within the Bank, including stress tests on future loss coverage and budgeting models. It monitors the containment of risks within the limits indicated by the Risk Appetite Framework (RAF);
- Risk reporting: supervises the preparation of the documentation required by the Bank of Italy as a tool for the management and control of risks, such as the Risk Appetite Framework (RAF), the ICAAP report, the activity report and the planning of and reporting on the function's activities;
- Internal Controls: identifies, together with the heads of other units, the risks associated with the major business processes and maps the related mitigating controls; develops and maintains the Internal Control Model, based on changes in relevant legislation and the organisational structure of the Company; supervises the implementation of internal control indicators and performs the monitoring thereof. It identifies weaknesses (weaknesses in the internal control model and recommendations made by internal audit, the independent auditors or the Supervisory Authority) in collaboration with Internal Audit, it provides support to business functions for the definition of action plans for the resolution thereof and regularly monitors their status. It coordinates the certification process for the local internal control model as required by the Sarbanes-Oxley Act (SOX).

Retail Analysis's mission is the assessment and approval of retail transactions that fall within its sphere of competence.

The main functions assigned thereto are the correct application of risk assumption policies and procedures laid down by the Credit Policies and Credit Decision System with regard to particular credit proposals.

- Internal controls / Sarbanes – Oxley

As regards internal controls, the Bank has an Internal Control Model (ICM) based on guidelines provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework 2013), aligned with Santander Group's global methodology.
This is a conceptual framework that has the following objectives:

- to describe the activities regarding the generation of financial information and the processes that could be impacted by operational risk, potential losses, errors, fraud and non-compliance with legislative requirements;
- to strengthen the management of the internal control system, which is understood to be a set of rules, procedures and organisational structures aimed at permitting, by means of an adequate identification process, the measurement, management and monitoring of the main risks and of the sound and proper conduct of the business, in a manner consistent with agreed objectives.

The Internal Control Model meets regulatory and corporate requirements, applies to all Santander Group companies and sets out a common methodology for the documentation and assessment of processes and controls that mitigate potential risks, in line with best practices demanded by the market, by supervisory bodies and by the auditors. Internal control activities are performed by all employees at all staff levels and control is integrated into operational management.
The Internal Control Model is based on four pillars:

- methodology: consists of a common framework for the documentation of processes, risks and controls that are updated and validated at least every six months and also consists of a set of indicators of control that objectively assess the main processes;
- system: consists of a corporate internal control portal used for the dissemination of regulatory requirements and as a centralised archive of continuous, dynamic information and also consists of a local internal control portal used to store evidence of the controls;
- global scope: involves the entire organisational control structure through a scheme that assigns individual responsibilities. The Internal Control Model applies to all the Bank's geographical locations and related businesses;
- structure: this consists of three main players; a corporate team for coordination, control and supervision, a local team for management, control and supervision, and control functions directly implemented at all levels of the organisation.

The coverage of business processes is based, internally, on four levels:

- activities: represent the highest level of the structure and describe macro-activities;
- processes: describe the procedures that cover all the areas of the company;
- sub-processes: consist of a description of internal procedures within an office that form part of a business process;
- controls: form the basis for the model and consist of a description of the controls performed by staff and supervisors.

The Internal Control Model is certified once a year, in compliance with Section 404 of the Sarbanes-Oxley Act (which requires every company or group listed in the United States to assess and report on its financial reporting internal control model) by a pyramid structure of rising responsibility, which culminates with the final certification by the Company's CEO, CFO and CRO.

The unit responsible for the coordination, management and monitoring of the Internal Control Model is the Internal Control Office (located within the Company's Risk Management Department), the duties of which have been described above.

2.2 Systems for managing, measuring and monitoring risk

The Risk Management Department looks after the credit risk management process, from the approval of policies, to the identification, measurement, control and management, where applicable, of risks. The Risk Control Unit collaborates with the definition and implementation of the Risk Appetite Framework and measures and monitors the various business risks. The areas that assume risks and senior management are involved in the risk management process. In addition, in close collaboration with the units that assume the risks, it relates these activities to business development by identifying new opportunities and business plans, budgets and the optimisation of risk-adjusted profitability, by performing analyses and management of the loan portfolios in a way that makes it possible to align business development to the desired risk profile and, where applicable, to mitigate the risk and handle debt collection case by case.

Within Santander Consumer Bank, the credit risk assumed by the Company's activity can essentially be split into two categories: Standardized and Non-Standardized. Both have an associated risk that the borrower will default on its obligations under the terms of the agreement, but it is necessary to distinguish between contracts that are treated in a standardised way and others that require separate treatment (by an analyst or portfolio manager).
As regards standardised management of risks, the following phases are involved:

1. Acceptance of a loan application
2. Monitoring and Reporting
3. Credit Collection

1. The acceptance of a loan application is in turn split into input to the system, credit analysis, assessment and approval:
   - the input phase requires those responsible to key in the following information; 1) socio-demographic variables relating to counterparties 2) information relating to the financial plan (amount to be lent, the asset to be financed etc.) The information that needs to be appraised varies depending on the type of counterparty (retail, sole proprietorship, company) and the asset to be financed.
   - The credit analysis phase aims to ascertain the accuracy, the validity and the completeness of the data provided by the counterparty along with the loan application; this enables an accurate assessment of the customer's credit standing and an early identification of possible cases of fraud.
   - The information entered into the system during the credit analysis phase is processed and assessed through a credit scoring system managed by Credit Policies and Credit Decision System. Through the use of rating models and policy rules, Credit Scoring provides a summary of the counterparty's credit risk, reflecting the probability of default within a time period of one year. By means of a decision engine, one of the following outcomes will be assigned: Automatic Refusal/Automatic Approval/ Manual Review; the assessment is based both on data provided by the customer at the dossier input phase and certified during the credit analysis phase and on external data provided by Credit Information Systems. For dossiers subjected to manual review, as well as the usual assessment done with a scoring system, a manual review is performed by an operator.
   - The approval phase is the third phase of the loan application process and is delegated, by the competent corporate bodies, to various persons in the structure based on grids that show the signatory powers, the type of customer, the amount to be lent, the type of product/service and, in certain cases, the asset to be financed.
   - Once concluded, the origination of a dossier phase may provide for a process of mitigation and collateral management, where the analyst has to analyse in detail all of the items acquired by the applicant and, where necessary, foresee the inclusion of appropriate collateral (in order to minimise the credit risk inherent in lending activities), such as a second signature and/or guarantees, insurance assignment and bills of exchange.

2. The monitoring phase is handled by Credit Policies and Credit Decision System. Its purpose is to identify, analyse, forecast and model the behaviour of all the variables that could potentially result in changes to the asset quality assumed by the Bank. It also makes it possible to recalibrate the acceptance process, given that the information obtained is used to optimise the rules for acceptance and the cut-off levels of the score grids. Further monitoring is performed by the Risk Control Unit as part of its second level control function and is aimed at forming an overall opinion on risk-taking, through checks of compliance with the risk limits or trend analysis or specific analysis. It produces detailed reports of the phenomena analysed that are distributed to the risk-taking functions, senior management and the Board of directors in line with the agreed reporting schedule.

3. The credit collection phase is handled by the Collection Business Unit. The Unit aims for maximum efficiency in the management of the portfolio to be recovered through the application of strategies that make it possible to assign different priorities depending on the customer's risk profile and the ageing of their balances. The objective is to collect unpaid loans with a simultaneous assessment of the customer's current position via a qualitative and quantitative analysis; the tools adopted include the renegotiation of the amount of the instalment, repayment via bills of exchange and a settlement. It also carries out debt collection subsequent to the issue of a document known as "Loss of Benefit of Term" (LBT) that is intended to recover the full amount of the residual debt. At the same time and to support this activity, external law firms send borrowers injunctions and, later, where there are grounds for doing so, they initiate the most appropriate legal proceedings (injunction decree, writ of summons, bankruptcy petition or lawsuits).

Salary or pension assignment differs from the above procedure. The credit analysis phase provides for a commercial agreement for distribution of the product through the specifically dedicated sales network. Credit analysis, assessment and approval are carried out by structures specifically designed for that purpose within Santander Consumer Bank. Post-delivery monitoring is primarily based on earnings related data and is also performed by the Collection Business Unit, which also performs credit collection services.

On the other hand, as regards Non-Standardized Risk management, the process gets split into the following phases:

1. customer analysis
2. customer's credit rating
3. analysis of credit transactions
4. preparation of resolutions regarding Transactions/Customers
5. monitoring
   - customer tracking
   - portfolio tracking
   - controls
   - check on production volumes
6. collection.

2.3 Credit risk mitigation techniques

The risk mitigation techniques used in portfolio management are closely linked to the characteristics of the products. The main types of collateral currently in use are:

- consumer credit: co-obligation, guarantee, bill of exchange, mortgage, mandate to register a mortgage, insurance assignment. Note, however, that the provision covering the portfolio is extremely limited (around 1%);
- stock finance: Diversion & Repossession Agreement (93% of the total portfolio), signed by the parent companies (captive agreements) and the Bank at the signing of the framework agreement;
- salary assignment: as collateral for the loan, specific life and unemployment insurance cover is provided, as well as, for private and parapublic companies, a restriction on the borrower's termination indemnity.

2.4 Impaired financial assets

Impaired financial assets are managed by the Collection Business Unit, which coordinates debt collection activities for the entire country and for all products, in accordance with the law and the operating procedures.
The unit aims for maximum efficiency in the management of the portfolio to be recovered through the application of strategies to assign different priorities depending on the customer's risk profile and the ageing of their balances; this efficiency is achieved thanks to the introduction of valid strategies, the launch of campaigns and the use of appropriate tools.
Litigation management, understood as "massive collection" is carried out on dossiers that have at least one instalment past due.
This last activity operates alongside the management of special positions, which require the application of particular procedures. The bank also makes use of external collection entities that are carefully selected and monitored on an ongoing basis.

For impaired loans, monitoring and classification are performed by the Risk Control Unit via an internal model (used by all local Santander Group units). The main monitoring indicator is level of insolvency (based on a similar definition to that of impaired financial assets provided by the Supervisory Authority). In particular, this category includes:

- loans that are more than ninety days past due;
- loans affected by "drag" (i.e. pertaining to a customer whereby the ratio of impaired loans to total exposure exceeds 5%);
- loans involved in credit restructuring (refinancing, reclassifications, queueing) for which the so-called "cure period" is not yet over;
- dossiers characterised by specific events such as bankruptcy or fraud;
- contracts characterised by loss of benefits and write-off.

The state of insolvency is constantly monitored by the Risk Control Unit with respect to inflows and outflows, in its distribution by overdue periods and broken down by product categories. In particular, outflows are primarily defined on the basis of days overdue (i.e. in case they fall below the ninety-day period), as well as specific operations related to particular categories included in default (listed above). The above composition of the portfolio is also essential for the application of the impairment definition model, based on past due and product type.

Quantitative information

A. Credit quality

A.1 Impaired and unimpaired loans: amounts, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of credit exposure by portfolio and credit quality (book values)

Portfolios/quantity	Non-performing loans	Unlikely to pay	Impaired past due exposures	Not impaired past due exposures	Other not impaired exposures	Total
1. Available-for-sale financial assets					407,389	407,389
2. Held-to-maturity financial instruments						
3. Loans and receivables with banks					43,779	43,779
4. Loans and receivables with customers	18,529	40,907	78,670	180,481	4,889,182	5,207,770
5. Financial assets at fair value through profit or loss						
6. Financial instruments classified as held for sale						
Total 31/12/2015	**18,529**	**40,907**	**78,670**	**180,481**	**5,340,350**	**5,658,938**

As regards information provided in the explanatory notes on “asset quality”, there is no obligation to provide comparative information relating to 2014 in financial statements for the year ended 31 December 2015 as per the Bank of Italy's Note of 17 December 2015, which clarifies certain aspects linked to Circular 262 – 4th update.

A.1.2 Distribution of credit exposure by portfolio and credit quality (gross and net values)

Portfolio / Quality	Impaired assets			Not impaired assets			Total (net exposure)
	Gross exposures	Specific writedowns	Net exposure	Gross exposures	Portfolio adjustments	Net exposure	
1. Available-for-sale financial assets				407,389		407,389	407,389
2. Held-to-maturity financial instruments							
3. Loans and receivables with banks				43,779		43,779	43,779
4. Loans and receivables with customers	412,958	(274,852)	138,106	5,123,190	(53,527)	5,069,663	5,207,770
5. Financial assets at fair value through profit or loss				X	X		
6. Financial instruments classified as held for sale							
Total 31/12/2015	**412,958**	**(274,852)**	**138,106**	**5,574,359**	**(53,527)**	**5,520,832**	**5,658,938**

Portfolio / Quality	Assets of obvious poor credit quality		Other assets
	Cumulated losses	Net exposure	Net exposure
1. Financial assets held for trading			4,577
2. Hedging instruments			
Total 31/12/2015			**4,577**

As regards information provided in the explanatory notes on "asset quality", there is no obligation to provide comparative information relating to 2014 in financial statements for the year ended 31 December 2015 as per the Bank of Italy's Note of 17 December 2015, which clarifies certain aspects linked to Circular 262 – 4th update.

The following is an ageing analysis of performing loans to customers that are past due. The Bank does not have any exposures subject to renegotiation as part of collective agreements.

	Gross exposure	Specific adjustments	Portfolio writedowns	Net exposure	Pastdue amount
Performing exposure with ageing breakdown:					
up to 3 months	187,712		(13,808)	173,904	14,814
from 3 months to 6 months	4,503		(612)	3,891	142
from 6 months to 1 year	1,003		(22)	982	32
over 1 year	1,727		(40)	1,687	51
Total	**194,945**		**(14,481)**	**180,464**	**15,039**

Note that these receivables are classified as performing, in accordance with supervisory instructions, as the total amount of the instalments due or past due is less than 5% of the total exposure.

A.1.3 On- and off-balance sheet exposures to banks: gross and net values and past-due time bands

Type of exposure/Amounts	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Impaired exposures				Not impaired exposures			
	Till 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. BALANCE SHEET EXPOSURE								
a) Non-performing loans					X		X	
- of wich forborne exposures					X		X	
b) Unlikely to pay					X		X	
- of wich forborne exposures					X		X	
c) Impaired past due exposures					X		X	
- of wich forborne exposures					X		X	
d) past due not impaired	X	X	X	X		X		
- of wich forborne exposures	X	X	X	X		X		
e) Other not impaired exposures	X	X	X	X	43,779	X		43,779
- of wich forborne exposures	X	X	X	X		X		
TOTAL A					**43,779**			**43,779**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired					X		X	
b) Not impaired	X	X	X	X	118,799	X		118,799
TOTAL B					**118,799**			**118,799**
TOTAL (A+B)					**162,578**			**162,578**

On-balance sheet exposures to banks include the assets in asset line item 60, while off-balance sheet exposures include the fair value of derivatives in asset line items 20 and 80, net of netting arrangements for counterparty risk and counterparty risk linked to repurchase agreements. For details, please refer to the specific sections of the notes.

A.1.4 Cash credit exposures to banks: dynamics of gross non-performing loans

The Bank does not have any exposures to banks that are subject to impairment.

A.1.5 Cash non-performing credit exposures to banks: dynamics of total writedowns

Exposures to banks are not subject to writedowns.

A.1.6 On- and off-balance sheet credit exposures to customers: gross and net values and past due time bands

Type of exposure/Amounts	Gross exposure					Specific writedowns	Portfolio adjustments	Net exposure
	Impaired exposures				Not impaired exposures			
	Till 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. BALANCE SHEET EXPOSURE								
a) Non-performing loans	16,108	1,905	21,528	148,255	X	(169,268)	X	18,529
- of wich forborne exposures	3,779	1,245	5,406	33,580	X	(40,852)	X	3,157
b) Unlikely to pay	35,263	7,260	12,234	57,234	X	(71,083)	X	40,907
- of wich forborne exposures	23,065	6,297	6,288	5,334	X	(24,572)	X	16,412
c) Impaired past due exposures	11,610	51,359	35,629	14,573	X	(34,500)	X	78,670
- of wich forborne exposures	99	670	98		X	(588)	X	278
d) past due not impaired	X	X	X	X	194,968	X	(14,486)	180,481
- of wich forborne exposures	X	X	X	X	8,658	X	(2,727)	5,931
e) Other not impaired exposures	X	X	X	X	5,335,612	X	(39,041)	5,296,571
- of wich forborne exposures	X	X	X	X	49,598	X	(2,293)	47,305
TOTAL A	**62,981**	**60,524**	**69,392**	**220,061**	**5,530,580**	**(274,852)**	**(53,527)**	**5,615,159**
B. OFF-BALANCE SHEET EXPOSURE								
a) Impaired					X		X	
b) Not impaired	X	X	X	X	108,720	X		108,720
TOTAL B					**108,720**			**108,720**
TOTAL (A+B)	**62,981**	**60,524**	**69,392**	**220,061**	**5,639,300**	**(274,852)**	**(53,527)**	**5,723,879**

This table gives details of impaired and performing loans to customers, gross and net of specific and portfolio adjustments.
Non-performing exposures with forbearance measures, which, in the cure period, do not comprise any past due positions falling within the time band *"Up to 3 months"*, consist of a gross exposure of Euro 17,346 thousand and loan adjustments of Euro 5,947 thousand.
"Off-balance sheet exposures" show the amount of commitments relating to factoring transactions.

A.1.7 Cash credit exposures to customers: dynamics of gross non-performing loans

Description/Category	Non-performing loans	Unlikely to pay	Past due impaired exposures
A. Opening balance (gross amount)	**335,008**	**97,403**	**47,403**
- Sold but not derecognised	186,783	44,424	32,210
B. Increases	**203,976**	**130,610**	**161,906**
B.1 transfers from performing loans	4,942	63,517	131,623
B.2 transfers from other impaired exposures	66,674	19,600	1,329
B.3 other increases	132,360	47,493	28,954
C. Decreases	**351,188**	**116,023**	**96,139**
C.1 transfers to perfomorming loans	3,671	15,544	5,877
C.2 write-offs	4,381	1,850	292
C.3 recoveries	16,024	16,093	17,886
C.4 sales proceeds	30,138	8,881	34
C.5 losses on disposals	179,352	15,602	238
C.6 transfers to other impaired exposures	2,162	37,830	47,611
C.7 other decreases	115,460	20,223	24,200
D. Closing balance (gross amounts)	**187,797**	**111,991**	**113,171**
- Sold but not derecognised	48,900	11,305	25,764

A.1.8 Cash credit exposures to non-performing customers: dynamics of total writedowns

Description/Category	Non-performing loans		Unlikely to pay		Impaired Past due exposures	
	Total	Of wich: forborne exposures	Total	Of wich: forborne exposures	Total	Of wich: forborne exposures
A. Opening balance overall amount of writedowns	**287,864**		**61,856**		**23,657**	
- Sold but not derecognised	157,352		30,151		15,926	
B. Increases	**113,259**		**61,041**		**34,699**	
B.1 write-downs	65,734		51,031		33,331	
B.2 bis losses on disposal	2,110		679		266	
B.3 transfer from other impaired exposure	28,210		6,188		336	
B.4 other increases	17,206		3,144		766	
C. Reductions	**231,855**		**51,815**		**23,856**	
C.1 write-backs from assessments	26,616		11,609		2,387	
C.2 write-backs from recoveries	21,033		4,707		1,475	
C.3 gains on disposal						
C.4 write-offs	5,016		1,011		982	
C.5 transfers to other impaired exposures	1,403		15,639		17,692	
C.6 other decreases	177,788		18,849		1,319	
D. Closing overall amount of writedowns	**169,268**		**71,083**		**34,500**	
- Sold but not derecognised	47,283		8,666		18,360	

"Total opening adjustments" have also been reclassified based on the new categorisation set out in the 4th update to the Bank of Italy Instructions.
“Other increases” include opening adjustments pertaining to the merged company Santander Consumer Unifin.
Lastly, "Other decreases" include adjustments attributable to portfolio sales.

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of on- and off-balance sheet exposures by external rating class

The table below shows the net amounts of credit exposures to banks corresponding to those shown in the table at A.1.3 and the net amounts of credit exposures to customers shown in the table at A.1.6. Given the nature of the latter customers, they have not been subjected to rating.

Exposures	External rating classes						Unrated	Total
	1	2	3	4	5	6		
A. Cash credit exposures				451,168			5,207,770	**5,658,938**
B. Derivatives								
B.1 Financial derivatives	47							47
B.2 Credit derivatives								
C. Guarantees given								
D. Other commitments to disburse funds							108,720	**108,720**
E. Others	118,762							**118,752**
Total	**118,799**			**451,168**			**5,316,490**	**5,886,457**

A.2.2 Distribution of cash and "off-balance sheet" exposures by internal rating classes

This table has not been prepared because the internal ratings are not currently used in the calculation of capital requirements for the management of credit risk.

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed credit exposures to banks

The Bank has no guaranteed credit exposures to banks.

A.3.2 Guaranteed credit exposures to customers

	Net exposure	Collaterals (1)				Unsecured Guarantees									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Property Mortgages	Financial leasing property	Securities	Other secured guarantees	CLN	Governments and Central Banks	Other public entities	Banks	Other entities	Governments and Central Banks	Other public entities	Banks	Other parties	
1. Guaranteed cash credit exposures:															
1.1 fully guaranteed	30,126													30,126	30,126
- of which impaired	471													471	471
1.2 partially guaranteed															
- of which impaired															
2. Guaranteed off-Balance Sheet credit exposures:															
2.1 fully guaranteed															
- of which impaired															
2.2 partially guaranteed															
- of which impaired															

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Counterparts	Goverments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance sheet exposures																		
A.1 Non-performing loans			x			x		50	x			x	536	29,738	x	17,993	139,479	x
- of wich: forborne exposures			x			x			x			x	37	1,413	x	3,120	39,439	x
A.2 Unlikely to pay			x			x		6	x			x	563	4,667	x	40,344	66,411	x
- of wich: forborne exposures			x			x			x			x	318	471	x	16,094	24,101	x
A.3 Impaired past due exposures			x			x	5	11	x			x	1,125	1,670	x	77,540	32,820	x
- of wich: forborne exposures			x			x			x			x	14	16	x	265	571	x
A.4 Not impaired exposures	407,389	x		25	x		391,490	x	26		x		415,474	x	3,006	4,262,674	x	50,495
- of wich: forborne exposures							47						841		61	52,348		4,959
TOTAL A	**407,389**			**25**			**391,495**	**67**	**26**				**417,699**	**36,076**	**3,006**	**4,398,551**	**238,709**	**50,495**
B. Off-balance sheet exposures																		
B.1 Non-performing loans			x			x			x			x			x			x
B.2 Unlikely to pay			x			x			x			x			x			x
B.3 Other impaired assets			x			x			x			x			x			x
B.4 Not impaired exposures		x			x			x			x		108,720	x			x	
TOTAL B													**108,720**					
Total (A+B) 31/12/2015	**407,389**			**25**			**391,495**	**67**	**26**				**526,419**	**36,076**	**3,006**	**4,398,551**	**238,709**	**50,495**
Total (A+B) 31/12/2014				**82**	**3**		**665,791**	**146**	**5**				**393,987**	**47,278**	**2,560**	**4,536,729**	**326,002**	**36,706**

The above table shows the cash positions with customers by sector. It shows the distinct prevalence of exposures to retail customers.

B.2 Territorial distribution of on- and off-balance sheet exposures to customers (book values)

Exposures / Geographical		North West Italy		North East Italy		Italian Centre		South Italy and Islands	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet exposures									
A.1 Non-performing loans		3,255	28,005	1,118	11,354	3,353	37,058	10,802	92,851
A.2 Unlikely to pay		7,341	12,999	2,640	5,419	7,806	14,161	23,120	38,504
A.3 Impaired past due exposures		13,576	6,401	5,416	2,439	14,840	7,524	44,839	18,136
A.4 Not impaired exposures		1,614,026	12,104	563,971	5,592	1,413,320	12,251	1,885,736	23,580
TOTAL A		**1,638,198**	**59,510**	**573,145**	**24,804**	**1,439,319**	**70,994**	**1,964,497**	**173,071**
B. Off-balance sheet exposures									
B.1 Non-performing loans									
B.2 Unlikely to pay									
B.3 Other impaired assets									
B.4 Not impaired exposures		31,894		24,836		23,759		28,231	
TOTAL B		**31,894**		**24,836**		**23,759**		**28,231**	
Total (A+B)	**31/12/2015**	**1,670,092**	**59,510**	**597,981**	**24,804**	**1,463,078**	**70,994**	**1,992,729**	**173,071**
Total (A+B)	**31/12/2014**	**1,907,298**	**75,957**	**547,794**	**29,087**	**1,055,277**	**89,477**	**2,086,220**	**218,179**

The Bank has exposures exclusively to Italian customers; the geographical breakdown used in the table is taken from the instructions issued by the Bank of Italy and is consistent with the allocation used for regulatory reporting.

B.3 Territorial distribution of on- and off-balance sheet exposures to banks (book value)

Exposures / Geographical		Italy		Other european countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance sheet exposures											
A.1 Non-performing loans											
A.2 Unlikely to pay											
A.3 Impaired past due exposures											
A.4 Not impaired exposuress		14,429		29,350							
TOTAL A		**14,429**		**29,350**							
B. Off-balance sheet exposures											
B.1 Non-performing loans											
B.2 Unlikely to pay											
B.3 Other impaired assets											
B.4 Not impaired exposures				118,799							
TOTAL B				**118,799**							
Total A+B	**31/12/2015**	**14,429**		**148,149**							
Total A+B	**31/12/2014**	**18,312**		**56,683**							

This table contains, for cash exposures to residents, the positive balance of current accounts with banks, while for exposures to foreigners, the balance is made up primarily of balances due from the Spanish Parent Company Banco Santander.
With respect to off balance sheet exposures, please see the information provided at point B.4.

B.4 Large exposures

At the balance sheet date there was only one counterparty classified as a large exposure, relating to the difference between the fair value of securities provided as collateral for repo transactions recognised in the financial statements at the year end and the amount of the loan received in connection with the transaction. The amount of the exposure is Euro 118,752 thousand.

C. Securitisations

In accordance with the Bank of Italy Circular 262, no securitisations have been disclosed in this section, given that the Bank subscribed, at the time of issue, all of the debt issued by the SPE Golden Bar and, as at the reporting date, it was still in possession thereof.

D. Information on unconsolidated structured entities (other than special purpose entities created for securitisations)

The Bank does not have any positions with unconsolidated structured entities.

E. Disposal transactions

A. Financial assets sold but not fully derecognised

Qualitative information

This section is not applicable given that the Bank has only been involved in self-securitisations.

Quantitative information

E.1 Financial assets sold but not derecognised: book value and full value

Please refer to paragraph A. – Qualitative information.

E.2 Financial liabilities for financial assets sold but not derecognised: book value

Please refer to paragraph A. – Qualitative information.

E.3 Transfers with liabilities that have recourse only against the assets sold: fair value

Please refer to paragraph A. – Qualitative information.

B. Financial assets sold and fully derecognised with recognition of the continued involvement

Qualitative information

This section is not applicable to sales made by the Bank in the course of the year.

Quantitative information

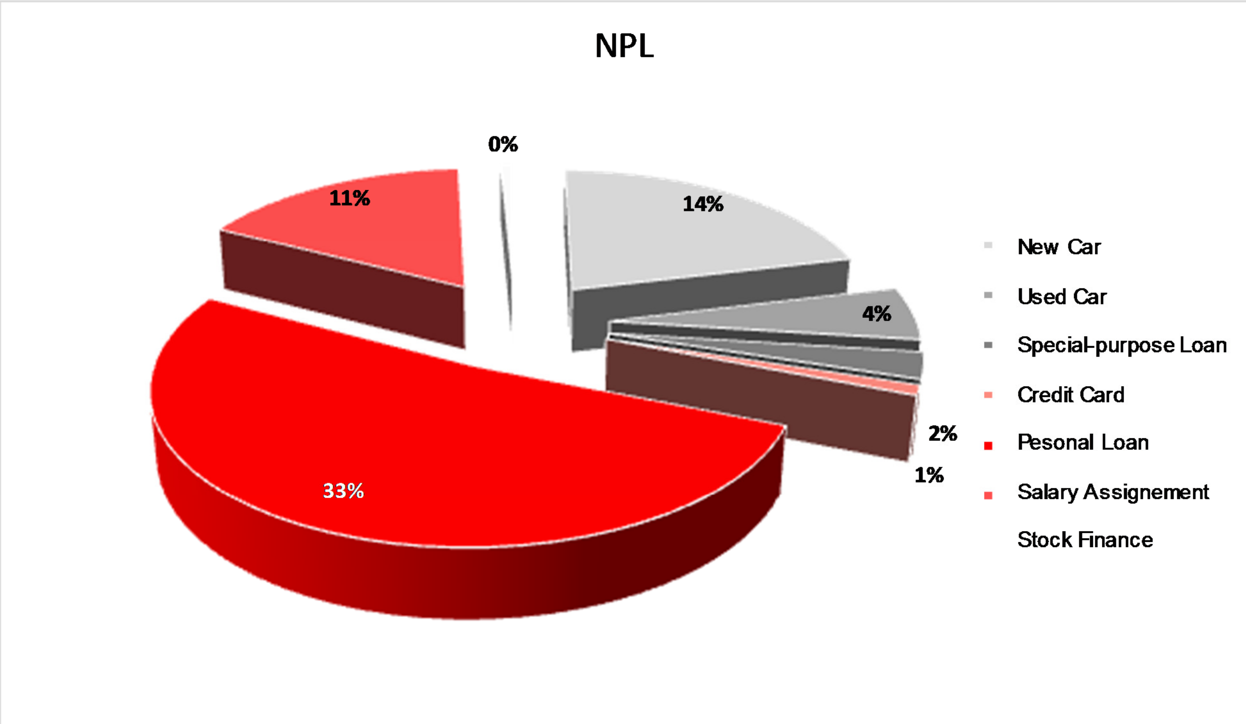
Please see the information provided above.

E.4 Covered bond transactions

The Bank has not carried out any covered bond transactions.

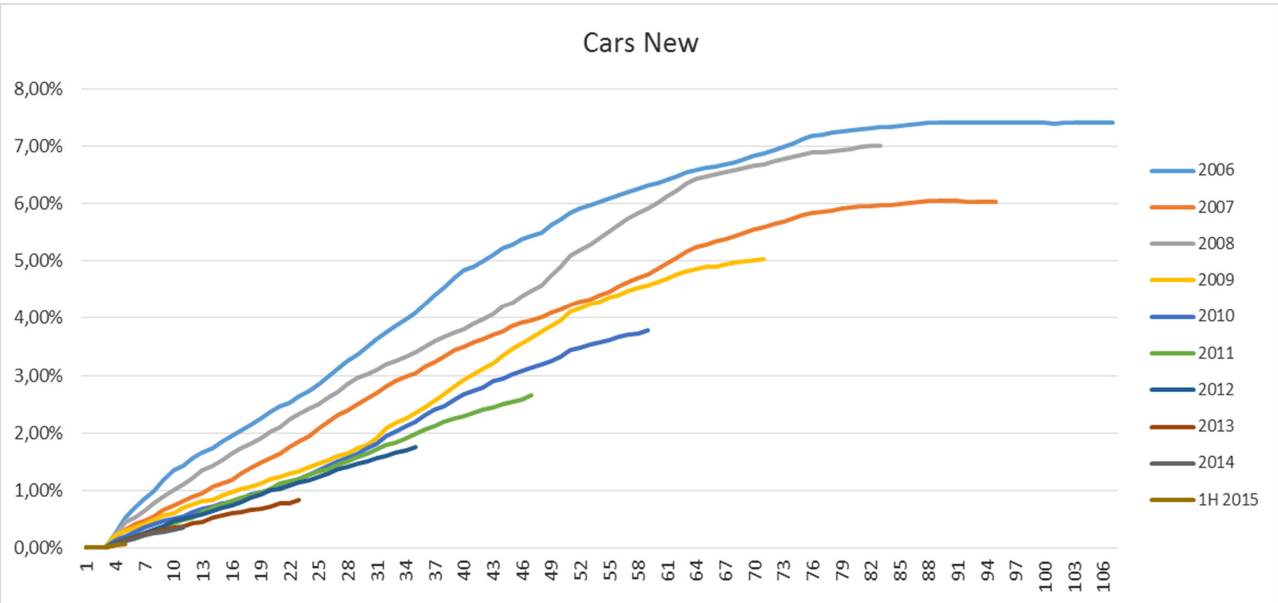
F. Models for the measurement of credit risk

The balance at risk by product of the "dossiers in delinquency" (i.e. that have amounts past due by more than 90 days) is monitored on a monthly basis. The following chart summarises the breakdown of the variable just described at 31 December 2015.

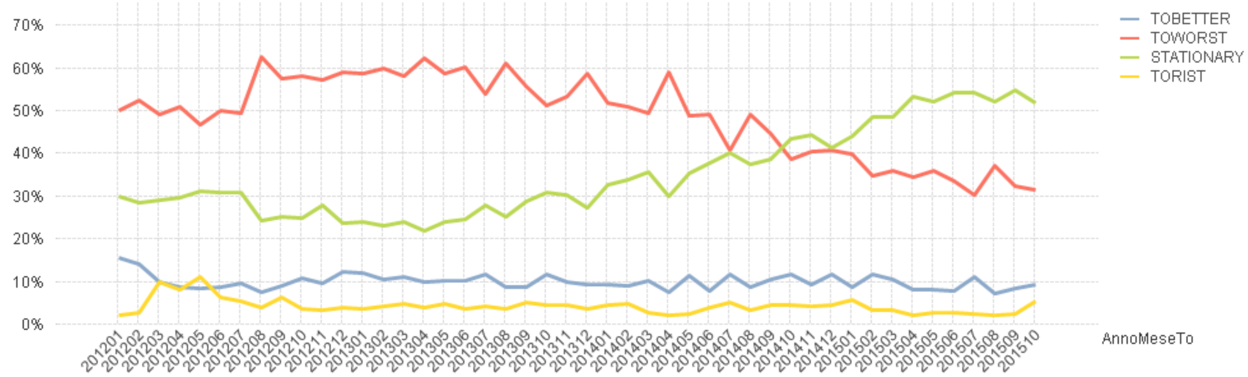


Credit risk is assessed, among other things, by:

- *Vintage analysis.* This indicator is the ratio of a generation of loans that in any month have been classified as bad to the total of the same loan generation. This is a tool that allows you to make comparisons between different production performances (over the life of the product), according to their segmentation. The comparison is between products with a similar production date, so you can identify any deviations from past performances. Usually, graphic representations are used to keep track of the trend, such as the one that shows the relationship between age and the loss rate;



- Trend analysis (roll rate); Represents the trend of loans between T0 and T1, with the determination of any status change in T1 of the loans, which at T0 were included in a certain past due band. This indicator is used to identify the roll rate of the loan portfolio.



Polynomial models are used (confidence/R2 ~ 95%) for stress test purposes, also to take account of the trend in default rates with a non-linear trend at the same date of the first instalment.

Please read Section F - *Models for the measurement of credit risk* in the Consolidated Financial Statements for further information on the method used.

Section 2 – Market risks

2.1 Interest rate risk and price risk - Trading portfolio reported for supervisory purposes

The Bank does not hold any trading portfolios reported for supervisory purposes.

2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management and measurement of interest rate risk and price risk

The Bank is exposed to fair value interest rate risk (risk that the value of assets and liabilities issued at fixed rates changes as a consequence of a fluctuation in the interest rate curve) and cash flow risk (risk that interest-related cash flow changes as a consequence of a fluctuation in the interest rate curve).

The sources of interest rate risk are mainly related to loans to customers, which are generated by the placement of consumer credit products and services (asset items) and their means of funding (liability items). In fact, the sector in which the Bank operates is characterised by the asset mix, which is typically composed of loans granted mainly at fixed rates; whereas the funding sources are both fixed rate and floating rate. Accordingly, the main interest rate categories to which the Bank is exposed lead to repricing risk.

Interest rate risk is managed by macro-strategies shared at Group level within well defined, formalised exposure limits.

Internal processes for the management and monitoring of interest rate risk prescribe the processing of information each month at operating level by the responsible organisational units and a critical assessment by the ALCO Committee.
Monitoring involves comparing the results of stress tests performed on sensitive assets and liabilities with the limits established by the Bank of Italy and by the Spanish Parent Company policies.
Specific ratios are formalised by the Finance Department and monitored by the Risk Management Department. Specific quantitative limits are set for the following risk metrics:

- Market Value of Equity Sensitivity (MVE Sens.);
- Net interest margin Sensitivity (NIM Sens.).

To mitigate the risk of fluctuations in interest rates, the Bank implements two main forms of mitigation:

- use of derivatives (interest rate swaps);
- natural hedges, that is, recourse to fixed rate loans.

Of the various types of risk hedges that are acceptable, the Bank has chosen to use derivatives according to the following methods.

B. Fair value hedges

As regards fair value hedging, the Bank enters into amortising derivatives to neutralise the exposure to changes in fair value of a portfolio of financial assets, attributable to unexpected fluctuations in interest rates.
The effectiveness of the hedges is periodically measured and formalised, based on predefined tests (both retrospective and prospective):

- Retrospective test. This test is designed to assess the difference between changes in the fair value of the hedged item and those of the hedging instrument, quantifying it by means of a specific percentage (efficiency percentage).
- Prospective test. This assessment is based on expectations of the future trend of the hedging relationship by identifying different scenarios for the trend in interest rate curves. In order to assess the effectiveness of the hedge, the difference between changes in the fair value of the hedged item and those of the hedging instrument have to be considered jointly for each scenario (quantifying them by means of a percentage).

The observation/effectiveness range is as foreseen by IAS-IFRS for this purpose. The metrics are defined/maintained in accordance with the Spanish Parent Company's instructions.

C. Cash flow hedges

As regards cash flow hedges, the Parent Company enters into bullet derivatives to neutralise the exposure of its liabilities to changes in future cash flows arising from unexpected fluctuations in interest rates.
The effectiveness of the hedges is periodically measured and formalised, based on predefined tests (both retrospective and prospective):

- Prospective test. The prospective test also involves preparing a report that identifies the correlation between the cash flows (interest) arising from the item being hedged by the hedging instrument.
- Retrospective test. The aim of the test is to verify the correlation/relationship between interest expense generated by loans granted and interest income earned from traded derivatives (floating flow).

The observation interval and effectiveness meet the requirements of IAS-IFRS. The metrics are defined/maintained in accordance with the Spanish Parent Company's instructions.

Quantitative information

1. Banking book: distribution by residual duration (repricing date) of financial assets and liabilities

This table is not prepared as the next section gives an analysis of the sensitivity to interest rate risk based on internal models and this analysis covers the whole of the banking book.

2. Banking book: internal models and other methodologies for analysing sensitivity

The measurement/quantification of financial risks, especially the interest rate risk, is carried out by analysing the specific synthetic indicators described below. These indicators are calculated on a monthly basis, which involves calculating an actual figure at the end of each month, as well as a forecast figure for the next reporting period. Monitoring interest rate risk is the responsibility of the Finance Department. When reporting, specific ratios are formalised by that Department and monitored by the Risk Management Department.

Sensitivity indicator "Market Value of Equity" (MVE)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on shareholders' equity. The scenarios on which the calculation is performed are ±25, ±50, ±75, ±100, ±200 and +250 b.p. The following paragraph shows the results obtained by applying the scenario +100 basis points on which are based the monthly analysis and the decisions on interest rate risk. The measurement of interest rate risk is then carried out by assessing the impact of changes in interest rates on the value of interest-bearing assets/liabilities inclusive of derivatives (Interest Rate Swap); the sensitivity of the market value of equity is computed as the difference between the present value of all future cash flows discounted using market interest rate curves and the present value of future cash flows discounted using stressed interest rate curves.
At 31 December 2015, the MVE calculated with a shift of +100 basis points was Euro -24.3 million; in 2015, the average figure was Euro -20.3 million, with a minimum of Euro -11.5 million and a maximum of Euro -33.8 million.

Sensitivity indicator "Net Interest Margin" (NIM)

This indicator is aimed at quantifying and monitoring the sensitivity of the interest rate risk; in particular, it quantifies the effect of a parallel and symmetric change in the interest rate curve under various scenarios on net interest income (analysis period: 12 months). As regards interest rate shift scenarios, please see the information provided in the paragraph above.
At 31 December 2015, the NIM was Euro -1 million (with a shift of +100 basis points).

+100 bps MM	MVE	NIM
December 14	**-24.3**	**-1.0**
Limit	**-50.0**	**-15.0**

-100 bps MM	MVE	NIM
December 14	**21.8**	**-0.0**
Limit	**50.0**	**15.0**

2.3 Exchange risk

The Bank is not exposed to exchange risk.

.4 Derivatives

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: period-end notional values

The Bank does not have any derivatives classified in the trading portfolio for supervisory purposes.

A.2 Banking book: period-end notional amounts

A.2.1 For hedging

Underlying assets / Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	**1,780,887**		**4,582,532**	
a) Options				
b) Swap	1,780,887		4,582,532	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**1,780,887**		**4,582,532**	
Average	**2,632,662**		**3,706,788**	

For details of interest rate swap transactions, see section 2 and 8 of assets and section 6 of liabilities.

A.2.2 Other derivatives

Underlying assets / Type of derivatives	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
1. Debt securities and interest rate indexes	**646,800**		**1,215,145**	
a) Options				
b) Swap	646,800		1,215,145	
c) Forward				
d) Futures				
e) Others				
2. Equity instruments and stock indexes				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
3. Gold and currencies				
a) Options				
b) Swap				
c) Forward				
d) Futures				
e) Others				
4. Commodities				
5. Other underlyings				
Total	**646,800**		**1,215,145**	
Average	**890,777**		**1,316,612**	

For details of interest rate swap transactions, see section 2 and 8 of assets and section 6 of liabilities. The comparative figures of the previous year have been reclassified in order to allow a comparison on a consistent basis.

A.3 Financial derivatives: positive gross fair value – breakdown by product

Portfolios / Types of derivatives	Positive fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Other				
B. Banking book - Hedging derivatives				
a) Options				
b) Interest rate swap			1,009	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Other				
C. Banking book - Other derivatives				
a) Options				
b) Interest rate swap	4,577		19,669	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
Total	**4,577**		**1,009**	

A.4 Financial derivatives: negative gross fair value – allocation by product

Portfolios / Types of derivatives	Negative fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Clearing House	Over the counter	Clearing House
A. Regulatory trading portfolio				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
B. Banking book - Hedging derivatives				
a) Options				
b) Interest rate swap	28,643		51,646	
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
C. Banking book - Other derivatives				
a) Options				
b) Interest rate swap				
c) Cross currency swap				
d) Equity Swap				
e) Forward				
f) Futures				
g) Others				
Total	**28,643**		**51,646**	

A.5 OTC financial derivatives: trading portfolio for supervisory purposes – notional amounts, positive and negative gross fair values by counterparty – contracts not included in netting agreements

The Bank does not have any positions classified in the trading portfolio for supervisory purposes.

A.6 OTC financial derivatives: trading portfolio for supervisory purposes - notional amounts, positive and negative gross fair values by counterparty - contracts included in netting agreements

The Bank does not have any positions classified in the trading portfolio for supervisory purposes.

A.7 OTC financial derivatives agreements: banking portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts not included in netting agreements

The Bank has not entered into OTC financial derivatives not included in netting agreements.

A.8 OTC financial derivatives agreements: banking portfolio - notional amounts, positive and negative gross fair value by counterparty - contracts included in netting agreements

Contracts included in netting agreement	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate indexes							
- notional amount			2,427,687				
- positive fair value			4,577				
- negative fair value			(28,643)				
2. Equity instruments and stock indexes							
- notional amount							
- positive fair value							
- negative fair value							
3. Gold and currencies							
- notional amount							
- positive fair value							
- negative fair value							
4. Other instruments							
- notional amount							
- positive fair value							
- negative fair value							

A.9 Residual life of OTC financial derivatives: notional values

Underlying / residual value	Up to 1 year	Over 1 year up to 5 year	Over 5 year	Total
A. Regulatory trading book				
A.1 Financial derivative contracts on debt securities and interest rates				
A.2 Financial derivative contracts on equity securities and stock indexes				
A.3 Financial derivative contracts on exchange rates and gold				
A.4 Financial derivative contracts on other values				
B. Banking portfolio				
B.1 Financial derivative contracts on debt securities and interest rates	1,245,850	1,181,837		**2,427,687**
B.2 Financial derivative contracts on equity securities and stock indexes				
B.3 Financial derivative contracts on exchange rates and gold				
B.4 Financial derivative contracts on other values				
Total 31/12/2015	**1,245,850**	**1,181,837**		**2,427,687**
Total 31/12/2014	**1,856,726**	**2,725,806**		**4,582,532**

A.10 OTC financial derivatives: di counterparty risk /financial risk – Internal models

The Bank does not use EPE-type internal models to calculate counterparty risk and, accordingly, this table has not been completed, although tables A.3 and A.8 have been completed.
For information on the notional value of derivatives by counterparty, please see *Part B – information on the balance sheet*, Assets *Section 8* and Liabilities *Section 6*.

B. Credit derivatives

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

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

	Governments and central banks	Other public-sector entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Bilateral financial derivatives agreements							
- positive fair value			4,577				
- negative fair value			(28,643)				
- future exposure			5,909				
- net counterparty risk			10,486				
2) Bilateral credit derivatives agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							
3) Cross product agreements							
- positive fair value							
- negative fair value							
- future exposure							
- net counterparty risk							

Section 3 – Liquidity risk

Qualitative information

A. General aspects, management and measurement of liquidity risk

The Bank is exposed to liquidity risk, defined as the probability that it may, at any time, not have sufficient cash reserves to meet payments arising from its obligations, or it may not be able to source sufficient liquidity in the markets to renew maturing deposits. SCB has implemented a liquidity policy, approved by the Board of directors, that defines the principles and means for the management of a timing mismatch between maturing assets and liabilities.
The Finance Department manages liquidity risk in accordance with the liquidity policy approved by the Board of directors.

Based on the governance model adopted by the Bank, liquidity risk is monitored by the Risk Management Department (as part of second-level controls), whereas Internal Audit performs third-level controls.

The quantification of liquidity risk is made primarily by calculating the Minimum Liquidity Ratio (MLR), the logic of which has been agreed at Santander Consumer Finance Group level. This ratio is a synthetic indicator of the liquidity situation and expresses the Bank's ability to meet its commitments at the contractual maturities.

According to the Group's methodology, account is taken of inflows from the repayment of customer loans and from any securities held and used as collateral for refinancing operations with the Central Bank or with other banks as well of outflows for maturing deposits.

The MLR is updated monthly and summarises the Bank's liquidity position over 12 months. The ratio is computed using the following formula:

$$\text{Liquidity limit} \geq \frac{\text{Available Liquidity} + \text{Total Sensitive Asset} < \text{X months}}{\text{Total Sensitive Liabilities} < \text{X months}}$$

Along with the MLR, the Bank manages its liquidity by means of maturity ladder methodology that has also been agreed at Santander Consumer Finance Group level. This analysis is designed to identify and quantify the imbalances between cash inflows and outflows that occur in different timeframes.

As well as the above mentioned indicators, the Parent Company also monitors its Liquidity Coverage Ratio defined as:

$$\text{LCR} = \frac{\text{Stock of high quality liquidi assets}}{\text{Total net cash flow in the subsequent 30 calendar days}}$$

At 31 December 2015 the Bank held Euro 400 million of high quality liquid assets, purchased in 5 separate tranches in 2015 (consisting of Italian government securities).

The LCR officially came into force on 1 October 2015 and has to constantly remain above 60% throughout the year, as required by European Commission Regulation 575/2013 and by Directive 2013/36/EU, for Basel III purposes. Santander Consumer Bank's liquidity ratio meets with the above requirement.

Each month a meeting is held of the ALCO (Asset Liability Committee) that comprises representatives from Risk Management, the Finance Department and the Bank's Administration and Control Department, as well as colleagues from the corresponding Spanish Parent Company departments. The objective of this committee is to agree on the Bank's strategies for interest rate and liquidity risk, funding policies and the cost of funding.

The Bank diversifies its sources of funding by recourse to financing provided by the Spanish Parent Company, bond issues, customer deposits and repurchase agreements (repos).

The Bank, however, has obtained credit lines from the Spanish Parent Company to mitigate its liquidity risk.

As regards transactions which require the payment of a margin call, SCB is a party to agreements for net interest margin hedging instruments entered into with Banco Santander, with Abbey National Treasury Services plc and with another counterparty with which it has entered into repurchase agreements.

Quantitative information

1. Distribution of financial assets and liabilities by residual maturity

Items / time	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified maturity
On-balance sheet assets	**248,953**	**1,708**	**302,102**	**57,425**	**309,339**	**761,320**	**875,243**	**2,652,359**	**679,037**	**4,698**
A.1 Government securities					1,188	304,062	101,875			
A.2 Other debt securities										
A.3 Units in investment funds										
A.4 Loans	248,953	1,708	302,102	57,425	308,151	457,257	773,368	2,652,359	679,037	4,698
- Banks	39,081									4,698
- Customers	209,872	1,708	302,102	57,425	308,151	457,257	773,368	2,652,359	679,037	
On-balance sheet liabilities	**331,184**	**35,040**	**330**	**203,816**	**323,647**	**500,073**	**634,334**	**3,152,728**	**50,000**	
B.1 Deposits and current accounts	324,471	35,040	186	259	319,652	243,193	117,909	19,972		
- Banks	409	35,040			317,377	223,299	108,267			
- Customers	324,063		186	259	2,275	19,894	9,642	19,972		
B.2 Debt securities					165	100,174	251	200,000		
B.3 Other liabilities	6,713		144	203,557	3,830	156,706	516,174	2,932,756	50,000	
Off-balance sheet transactions										
C.1 Physically settled fin. derivatives										
- Long positions										
- Short positions										
C.2 Cash settled Fin. derivatives										
- Long positions					737	67	112	200,000		
- Short positions		134	580	636	4,413	4,943	207,080			
C.3 Deposit to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds										
- Long positions										
- Short positions										
C.5 Written guarantees										
C.6 Financial guarantees received										
C.7 Physically settled cred. derivatives										
- Long positions										
- Short positions										
C.8 Cash settled Cred. derivatives										
- Long positions										
- Short positions										

With respect to financial assets subject to self-securitisations, at the end of 2015, the Parent Company was involved in three securitisations of performing loans for which it had subscribed all of the securities issued.
The securitisations are stand-alone.
At 31 December 2015 a further securitisation had been launched called Whole Loan Note, given that it involved a single class of securities.

In the operation called *Golden Bar Securitisation Programme IV 2009-1*, launched with the purchase of an initial portfolio of performing consumer loans worth Euro 800,001,181, on 23 December 2009 the company issued the first series of notes for a total of Euro 800,000,000 divided into three classes with a decreasing order of priority which were fully subscribed by the originator. In April 2013, as part of the structuring of the operation, a further subordinated loan of Euro 50,000,000 was granted.
On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2011-1*, the company purchased a portfolio of performing loans granted for the purchase of new and second-hand cars of Euro 600,001,249, which was completed on 31 March 2011 with the issuance of a single series of securities for a total of Euro 600,000,000, divided into three classes with decreasing order

of priority and subscribed entirely by the originator. On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 81,000,000.
On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2011-2* the company purchased a portfolio of performing loans for a total of Euro 950,000,104, which was completed on 12 October 2011 with the issuance of a single series of securities for a total of Euro 950,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator. On 30 June 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand-Alone 2012-1* the company purchased a portfolio of performing consumer loans (special purpose loans and personal loans) for a total of Euro 753,106,836, which was completed on 23 July 2012 with the issuance of a single series of securities for a total of Euro 753,100,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
The redemption of Class A securities continued in the year, of an amount of Euro 117,039,934.

As part of Operation *Golden Bar Stand-Alone 2012-2*, the company purchased a portfolio of performing loans consisting of loans secured by salary assignment for a total of Euro 1,209,317,467 and which was completed on 31 October 2012 with the issuance of a single series of securities for a total of Euro 1,209,317,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator.
On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 54,418,925, so as to guarantee the cash reserve of Euro 30,232,925 and the liquidity reserve of Euro 24,186,000 required by contract.
During the previous year, the transaction was subject to a contractual amendment that enabled a further purchase of performing loans of an amount of Euro 266,851,648 and which was completed with the issuance, on 25 June 2014, of a new series of securities denominated *Golden Bar Stand Alone 2014-2* of an amount of Euro 266,850,000. These securities, which were divided into three classes with decreasing order of priority, were subscribed entirely by the originator.
On 27 November 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Whole Loan Note VFN 2013-1* the company purchased a portfolio of performing loans for a total of Euro 425,143,451, which was completed on 23 July 2013. In October 2013 an additional transfer of loans for Euro 66,447,730 was made and a single series of notes was issued for Euro 491,590,000, with a revolving period of 5 years.
During the year, the SPE made four further purchases of performing loans amounting to Euro 235,017,955. These purchases made it possible to increase, in accordance with the variable funding structure of the transaction, the total capital issued by an amount of Euro 29,573,400 relating to the portion not financed by proceeds from the loan portfolio, bringing the securities to a total value of Euro 570,596,900.

As part of Operation *Golden Bar Whole Loan Note 2013-2,* the company purchased a portfolio of performing loans secured by salary assignment for a total of Euro 254,826,452 and which was completed on 25 July 2013. In November 2013 a single issue of notes was issued for Euro 254,820,000. On 27 November 2015 the transaction was terminated ahead of schedule, with the complete redemption of the securities and the transfer to the originator of the entire portfolio of underlying loans.

As part of Operation *Golden Bar Stand Alone 2014-1* the company purchased a portfolio of performing loans granted for the purchase of new and second-hand cars of Euro 752,046,351, which was completed on 25 June 2014 with the issuance of a single series of securities for a total of Euro 752,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator. On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 18,830,000, so as to guarantee the cash reserve of Euro 18,800,000 required by contract. At the end of the year the subordinated loan has been fully repaid.
During the year, the SPE made four further revolving acquisitions of performing loans for a total of Euro 320,262,619.

As part of Operation *Golden Bar Stand Alone 2015-1* the company purchased a portfolio of performing loans for a total of Euro 700,091,097, which was completed on 9 October 2015 with the issuance of a single series of securities for a total of Euro 700,000,000, divided into three classes with decreasing order of priority and subscribed entirely by the originator. On the same date, Santander Consumer Bank granted the company a subordinated loan of Euro 17,530,000, so as to guarantee the cash reserve of Euro 17,500,000 required by contract. At the year end, the amount of the outstanding subordinated loan equated to its entire initial value. The variable funding structure of the transaction made it possible to increase the value of the securities issued up to an amount of Euro 1,000,000,000.

During the year, the programme and the operations were monitored by Moody's Investors Services and Standard & Poor's for the programme, by Moody's Investor Services and Fitch Ratings for the operation *Golden Bar Stand Alone 2011-1*, by Moody's Investors Services and DBRS for the operations *Golden Bar Stand Alone 2011-2, 2012-1, 2012-2, 2014-1, 2014-2 and 2015-1.*

As the servicer, Santander Consumer Bank handles the management of payments from customers, the immediate crediting of the funds received to the SPE and the activation of debt collection procedures where necessary.

	Assets held by the SPE	Senior and Mezzanine Securities subscribed	Junior Securities subscribed	Cash Reserve	Attività detenute dal Gruppo	Type of collateral	Distribution of collateral by geographical area	Average maturity of the collateral	Rating of the collateral
Golden Bar Stand Alone 2012-1	262,152	103,706	169,400	116,167	4,826,256	n.a.	n.a.	n.a.	n.a.
Golden Bar Whole Loan Note VFN 2013-1	530,956		570,597	8,325		n.a.	n.a.	n.a.	n.a.
Golden Bar Stand Alone 2014-1	732,785	676,900	75,100	33,061		n.a.	n.a.	n.a.	n.a.
Golden Bar Stand Alone 2015-1	702,926	623,000	77,000	40,198		n.a.	n.a.	n.a.	n.a.

In accordance with international accounting standards, no securitised portfolios have been derecognised as there were not the requisites for derecognition of the loans by the Parent Company, given that it was the subscriber of the Junior Securities issued by the SPE.

During the year, the Junior Securities generated income of Euro 7,518 thousand (Euro 30,535 thousand in 2014) for the Programme IV, Euro 852 thousand (Euro 6,167 thousand in 2014) for the stand-alone operation 2011-1, Euro 9,562 thousand (Euro 34,432 thousand in 2014) for the stand alone operation 2011-2, Euro 24,607 thousand for the stand alone operation 2012-1 (Euro 35,109 thousand in 2014), Euro 22,421 thousand for the stand alone operation 2012-2 (Euro 33,450 thousand in 2014), Euro 43,749 thousand for the WLN 2013-1 operation (Euro 43,833 thousand in 2014), Euro 7,769 thousand for the WLN 2013-2 operation (Euro 11,104 in 2014), Euro 39,729 thousand for the stand-alone operation 2014-1 (Euro 28,798 in 2014) and Euro 22,668 thousand for the stand alone operation 2015-1.

To enhance the transparency of disclosures, the following is a breakdown of the various components that generated the excess spread accrued on the various operations, which was booked to the income statement in 2015 and 2014.

Compared with the previous year, the securitisations completed are *"Golden Bar Programme IV", "Golden Bar Stand Alone 2011-1", "Golden Bar Stand Alone 2011-2", "Golden Bar Stand Alone 2012-2"* and *"Golden Bar Whole Loan Note 2013-2",* while a new securitisation has been launched, named "*Golden Bar Stand Alone 2015-1*".

2015

Breakdown of the excess spread accrued during the year	31/12/2015								
	Golden Bar Programme IV	Golden Bar Stand Alone 2011-1	Golden Bar Stand Alone 2011-2	Golden Bar Stand Alone 2012-1	Golden Bar Stand Alone 2012-2	Golden Bar Whole Loan Note VFN 2013-1	Golden Bar Whole Loan Note 2013-2	Golden Bar Stand Alone 2014-1	Golden Bar Stand Alone 2015-1
Interest expense on securities issued	(2,040)	(536)	(384)	(2,087)	(8,654)			(7,640)	(2,220)
- for servicing	(568)	(421)	(1,072)	(950)	(3,046)	(2,943)	(953)	(3,799)	(171)
- for other services	(10)	(13)	(11)	(22)	(17)	(19)	(11)	(25)	(6)
Other charges	(290)	(2,689)	(4,146)	(942)	(86)	(445)	(8)	(2,496)	(158)
Interest generated by the securitised assets	9,592	4,140	14,686	27,930	34,209	45,341	8,740	50,674	24,069
Other revenues	834	371	489	678	15	1,815	1	3,015	1,154
Total	**7,518**	**852**	**9,562**	**24,607**	**22,421**	**43,749**	**7,769**	**39,729**	**22,668**

2014

Breakdown of the excess spread accrued during the year	31/12/2014								
	Golden Bar Programme IV	Golden Bar Stand Alone 2011-1	Golden Bar Stand Alone 2011-2	Golden Bar Stand Alone 2011-3	Golden Bar Stand Alone 2012-1	Golden Bar Stand Alone 2012-2	Golden Bar Whole Loan Note VFN 2013-1	Golden Bar Whole Loan Note 2013-2	Golden Bar Stand Alone 2014-1
Interest expense on securities issued	(7,068)	(2,554)	(3,717)	(2,733)	(4,014)	(12,375)			(4,898)
- for servicing	(1,456)	(1,330)	(2,841)	(1,603)	(1,167)	(2,287)	(2,564)	(1,155)	(2,436)
- for other services	(36)	(117)	(119)	(7)	(28)	(28)	(37)	(21)	(13)
Other charges	(365)	(6,937)	(8,879)	(5,443)	(436)	(219)	(100)	(13)	(922)
Interest generated by the securitised assets	36,615	15,912	48,491	11,217	39,847	48,210	45,061	12,290	35,066
Other revenues	2,845	1,193	1,497	851	907	149	1,473	3	2,001
Total	**30,535**	**6,167**	**34,432**	**2,282**	**35,109**	**33,450**	**43,833**	**11,104**	**28,798**

Section 4 – Operational risk

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk is the risk of incurring losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events. This last type includes losses deriving from fraud, human error, business interruption, non-availability of systems, contractual non-performance and natural catastrophes. Operational risk includes legal risk, but not strategic or reputation risks.
Operational risk is therefore closely linked to the Bank's operations. Exposure to this type of risk can come from various sources, particularly during the following phases of the business:

- customer acceptance;
- completion of the contract;
- funding;
- after-sale processes;
- back office processes;
- back-end activities;
- marketing activities;
- debt collection activities.

Moreover, exposure to operational risk can also arise at the same time as potential errors connected to support processes, such as:

- administrative processes;
- Information Systems

In the area of operational risk, the exposure is measured according to the criteria laid down in the rules of internal governance. The main tools of supervision include: segregation of duties, identification of possible risk indicators (alert signals that can be quantified, totalised and compared with the Group benchmark), self-assessment questionnaires (local, based on the Parent Company's guidelines) and risk scenario analysis.

A database are also used to store the losses generated by inadequate processes and information systems, and by fraud, as well as reports of events that could be a source of operational risk and potential losses.

Legal risk includes various types of regulatory violations, illegal behaviour and non-compliant business methods that could result in financial losses for the intermediary. These include, for example, losses resulting from:

- violations of laws or regulations;
- fines and penalties resulting from measures taken by the Supervisory Authority;
- transactions carried out as part of non-traditional activities with non-residents, which the counterparty is banned from entering into by law or regulations;
- use of unacceptable business methods.

Also falling within the definition of legal risk are losses from retroactive changes in the regulatory framework, as well as those resulting from settlements.

The risk of litigation has been the subject of specific and careful analysis by the Bank. In the presence of legal obligations, for which it is probable that there will be an outflow of economic resources for their fulfillment, and for which it is possible to make a reliable estimate of the amount involved, the Bank decided to set up provisions for risks and charges, distinguishing between situations according to the most appropriate Basel II category (i.e. Provision for Legal Risks, categories IV/VII).

These two Basel categories of legal-type risk include the following:

Category IV: practices connected with customers, products and activities such as breach of the fiduciary relationship, abuse of confidential information.
Category VII: executive and procedural compliance such as incorrect data entry, incomplete legal documentation, breach of contract by non-customer counterparties, legal disputes with suppliers.

The provisions for legal risks in place at 31 December 2015 amount to Euro 9,721 thousand, with a provision for the year of Euro 6,081 thousand for category IV and Euro 45 thousand for category VII.

Quantitative information

The risk exposure of each unit is identified by the corporate risk matrix. The model used for the self-assessment questionnaires consists of three phases:

- Identification of risks by business areas, with the creation of a specific library containing objectives, activities and root cause that trigger risk events
- measurement of inherent risk: risk associated with an activity/process regardless of the level of control present. The level of risk is given by the combination of probability/frequency of realisation of the asset/process and the potential impact generated by the event. The size of the impact is assessed using different criteria depending on the type of risk being considered
- verification of the presence of appropriate control tools: control systems must be evaluated according to effectiveness (0%-100%), adequacy and possible future developments for the year.
- measurement of residual risk determined by the combination of inherent risk and evaluation of control systems and measured in terms of probability/frequency of realisation of the asset/process and the potential impact generated by the event
- definition of controls for risks deemed acceptable or mitigation plans for risks deemed not acceptable

Details are provided below of gross losses suffered and net provisions made in 2015 by risk category:

	2015		
In thousands of local unit	**Net Losses**	**Net provisions**	**Net Op Risk Impact**
Internal Fraud	-	-	-
External Fraud	2,145	- 1,350	795
Employment. Practices & Workplace Safety	290	- 232	59
Clients, Products & Business Practices	4,224	14,217	18,441
Damage to Physical Assets	-	-	-
Business Disruption & System Failures	-	-	-
Execution, Delivery & Process Management	52	- 95	- 43
Total	**6,711**	**12,540**	**19,252**

Part F - Information on shareholders' equity

Section 1 – Shareholders' equity

A. Qualitative information

Equity management concerns all strategies designed to identify and maintain shareholders' equity at the proper size, as well as an optimal combination of the various different methods of capitalisation, in order to ensure, from time to time for Santander Consumer Bank, full compliance with the regulatory requirements and consistency with the risk profiles assumed.
More details regarding equity management policies have been referenced in *Information on consolidated shareholders' equity*.

B. Quantitative information

B.1 Shareholders' equity: breakdown

The following table explains analytically the items in the shareholders' equity of the Bank.

Items/Amounts	**Amount 31/12/2015**	**Amount 31/12/2014**
1. Share capital	**573,000**	**573,000**
2. Share premium reserve	**633**	**633**
3. Reserves	**(43,883)**	**(42,247)**
- income reserves	(85,253)	(83,616)
a) legal reserve	424	
b) statutory reserve		
c) reserve for treasury shares		
d) other	(85,677)	(83,616)
- other	41,369	41,369
4. Equity instruments		
5. (Treasury shares)		
6. Revaluation reserves	**(1,608)**	**(3,695)**
- Financial assets available for sale	184	
- Property, plant and equipment		
- Intangible assets		
- Foreign investment hedges		
- Cash flow hedges	(1,079)	(3,105)
- Exchange differences		
- Non-current assets held for sale		
- Actuarial gains(losses) on defined benefit plans	(713)	(590)
- Portion of measurement reserves relating to investments carried at equity		
- Special revaluation laws		
7. Net profit (loss)	**35,106**	**8,485**
Total	**563,247**	**536,176**

B.2 Valuation reserves for financial assets for sale: breakdown

Assets / values	Total 31/12/2015		Total 31/12/2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	209	(25)		
2. Equity securities				
3. Units in investment fund				
4. Loans				
Total	**209**	**(25)**		

B.3 Valuation reserves for financial assets available for sale: change in year

	Debt securities	Equity securities	Units in investments funds	Loans
1. Opening balance				
2. Positive changes	**209**			
2.1 Fair value increases	209			
2.2 Reclassification through profit or loss of negative				
- due to impairment				
- following disposal				
2.3 Other changes				
3. Negative changes	**25**			
3.1 Fair value reductions	25			
3.2 Impairment losses				
3.3 Reclassification throught profit or loss of positive				
3.4 Other changes				
4. Closing balance	**184**			

B.4 Valuation reserves related to defined-benefit pension plans: change in the year

During the year there was a decrease in valuation reserves related to defined-benefit pension plans of Euro 123 thousand and, in particular:

- a decrease of Euro 129 thousand relating to the merger by absorption of Santander Consumer Unifin on 31 December 2015, effective for accounting and tax purposes as of 1 January 2015;
- an increase relating to gains on defined-benefit pension plans included in comprehensive income for the year amounting to Euro 8 thousand (Euro 6 thousand net of the corresponding tax effect).

Section 2 – Own funds and capital adequacy ratios

2.1 Own funds

A. Qualitative information

Santander Consumer Bank is subject to capital adequacy requirements set by the Basel Committee, as incorporated into the current regulations of the Bank of Italy. Under these rules, the ratio between capital and risk-weighted assets at a consolidated level must be at least 8%; compliance with this requirement is checked by the Supervisory Board every three months.

Compliance with the capital requirements is verified from two different perspectives.
A forward-looking perspective, at the same time that the Three-Year Plans and Annual Budget are agreed, to identify the main impacts, which are typically the expected growth in loans and quantification of the different elements of risk (credit, market, operational). Based on quantitative information, a capitalisation plan is prepared in consultation with the Shareholder and on a monthly basis, any new capital requirements and the instruments to be used are identified (typically securitisation operations, increases in capital, subordinated "Tier II" deposits).
A backward-looking perspective, to assess on a quarterly basis during the year any significant variances with respect to the capitalisation plan and, where appropriate, to identify suitable corrective measures to ensure compliance with the capital requirements. Even in the case of extraordinary operations, such as acquisitions or the start-up of new business initiatives, a capitalisation plan is prepared which then becomes an integral part of the overall business plan.

1. Common Equity Tier 1 – CET1

Tier 1 capital includes paid-up capital and reserves, net of intangible assets.

2. Additional Tier 1 – AT1

The Bank does not have any instruments classified as Additional Tier 1.

3. Tier 2 –T2

The contracts relating to the subordinated liabilities are not subject to provisions that allow the liabilities to be converted into capital or any other type of liability, and envisage the following:

- in the event of liquidation of the Bank, repayment of the debt only after all the other creditors not equally subordinated have been satisfied;
- early repayment, if foreseen, only on the Bank’s initiative and after receiving authorisation from the Bank of Italy.

	Issue date	Amount (Euro)	Interest rate	Duration
UPPER TIER II subordinated debt to Openbank S.A.	22/06/2006	32,500,000	Euribor 6 mesi + 1,3%	10 years
UPPER TIER II subordinated debt to Openbank S.A.	30/06/2008	16,250,000	Euribor 6 mesi + 2,8%	10 years
UPPER TIER II subordinated debt to Openbank S.A.	31/10/2008	16,250,000	Euribor 6 mesi + 2,8%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	22/06/2006	6,500,000	Euribor 6 mesi + 0,75%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	30/06/2008	9,750,000	Euribor 6 mesi + 1,8%	10 years
LOWER TIER II subordinated debt to Openbank S.A.	31/10/2008	9,750,000	Euribor 6 mesi + 1,8%	10 years
TIER II subordinated debt to Santander Consumer Finance S.A.	30/06/2015	50,000,000	Euribor 6 mesi + 3,2%	10 years

The table shows the carrying amounts of subordinated loans outstanding at the balance sheet date, which for the purposes of determining the Tier 2 capital shown in *Section B - Quantitative information*, are calculated on the basis of a daily repayment schedule.

B. Quantitative information

	Total 31/12/2015	Total 31/12/2014
A. Capital primary Class 1 (Common Equity Tier 1 - CET1) before application of prudential filters	**528,141**	**527,691**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters CET1 (+/-)	**1,079**	**3,105**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A +/- B)	**529,220**	**530,796**
D. Deductions from CET1	**9,141**	**7,490**
E. Transitional arrangements - Impact on CET1 (+/-)		
F. Total Capital primary Class 1 (Common Equity Tier 1 - CET1) (C - D +/- E)	**520,079**	**523,306**
G. Additional Tier 1 Capital (Additional Tier 1 - AT1) before items to be deducted and the effects of the transitional arrangements		
of which AT1 instruments subject to transitional provisions		
H. Deductions dall'AT1		
I. Transitional arrangements - Impact of AT1 (+/-)		
L. Total Capital Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)		
M. Capital Class 2 (Tier 2 -T2) before items to be deducted and the effects of the transitional arrangements	**83,189**	**139,515**
of which T2 instruments subject to transitional provisions		
N. Deductions from T2		
O. Transitional arrangements - Impact on T2 (+/-)		
P. Total Share of Class 2 (Tier 2 -T2) (M - N +/- O)	**83,189**	**139,515**
Q. Total own funds (F + L + P)	**603,268**	**662,821**

The table shows the amount of capital for supervisory purposes and its fundamental components which correspond to those indicated in supervisory reports.

2.2 Capital adequacy

A. Qualitative information

Please refer to paragraph A - qualitative information.

B. Quantitative information

Categories / Values	Non weighted assets		Weighted assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. RISK ASSETS				
A.1 Credit and counterparty risk	6,662,135	7,205,245	4,125,892	3,198,384
1. Standardized approach	6,662,135	7,205,245	4,125,892	3,198,384
2. IRB approach				
2.1 Foundation				
2.2 Advanced				
3. Securitizations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			330,071	255,871
B.2 Risk valuation adjustment credit				
B.3 Regulation Risk				
B.4 Market Risk				
1. Standardized approach				
2. Internal models				
3. Concentration risk				
B.5 Operational risk			25,057	23,482
1. Basic inidcator approach (BIA)				
2. Traditional standardized approach (TSA)			25,057	23,482
3. Advanced measurement approach (AMA)				
B.6 Other calculation elements				
B.7 Total capital requirements			355,129	279,353
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Weighted risk assets			4,439,108	3,491,908
C.2 Capital primary class1 / Risk			11.72%	14.99%
C.3 Capital Class 1 / Risk-weighted assets (Total capital ratio)			11.72%	14.99%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			13.59%	18.98%

The table shows the amount of risk assets and capital requirements that is the same as shown in supervisory reports.

Part G - Business combinations

Section 1 – Transactions carried out during the year

During the year there were no business combinations, as regulated by IFRS 3, which resulted in the acquisition of control of business or legal entities.
On the other hand, an extraordinary operation was carried out within the Group, outside the scope of IFRS 3, which led to the absorption of Santander Consumer Unifin (a legal entity) by the Parent Company Santander Consumer Bank. Given that the purpose of this transaction was merely to reorganise the Group, it was accounted for on a continuous basis by carrying over the same book values to the separate financial statements of the Parent Company Santander Consumer Bank, without any impact on the income statement.

Section 2 – Transactions subsequent to the year end

The Bank has not carried out any business combination after the balance sheet date.

Section 3 – Retrospective adjustments

The Bank has not carried out any business combination after the balance sheet date.

Part H – Related-party transactions

1. Information on the remuneration of directors, auditors and managers

The following table shows the amounts of compensation paid in 2015 to members of the management and control bodies and to managers with strategic responsibilities that fall within the definition of "related party".

	31/12/2015
Short-term benefits	2,974
Post-employment benefits	144
Other long-term benefits	
Termination indemnities	
Share-based payments	
Total	**3,118**

2. Related party disclosures

All transactions with related parties were concluded at arm's-length conditions. Details are shown below (amounts in thousands of Euro):

	Receivables	Payables	Derivatives	Expenses	Income
Banco Santander	29,350	26,815	1,530,887	35,512	18,535
Santander Consumer Finance		2,678,897	250,000	31,149	
Santander Consumer Finance Media	3,435	411			318
Other Santander Group companies	4,577	511,735	646,800	16,113	3,386

Versus the Spanish Parent Company Banco Santander:

- the receivables relate to amounts paid by way of guarantee deposit payments in connection with derivative contracts entered into with the Spanish counterparty;
- the payables relate to the measurement of derivatives and related interest;
- The derivatives refer to interest risk hedging transactions as mentioned in Part E, Section 2. The figure shown in the table represents the sum of the notional amounts;
- the expenses mainly relate to hedging activities (Euro 25,751 thousand) and to trading (Euro 228 thousand);
- income relates to hedging activities;

Versus the direct Parent Company Santander Consumer Finance:

- the payables all refer to loans and related interest accruals received from the Parent Company as part of normal funding activities (Euro 2,678,681 thousand), as well as the measurement of the hedging derivative entered into with it during the year and the related accruals (Euro 216 thousand);
- the derivative refers to the notional amount of interest risk hedging transactions as mentioned in Part E, Section 2;
- the charges relate to interest expenses on loans received (Euro 28,970 thousand) and to negative differentials on the hedging result (Euro 2,179 thousand);

Versus the direct subsidiary Santander Consumer Finance Media:

- the receivables mainly relate to medium-term loans and related accrued interest still to be paid (Euro 3,410 thousand).
- the payables mainly relate to the negative balance of the correspondent current account, which amounts to Euro 203 thousand and to a payable due to the subsidiary under domestic tax group arrangements of Euro 207 thousand;
- the income refers to interest income on loans of Euro 69 thousand and commissions for the servicing contract for Euro 240 thousand.

Relationships are also maintained with other companies of the Santander Group. Receivables relate to the measurement of derivatives and related accruals of Euro 4,577 thousand. The payables mainly consist of short-term financing transactions (Euro 357,464 thousand) and subordinated and hybrid capital instruments (Euro 149,741 thousand), whereas the expenses mainly consist of interest expense accrued on loans requested (Euro 7,840 thousand) and consulting and services received (Euro 8,143 thousand). Income mainly relates to hedging activities (Euro 3,034 thousand).

Other information

For the information required by art. 2427, paragraph 16 bis of the Italian Civil Code concerning the total amount of fees due to the independent auditors, please refer to *Part H - Related-party transactions – Other information* of the consolidated financial statements of Santander Consumer Bank Group.

Part I – Share-based payments

The Bank has not entered into any payment agreements based on its own equity instruments.

Part L – Segment reporting

Not applicable.

Balance sheet and income statement of Santander Consumer Finance, S.A.

On the basis of the provisions of Legislative Decree no. 6/2003 on the disclosures to be made with regard to direction and coordination activities to which Santander Consumer Bank S.p.A. is subject (art. 2497-bis, art. 2497-ter), a summary of the key data from the latest approved financial statements of Santander Consumer Finance S.A., which exercises direction and coordination, is given below.

SANTANDER CONSUMER FINANCE, S.A.
BALANCES AL 31 DE DICIEMBRE DE 2014 Y 2013
(Miles de Euros)

TIMBRE DEL ESTADO

0,03 EUROS

TRES CÉNTIMOS DE EURO

0M2545502

CLASE 8.ª

GRUPO SANTANDER CONSUMER FINANCE
BALANCES CONSOLIDADOS AL 31 DE DICIEMBRE DE 2014 Y 2013
(Miles de Euros)

ACTIVO	Nota	2014	2013 (*)
CAJA Y DEPÓSITOS EN BANCOS CENTRALES		1.345.368	1.656.199
CARTERA DE NEGOCIACIÓN:		149.444	94.801
Derivados de negociación	9	149.444	94.801
OTROS ACTIVOS FINANCIEROS A VALOR RAZONABLE CON CAMBIOS EN PÉRDIDAS Y GANANCIAS		-	-
ACTIVOS FINANCIEROS DISPONIBLES PARA LA VENTA:		471.212	469.913
Valores representativos de deuda	7	460.032	464.394
Instrumentos de capital	8	11.180	5.519
INVERSIONES CREDITICIAS:		63.019.623	64.919.789
Depósitos en entidades de crédito	6	5.486.502	8.682.746
Crédito a la clientela	10	57.445.560	55.928.205
Valores representativos de deuda	7	87.561	308.838
CARTERA DE INVERSIÓN A VENCIMIENTO		-	-
AJUSTES A ACTIVOS FINANCIEROS POR MACROCOBERTURAS	31	307.698	314.286
DERIVADOS DE COBERTURA	11	265.125	174.109
ACTIVOS NO CORRIENTES EN VENTA	12	69.043	62.469
PARTICIPACIONES:	13	488.604	306.915
Entidades asociadas		411.479	269.277
Entidades multigrupo		77.125	37.638
CONTRATOS DE SEGUROS VINCULADOS A PENSIONES		-	-
ACTIVOS POR REASEGUROS		-	-
ACTIVO MATERIAL:	14	311.262	328.246
Inmovilizado material-		311.262	328.166
De uso propio		146.999	164.731
Cedidos en arrendamiento operativo		164.263	163.435
Inversiones inmobiliarias		-	80
Pro-memoria: Adquirido en arrendamiento financiero		*52.648*	*54.303*
ACTIVO INTANGIBLE:	15	2.290.215	2.045.179
Fondo de comercio		1.916.255	1.522.760
Otro activo intangible		373.960	522.419
ACTIVOS FISCALES:	23	1.093.416	991.018
Corrientes		264.524	147.548
Diferidos		828.892	843.470
RESTO DE ACTIVOS:	16	1.020.980	740.364
Existencias		3.790	5.367
Otros		1.017.190	734.997
TOTAL ACTIVO		**70.831.990**	**72.103.288**
Pro-memoria			
RIESGOS CONTINGENTES	29	754.457	231.502
COMPROMISOS CONTINGENTES	29	19.121.845	7.661.153

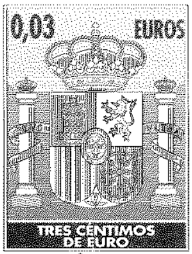
PASIVO Y PATRIMONIO NETO	Nota	2014	2013 (*)
PASIVO			
CARTERA DE NEGOCIACIÓN:		411.754	103.011
Derivados de negociación	9	411.754	103.011
OTROS PASIVOS FINANCIEROS A VALOR RAZONABLE CON CAMBIOS EN PÉRDIDAS Y GANANCIAS		-	-
PASIVOS FINANCIEROS A COSTE AMORTIZADO:		59.812.194	62.048.840
Depósitos de bancos centrales	17	2.956.626	2.805.496
Depósitos de entidades de crédito	17	7.061.090	14.009.904
Depósitos de la clientela	18	29.298.053	30.929.880
Débitos representados por valores negociables	19	18.492.455	12.713.651
Pasivos subordinados	20	1.235.568	1.343.818
Otros pasivos financieros	21	768.402	246.091
AJUSTES A PASIVOS FINANCIEROS POR MACROCOBERTURAS		-	-
DERIVADOS DE COBERTURA	11	150.226	453.072
PASIVOS ASOCIADOS CON ACTIVOS NO CORRIENTES EN VENTA	12	21.472	1.056
PASIVOS POR CONTRATOS DE SEGUROS		-	-
PROVISIONES:	22	934.718	642.704
Fondo para pensiones y obligaciones similares		564.648	453.323
Provisiones para impuestos y otras contingencias legales		51.480	82.971
Provisiones para riesgos y compromisos contingentes		4.636	7.233
Otras provisiones		313.954	99.177
PASIVOS FISCALES:	23	556.521	587.473
Corrientes		178.435	213.488
Diferidos		378.086	373.985
RESTO DE PASIVOS	16	1.297.157	982.274
TOTAL PASIVO		**63.184.042**	**64.818.430**
PATRIMONIO NETO			
FONDOS PROPIOS:		7.805.495	7.392.392
Capital escriturado	24	5.338.639	4.963.639
Prima de emisión	25	1.139.990	1.139.990
Reservas-	26	986.367	679.409
Reservas acumuladas		811.505	668.752
De entidades valoradas por el método de la Participación		174.862	10.657
Menos- Valores propios			-
Resultado del ejercicio atribuido a la entidad dominante		638.317	609.354
Menos- Dividendos y retribuciones		(297.818)	-
AJUSTES POR VALORACIÓN:	27	(290.724)	(111.753)
Activos financieros disponibles para la venta		(1.637)	(1.145)
Coberturas de los flujos de efectivo		(8.525)	(12.502)
Cobertura de inversiones netas de negocios en el Extranjero		(3.391)	-
Diferencias de cambio		(141.521)	(25.451)
Entidades valoradas por el método de la participación		2.681	(1.869)
Resto de ajustes por valoración		(138.331)	(70.786)
INTERESES MINORITARIOS:	28	133.177	4.219
Ajustes por valoración		-	-
Resto		133.177	4.219
TOTAL PATRIMONIO NETO		**7.647.948**	**7.284.858**
TOTAL PASIVO Y PATRIMONIO NETO		**70.831.990**	**72.103.288**

(*) Se presentan, única y exclusivamente, a efectos comparativos.

Las Notas 1 a 49 y los Anexos I a VI incluidos en la Memoria consolidada adjunta, forman parte integrante del balance consolidado al 31 de diciembre de 2014.

SANTANDER CONSUMER FINANCE, S.A.
CUENTAS DE PÉRDIDAS Y GANANCIAS
CORRESPONDIENTES A LOS EJERCICIOS ANUALES TERMINADOS
EL 31 DE DICIEMBRE DE 2014 Y 2013
(Miles de Euros)

TIMBRE DEL ESTADO



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CLASE 8.ª

GRUPO SANTANDER CONSUMER FINANCE

CUENTAS DE PÉRDIDAS Y GANANCIAS CONSOLIDADAS

CORRESPONDIENTES A LOS EJERCICIOS ANUALES TERMINADOS

EL 31 DE DICIEMBRE DE 2014 Y 2013

(Miles de Euros)

	Nota	Ingresos/(Gastos)	
		Ejercicio 2014	Ejercicio 2013(*)
INTERESES Y RENDIMIENTOS ASIMILADOS	31	3.337.355	3.503.802
INTERESES Y CARGAS ASIMILADAS	32	(1.120.594)	(1.400.050)
MARGEN DE INTERESES		**2.216.761**	**2.103.752**
RENDIMIENTO DE INSTRUMENTOS DE CAPITAL		46	47
RESULTADO EN ENTIDADES VALORADAS POR EL MÉTODO DE LA PARTICIPACIÓN	13 y 33	41.531	10.163
COMISIONES PERCIBIDAS	34	1.080.701	1.044.377
COMISIONES PAGADAS	35	(268.518)	(250.672)
RESULTADO DE OPERACIONES FINANCIERAS (neto):	36	4.233	(6.864)
Cartera de negociación		5.879	(8.088)
Otros instrumentos financieros a valor razonable con cambios en pérdidas y ganancias		-	-
Instrumentos financieros no valorados a valor razonable con cambios en pérdidas y ganancias		7.918	437
Otros		(9.564)	787
DIFERENCIAS DE CAMBIO (neto)	37	477	(6.391)
OTROS PRODUCTOS DE EXPLOTACIÓN:	38	124.624	125.617
Ventas e ingresos por prestación de servicios no financieros		72.161	73.277
Resto de productos de explotación		52.463	52.340
OTRAS CARGAS DE EXPLOTACIÓN:	39	(127.686)	(136.027)
Variación de existencias		(61.159)	(61.473)
Resto de cargas de explotación		(66.527)	(74.554)
MARGEN BRUTO		**3.072.169**	**2.884.002**
GASTOS DE ADMINISTRACIÓN:		(1.206.870)	(1.189.250)
Gastos de personal	40	(519.795)	(517.522)
Otros gastos generales de administración	41	(687.075)	(671.728)
AMORTIZACIÓN	14 y 15	(169.677)	(174.724)
DOTACIONES A PROVISIONES (neto)	22	(470.642)	(27.980)
PÉRDIDAS POR DETERIORO DE ACTIVOS FINANCIEROS (neto):		(521.356)	(577.411)
Inversiones crediticias	10	(521.356)	(577.411)
RESULTADO DE LA ACTIVIDAD DE EXPLOTACIÓN		**703.624**	**914.637**
PÉRDIDAS POR DETERIORO DEL RESTO DE ACTIVOS (neto):	42	(119.711)	(3.781)
Fondo de comercio y otro activo intangible		(114.816)	(1.460)
Otros activos		(4.895)	(2.321)
GANANCIAS (PÉRDIDAS) EN LA BAJA DE ACTIVOS NO CLASIFICADOS COMO NO CORRIENTES EN VENTA	43	242.020	(4.771)
DIFERENCIA NEGATIVA EN COMBINACIONES DE NEGOCIOS		-	-
GANANCIAS (PÉRDIDAS) DE ACTIVOS NO CORRIENTES EN VENTA NO CLASIFICADOS COMO OPERACIONES INTERRUMPIDAS	44	(1.634)	(12.003)
RESULTADO ANTES DE IMPUESTOS		**824.299**	**894.082**
IMPUESTO SOBRE BENEFICIOS	23	(134.455)	(253.413)
RESULTADO DEL EJERCICIO PROCEDENTE DE OPERACIONES CONTINUADAS		**689.844**	**640.669**
RESULTADO DE OPERACIONES INTERRUMPIDAS (neto)	45	(26.282)	(5.904)
RESULTADO CONSOLIDADO DEL EJERCICIO		**663.562**	**634.765**
RESULTADO ATRIBUIDO A LA ENTIDAD DOMINANTE		638.317	609.354
RESULTADO ATRIBUIDO A INTERESES MINORITARIOS	28	25.245	25.411
BENEFICIO BÁSICO Y DILUIDO POR ACCIÓN			
En operaciones continuadas e interrumpidas	4	*0,39*	*0,39*
En operaciones continuadas		*0,40*	*0,39*

(*) Se presentan, única y exclusivamente, a efectos comparativos.

Las Notas 1 a 49 y los Anexos I a VI incluidos en la Memoria consolidada adjunta, forman parte integrante de la cuenta de pérdidas y ganancias consolidada del ejercicio 2014.

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