*FIRST SUPPLEMENT DATED 21 SEPTEMBER 2015*

*TO THE BASE PROSPECTUS DATED 18 MAY 2015*

# *Santander Consumer Bank AS*

*(incorporated with limited liability in the Kingdom of Norway)*
*guaranteed by*

# *Santander Consumer Finance, S.A.*

*(incorporated with limited liability in the Kingdom of Spain)*

## *€2,500,000,000 Programme for the Issuance of Euro Medium Term Notes*

*This First Supplement is dated 21 September 2015*

This document constitutes a supplement to the Base Prospectus (the "Supplement") dated 18 May 2015 for the purposes of Article 16 of the Prospectus Directive and is prepared in connection with the €2,500,000,000 programme (the "Programme") for the issuance of Euro Medium Term Notes by Santander Consumer Bank AS (the "Issuer") and guaranteed by Santander Consumer Finance, S.A. (the "Guarantor"). The expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, including the Directive 2010/73/EU ("2010 PD Amending Directive")). The Base Prospectus has been approved on 18 May 2015, by the Central Bank of Ireland (the "CBI"), which is the Irish competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of Euro Medium Term Notes under the Programme during the period of twelve months after the date thereof.

This Supplement should be read in connection with the Base Prospectus dated 18 May 2015.

Both the Issuer and the Guarantor accept responsibility for the information contained in this Supplement and confirm, having taken all reasonable care to ensure such, that the information contained in this Supplement is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Supplement has been prepared for the purpose of disclosing that on 30 June 2015, the following reports were published: (i) unaudited 2015 Interim Report Second Quarter for the quarter ended 30 June 2015, published by Santander Bank Nordics Group and Santander Consumer Bank AS and containing financial information pertaining to the Issuer; and (ii) Interim Condensed Consolidated Financial Statements and Explanatory Notes thereto and Interim Consolidated Directors' Report for the six month period ended 30 June 2015, published by Santander Consumer Finance Group and containing financial information pertaining to both the Issuer and the Guarantor (together the "Reports"), as listed in Schedules 1 and 2 respectively.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus to which this Supplement relates.

This Supplement shall be published on the Irish Stock Exchange website (www.ise.ie).

To the extent that there is any inconsistency between (i) any statement in this Supplement or any other statement incorporated by reference into the Base Prospectus by this Supplement and (ii) any other statement, or incorporation by reference, in the Base Prospectus, the statements in (i) above shall prevail.

Any document or information incorporated by reference into either of the Reports, either expressly or impliedly, does not form part of this Supplement to the Base Prospectus for the purposes of the Prospectus Directive, except where such information or other documents are specifically incorporated by reference in, or attached to, this Supplement.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus on 18 May 2015.

## SCHEDULE 1

## UNAUDITED INTERIM REPORT SECOND QUARTER

Santander Consumer Bank Nordics Group and Santander Consumer Bank AS have published the English translation of their unaudited 2015 Interim Report Second Quarter for the quarter ended 30 June 2015. By virtue of this Supplement the information accessed via the hyperlink in this Schedule 1 is incorporated by reference into the Base Prospectus under the section denominated "Information Incorporated by Reference" contained on page 21 of the Base Prospectus.

https://www.santanderconsumer.no/Santander_Documents/Quarterly%20report%20Q2%202015.pdf

## SCHEDULE 2

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES THERETO AND INTERIM CONSOLIDATED DIRECTORS' REPORT

Santander Consumer Finance Group has published the following English translation of the Interim Condensed Consolidated Financial Statement and Explanatory Notes thereto and Interim Consolidated Directors' Report for the six month period ended 30 June 2015.

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

Interim Condensed Consolidated Financial Statements and Explanatory Notes thereto and Interim Consolidated Directors' Report for the six-month period ended 30 June 2015, together with the Audit Report

*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 16). In the event of a discrepancy. the Spanish-language version prevails.*

*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framer ork applicable to the Group in Spain (see Notes 1 and 16). In the event ofa discrepancy. the Spanish-language torsion prevails.*

# INDEPENDENT AUDITOR'S REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

## Report on the Interim Condensed Consolidated Financial Statements

We have audited the accompanying interim condensed consolidated financial statements of Santander Consumer Finance, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2015, and the consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes, all of them condensed and consolidated, thereto for the six-month period the ended.

*Directors' Responsibility for the Interim Condensed Consolidated Financial Statements*

The Parent's directors are responsible for preparing the accompanying interim condensed consolidated financial statements in accordance with the requirements established in international Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 136212007, and for the internal control that they consider necessary to permit the preparation of interim condensed consolidated financial statements free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

**In our opinion, the accompanying interim condensed consolidated financial statements for the six-month period ended 30 June 2015 have been prepared, in all material respects, in accordance with requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, in conformity with Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.**

*Emphasis of matter paragraph*

**We draw attention to Note 1 to the accompanying explanatory notes, which indicates that the aforementioned interim condensed consolidated financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim condensed consolidated financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014. This matter does not qualify our audit opinion.**

Report on other leo **al and rennin** ton requirements

The accompanying **interim consolidated director? report for the six-month period ended June 30 2015 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in this period and their effect on the interim condensed consolidated financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the aforementioned directors' report is consistent with that contained in the interim condensed consolidated financial statements for the six-month period ended 30 June 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Santander Consumer Finance, S.A. and Subsidiaries.**

**DELOITTE, S.L.**

**Registered in ROAC under no. 50692**

**Juan Manuel Alonso Fernandez**

**27 July 2015**

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

Interim Condensed Consolidated Financial Statements and Explanatory Notes thereto and Interim Consolidated Directors' Report for the six-month period ended 30 June 2015

*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory Financial reporting framework applicable to the Group in Spain (see Notes 1 and 16). In the event of a discrepancy. the Spanish-language version prevails.*

*Translation of interim condensed consoldated finanoal statements origin:11y Issued in Spanish and prepared on accordance wth the regulatory 6naocral reporSog framework epokcabth to the Group if, Spain (see Holes 1 anal6). In the event of a thscrepancy. the Spantsh.language version prevads.*

## SANTANDER CONSUMER FINANCE GROUP

## CONDENSED CONSOLIDATED BALANCE SHEETS

## AS AT 30 JUNE 2015 AND 31 DECEMBER 2014

**(Thousands of Euros)**

| ASS!. r. | | 7006¹15 | 31/12/141•1 |
|---|---|---|---|
| **CASH AND BALANCES WIl II CI ••• I a %I BANKS** | | 1.551,663 | 1.341.368 |
| **FINANCIAL ASSETS FIELD FOR TRADI'l't** | | 87,604 | 149.444 |
| **OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | • | • |
| **AVAILABLE•FOR•SALE FINANCIAL ASSETS** | 5 | 1.367,565 | 47.212 |
| **LOANS AND RECEIVABLES** | 5 | 70,502,875 | 63.019,623 |
| **HELDTO•MATURITY INVESTMENTS** | | • | • |
| **CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK** | | 241.723 | 39¹,698 |
| **HEDGING DERIVATIVES** | | 183.443 | 265,125 |
| **NON•CURRENT ASSETS HELD FOR SALE** | 6 | 14.188 | |
| **INVESTMENTS:** | | 545.797 | 488,604 |
| *Azeciates* | | *455.744* | *411.479* |
| *Jointly controlled milks* | | *90.053* | *7'.125* |
| **INSURANCE CONTRACTS LINKED TO PENSIONS** | | • | • |
| **REINSURANCE ASSETS** | | • | • |
| **TANGIBLE ASSETS:** | 7 | 313,271 | 31'.,262 |
| *Property. plant and egugunent* | | *313.271* | *311.262* |
| *Investment property* | | | |
| **INTANGIBLE ASSETS:** | 8 | 2,272,491 | 2,290,215 |
| *Goodwin* | | *1.923.005* | *1.916.255* |
| *Other intangible assets* | | *349.486* | *371.960* |
| **TAX ASSETS:** | | 1,115,338 | 1,093.416 |
| *Ctrrent* | | *360.305* | *261.524* |
| *Deferred* | | *755.033* | *824.892* |
| **OTHER ASSETS** | | 1,165,758 | 1,020.980 |
| **TOTAL ASSETS** | | 79361.716 | 70.831.990 |
| **CONTINGENT LIABILITIES** | | 1,679.383 | 754.45' |
| **CONTINGENT COMMITMENTS** | | 20.185.772 | 19.12..845 |

| LIABILITIES AND EQUITY | Note | 3096/15 | 31!12/14(•1 |
|---|---|---|---|
| **FINANCIAL LIABILITIES FIELD FOR TRADING** | 9 | 84.639 | 411,754 |
| **OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | • |
| **FINANCIAL LIABILITIES AT AMORTISED COST** | 9 | 66.858.715 | 59,812.194 |
| **CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK** | | • | - |
| **HEDGING DERIVATIVES** | | 356.198 | 150.226 |
| **LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE** | 6 | • | 21.472 |
| **LIABILITIES UNDER INSURANCE CONTRACTS** | | • | - |
| **PROVISIONS** | 10 | 795.476 | 934,718 |
| **T 69.04TAI(m..L** | | 829.892 | 556.521 |
| *Current* | | *310.145* | *178.435* |
| *Deferred* | | *519.747* | *378.086* |
| **OTHER LIABILITIES** | | 1.477,516 | 1,297.157 |
| **NMI II KREUNLIABLE UN OSMANLI** | | • | - |
| **TOTAL LIABILITIES** | | 70.402.436 | 63.184.042 |
| **SHAREHOLDERS' EQUITY:** | | s.590.462 | 7,805.495 |
| *Share capital* | | *1.638.639* | *5.338.639* |
| *Share premium* | | *:.139.990* | *1.139.990* |
| *Reserves* | | *:.327.461* | *986.367* |
| *Prefilter the period auriMitabfe to the Parent* | | *04.372* | *638.317* |
| *Less: Dividends and remuneration* | | | *(297.8181* |
| **VALUATION ADJUSTMENTS:** | | (228,231) | (290,724) |
| *Available.foroak financial assets* | 5 | *(551)* | *(1.6371* |
| *Cash flow kedges* | | *(4.0641* | *(8.5251* |
| *Hedges Omer investments in foreign operations* | 11 | *(12.970)* | *0.3911* |
| *Exchange differences* | 11 | *6 56.15 0* | *(141.521.'* |
| *Entities accounted for using the mimeo. method* | 11 | *7.224* | *2.65!* |
| *Other valuation adjustment.* | 11 | *(131.7161* | *(138.3317* |
| **EQUITY ATTRIBUTABLE TO THE PARENT** | | 8362231 | 7.514.771 |
| **NON•CONTROLLING INTERESTS:** | | 597.049 | 133,177 |
| *Valuation adjustment.* | | *0551* | |
| *Other* | | *597.907* | 133.177 |
| **TOTAL EQUITY** | | 8.959280 | 7.647948 |
| **TOTAL LIABILITIES AND EQUITY** | | 79.361.716 | 79.831,990 |
| | | | _I |

(•) Presented for comparison purposes only.

**The accompanying** Explanatory Notes 1 to 16 are an integral part of the condensed consolidated balance sheet as al 30 June 2015.

*Translation of into= condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework :makable to the Group in Spain (see Notes I and 16). In the event of a discrepancy. the Spantsh-language version prevails.*

SANTANDER CONSUMER FINANCE GROUP

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2015 AND 2014
(Thousands of Euros)

| | N. tit,: | Income.'(Expenees) 30106115 | 3006!14(9 |
|---|---|---|---|
| **INTEREST AND SIMILAR INCOME** | I2 | 1.798,389 | 1,662,206 |
| **INTEREST EXPENSE AND SIMILAR CHARGES** | | (458.389) | (545.478) |
| **RETURN ON EQUITY REFUNDABLE ON DEMAND** | | | |
| **NET INTEREST LNCOME** | | 1.3411,888 | 1.116.728 |
| **INCOME FROM EQUITY INSTRUMENTS** | 12 | 44 | 46 |
| **SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD** | | 40.718 | 9,586 |
| **FEE AND COMMISSION INCOME** | 12 | 544,138 | 568,916 |
| **FEE AND COMMISSION EXPENSE** | | (134,075) | (135,287) |
| **GAINS/LOSSES ON FINANCIAL ASSETS AND LIABILITIES (net)** | 12 | (8,054) | 9,120 |
| **EXCHANGE DIFFERENCES (net)** | | (353) | (996) |
| **OTHER OPERATING INCOME** | 12 | 75.153 | 64.907 |
| **OTHER OPERATING EXPENSES** | | (65,833) | (68.841) |
| **GROSS INCOME** | | 1,791,738 | 1564.179 |
| **ADMINISTRATIVE EXPENSES** | | (709,946) | (618,600) |
| *Staff costs* | | *(327.S65)* | *(266.3911* |
| *Other general administrative expenses* | | *(382.381)* | *(352.209)* |
| **DEPRECIATION AND AMORTISATION CHARGE** | | (82,359) | (90.335) |
| **PROVISIONS (net)** | | (62,385) | (27.303) |
| **IMPAIRMENT LOSSES ON FINANCIAL ASSETS (net)** | 5 | (288331) | (252.419) |
| **PROFIT FROM OPERATIONS** | | 648,217 | 575522 |
| **IMPAIRMENT LOSSES ON OTHER ASSETS (net)** | 7 | (236) | (117,097) |
| **GAINS/(LOSSES) ON DISPOSAL OF ASSETS NOT CLASSIFIED AS NONCURRENT ASSETS HELD FOR SALE** | 7 & 8 | (2,524) | (488) |
| **GAIN FROM A BARGAIN PURCHASE** | | | |
| **GAINS/(LOSSES) ON NONCURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS** | | 14.364) | (837) |
| **PROFIT BEFORE TAX** | 12 | 641.093 | 457.116 |
| **INCOME TAX** | | (109.945) | (117.759) |
| **PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | 531.148 | 339,341 |
| **PROFIT (LOSS) FROM DISCONTINUED OPERATIONS (net)** | | 2 | (250) |
| **CONSOLIDATED PROFIT FOR THE PERIOD** | | 531.158 | 339,691 |
| **PROFIT ATTRIBUTABLE TO TILE PARENT** | | 484,372 | 328.041 |
| **PROFIT ATTRIBUTABLE TO NON•CONTROLLING INTERESTS** | | 46.778 | 11.050 |
| **EARNINGS PER SHARE:** | | | |
| *From continuing and discontinued operations:* | | | |
| *Basic earnings per share (cures)* | 3 | *0.2655* | *0.1983* |
| *Diluted earnings per share (faros)* | 3 | *0.2655* | *0.1983* |
| *From continuing operations:* | | | |
| *Basic earnings per share (earns)* | 1 | *0.2655* | *0.1984* |
| *Diluted earnings per share (cures)* | 1 | *0.2655* | *0.1984* |

(') Presented fa comparison purposes only.

The accompanying Explanatory Notes 1 to 16 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2015.

*translation of into= condensed consolidated financial statements anginal./ issued in Spanish aml preparadin accordance with the regulatory financial reporting Immortal* appScabk to the Group in Spain (see Notes 1 and 16). In the event of a alscrepancy. The Spantsh.language varsoon plavaJs.*

## SANTANDER CONSUMER FINANCE GROUP

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2015 AND 2014
(Thousands of Euros)

| | 30/06/15 | 30/06/14 en |
|---|---|---|
| **CONSOLIDATED PROFIT FOR THE PERIOD** | **531,150** | **339,091** |
| **OTHER RECOGNISED INCOME AND EXPENSE** | **61,635** | **(1,305)** |
| **Items that will not be reclassified to profit or loss** | **5,757** | **4,525** |
| **Actuarial gains and losses on defined benefit pension plans** | **8,679** | **539** |
| **Non-current assets held for sale** | **-** | **-** |
| **Income tax relating to items that will not be reclassified to profit or loss** | **(2,922)** | **3,986** |
| **Items that may be reclassified subsequently to profit or loss** | **55,878** | **(5,830)** |
| **Available-for-sale financial** assets: | 783 | 529 |
| ***Revaluation gains (losses)*** | ***453*** | ***716*** |
| ***Amounts transferred to income statement*** | ***330*** | ***(187)*** |
| **Cash flow hedges:** | **5,515** | **1,066** |
| ***Revaluation gains (losses)*** | ***(20,461)*** | ***(19,338)*** |
| ***Amounts transferred to income statement*** | ***25,976*** | ***20,404*** |
| **Hedges of net investments in foreign operations:** | **(9,579)** | **-** |
| ***Revaluation gains (losses)*** | **(9,579)** | **-** |
| ***Amounts transferred to income statement*** | **-** | **-** |
| **Exchange differences:** | **55,367** | **(6,644)** |
| ***Revaluation gains (losses)*** | ***55,367*** | ***(6,644)*** |
| ***Amounts transferred to income statement*** | **-** | **-** |
| **Non-current assets held for sale** | **-** | **-** |
| **Entities accounted for using the equity method:** | **4,543** | **2,688** |
| ***Revaluation gains (losses)*** | ***4,543*** | ***2,688*** |
| ***Amounts transferred to income statement*** | **-** | **-** |
| **Other recognised income and expense** | **-** | **-** |
| **Income tax relating to items that may be reclassified subsequently to profit or loss** | **(751)** | **(3,469)** |
| **TOTAL RECOGNISED INCOME AND EXPENSE** | **592,785** | **337,786** |
| **Attributable to the Parent** | **546,865** | **326,736** |
| **Attributable to non-controlling interests** | **45,920** | **11,050** |

**(1 Presented for comparison purposes only.**

***The*** **accompanying Explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of recognised income and expense for the six-month period ended 30 June 2015.**

SANTANDER CONSUMER FINANCE GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2015 AND 2014
(Thousands of Euros)

| | Equity Attributable to the Parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equity | | | | | | | |
| | Sham Capital | Share Premium and Reserves Less Dividends and Remuneration | Other Equity Instrument, | Less: Treasury Slums | Profit for the Period Attributable to the Parent | Valuation Adjustments | Non.Controlling Interests | Total Equity |
| Balance as at 31112/14 | 5.338.639 | 1.828.53 | | • | 638.317 | 1290.724) | 133.177 | 7.647.948 |
| Adjustments due to changes in accounting policies | | - | | | | - | - | • |
| Adjustments due to errors | | | | | | • | - | |
| Adjusted beginning balance | 5.338.639 | I.828539 | | | 638.317 | 1290.724) | 133.177 | 7.647.948 |
| Total recognised income and elpentg | • | . | | | 484.372 | 61.493 | 45.920 | 592.785 |
| Other bb ....... in equity | 300.000 | 638.912 | | | 1638.317) | | 417.952 | 718.547 |
| Capital increaseslredunions) | 300.000 | | | | | | | 300.000 |
| Conversion of financial liabilities into equity | | | | | | | | |
| Increases in other equir. instruments | | | | | | | | |
| Reclassification fronVto financial liabilities | | . | | | | | . | . |
| Distribution ofdiyidends | | . | | | | | (24.606) | 124.606) |
| Transactions involving own equity instruments *(net)* | | - | | | | | - | - |
| Transfers between equity | | 638.317 | | | p.3$.31- | | - | - |
| Increasesrldeacasesi due to business combinations | | - | | | | | 437.255 | 437.255 |
| Equity-instrument-based payments | | • | | | | | . | • |
| Other increases(decreares) in equity | - | 595 | | | | - | 5.303 | **5.898** |
| **Balance an al 30/06/15** | **5.638439** | **2.467.45** | | | **484.372** | **(228.231)** | **597.049** | **8.959.280** |

The accompanying Explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of changes in total equity for the six-month period ended 30 June 2015.

## SANTANDER CONSUMER FINANCE GROUP

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2015 AND 2014 (continued)

(Thousands of Euros)

| | Equity Attributable to the Parent :•) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shareholders' Equit | | | | | | | |
| | Share Capital | Share Premium and Reserves Less Dividends and Rcsii...m.atio.. | Other Equity lotomosina | Lest: Treasury Shoes | Profit for the Period Attributable to the Paisoi | Valuation Adj....1.1rcs63. | Non.Controlling hatc....ta 01 | Total Boob, e) |
| Balance as at 31/12/13 1.1 | 0.963439 | 1819.399 | - | | 609.354 | (111.753) | 1.219 | 7.284.858 |
| Adjustments due lc changes in accounting policies | • | • | | | | - | • | • |
| Adjustments due lc errors | • | • | | | | - | | |
| Adjusted beginning balance | 4.963.63 | 1819.399 | | | 609.354 | (111.753) | 4.219 | 7.284850 |
| Total recognised income and expense | | • | | | 328.041 | 11.305) | 11.050 | 337.706 |
| Other bb ....... in equity | | 609.17o | | | 1609.3541 | | 103.714 | 103.7;t0 |
| Capital increaseslieduMions) | | | | | | | | |
| Conversion of financial liabilities into equity | | | | | | | | |
| Increases in other equity instruments | | | | | | | | |
| Reclassification frcmito financial liabilities | | | | | | | | |
| Distribution of dividends | | | | | | | | |
| Transactions involving own equity instrument *(net)* | | - | | | | | | |
| Transfers between equity items | | 609.15 I | | | 1609.1541 | | | |
| *Increascsldecresses)* due to business combinations | | | | | | | | |
| Equity.instrument.aased payments | | | | | | | | |
| Other inereases'(decreasest is: equity | | 16 | | | | | | |
| Balance snot **30/06/141•)** | **4.963439** | **1.428.769** | . | | 338.041 | 11=n | 116.983 | |

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The accompanying Explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of changes in total equity for the six-monh period ended 30 June 2015.

*Translational interim condensed consoddated Encomies statements originally issued in Swish and prepared in accordance with the regulatory 6nanciat reporting framework applicable to the Group in Spain (see Notes 1 and 16). In the event of e discrepancy. the Spanish language version prevails.*

SANTANDER CONSUMER FINANCE GROUP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2015 AND 2014

(Thousands of Euros)

| | N ote | 30106115 | 3006[1]11(•) |
|---|---|---|---|
| 1. CASH FLOWS FROM OPERATING ACTIVITIES | | 1.474344 | 022.653/ |
| Consolidated profit for the period | | 531.150 | 339.091 |
| Adjustments made to obtain the cask floors from operating activities: | | 570.932 | 596.652 |
| *Depreciation and amortisation charge* | | *82.3S9* | *90.335* |
| *Other adjustments* | | *488.573* | *506.317* |
| Net increaseldecrease) in operating assets and liabilities: | | 533.802 | (1.604.434) |
| *Operating assets* | | *1.342.790* | *1.662.331* |
| *Operating liabilities* | | *(808.9851* | *(3.266.765)* |
| Income tax recoveredlpaid) | | (161.540) | (153.962) |
| | | | |
| **2.CASII FLOWS FROM INVESTING ACTIVITIES** | | **1494.427)** | **(127.228)** |
| **Payments:** | | **(504.741)** | **(156.201)** |
| *Tangible assets* | *7* | *0.9891* | *(12.1031* |
| *Intangible assets* | | *(33.033)* | • |
| *Investments* | *2* | *(3.S00)* | *(3.500I* |
| *Subsidiaries and other business units* | *2* | *(462.219)* | *(140.3011* |
| *Non-current assets Add for sale and associated liabilities* | | | |
| *Held••to•maturity investments* | | • | - |
| *Other payments related to investing activities* | | • | - |
| **Proceeds:** | | **18.314** | **28.976** |
| *Tangible assets* | *7* | *4.736* | *602* |
| *Intangible assets* | | *1.183* | *16.191* |
| *Investments* | | | |
| *Subsidiaries and other business units* | | • | • |
| *Non-current assets Add for sale and associated liabilities* | | *4.395* | *12.183* |
| *Held •to•maturity investments* | | • | |
| *Other proceeds related to investing activities* | | • | - |
| | | | |
| 3. **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(105417)** | **(28.916)** |
| **Payments:** | | **(41115.4117)** | **(117.416)** |
| *Dividends* | 3 | *(302.182)* | |
| *Subordinated liabilities* | *9* | *(103.225)* | *(117.416/* |
| *Redemption of ("71 equity instruments* | | | |
| *Acquisition of 01171 equity instruments* | | • | - |
| *Other payments related to financing activities* | | | |
| **Proceeds:** | 9 | **311111.01111** | ***88.501*** |
| *Subordinated liabilities* | | | *SS. <1)0* |
| *Issuance of own equity instruments* | | *300.000* | |
| *Disposal glown equity instruments* | | | |
| *Other proceeds related to financing activities* | | . | |
| | | | |
| **4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | | **636** | (72) |
| | | | |
| **5. NET INCREASE (DECREASE) LN CASH AND CASH EQUIVALENTS (1+2+364)** | | **875.146** | **1978.8691** |
| | | | |
| **Cash and snub equivalents at beginning of period** | | **2.026.186** | **2.611.872** |
| **Cash and cash mini' alents at end of period** | | **2.901332** | **1.633.003** |
| | | | |
| **COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | | |
| **Cash** | | **158.104** | 166.804 |
| Cash equivalents at central banks | | 1.393.559 | 834.860 |
| Other financial assets | | 1.349.669 | 631.339 |
| **Lem: Bank overdraft refundable on demand** | | | |
| **TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **2.901332** | **1.633403** |

(1 Presented for comparison purposes only.

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2015.

*Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 1 and 16). In the event of a discrepancy. the Spanish-language version prevails.*

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

## Explanatory Notes to the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2015

### 1. lob odoution. beau of presentation of the in ' condensed consolidated financial statements and other information

***a) Introduction***

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

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

The Bank is part of the Santander Group, the parent entity of which (Banco Santander. S.A.) had a 100% direct and indirect ownership interest in the share capital of the Bank at 30 June 2015 (see Explanatory Note 11). The Bank has one branch (Madrid), is not listed and, in both 2014 and the first half of 2015. it carried on most of its direct business activities in Soain.

The Group engages in finance leasing. financing of third-party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Bank has been the head of a group of financial institutions which engage mainly in commercial banking. consun˘er finance, operating and finance leasing. full-service leasing and other activities mainly in Germany. Italy. Austria. Poland, the Netherlands. Norway, Finland. Sweden. France and Portugal.

The Bank is part of the Santander Group, the Parent of which is Banco Santander, S.A. and, accordinly, its activity should be considered in the context of the activity and global strategy of the Santander Group: the Bank carries out significant transactions with Santander Group companies (see Explanatory Note 13).

***6) Basis of presentation of the interim condensed consolidated financial statements***

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

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

The Group's consolidated financial statements for 2014 were formally prepared by the directors of the Bank -as Parent- at the Board meeting held on 25 March 2015, in accordance with the regulatory financial reporting framework applinble to the Group, which consists of the Spanish Commercial Code and all other Spanish corpora:e law and International Financial Reporting Standards as adopted by the European Union, taking into account Bank of Spain Circular 4/2004. of 22 December, and successive amendments thereto. and other mandatory rules approved by the Bank of Spain. using the basis of consolidation, accounting policies and measurement bases set forth in Note 2 to the aforementioned consolidated financial statements and, accordingly. they presented fairly the Group's equity and financial position at 31 December 2014. and the consolidated results of its operations, the changes in consolidated equity and its consolidated cash flows in the year then ended. The aforementioned consolidated financial statements were approved by the shareholders at the Bank's Annual General Meeting on 27 April 2015.

The interim condensed consolidated financial statements for the six-month period ended 30 June 2015 and the Explanatory Notes thereto ("interim condensed consolidated financial statements') were prepared and signed by the Bank's directors at their meeting on 23 July 2015 and are presented in accordance with IAS 34. Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, in conformity with Article 12 of Royal Decree 1362/2007. taking into account the reporting requirements of Circular 1/2008, of 30 January, of the Spanish National Securities Market Commission (CNMV). The aforementioned interim condensed consolidated financial statements will be included in the half-yearly financial information for the first six months of 2015 to be presented by the Group in accordance with the aforementioned CNMV Circular 1/2008.

As established in IAS 34. the interim consolidated financial information is intended only to provide an update on the content of the latest annual consolidated financial statements authorised for issue (which in the case of the Group, as indicated above, are those for 2014), focusing on new activities. events and circumstances occurring during the six-month period, and does not duplicate the information previously reported in the latest annual consolidated financial statements. Therefore, these interim condensed consolidated financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with EU-IFRSs. Consequently, for a proper comprehension of the information included in these interim condensed consolidated financial statements, they should be read together with the Group's consolidated financial statements for 2014.

*Standards and interpretations approved by the European Union which are applicable in this period*

The accounting policies used in preparing the interim condensed consolidated financial statements for the interim period ended 30 June 2015 are the same as those applied in the consolidated financial statements for the year ended 31 December 2014 (see Note 2 to the Group's consolidated financial statements for the year ended 31 December 2014) and take into account the standards and interpretations that came into force in the first half of 2015. which are as follows:

*IAS 19 (Revised). Employee Benefits - Defined Benefit Plans: Employee Contributions*

The new IAS 19 introduces changes in the accounting for employee contr butions to defined benefit plans to allow these contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met. without having to perform calculations to attribute the reduction to each year of service.

*IFRS annual improvements project 2010-2012 - Minor Amendments to !FRS 8. !FRS 73. IAS 76. IAS 24 and IAS 38.*

The IFRS annual improvements project 2010-2012 introduces minor amendments to and clarifications of IFRS 8. Operating Segments: IFRS 13. Fair Value Measurement: IAS 16. Property. Plant and Equipment: IAS 24. Related Party Disclosures: and IAS 38. Intangible Assets.

*IFRS annual improvements project 2011-2013*

The IFRS annual improvements project 2011-2013 introduces minor amendments to and clarifications of IFRS 1. First-time Adoption of International Financial Reporting Standards; IFRS 3. Business Combinations; IAS 13. Fair Value Measurement; and IAS 40. Investment Property.

The entry into force of these standards and their application by the Group did not have any significant impact on the condensed consolidated financial statements for the six-month period ended 30 June 2015.

*Standards and interpretations issued but not yet in force at 30 June 2015*

At the date of formal preparation of the accompanying interim condensed consolidated financial statements new International Financial Reporting Standards and interpretations thereof had been published, which were not subject to mandatory application at 30 June 2015. Although in certain cases the IASB permits early application of amendments, the Santander Consumer Finance Group has not yet applied them since they have not yet been transposed into EU law and their effects are presently under analysis.

The most significant of these standards are as follows:

*!FRS 9. Financial Instruments*

On 24 July 2014, the IASB issued IFRS 9. which will ultimately replace IAS 39. There are significant differences with respect to the current stancard, in relation to financial assets. including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments' and "available-for-sale financial assets" categories. impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial asset contracts.

In relation to financial liabilities, the classification categories proposed by IFRS 9 are similar to those already contained in IAS 39 and, therefore, there should not be any very significant differences, except, in the case of the fair value option for financial liabilities, for the requirement to recognise changes in fair value attributable to own credit risk as a component of equity.

There will also be changes in relation to hedge accounting, since the approach of IFRS 9 is different from that of the current IAS 39 in that it attempts to align hedge accounting with economic risk management.

The IASB set 1 January 2018 as the date of mandatory application, with early application permitted.

*!FRS 7 (Revised), Financial Instruments: Disclosures*

In December 2011 the IASB amended IFRS 7 to introduce new financial instruments disclosures, which entities must present in the period in which they apply IFRS 9 for the first time.

*!FRS 11 (Revised). Joint Arrangements*

The amendments to IFRS 11 provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business; this guidance specifies that these joint operations should be accounted for by applying the principles of IFRS 3. Business Com binations.

These amendments will apply to reporting periods beginning on or after 1 January 2016. although early application is permitted.

*/AS 16 (Revised). Property. Plant and Equipment and IAS 38 (Revised). Intangible Assets*

The amendments to IAS 16 and IAS 38 preclude, as a general rule, the use of depreciation and amortisation methods based on revenue since, except in very exceptional cases these methods do not reflect the pattern in which the asset's economic benefits are expected to be consumed by the entity.

These amendments will apply to reporting periods beginning on or after 1 January 2016. although early application is permitted.

*!FRS 15. Revenue from Contracts with Customers*

IFRS 15 establishes the principles which an entity must apply when accounting for revenue and cash flows arising from contracts for the sale of goods and services to its customers.

Pursuant to IFRS 15. entities recognise revenue from contracts with customers when they have satisfied their obligations to transfer goods or supply services to their customers in accordance with the contractually agreed-upon terms and conditions: a good or a service is considered to be transferred when the customer obtains control thereof. The amount to be recognised is that which reflects the consideration to which the entity expects to be entitled in exchange for the goods or services transferred.

IFRS 15 supersedes IAS 18. Revenue; IAS 11, Construction Contracts; IFRIC 13. Customer Loyalty Programmes: IFRIC 15. Agreements for the Construction of Real Estate: IFRIC 18, Transfers of Assets from Customers: and SIC-31. Revenue-Barter Transactions Involving Advertising Services.

This standard will apply to reporting periods beginning on or after 1 January 2018. although early application is permitted.

*/AS 27 (Revised). Separate Financial Statements*

The amendments to IAS 27 permit entities to use the equity method when accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

These amendments will apply to reporting periods beginning on or after 1 January 2016, although early application is permitted.

*!FRS 10 (Revised). Consolidated Financial Statements and IAS 28 (Revised)*

The amendments to IFRS 10 and IAS 28 establish that when an entity sells or contributes assets that constitute a business (including its consolidated subsidiaries) to an associate or joint venture, the entity must recognise in full the gain or loss resulting from the transaction. However. when the assets sold or contributed do not constitute a business, the entity must recognise the gains or losses only to the extent of unrelated investors' interests in the associate or joint venture.

These amendments were initially applicable to reporting periods beginning on or after 1 January 2016. although early application is permitted. and they are currently under review.

*!FRS annual improvements project 2012-2014*

The IFRS annual improvements project 2012-2014 introduces minor amendments to and clarifications of IFRS 5, Non-current Assets Held for Sale and Discortinued Operations: IFRS 7, Financial Instruments: Disclosures; IAS 19. Employee Benefits; and IAS 34. Interim Financial Reporting.

These amendments will apply to reporting periods beginning on or after 1 January 2016, although early application is permitted.

*IAS I (Revised). Presentation of Financial Statements*

The amendments to IAS 1 were designed to further encourage companies to apply professional judgement in determining what information to disclose in thei¨ financial statements, in determining the line items to be disaggregated and the headings and additional subtotals to be inclLded in the statement of financial position and statement of profit or loss for the period and other comprehensive income and in determining where and in what order disclosures are to be presented.

These amendments will apply to reporting periods beginning on or after 1 January 2016, although early application is permitted.

*!FRS 10 (Revised). Consolidated Financial Statements: IFRS 12 (Revised). Disclosure of Interests in Other Entities; and IAS 28 (Revised). Investments in Associates and Joint Ventures*

The amendments to IFRS 10, IFRS 12 and IAS 28 introduced clarifications of the requirements for accounting for investment entities with regard to three matters:

- 'hey confirm that a parent which is a subsidiary of an investment entity can elect the exemption from presenting consolidated financial statements.

- They clarify that if an investment entity has a subsidiary that is not an investment entity, the main object of which is to support the investment activities of its parent, by providing services or performing activities related to the investment activity of the parent or of third parties, the investment entity shall consolidate the subsidiary; however, if the subsidiary is an investment entity. the parent shall account for it at fair value through profit or loss.

- They require that an investor that is not an investment entity maintains, on applying the equity method, the fair value measurement applied by an associate or joint venture that is an investment entity to its investments in subsidiaries.

These amendments will apply to reporting periods beginning on or after 1 January 2016, although early application is permitted.

All accounting policies and measurement bases with a material effect on the interim condensed consolidated financial statements were applied in their preparation.

***c) Comparative information***

All the figures and disclosures for 2014 contained in these Explanatory Notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2015 are presented for comparison purposes only.

***d) Use of estimates***

The consolidated results and the determination of consolidated equity are sensitive to the accounting policies, measurement bases and estimates used by the directors of the Bank in preparing the interim condensed consolidated financial statements. The principal accounting policies and measurement bases are described in Note 2 to the Group's consolidated financial statements for the year ended 31 December 2014.

All the information contained in these condensed consolidated financial statements and the explanatory notes thereto is the responsibi ity of the Bank's directors. In this regard. it should be noted that in the preparation of these condensed consolidated financial statements estimates were made by the senior executives, subsequently ratified by the Bank's directors, in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, evhich were made on the basis of the best information available at 30 June 2015. relate basically to the following:

The income tax expense, which, in accordance with IAS 34, is recognised in interim pe-iods based on the best estimate of the weighted average tax rate expected by the Group for the lull financial year;

The impairment losses on certain assets - loans and receivables, non-current assets held for sale. investments, tangible assets and intangible assets:

The assumptions used in the calculation of the post-employment benefit liabilities and commitments and other obligations:

The useful life of the tangible and intangible assets;

The measurement of goodwill arising on consolidation: and

The fair value of certain unquoted assets and liabilities.

The calculation of provisions.

The recoverability of the deferred tax assets and the recognition of the tax liabilities of the Group.

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

In the six-month period ended 30 June 20·5 there were no significant changes in the estimates made at 2014 year-end other than those indicated, as the case may be. in these interim condensed consolidated financial statements.

#### e) *Contingent assets and liabilities*

Note 2-m to the Group's consolidated financial statements for the year ended 31 December 2014 includes information on the main accounting principles and policies applicable to the contingent liabilities at 31 December 2014. There were no significant changes in the Group's contingent liabilities in the six-month period ended 30 June 2015.

The Group did rot have any material contingent assets at 31 December 2014 or 30 June 2015.

#### *0 Seasonality of the Group's transactions*

In view of the business activities in which the Group companies engage, their transactions are not significantly cydical or seasonal in nature. Therefore, no specific disclosures are included in these Explanatory Notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2015.

#### *g) Materiality*

In determining the note disclosures to be made on the various items composing the financial statements or o:her matters, the Bank's directors and. accordingly. those of the Group, in accordance with IAS 34. took into account the materiality of each item with respect to the interim condensed consolidated financial statements.

#### *h) Events after the reporting period*

*Santander Consumer Sank A.S. (Norway)*

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

From 30 June 2315 to the date of formal preparation of these interim condensed consolidated financial statements and the Explanatory Notes thereto, no other events took place that significantly affect these interim condensed consolidated financial statements as at 30 June 2015 or the information contained herein which are not disclosed in these Explanatory Notes.

#### *i) Individual disclosures relating to Santander Consumer Finance, S.A.*

The individual disclosures relating to Santander Consumer Finance, S.A. (the Parent of the Group) which were considered relevant for the purposes of the proper comprehension of the half-yearly condensed consolidated financial information were included in the related Explanatory Notes.

#### *j) Condensed consolidated statements of cash flows*

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

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

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

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

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

In the preparation of the condensed consolidated statements of cash flows, "cash and cash equivalents" were considered to be the short-term, highly liquid investments that are subject to an insignificant risk of changes in value. Accordingly, the Group classifies as cash and cash equivalents the net cash balances and the net balances with central banks, and the balances receivable on demand from credit institutions other than central banks, which are recognised under "Cash and Balances with Central Banks" and "Loans and Receivables', respectively, in the accompanying condensed consolidated balance sheets.

## 2. Santander Consumer Finance Group

Appendices I and II to the Group's consolidated financial statements for 2014 provide relevant information on the Group companies that were consolidated at 2014 year-end and on those accounted for using the equity method.

Also. Note 3 to the aforementioned consolidated financial statements inclJdes a description of the most significant acquisitions and disposals of companies performed by the Group in 2014 and 2013.

With regard to the disclosures included in the aforementioned Note 3 to the Group's consolidated financial statements for 2014. which indicated that the recognition. at fair value, of the assets and liabilities acquired and the goodwill generated in the acquisition of all the share capital of GE Money Bank AB :subsequently Santander Consumer Bank AB) on 6 November 2014 was not yet definitive at the date of brmal preparation of the aforementioned consolidated financial statements and, therefore, the aforementioned amounts were subject to review: it should be noted that in :he first half of 2015 this review process was still under way and is expected to be completed in any case within the one-year maximum period established in the applicable legislation.

The most significant transactions and capital increases carried out in the first six months of 2015 involving nvestments in the share capital of Group entities and other companies that form part of the consolidated :ax group, which also affected the Group with respect to its situation at 31 December 2014. were as

*Agreements with Banque PSA Finance*

Jnder the framework of the agreements entered into in 2014 by the Bank. Peugeot. S.A. and Banque 'SA Finance, the vehicle financing unit of the PSA Peugeot Citroen Group, the following events and :ransactions took place in the first half of 2015:

In January 2015 the relevant regulatory authorisations were obtained (European Central Bank) for the commencement of activities in France.

On 30 January 2015, the subsidiary Santander Consumer Frame, S.A.S. carried out a capital increase which was subscribed and paid in full by the Bank through a monetary contribution of EUR 477 million.

On 2 February 2015. Santander Consumer France. S.A.S. acquired 50% of the share capital of Societe Financiere de Banque - SOFIB. S.A. ("SOFIB"), which until that time was part of the Banque PSA Finance Group, for EUR 462 million: however, this price might change as a result of the various review processes currently under way, pursuant to the terms of the aforementioned agreements.

Subsequent to the aforementioned acquisition of 50% of the share capital of SOFIB and pursuant to the aforementioned agreements entered into. SOFIB. together with its subsidiaries, became Group subsidiaries from that date, and contributed a lending portfolio for an approximate total of EUR 8,000 million (SOFIB Group total) and non-controlling interests of approximately EUR 437 million to the consolidated Group's balance sheet.

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

Also, on 16 March 2015. the Group incorporated PSA Life Limited and PSA Non-Life Limited, in which it holds 50% ownership interests, for a total of approximately EUR 3 million.

*Capital increases-*

In the first six months of 2015, certain investees carried out capital increases that were fully subscribed and paid, in addition to the one indicated in the preceding section. The most significant of these were as follows:

| | Millions or Euros |
|---|---|
| Transolver Finance E.F.C.. S.A. (Spain) | 3 |
| | 3 |

## 3. Dividends paid by the Bank and Earnings per share

### *a) Dividends paid by the Bank*

In the first half of 2015 the Bank's Board of Directors had not yet approved the distribution of an interim dividend out of 2015 profit, although the Bank paid dividends amounting to EUR 302.182 thousand with a charge to reserves, as approved by the Bank's Annual General Meeting on 18 December 2014, which had not yet been paid at 31 December 2014.

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

*b) Earnings per share*

Basic earnings per share are calculated by dividing the net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding, as the case may be. the average number of treasury shares held in the period.

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

At 30 June 2015 and 2014. there were no share option plans on Bank shares or issues convertible into Bank shares conferring privileges or rights which might. due to any contingency. make them convertible into shares (see Explanatory Note 9-b). Therefore, there is no dilutive effect on net profit and diluted earnings per share coincide with basic earnings per share.

Accordingly. the detail of earnings per share at 30 June 2015 and 2014 is as follows:

| | 30/005 | 30106/14 |
|---|---|---|
| Net profit attributable to the Parent (thousands of euros) | 484,372 | 328,041 |
| *Of which:* | | |
| *Profit (Loss) from discontinued operations (thousands of euros)* | *2* | (250) |
| *Profit from continuing operations (thousands of euros)* | 484,370 | 328,291 |
| Weighted average number of shares outstanding | 1,824,297,553 | 1,654,546,172 |
| Basic and diluted earnings per share (euros) | 0.2655 | 0.1983 |
| *Of which: from discontinued operations (euros)* | *0.0000* | *(0.0001)* |
| *front continuing operations (euros)* | *0.2655* | *0.1984* |

4. Remuneration and other benefits ;mid to the Bank's directors and senior managers

Note 5 to the Group's consolidated financial statements for the year ended 31 December 2014 includes the detail of the remuneration and other benefits paid to the Bank's directors and senior managers in 2014 and 2013.

The most salient data relating to the aforementioned remuneration and benefits for the six-month periods ended 30 June 2015 and 2014 are summarised as follows:

*Remuneration paid to the Bank's directors-*

The remuneration paid by the Bank directly to the directors in the six-month periods ended 30 June 2015 and 2014 are as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30:0&15 | 30106/14 |

| | | |
|---|---|---|
| Fixed remuneration | | |
| Variable remuneration | | |
| Attendance fees | | |
| Bylaw-stipulated emoluments | 232 | 201 |
| Other | | |
| | 232 | 201 |

In the six-month period ended 30 June 2015 the members of the Bank's Board of Directors earned remuneraton amounting to EUR 232 thousand in the form of bylaw-stipulated emoluments and attendance fees (30 June 2014: EUR 201 thousand), which related in full to two external (independent) directors, the detail being as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 30/06/14 |
| Mr Antonio Escamez Torres | **180** | **192** |
| Mr Luis Alberto Salazar-Simpson Bos | 52 | **9** |
| | **232** | **201** |

In the firs) half of 2015 the Bank's directors received approximately EUR 3.143 thcusand from Banco Santander, S.A. (first half of 2014. approximately EUR 4,087 thousand), Laoically **in** respect of fixed remuneraton earned by certain directors for discharging executive duties at Banco Santander, S.A. and in their capacity as members of the Boards of Directors of other Santander Group entities.

***The*** bonus or variable remuneration relating to 2014 of both the Bank's directors and its senior managers was disclosed in the information on remuneration set forth in the notes to the consolidated financial statements for 2014. The variable remuneration attributable to 2015 results will be disclosed in the notes to the consolidated financial statements for 2015.

In the first half of 2015 and 2014, none of the rights (share options) granted under the incentive plans approved by the shareholders at the Annual General Meeting of Banco Santander, S.A. were exercised. The aforementioned incentive plans and rights granted are described in Notes 5 and 40 to the Group's consolidated financial statements for 2014.

Remuneration in kind paid by Banco Santander, S.A. to the Bank's directors mainly in relation to life insurance amounted to approximately EUR 261 thousand in the first had of 2015 (first hail of 2014: approximately EUR 344 thousand).

***Other benefits paid to the directors-***

In the six-month periods ended 30 June 2015 and 2014, the Bank and the other Group companies did not have any balances with or obligations to current or former directors of the Bank and it did not make any payments or contributions in relation to advances, loans granted, contributions to pension funds or plans, obligations assumed in relation to pension funds or plans, life insurance premiums or guarantees provided to the directors.

The defined benefit pension obligations to the Bank's directors assumed by Santande• Group entities not included it the Santander Consumer Finance Group amounted to EUR 13,406 thousand at 30 June 2015 (31 December 2014: EUR 14,578 thousand). No contributions were made in the first half of 2015 or in the first half of 2014.

Contributions amounting to EUR 644 thousand were made to defined contribution pension plans for the Bank's directors in the first half of 2015 (first half of 2014: EUR 1,132 thousand). These contributions were made by Santander Group entities not included in the Santander Consumer Finance Group.

The total sum insured under life and other insurance policies for the Bank's directors amounted to EUR 13,222 thousand at 30 June 2015 (31 December 2014: EUR 17,952 thousand). The cost of these insurance policies is assumed by Santander Group entities not included in the Santander Consumer Finance Group.

***Remuneration of senior managers-***

The remuneration received in the first half of 2015 by the senior managers from other Santander Group entities that are not part of the Santander Consumer Finance Group in relation to both fixed employee benefits and benefits in kind (neither the Bank nor the Santander Consumer Finance Group companies paid any employee benefits to their senior managers in the six-month periods ended 30 June 2015 and 2014) amounted to EUR 1,316 thousand (first half of 2014: EUR 1,192 thousand).

In the first half of 2015 no significant agreements were entered into with respect to the remuneration and other benefits of the directors and senior managers other than those indicated in the Group's consolidated financial statements for the year ended 31 December 2014.

## 5. Financial assets

*a) Breakdown*

The detail, by nature and category for measurement purposes, of the Group's financial assets other than the balances of "Cash and Balances with Central Banks' and "Hedging Derivatives" in the accompanying condensed consolidated balance sheets as at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06/15 | | | | |
| | Financial Assets Held for Trading | Other Financial Assets at Fair Value through Profit or Loss | Available-for-Sale Financial Assets | Loans and Receivables | Held-to-Maturity Investments |
| Loans and advances to credit institutions | - | - | - - | 4,203,036 | - |
| Loans and advances to customers | - | - | 1,357,90 | 66,268,70 | |
| Debt instruments | - | - | 1 9.664 | 2 31,137 - | |
| Equity instruments | - | | | - | |
| Frading derivatives | 87,604 | | | | |
| | **87,604** | | 1.367,565 | 70,502,875 | |

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 31/12/14 | | | | |
| | Financial Assets Held for Trading | Other Financial Assets at Fair Value through Prat | Available-for-Sale Financial Assets | Loans and Receivables | Held-to-Maturity Investments |
| Loans and advances to credit institutions | - | - | - | 5,486,50 | - |
| Loans and advances to customers | - | | - | 2 | - |
| Debt instruments | | - | 460,032 | 57,445,5 | - |
| Equity instruments | - | | 11,180 | 60 | - |
| Trading derivatives | I N. i ii | - | - | 87,561 - | |
| | 149.444 | - | 471,212 | 63,019,623 | - |

*b) Valuation adjustments for impairment of financial assets*

*Available-for-sale financial assets*

At 30 June 2015, the Group analysed the changes in the fair value of the various assets composing this portfolio and concluded that there were no material differences that could be considered to arise from impairment at that date, and at 30 June 2015 and 31 December 2014 no impairment losses were recognised on these financial assets. Accordingly, most of the changes in value of these assets are presented in consolidated equity under 'Valuation Adjustments - Available-for-Sale Financial Assets". The changes in the balance of these valuation adjustments in the first six months of 2015 are recognised in the accompanying condensed consolidated statement of recognised income and expense.

*Loans and receivables - Loans and advances to customers*

The changes in the balance of the allowances for impairment losses on these assets in the first half of 2015 and 2014 were as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 30/06/14 |
| Balance at beginning of period | 2,657,489 | 2,466,064 |
| Net impairment losses charged to income for the period (*) | 349,837 | 338,405 |
| *Of uhich:* | | |
| *Impairment charges* | *500,655* | *641,666* |
| *Impairment losses reversed with a credit to income* | *050,8181* | *003,2611* |

| | | |
|---|---|---|
| Write-off of impaired balances against recorded impairment allowance | (390,721) | (358,508) |
| Exchange differences and other (") | 195,067 | 147,512 |
| Balance at end of period | 2,811,672 | 2,593,473 |
| *Of ;thick:* | | |
| ***Impaired assets*** | ***1,994,681*** | ***1,811,009*** |
| ***Other assets*** | ***816,991*** | ***782,464*** |

**[1]) These net impairment losses are recognised under 'Impairment Losses on Financial Assets (Net)" in the accompanying half-yearly condensed consolidated income statements.**

**(n) Includes, for disclosure and comparison purposes only, the credit risk adjustments made during the six-month period to the estimate of the initial fair value of the financial assets acquired in business combinations included in this category.**

**Previously written-off assets recovered in the first six months of 2015, including sales of written-off portfolios, amounted to EUR 61,006 thousand (first six months of 2014: EUR 85,986 thousand) and are presented as a credit against the balance of impaimient Losses on Financial Assets (Net)' in the accompanying half-yearly condensed consolidated income statements.**

**In the first half of 2015, the Group sold the following portfolios of written-off loans:**

| | Thousands of Euros | |
|---|---|---|
| Company | Nominal Value | Selling Price |
| Santander Consumer, E.F.C., S.A. (Spain) | 21,439 | 429 |
| Santander Consumer Bank S.p.A. (Italy) | 535 | 65 |
| Santander Consumer Finance Benelux B.V. (The Netherlands) | 13,875 | 5,361 |
| Santander Consumer Bank AS (Norway) | 4,988 | 1,796 |
| Santander Consumer Finance Oy (Finland) | 7,959 | 5,969 |
| Santander Consumer Bank GmbH (Austria) | 17,040 | 6,550 |
| | 65,836 | 20,170 |

**In the first half of 2014, the Group sold portfolios of written-off loans with a nominal value of EUR 710,956 thousand.**

***c) Impaired assets***

The detail of the changes in the balance of the financial assets classified as loans and receivables and considered to be impaired due to credit risk in the first six months of 2015 and 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 30/06/14 |
| Balance at beginning of period | 2,709,789 | 2,348,338 |
| Net additions | 150,431 | 329,385 |
| Written-off assets | (390,721) | (358,508) |
| Exchange differences and other (*) | 260,518 | 148,139 |
| **Balance at end of period** | **2,730,017** | **2,467,354** |

(*) Relates basically to impaired assets amounting to EUR 240.623 thousand included in the consolidated balance sheet at the date of acquisition of control of Societe Financiers de Banque - SOFIB. SA. in the first half of 2015 (EUR 147,180 thousand at the date of acquisition of control of Financiera El Corte Ingles E.F.C, S.A. at 30 June 2014) (see Explanatory Note 2); these assets are presented as "Impaired Assets" for comparison purposes only, taking into consideration the situations pertaining to these transactions when the Group acquired control of these companies.

### *d) Sovereign risk*

As a general rule, the Group considers sovereign risk to be the risk assumed in transactions with central banks, the issuer risk of the Treasury or Republic and the risk arising from transactions with public entities (those whose funds are obtained from fiscal income, which are legally recognised as entities included in the government sector or whose activities are of a non-commercial nature). Following is the Group's total risk exposure at 30 June 2015 and 31 December 2014 to the so-called peripheral countries of the eurozone (Spain, Italy, Greece, Ireland and Portugal), distinguishing between sovereign risk and private sector exposure based on the country of the issuer or borrower:

| Sove eign Risk by Country of Issuerlionnwer at 30 June 20131·1 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Debt Instruments | | | | | | Derivati | es (•••) |
| | Financial Assets Held for Trading and Other Financial Assets at Fair Value through Profit or Loss | Short Positions | Available-for-Sale Financial Assets | Loans and Receivables | Loans and Advances to Customers (") | Total *Net* Direct Exposure | Other than CDSs | CDSs |
| Spain | - | - | 342.000 | - | 57 | 57 | - | |
| Italy | - | - | 300.000 | - | 30 | 30 | - | |

(') Information prepared under ESA standards.

(a) Presented without taking no account the valuation adju tments recognised MOH 30 thousand).

("')'Other then CDSs' refers o the exposure to derivatives based on the location of the counterparty. irrespective of the location of the underlying. 'CDSs' refers to the exposure to CDSs based on the location of the underlying.

| Sovereign Risk by Country of IssueriBorrower at 31 *December* 2014 01 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Thousands of Euros | | | | | | | |
| | Debt Instruments | | | | | | Derivatives (•••1 | |
| | Financial *Assets* Held for Trading and Other | Short Positions | Available-for-Sale Financial Assets | Loans and Receivables | Loans and Advances to Customers (") | Total *Net* Direct Exposun | Other than CDSs | CDSs |

| | Financial Assets at Fair Value &laugh Profit *or* Loss | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Spain<br>Italy | - | -<br>- | -<br>- | | 57<br>***AS*** | 57<br>***IS*** | - | -<br>- |

CI Information prepared under ESA 'standards-

{") Presented without taking into account the valuation adjustments recognised ( EUR 32 thousand),

('") 'Other men CDSs' refers to the exposure to den wail yes based on the location of the counterparty, irrespective of the location al the underlying. 'CDSs' refers to the expoeure to CDSs based on me location of the underlying.

The detail of the Group's other exposure to other counterparties (private sector, central banks and other public entities that are not considered lo be sovereign risks) in the aforementioned countries at 30 June 2015 and 31 December 2014 is as follows:

| Exposure is Other Counterpanies by Country of IssrigriBorrowier at 30 June n LS (*) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Thousands of Euro& | | | | | | | | |
| | | | Debt Instniuments | | | | | Deriwati ..es (..`) | |
| | Balances with Central Banks | Reverse Repurchase Agreements | Financial Assets Held far Trading and Other Fi bands! **Assets** at Fair Value through Profit or Lass | Available-for-Sale Financial Assets | **Loans** and Receivables | Loans and Advances to Customers ci..) | Total Ncl Direct Exposure | Other Man CDSs | CDSs |
| Sp,in | 274,794 | - | - | | 2,022 | 8,422,932 | 8,644,753 | (36,186) | - |
| Niiiiipil | - | | - | | | 914,332 | 41.4,332 | | - |
| Ilk | 3211 | - | | - | - | 5,119,343 | 5,122,604 | - | |
| liviiisd | - | - | | - | - | 6,425 | 6,425 | - | |

(') Also, the Group lied off-balance-sheet exposure other than clenwativee —contingent liabilities end commitments— amounting to EUR 15,716,210 thousand, EUR 2530,817 thousand end EUR 108,08 thousand to counterparties In Spain, Portugal and Italy, respectiwary.

("-1 Presented excluding veltietion adiustments and impairment losses recognised (EUR 717,30.4 lhousand;.

("'). Cither than CDSs' refers to **the exposure** to derivatives based on the location of the counterperty. irrespective of the location of the underlying-'CDSs" fakirs to me exposure to C155a **based** on the location of the underlying.

| Exposure is Dthcr Counterparties by Country of IssideriBorrowier at 3I December 2014 1°1 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Thousands cif Emma | | | | | | | | |
| | | | Debt Instruments | | | | | Dcriwati •es (***1 | |
| | Balances with Central Banks | Rcvcrec Repurchase Agrcemems | Financial AS-SCES Held for Trading and Other Financial **Assets**at Fair Value through Profit or Lass | Available-for-Sale Financial Assets | Loans and Receivables | Loans and Advances to Customers via) | Total Nci Direct Exposure | Other than CDSs | CUSS |
| Spain | 66261 | - | | | 2,023 | 115.34,503 | 8_602,767 | (56,607) | |
| Ponugal | - | - | - | | - | 41.3,741 | 41.3,741 | - | - |
| Italy | 4.442 | | - | | 35 | ***5.166,454*** | 5A73,436 | - | - |
| Ireland | - | | - | | 6 | 5,657 | 5,665 | | - |

(1 **Ales,** me Group had off-balance-sheet exposure other than derivatives —contingent liabilities end commitments— amounting to EUR 16,331,138 thousand, EUR 284,431 thousand end EUR 10,317 thousand to counterparties In Spain, Portugal and Rely, reepectivary.

("l Presented excluding ideluelion adiustmenta and Impairment losses recognised (EUR 753,740 thousand;.

71.·Omer That CDSs` refers to the exposure to derivatives **baled on the location of the counierpert3._ irrespective of the location of the** und saying. ·CDSs" raters to the exposure to CDSs need on the location of the underlying.

At 30 June **2015 and** 31 December **2014, the** Group had not **arranged any** credit default swaps (CDSs).

*e) Fair value of* ***financial assets not measured at fair value***

Following is a comparison of the carrying amounts of the Group's financial assets measured at other than fair value and their respective fair values at 30 June 2015 and 31 December 2014:

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06/15 | | | | |
| | Carrying Amount | Fair Value | Level I | Level 2 | Level 3 |
| Loans and receivables: | | | | | |
| Loans and advances to credit institutions | 4 203 , | 4,203 | - | 2,603 | **1,600** |
| Loans and advances to customers | 66,26 | 66,266 | - | 15,123 | 51,143 |
| Debt instruments | 9 31 | 31 | - | 31 | - |
| | 70,503 | **70,500** | **-** | **17,757** | **52,743** |

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | 31/12/14 | | | | |
| | Carrying Amount | Fair Value | Level I | Level 2 | Level 3 |
| Loans and receivables: | | | | | |
| Loans and advances to credit institutions | 5,486 | 5,486 | - | 2,988 | 2,498 |
| Loans and advances to customers | 57,446 | 59,905 | - | 9,658 | 50,247 |
| Debt instruments | 88 | 88 | - | 88 | - |
| | 63,020 | 65,479 | - | 12.734 | 52.745 |

Explanatory Note 15 details the valuation techniques used to measure the fair value of the financial assets.

**6.** <u>Non-current assets held for sale and Liabilities associated with non-current assets held for sale</u>

The detail, by nature, of the Group's non-current assets held for sale at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 31/12/14 |
| Loans and advances to credit institutions (*) | - | 21,950 |
| Loans and advances to customers (*) | - | 32,010 |
| Other assets | 163 | 245 |
| | 163 | 54,205 |
| Foreclosed tangible assets | 54,084 | 53,973 |
| Other | 923 | 1,297 |
| | 55,007 | 55,270 |
| Less - Impairment losses | (40,982) | (40,432) |
| | 14,188 | 69,043 |

(') The change in these items in the first half of 2015 was a result of the Group's Hungaran subsidiary Santander Consumer Finance ZRT. no longer being classified as a "discontinied operation', due to a change in intention and management objective with regard to ihe subsidiary in this period: this did not have any significant impact on these condensed consolidated financial statements, since the figures contributed by this entity to the Grcup are immaterial (approximately 0.04% of the Group's total assets) and, accordingly, the corresponding comparative informaton for 2014 was not modified, there being no significant effect on the comparability of the information.

The detail, by nature, of the Group's liabilities associated with non-current assets held for sale at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 31/12/14 |
| Loans and advances to credit institutions | - | - |
| Other financial liabilities | - | 121 |
| Tax liabilities | - | **15** |
| Accrued expenses and deferred income | - | 124 |
| Other liabilities | - | 21,212 |
| | **-** | **21,472** |

## 7. Tangible assets

*a) Changes*

In the first six months of 2015 the Group acquired tangible asset items for EUR 5,989 thousand (first six months of 2014: EUR 12,403 thousand). Also, in the first six months of 2015 the Group disposed of tangible asset items with a carrying amount of EUR 5,787 thousand (first six months of 2014: EUR 998 thousand). In the first half of 2015 these disposals gave rise to a loss of EUR 1,051 thousand (first half of 2014: a loss of EUR 396 thousand), which was recognised under 'Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale' in the accompanying half-yearly condensed consolidated income statement.

*6) Impairment losses*

In the first half of 2014 the value of items amounting to EUR 165 thousand classified under "Tangible Assets - Property. Plant and Equipment" in the accompanying condensed consolidated balance sheets was recovered (first half of 2014: EUR 114 thousand were recovered) and these amounts are recognised under Impairment Losses on Other Assets (Net)" in the accompanying half-yearly condensed consolidated income statement for the six-month period ended 30 June 2015 and 2014.

*c) Property, plant and equipment purchase commitments*

At 30 June 2015 and 2014. the Group did not have any significant commitments to purchase property. plant and equipment items.

8. Intangible assets

*a) Goodwill*

The detail of the balances of "Intangible Assets - Goodwill" in the accompanying condensed consolidated balance sheets, based on the units giving rise thereto, is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 31:12•'14 |
| Germany: Austria | 1,284,389 | 1,284,389 |
| Scandinavia | 570,554 | 563,804 |
| The Netherlands | 35,550 | 35,550 |
| Spain/Portugal | 32,354 | 32,354 |
| Other | 158 | 158 |
| | 1,923,005 | 1,916,255 |

The changes arising in goodwill in the first half of 2015 relate to the exchange differences which. pursuant to current legislation, were recognised with a charge/credit to "Valuation Adjustments - Exchange Differences" in the condensed consolidated balance sheet as at 30 June 2015. The changes in the balance of "Goodwill" are recognised in the accompanying condensed consolidated statement of recognised income and expense at 30 June 2015.

Note 15 to the Group's consolidated financial statements for the year ended 31 December 2014 includes detailed information on the procedures followed by the Group to analyse the potential impairment losses on the goodwill recognised with respect to its recoverable amount and to recognise the related impairment, as appropriate.

Accordingly. based on the analysis performed of the available information on the performance of the various cash-generating units which might evidence the existence of indications of impairment, the

Bank's directors concluded that in the first half of 2015 there were no impairment losses which required recognition.

***b) Other intangible assets***

In the first half of 2015, the Group sold intangible asset items giving rise to losses amounting to EUR 1,473 thousand (first half of 2014: losses of EUR 92 thousand), which were recognised under "Gains (Losses) on Disposal of Assets Not Classified as Non-Current Assets Held for Sale" in the accompanying condensed consolidated income statement for the six-month period ended 30 June 2015.

## 9. Financial liabilities

***a) Breakdown***

The detail, by nature and category for measurement purposes, of the Group's financial liabilities other than the balances of "Hedging Derivatives' in the accompanying condensed consolidated balance sheets at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | | | | | |
|---|---|---|---|---|---|---|
| | 30/06/15 | | | 31/12/14 | | |
| | Financial Liabilities Held for Trading | Other Financial Liabilities at Fair Value through Profit or Loss | Financial Liabilities at Amortised Cost | Financial Liabilities Held for Trading | Other Financial Liabilities at Fair Value through Profit or Loss | Financial Liabilities at Amortised Cost |
| **Deposits from central banks** | - | - | **4,073,906** | - | - | **2,956,626** |
| **Deposits from credit institutions** | - | - | **10,261,014** | | | **7,061,090** |
| **Customer deposits** | - | - | **30,256,874** | - | | **29,298,05** |
| **Marketable debt securities** | - | - | **20,715,712** | | | **3** |
| **Trading derivatives** | **84,639** | | | - | | **18,492,45** |
| **Subordinated liabilities** | - | - | **1,125,970** | | | **5** |
| **Short positions** | - | | | - | | |
| **Other financial liabilities** | | - | 425.239 | 411.75 | | **1,235,568** |
| | 84.639 | - | 66,858,715 | 411,754 | | 59,812.194 |

***b)*** *Information on issues. repurchases* ***or redemptions of debt*** *instruments*

Following is the detail at 30 June 2015 and 2014 of the outstanding balance of the debt instruments issued by the Bank or any other Group entity, without taking into account valuation adjustments, and of the changes therein during the first six months of 2015 and 2014:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06/15 | | | | |
| | Outstanding Balance at 01/01/15 | Issues | Repurchases or Redemptions | Exchange Rate and Other Adjustments (*) | Outstandin g Balance at |
| Debt instruments issued in an EU Member State for which it was necessary to file a prospectus | 17,754,653 | 9,341,307 | (9,233,803) | 1,991,589 | 19,853,746 |
| Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus | 275,968 | - | (73,867 | - | 202,101 |
| Other debt instruments issued outside an EU Member State | 318,514 | 261,631 | ) - | 9,016 | 589,161 |
| | **18,349,13** | **9,602,93** | **(9,307,670** | **2,000,605** | **20,645,008** |

(1 Includes, inter cilia, the additions to and exclusions from the Group's scope of consolidation in the first half of 2015 (see Explanatory Note 2).

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06/14 | | | | |
| | Outstanding Balance at 01/01/14 | Issues | Repurchases or Redemptions | Exchange Rate and Other Adjustments (*) | Outstanding Balance at 30/06/14 |
| Debt instruments issued in an EU Member State for which it was necessary to file a prospectus | 12,574,961 | 12,193,946 | (8,231,611) | 6,014 | 16,543,310 |
| Debt instruments issued in an EU Member State for which it was not necessary to file a prospectus | - | - | - | | - |
| Other debt instruments issued outside an EU Member State | - | - | - | | - |
| | 12,574,961 | 12,193,946 | (8,231,611) | 6.1114 | 16,543,310 |

(*) Includes, if any, the additions to and exclusions from the Group's scope of consolidation.

At 30 June 2015 and 2014, there were no issues that were convertible into Bank shares or that granted privileges or rights which might, in the event of a contingency, make them convertible into shares (see Explanatory Note 3-b).

***c) Other issues guaranteed by the Group***

At 30 June 2015 and 2014, there were no debt instruments issued by associates or non-Group third parties that had been guaranteed by the Bank or by any other Group entity.

or) Case-by-case information *on certain issues, repurchases* or redemptions of debt instruments

The main characteristics of the most significant issues launched by the Group in the first six months of 2015 and 2014, or guaranteed by the sank or Group entities in these periods, excluding Issues of promissory notes and Issues maturing within less than one year, are as follows:

| Es'51.30' Data | | | | Data cm the I SRC'S Launched In Ile Firsl. Illallo12015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Rel4iikinJiip with the Bank | Country | issuer or l&sue Credit Baling | LSIN Code | Type of Ins-Minx-in | Transactio Dale | Amount tit The Issue (Thousands 01Euras) | Balance Outstanding at 30/Obit 5 (Thousands of Ewes) | Interest Rat' | Market Where Quoted | Type uf Guarantee Given | Risks Additiunal to the Guarantee Thai the .0 roup would Assume |
| SC Gcrrszny Vehicles 2015• (hakunilshnchninkt) | (*) | Germany | S&P Laing Ailmfi I Filch Rating A(s11 | X512 17t 3313 | Seniur debt | 20104115 | 633500 | 633.500 | 0.9713% | Luxembourg Stock Exchange | | - |
| Se(ierrnany Vehicles 20t5-LUG (haltungsbeschtilnkt) | (*) | Germany | MIA | X412 k 7E409) | Juni.nr debl. | 2.114114/I5 | 66.5011 | .61S,509 | 2. Eh 7% | Luxembourg Stuck Exchange | | - |

**{1 The receivetige** acquired by thi5special-euirpose vehicle were net dFiecognised since substantialy all The risks and fewa.cds associated with these cc¨Mectian rights were not transfored.

| !Valle EMU | | | | DULL un die lasers Launched in the First I lal. f ur2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Relationship with the Bank | Country | Issuer ur !Niue Credit Rating | ISIN Code | Type or Instrument | Transar Lion Date | Amaunt of the Isslie {Thousands al¯biros) | Balance ( hi tstandin,s at 30/11O/201.4 (Thousands of Euros) | Ink-real. Role | Markel Where ()Wiled | 'rype or ◁uarantee (jivers | Risks Additional to the Guarantee that the Group would Assume |
| SC Ce¯manly Consumer 2014 -I UG Cm kr ngsbeschni nkt) | (*) | Germany | DBRS A (tar) Raring/ S&P A {0) Kati ng | XS1043 16 1667 | Senior debt | 20/03/14 | 1205,000 | 1,205,000 | 2.301 % | Luxemboun Stock Exchange | | - |
| SC Germany Consumer 2014 -LUG Oa It ngsbescluankt) | () | Cermamy | NIA | X31043162046 | Junior debt | 20'03/14 | 145,000 | 145,000 | 3.384 % | Luxembourg Stuck Exchange | | - |
| SC Corm/my Auto 201.4 - 1 UG Oa flu ngsbeschr8 nkt) | (*) | Germany | Fitch AAA sr Rating/ Moody's Aaa (A Raring' S&P AAA (si) Rating | XS1.4141·19qN;Li• | Senior debt | 20/0³/₁4 | 553,500 (**) | 496.,3I I | 1E0111604R + 0.42% | Luxembourg Stuck Exchange | | • |
| SC 6 crrnany Auto 2014 - 1 UG thultungsbmarlikt) | (*) | Germany | N/A | XS11141.51111551. | Junior debt | 20/03/14 | 445,5[10 | 46,500 | 215 '"i. | Luxembourg Stuck Eadiunix- | - | - |
| SC Poland Auto 2014-1 Limited | (*) | Poland | Fitch AA sr Rating?' Moodys Aal (s) Rating | XSI.0 70421.41d | Senior dcht | 27/06114 | 2 7K , /001 | 27x,111111 | 1.M WIBOR + 41.759n | Irish Stock Exchange | - | - |
| SC Poland Auto 2014-1 Limited | (• ) | Poland | Fitch A Er Rating! Moody's A.33 (so Rating | XS10793096 5 i | Junior debt | 2 7/06/ I.4 | 50,335 | 50,335 | I. M ';II.+IBOR + 0.95%" | Irish Stuck Exchange | | - |

| Issuer Data | | | | Data on the Issues Launched in the First Hal f o f 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Relationship with the Bank | Country | Issuer or Issue Credit Rating | ISIN Code | Type of Instmment | Transaction Date | Amount of the Issue (Thousand of Euros1 | Balance Outstanding at 30/06/2014 (Thousands of Euros) | Interest Rate | Market Where Quoted | Type of Guarantee Given | Risks Additional to the fiuerantee that the Group would Assume |
| Golden Bar (Securitisation) S.R.L. | (•) | Italy | DBRS A (high)(sf) Rating/Moody's A2 (a) Rating | ff0005026163 | Senior debt | 11/0614 | 646.800 | 646,803 | Euribor v 1.1% | Irish Stock Exchange | - | - |
| Golden Bar (Securitisation) S.R.L. | (*) | Italy | DBRS A (losv)(M) Rating/Moody's Baal (30 Rating | IT0005026189 | Senior debt | II/06/14 | 30.100 | 30.100 | 130 % | Irish Stock Exchange | - | - |
| Golden Bar (Sccuritisation) S.R.L. | (..) | Italy | N/A | IT0005026197 | Junior debt | 11/06/14 | 75,100 | 75,100 | N/A | *NIA* | - | - |

(•) The receivables acquired by these special-purpose vehicles were not derecognised since substantially at the risks and rewards associated with these collection rights were not transferred.

(") These bonds had boon redeemed in part at tho and of tho rotated six-month po nod.

Also, as indica:ed in Explanatory Note 2, in the first half of 2015, the Group obtained control of the French entity Societe Financiere de Banque - SOFIB, S.A. (part of the Banque PSA Finance Group until that time). This entity owns all the share capital of Compagnie Generale de Credit Aux Particuliers - Credipar S.A., which in turn carried out several securitisations of receivables which were granted to the French special purpose vehicles FCT Auto ABS Compartiment 2011-1, FCT Auto ABS Compartiment 2012-1, Auto ABS DFP Master - Compartment France 2013, Auto ABS French Loans Master, Auto ABS FCT2 2013-A, Auto ABS FCT Compartiment France 2013-2 and Credipar FCT Fonds B prior to the Group obtaining control of this company. Since the Bank's directors consider that the Group retains substantially all the risks and rewards associated with the securitised portfolios, and has control thereof, they have consolidated these special purpose vehicles in these interim condensed consolidated financial statements, giving rise to an increase of approximately EUR 2,000 million in "Financial Liabilities at Amortised Cost - Marketable Debt Securities" in the first half of 2015.

***e) Subordinated liabilities***

In the first six months of 2015 subordinated liabilities arranged with Santander Benelux, S.A./N.V. and Open Bank, S.A. amounting to EUR 109,755 thousand matured. Note 20 to the Group's consolidated financial statements for the year ended 31 December 2014 includes a detail, by currency, of the Group's subordinated liabilities at 31 December 2014, together with certain salient Information on the features of these financial liabilities.

***f) Fair value of financial liabilities not measured at fair value***

Following is a comparison of the carrying amounts of the Group's financial liabilities measured at other than fair value and their respective fair values at 30 June 2015 and 31 December 2014:

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06/15 | | | | |
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| Financial liabilities at amortised cost: | | | | | |
| Deposits from central banks and credit institutions | 14,335 | 14,335 | - | 10,261 | 4,074 |
| Customer depcsits | 30,257 | 30,257 | - | - | 30,257 |
| Marketable debt securities | 20,716 | 20,714 | 2,229 | 18,485 | - |
| Subordinated liabilities | 1,126 | 1,126 | - | 1,126 | - |
| Other financial liabilities | 425 | 425 | - | - | 425 |
| | 66,859 | 66,857 | 2,229 | 29,872 | 34,756 |

| | Millions of Euros | | | | |
|---|---|---|---|---|---|
| | 31/12/14 | | | | |
| | Carrying Amount | Fair Value | Level 1 | Level 2 | Level 3 |
| Financial liabilities at amortised cost: | | | | | |
| Deposits from central banks and credit institutions | 10,018 | 10,006 | - | 7,053 | 2.95 |
| Customer deposits | 29,298 | 29,355 | - | | |
| Marketable debt securities | 18,492 | 18,536 | 2.135 | 16,401 | |
| Subordinated liabilities | 1,236 | 1,236 | | 1,236 | - |
| Other financial liabilities | 768 | 761 | | - | -61 |
| | 59,812 | 59,894 | 2.135 | 24,6911 | 33,1169 |

Explanatory Note 15 details the valuation techniques used to measure the financial liabilities.

## 10. Provisions

*a) Breakdown*

The detail of Provisions' in the accompanying condensed consolidated balance sheets as at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 31/12/14 |
| Provisions for pensions and similar obligations | 561,126 | 564,648 |
| Provisions for taxes and other legal contingencies | 43,813 | 51,480 |
| Provisions for contingent liabilities and commitments | 8,832 | 4,636 |
| Other provisions | 181,705 | 313,954 |
| Provisions | **795,476** | **934,718** |

*b) Provisions **for taxes** and other legal contingencies and Other provisions*

'Provisions for Taxes and Other Legal Contingencies" and "Other Provisions" in the foregoing table, which include, inter alia, provisions for restructuring costs and tax-related and non-tax-related proceedings and those for claims of handling fees on consumer loan agreements in Germany, were estimated using prudent calculation procedures in keeping with the uncertainty inherent to the obligations covered. The definitive date of the outflow of resources embodying economic benefits for the Group depends on each obligation. In certain cases, these obligations have no fixed settlement period and, in other cases, are based on the legal proceedings in progress.

In the first half of 2015, the amounts paid out of the provisions for handling fees, which were recognised as a result of the German Supreme Court judgement (see Note 22 to the Group's consolidated financial statements for the year ended 31 December 2014), amounted to approximately EUR 172 million, which had already been provided for at 31 December 2014.

Note 22 to the Group's consolidated financial statements for 2014 describes the main tax risks affecting the Group at 2014 year-end.

There were no significant changes in these risks in the first half of 2015 and no litigation or tax audits were initiated against the Group that might have a material effect on the accompanying interim condensed consolidated financial statements for that period.

The amount of the payments made by the Group arising from other litigations in the first six months of 2015 and 2014 is not material with respect to these interim condensed consolidated financial statements.

## 11. Equity

In the six-month periods ended 30 June 2015 and 2014 there were no other quantitative or qualitative changes in the Group's equity other than those indicated in the accompanying consolidated statements of changes in total equity.

### *a) Share capital*

At 31 December 2014. the Bank's share capital consisted of 1.779,546.172 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights.

On 25 March 2015, the shareholders at the Extraordinary General Meeting of the Bank resolved to increase capital by EUR 300.000 thousand by issuing at par 100,000.000 ordinary shares of EUR 3 par value each. This capital increase was fully subscribed and paid by the Bank's shareholders on 25 March 2015. and it was executed in a public deed on 26 March 2015 and registered in the Mercantile Register on 10 April 2015.

Consequently, at 30 June 2015. the Bank's share capital, the only share capital included in the accompanying consolidated balance sheet at that date as a result of the consolidation process, consisted of 1.879,546.172 fully subscribed and paid registered shares of EUR 3 par value each, all with the same voting and dividend rights. At that date, the Bank's shareholders were as follows:

| | Ownership Interest |
|---|---|
| Banco Santander. S.A. | 63.19% |
| Holneth. B.V. (*) | 25.00°:. |
| Foment() c Inversiones, S.A. (*) | 11.81% |
| | 100.00% |

(") Santander Group companies.

### *6) Valuation adjustments - Exchange differences*

"Valuation Adjustments - Exchange Differences" includes the net amount of exchange differences arising on non-monetary items whose fair value is adjusted against equity and the differences arising on the translation to euros of the balances of the consolidated entities whose functional currency is not the euro.

c) *Valuation adjustments -Other valuation adjustments*

The changes in "Valuation adjustments - Other Valuation Adjustments' are shown in the statement of recognised income and expense and include the actuarial gains or losses generated in the period by defined benefit pension obligations.

d) *Valuation adjustments -* ***Hedges of net investments in foreign operations***

"Valuation Adjustments - Hedges of Net Investments in Foreign Operations" in consolidated equity includes the net change in the derivatives arranged by the Group designated as hedging instruments that is determined to be effective for hedges of this type.

## 12. Segment information

This primary level of segmentation, which is based on the Group's management structure, comprises five segments relating to five operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain and Portugal, Italy, Germany, Scandinavia and Other. Note 47 to the Group's consolidated financial statements for the year ended 31 December 2014 includes the corresponding segment information for 2014 and 2013.

The detail, by geographical area, pursuant to the disclosure requirements of the applicable legislation, of the most significant line items in the condensed consolidated income statements for the six-month periods ended 30 June 2015 and 2014, is as follows:

| Geographical Area | Interest and Similar Income by Geographical Area (Thousands of Euros) | | | |
|---|---|---|---|---|
| | Individual | | Consolidated | |
| | 30/06/15 | 30/06/14 | 30/06/15 | 30/06/14 |
| Spain | 81,079 | 89,001 | 258,361 | 237,893 |
| Abroad- | | | | |
| European Union | 79,328 | 84,682 | 1,153,877 | 1,262,798 |
| OECD countries | 11,15 | 12,014 | 386,151 | 161,515 |
| Other countries | 7 - | - | - | - |
| | 90,485 | 96,696 | 1,540,028 | 1,424,313 |
| Total | 171,564 | 185,697 | 1,798,389 | 1,662,206 |

Following is a detail of revenue, by segment, pursuant to the disclosure requirements of the applicable legislation. For these purposes, revenue is deemed to ***be*** that recognised under 'Interest and Similar Income", "Income from Equity Instruments", 'Fee and Commission Income", "Gains!( Losses) on Financial Assets and Liabilities (Net)" and "Other Operating Income" in the accompanying condensed consolidated income statements for the half-yearly periods ended 30 June 2015 and 2014.

| Segment | Revenue (Thousands of Euros) | | | | | |
|---|---|---|---|---|---|---|
| | Revenue from External Customers | | Inter-Segment Revenue | | Total Revenue | |
| | 30/06/15 | 30/06+14 | 30/06/15 | 30.106/14 | 30/06/15 | 30/06+14 |
| Spain and Portugal | 372,106 | 369,112 | 122,501 | 132,331 | 494,609 | 500,443 |
| Italy | 199,506 | 209,856 | 940 | 1,070 | 199,446 | 210,926 |
| Germany | 946,403 | 1,046,220 | 131,606 | 89,944 | 1,076,009 | 1,136,164 |
| Scandinavia | 479,841 | 229,564 | 98,145 | 79,210 | 567,996 | 308,774 |
| Other (•) | 412,812 | 451,443 | 73,117 | 27,014 | 485,929 | 478,457 |
| Inter-segment revenue adjustments and eliminations | - | - | (416,309) | (329,569) | (416,309) | (329,569) |
| Total | 2,409,670 | 2,305,195 | . | - | 2,409,670 | 2,305,195 |

r) At 36 June 2015. this segment included the investment in Santander Consumer France S A.S. and its subsidiaries (see Explanatory Note 21. At 30 June 2.014, this segment included the investment in Santander Consumer Bank S.A. {Poland).

The Group's consolidated pain before tax for the six-month periods ended 30 *June* 2015 and 2014, broken down by geographical segment, coincides with the profit before tax as stated in the accompanying condensed consolidated income statements, the detail being as follows!

| Segment | Consolidated Profit (Loss) (Thousands of Euros) | |
|---|---|---|
| | 30/06/15 | 30/06/14 |
| Spain and Portugal | 93,894 | 69,176 |
| Italy | 24,002 | 4,068 |
| Germany | 192,422 | 198,246 |
| Scandinavia | 91,371 | 73,053 |
| Other | 139,461 | (4,452) |
| Total profit (loss) of the segments reported | 531,150 | 339,091 |
| (+.1-1 Unallocated profiffloss | | |
| (+/-) Elimination of inter-segment protitfloss | | - |
| (+1-) Other profit/less | | - |
| (41-) Income tax and/or profit from discontinued operations | 109.943 | 118,009 |
| Profit before tax | 641,093 | 457,100 |

## 13. Related parties

The Group's related parties are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities-, the Bank's 'key management personnel" (the members of its Board of Directors and its senior managers, together with their close family members) and the entities over which the key managenent personnel may exercise significant influence or control.

Following is a detail of the transactions performed by the Group with its related parties in the first six months of 2015 and 2014. distinguishing between significant shareholders, the Bank's directors and senior managers, Group employees, companies or entities, and other related parties. Related party transactions were made on terms equivalent to those prevailing in arm's-length transactions or, when this was not the case, the related compensation in kind was recognised:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 30/06'15 | | | | |
| Expenses and Income | Significant Shareholder | Directors and Executives | Group Employees, Companies or Entities | Other Related Parties t*) | Total |
| Expenses: | | | | | |
| Finance costs | 25,67 | I | - | 49,83 | 75,510 |
| Management or cooperation agreements | 2 | | | 7 | - |
| R&D transfers and licensing agreements | - | - | - | - | - |
| Leases | - | | | - | 1,793 |
| Services received | - | - | - | 1,793 | 102,148 |
| Goods aurchased (finished goods or work in | - | | | 102,148 | |
| progress) | | - | - | | - |
| Valuatian adjustments for uncollectible or | - | | - | - | |
| doubtful debts | | - | | | - |
| Losses on derecognition or disposal of assets | - | | - | - | - |
| Other expenses | - | - | | - | - |
| | 25,672 | 1 | | 153,778 | 179,451 |
| Income: | | | | | |
| Finance income | - | | | 11,124 | 11, |
| Management or cooperation agreements | | | | - | 1 |
| R&D transfers and licensing agreements | - | | | - | 2 |
| Dividends received | | | | - | 4 |
| Leases | - | | | - | -- |
| Services rendered | | | | - | 2 |
| Goods sold (finished goods or work in progress) | - | | | - | -- |
| Gains cn derecognition or disposal of assets | | | | - | - |
| Other income | | | | 24 | ˙7 |
| | 712 | 2 | - | 11.1411 | 11.862 |

(') This includes basically the income and expenses relating to Santander Group companies that do not belong to the Santander Consumer Finance Group and to other related parties.

| Other Transactions | Thousands of Ennis | | | | |
|---|---|---|---|---|---|
| | 1Chgli6/15 | | | | |
| | Significant Shareholders | Directors and Executives | Group Employees, Companies or Entities | Other Related Parties (*) | 'fatal |
| Purchases of tangible, intangible or other assets | - | - | | - | - |
| Financing agreements: loans and capital contributions (lender) | 178,869 | - | - | 1,167,092 | 1,745,963 |
| Finance leases (lessor) | | - | | - | - |
| Repayment or termination of loans and teases (lessor) | | - | - | | - |
| Sales of tangible, intangible or other assets | - | - | | - | - |
| Financing agreements: loans and capital contributions (burrower) | 5,46,588 | 17] | | 2,646,160 | 7,992,919 |
| Finance leases (lessee) | | - | - | | - |
| Repa,ment or termination of loans and Leases. (lessee) | - | | - | - | |
| Guarantees provided | 118,151 | - | - | 45 | 118,19a |
| Guarantees received | 124,119 | - | | 207 | 129,526 |
| Obligations acquired | 611,847 | | - | 1,004,916 | 1,616,763 |
| Obligationsigu.arantees cancelled | - | - | - | | - |
| Dividends and other distributed profit | 302,182 | - | | - | 342,18 |
| Other transactions | 115,079 | | - | 911,153 | 1,066,412 |

(1 This includes basically the transactions performed with Santander Group companies that do not belong to the Santander Consumer Finance Group and with other related parties_

| Expenses and Income | Significant Shareholder | Directors and Executives | Group Employees, Companies or Entities | Other Related Parties (*) | Total |
|---|---|---|---|---|---|
| | Thousands of Euros | | | | |
| | 30/06/14 | | | | |
| **Expenses:** | | | | | |
| Finance costs | 28.346 | 3 | | 69,020 | 97,369 |
| Management or cooperation agreements | - | - | | - | - |
| R&D transfers and licensing agreements | - | - | | - | - |
| Leases | - | - | | 1,744 | 1,744 |
| Services received | - | - | | 126,022 | 126,022 |
| Goods purchased (finished goods or work in progress) | - | - | | - | - |
| Valuation adjustments for uncollectible or doubtful debts | - | - | | 4.997 | 4.997 |
| Losses on dcrecognition or disposal of assets | - | - | | - | - |
| Other expenses | 1,955 | | | 2,157 | 4,112 |
| | 30,301 | 3 | | 203.940 | 234,244 |
| **Income:** | | | | | |
| Finance income | 21,933 | | | 20.156 | 42.089 |
| Management or cooperation agreements | - | | | - | - |
| R&D transfers and licensing agreements | - | - | | - | - |
| Dividends received | - | - | | - | - |
| Leases | - | I : | | 207 | 218 |
| Services rendered | - | | | - | - |
| Goods sold (finished goods or work in progress) | - | | | - | - |
| Gains on derecognition or disposal of assets | - | - | | - | - |
| Other income | 550 | - | | 18.885 | 19.435 |
| | 22,483 | 11 | | 39,248 | 61,742 |

(*) This includes basically the income and expenses relating to Santander Group companies that do not belong to the Santander Consumer Finance Group and to other related parties.

| Other Transactions | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | 10106/14 | | | | |
| | Significant Shareholder | Directors and Executives | Group Employees, Companies or Entities | Other Related Parties (*) | 'FAO |
| Purchases of tangible, intangible or other assets | - | | - | - | |
| Financing agreements: bans and capital contributions (lender) | I,]58,252 | 2 | - | 2,602,517 | 3.'•f+ll.K21 |
| Finance leases (lessor) | - | - | | | - |
| Repayment or termination of loans and leases (lessor) | - | | | - | |
| Sales of tangible, intangible or other assets | | - | - | | - |
| Financing agreements: bans and capital contributions thorrowerX**) | 2,549,60 | 264 | - | 1,684,467 | 6,234,424 |
| Finance leases (lessee) | - | | - | - | |
| Repa}ment or termination of loans and leases (lessee} | - | | - | - | |
| Guarantees provided | 111,688 | - | | 192 | 111,880 |
| Guarantees received | 128,119 | - | - | | 1.28,19 |
| Obligations acquired | 618,112 | | - | 1,955,521 | 2,593,813 |
| ObLigationsiguarantees cancelled | | - | - | | - |
| Dividends and other distributed profit | - | 420 | - | - | 420 |
| Other transactions | 199.184 | - | | - | 199,1g4 |

(1 This includes basically the irarrsactions performed wrilhi Santander Group companies that do not belong t❑ the Santander Consumer Finance Group and with other related parries.

(") Aka Banco Santander S.A. carried out a capital increase in the first half of 2015 amounting to EU R 306 million.

## 14. Average headcount

The detail, by gender, of the average number of employees at the Group and at the Bank during the six-month periods ended 30 Juno 2015 and 2014 is as follows:

| | Bank | | Group | |
|---|---|---|---|---|
| | 30/06/15 | 30/06/14 | 30/D6/15 | 30036/14 |
| Mite | 5 | 4 | 4,120 | 4,272 |
| Woman | 4 | 3 | 4,456 | 5,555 |
| | 9 | 7 | 6,576 | 9,327 |

## 15. Other disclosures: valuation techniques for financial assets and liabilities

**The following table shows a** summary of the fair values, at 30 June 2015 and 31 December 2014, of the financial assets and liabilities indicated below, classified on the basis of the various measurement methods used by the Group to determine their fair value:

| | Thousands of Gums | | | | | |
|---|---|---|---|---|---|---|
| | 30/06115 | | | 311 114 | | |
| | Published Price Quotations in Active Markets | Internal Models (•) | Total | Published Price Quotations in Active Markets | Internal Models (") | Total |
| Financial assets held for trading | - | 87.604 | 87.604 | - | 149.444 | 149.444 |
| Available-for-sale financial assets | 1,357,901 | - | 1.357.901 | 460.032 | - | 460.032 |
| fledging derivatives (assets) | 84,369 | 99.074 | 183,443 | - | 265.125 | 265.125 |
| Financial liabilities held for trading | 2,856 | 81383 | 84.639 | 859 | 410.895 | 411.754 |
| lledging derivatives (liabilities) | 16.004 | 340.194 | 356.198 | - | 150.226 | 150.226 |

In Substantially all of the main variables inputs) used b, the models are obtained from observable market data (Level 2. pursuant to IFRS 13. Fair Value Measurement).

Financial instruments al fair value, determined on the basis of published price quotations in active markets (Level 1), include, as the case may be, government debt securities. private-sector debt securities, derivatives traded in organised markets. ser•.uritised assets. shares. shoo pnsitinns and fixed incomesecurities iASIIRCI Most of the financial instruments classified in this measurement evel at 30 June 2015 relate mainly to bonds issued by the Spanish, German. Italian and Norwegian treasuries.

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

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

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

The Santander Group developed a formal process for the systematic valuation and management of financial instruments, which has been implemented worldwide across all units, including the Santander Consumer Finance Group's entities. The governance scheme for this process distributes responsibilities between two independent divisions: T•easury (development, marketing and daily management of financial products and market data) and Risk (on a periodic basis, validation of pricing models and market data. computation of risk metrics, new transaction approval policies, management of market risk and implementation of fair value adjustment policies).

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

The most important products and families of derivatives, and the related valuation techniques and inputs, by asset class, are detailed in the consolidated financial statements at 31 December 2014. These valuations include the determination of the valuation adjustment due to counterparty or default risk (the CVAs and DVAs recognised at 30 June 2015 amounted to EUR 31 thousand and EUR 9 thousand, respectively).

Set forth below are the financial instruments at fair value whose measurement was based on internal models (Level 2) at 30 June 2015 and 31 December 2014:

| | Thousands of I:taus | |
|---|---|---|
| | F.r.r Values calculated lj.nu !menu] %lode, at 30.06'1.5 | ValuaLvn Techrocpcs |
| **AMETS:** | | |
| **Financial Melf held for trading** | **117.601** | |
| **Tradityddoutov,** | 87.60.0 | |
| *Ssiap,* | 87.60! | Present Value Method |
| **fledging orrisathes** | **99.074** | |
| *Sxup* | 59.013 | Present Value |
| Other | 40.031 | Present Value Method |
| **1.1ABILITIES:** | | |
| **Ftnancial iabilitiez bold for trading** | **81.70** | |
| **Trading ddivathrs** | x1.7,3 | |
| *Sv.ups* | 79.969 | Prexent Value Method |
| Other | 1.81.1 | Pro:ent Value Method |
| **fledging derivatives** | **340,191** | |
| *.c,inxtu oar/ who.* | 340.191 | Present ValLe %lctlyod |

| | Thousands of knos | |
|---|---|---|
| | Far Values Calculawd Uszna Internal Model, .1 31:1214 | Valuawn To:eaux, |
| **.tVir:TS:** | | |
| **rtnantial toxl, held for trading** | **149.414** | |
| Tmde ty. 4.0 van's, | **149.414** | |
| *Sxup* | 1.19.441 | Presenl Value Method |
| **fledging derisathr,** | **216.120** | |
| *Sxup* | '63.598 | Fresco ValLe 81<tho4 |
| Other | 4,3'7 | Prc....ctu Valuc Method |
| **11%011111E8:** | | |
| **rtnantial iabilidez bold for trading** | **410.595** | |
| Tmle ty,lalvatncs | 110.895 | |
| *Shops* | 110.895 | Prc...ctu Value 810hod |
| **fledging derisatises** | **1.50.226** | |
| **Soup** | **149.916** | Pro.ctu Valuc |
| *Other* | 300 | Pro.ctu Value %lctlyod |

## 16. Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 1-b). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

*Translation of a report originally issued in Spanish. In the event of a discrepancy. the Spanish-language version prevails.*

# Santander Consumer Finance Group

## Interim Consolidated Directors' Report
## for the six-month period ended 30 June 2015

In the second quarter the Group conducted its business activity against a more favourable economic backdrop. particularly in the advanced economies. In the eurozone the recovery began to take hold (particularly in Germany and Spain).

GDP growth in the eurozone accelerated to 0.3% quarter-on-quarter (0.9% year-on-year) in the final quarter of 2014. Initial data for 2015 confirm the trend towards a gradual improvement in activity, although with differences between countries. Inflation has remained in negative territory since December, placing downward pressure on inflation forecasts. This led the ECB to approve a debt purchase programme to run between March 2015 and September 2016, which has resulted in an easing in financing conditions and pushed the exchange rate down to USD 1.08/EUR 1.

Germany's performance was noteworthy, with GDP growth of 0.7% in the final quarter of 2014 due to the strong contribution of consumption on the back of robust domestic demand and the increase in real disposable income.

Spain accelerated its activity in the first quarter (+0.g% quarterly growth estimated by the Bank of Spain) a trend that is expected to continue, backed by domestic demand and private consumption. The intemational environment (oil prices; euro), the net growth in employment indicated by social welfare registrations and the improvements in private sector lending conditions will contribute to this acceleration.

Portugal ended 2014 with GDP growth accelerating to 0.5% quarter-on-quarter, on the back of exports.

Poland's GDP growth increased to 0.7% quarter-on-quarter (3.1% year-on-year). Generally speaking, economic fundamentals remain solid. Inflation hit bottom in February (-1.6%) and began and upward trajectory in March. The European Central Bank reduced interest rates (1.5% the intervention rate) and it is considered that the cycle of decreases has come to an end.

### *BUSINESS PERFORMANCE*

Attributable profit of EUR 484 million was up 48% compared to the same half-year period in 2014, affected by the agreement with PSA Finance and the recent integrations in the Nordic countries which strengthen growth potential in the region. A year-on-year increase in production in the main countries: Spain, Germany and the Nordic countries, and solid income levels offsetting the increase in costs and credit loss allowances, all affecting the scope of consolidation.

### Strategy

The Santander Consumer Finance units in continental Europe conducted their business activities against a backdrop of recovery in consumption and car registrations (+8% year-on-year growth). The agreement with Banque PSA Finance will consolidate the leadership in auto loans, while the acquisition of GE Nordics increased the weighting of direct credit in the business mix.

This years management efforts are focused on continuing the integration of the most recent acquisitions and boosting new production and cross selfing, taking advantage of the brand agreements and competitive advantages.

Loans to customers before the credit loss allowance amounted to EUR 69,080 million, up 14% year-on-year, mostly as a result of agreements and acquisitions. New production increased 15% in the first half of 2015, partly as a result of agreements and acquisitions. The Nordic countries were noteworthy (+31.7% in local currency).

## Earnings

At 30 June 2015, Santander Consumer Finance obtained attributable profit of EUR 484 million, up 48% on the first half of 2014, helped by the units acquired.

Income (+15%) increased at a higher rate than costs (+12%). giving rise to an increase in efficiency of up to 44% (45% in the first half of 2014). Credit loss provisions increased by 14%, partly due to acquisitions and partly as a result of the disposal of certain units in the first quarter of 2014. The non-performing loans ratio was 3.95% and the coverage ratio (total credit loss provisions, including provisions for substandard exposures, divided by impaired assets) reached 103%. both excellent ratios by the standards of the consumer loan business.

## Business activity

At 30 June, 2015, gross loans and advances to customers amounted to EUR 69,080 million, representing 14% year-on-year growth, mostly due to acquisitions.

New production increased 15% in 2015, with significant help from direct credit and cards (+8%) and new auto loans (+32%). In local currency the Nordic countries were noteworthy (+31.7%). Germany saw moderate growth (+0.5%). Customer deposits remained stable (around EUR 30.000 million), a differentiating factor with respect to competitors. In addition, high levels of wholesale f nancing *were* readily available (EUR 2,919 million issued in 2015 through senior debt issues and securitisations).

## *RISK MANAGEMENT*

One of the cornerstones of the Santander Consumer Finance Group's business strategy is excellent risk management, which is an essential requisite for the creation of controlled shareholder value.

In a finance group such as Santander Consumer Finance, with a major presence in international consumer finance markets, the identification of risk variables and the measurement and control of risk will enable adequate business expansion in keeping with the standards defined by the Santander Group.

Our priority focus on risk quality has been, and continues to be. a distinguishing feature of the Santander Group's culture and management style, and markets perceive it as a clear competitive advantage. In its endeavour to develop state-of-the-art risk management techniques. the Bank is devoting all its efforts to the application of the principles underlying the New Basel Capital Accord (BIS III).

### 1. *Credit risk*

Credit risk is the possibility of loss stemming from the failure of our customers or counterparties to meet their financial obligations to the Group.

This is the main source of risk for the Group and, therefore, proper identification, measurement and management of credit risk are essential for sustainable value creation.

The main credit risk faced by the Group is the retail risk arising from its consumer finance business. Exposure to this risk is largely diversified from three perspectives: market (regional and by country), purpose (use of the lending granted) and customer (different types).

The Group's credit risk exposure is detailed in the following table (figures in millions of euros):

| | | | Percentage | |
|---|---|---|---|---|
| | Juno 2015 | June 2014 | June 2015 | Juno 2014 |
| Santander Consumer (') | 69,080 | 60,543 | **100.0%** | 100.0% |
| Germany | 30,739 | 30,910 | 44.5% | 51.1% |
| The Netherlands | 1,083 | 1,179 | 1.6% | 1.9% |
| | 1,678 | 1,548 | 2.4% | 2.6% |
| Nordic countries | 12,538 | **9,110** | **18.1%** | 15.0% |
| Spain | 8,445 | 8,222 | 12.2% | 13.6 % |
| Italy | 5,119 | 5,468 | 7.4% | |
| France | 8,524 | 0 | 12.3% | 9.0% |
| Other | 954 | 4.106 | 1.4% | 0.0% |

Credit risk management involves not only the identification and measurement of risk, but also the integration, control and mitigation of risk exposures and the calculation of the return on risk•adjusted capital (risk•free margin by product, provisions/average portfolio).

The Group has a global vision of risk and of risk management which it implements at local level. The risk function is structured on the basis of common principles and organisational criteria shared by the various Group entities.

In order to perform this function adequately, the Group has a series of policies, procedures and management tools which, based on a common basic model, are adapted to cater for the specific needs of local markets and businesses.

Credit risk management comprises the following steps:

a) Global Risk Management.

Design, inventory and maintenance of general risk policies and metrics. Coordination with SUSAN central areas. Coordination with commercial areas.

b) Loan Approval.

The Group has a specialised risk structure based on customer segmentation. Customers are pre•classfied in order to ensure a prompt response to business needs. Automatic Decision•Making Systems are designed, inventoried and maintained and manual approval is required depending on a scale of attributions.

c) Non•Standardised Risk Control and Monitoring System.

Since the Group is aware of the importance of closely monitoring its lending transactions, during the monitoring phase changes in exposure are constantly assessed, portfolios are actively managed and, if any signs of potential loan impairment are detected, early action is taken to mitigate risks and reduce exposures, with a view to ultimately reducing the potential loss and optimising the risk/return ratio.

d) Recovery and Collection.

Recover/ management is underpinned by an overall responsibility throughout the recovery cycle based on anticipaton, efficiency and specialised debt treatment. Specific management strategies are defined for each product, default tranche and volume of risk, using the optimum resources in each situation to achieve the best results.

Due to the nature of our risks, asset recoveries are confined to repossessions of vehicles, which are measured at market value. These vehicles are auctioned off on a monthly basis and, therefore, they generally remain on the balance sheet for a very short period of time.

2. *Market risk*

The scope of measurement, control and monitoring of the Market Risk area encompasses all operations in which net worth risk is assumed. The risk arises from changes in the risk factors -interest rate, exchange rate, equities and the volatility thereof- and from the solvency and liquidity risk of the various products and markets in which the Group operates.

The activities are segmented by risk type as follows:

a) Trading:

This category includes financial services for customers, trading operations and positioning in fixed•income. equity and foreign currency products.

The Group does not carry out trading activities at local level, and the scope of its treasury operations is confined to managing and hedging its structural balance sheet risk and managing the liquidity required to finance its business.

b) Balance-sheet management:

Interest rate risk and liquidity risk arise as a result of the maturity and repricing gaps of all assets and liabilities.

c) Other structural risks:

- Structural foreign currency risk/hedges of results: foreign currency risk arising from the currency in which investments in consolidabte and non-consolidable companies are made (structural exchange rate). This item also includes the positions taken to hedge the foreign currency risk on future result generated in curencies other than the euro (hedges of results).

  Structural foreign currency risk arises mainly from investments in entities in currencies other :han euro.

  Structural equities risk: this item includes equity investments in non-consolidated financial and non-financial companies that give rise to equities risk. Structural equities risk does not apply to the Group.

The Financial Management area at Santander Consumer Finance is responsible for managing the balance sheet management risk and structural risks centrally through the application of uniform methodologies adapted to the situation of each market in which the Group operates. The aim pursued by Financial Management is to ensure the stablity and recurring nature of both the net interest margin of the commercial activity and the economic value of the Santander Consumer Finance Group, whilst maintaining adequate levels of liquidity and capital adequacy.

The Market Risk area at Santander Consumer Finance supports business managemert. defines risk measurement methodologies (in coordination with Financial Management and the ALM Methodology department at the Santander Group), assists in establishing limits and controls the structural market risks arising from the Group's operations. ensuring that the risks assumed are within the risk appetite limits (if any) established by the Risk Committee, the Executive Committee and the Board of SCF. S.A.

Decisions affecting the management of these risks are taken through the ALCO Committees in the respective countries and, ultimately, by the Parent's ALCO Committee.

Each of these activities is measured and analysed using different tools in order to reflect their risk profiles as accurately as possible.

2.1 *Methodologies*

A. Balance sheet management

Interest rate risk

The Santarder Consumer Finance Group analyses the sensitivity of the net interest margin and market value of equity to changes in interest rates. This sensitivity arises from maturity and interest rate repricing gaps in the various balance sheet items.

On the basis of the balance-sheet interest rate position, and considering :he market situation and outlook. the necessary financial measures are adopted to align this position with that desired by the Bank. These measures can range 'rom the taking of positions on markets to the definition of the interest rate features of commercial products.

The measures used by the Santander Consumer Group to control interest rate risk in these activities are the interest rate gap and the sensitivity of net interest margin and market value **of** equity to changes in interest rates.

a) Interest rate gap of assets and liabilities

The interes: rate gap analysis focuses on the mismatches between the interest reset periods of on•balance•sheet assets ana ilabilities and or of•balance-sheet items. This analysis facilitates a basic snapshot of the balance sheet struc.ure and enables concentrations of interest rate risk in the various repricing buckets to be detected. Additionally, it is a useful tool for estimating the possible impact of potertial changes in interest rates on the entity's net interest margin and market value of equity.

The flows of all the on• and off•balance•sheet aggregates must be broken down and placed at the point of repricing or maturity. The duration and sensitivity of aggregates that do not have a contractual maturity date are analysed and estimated using the Santander Group's internal model.

b) Net interest margin (NIM) sensitivity

The sensitivity of the net interest margin measures the change in the expected net interest income for a specific period (twelve months) given a shift in the yield curve.

c) Marke: value of equity (MVE) sensitivity

The sensitivity of the market value of equity is a complementary measure to the sensitivity of the net interest margin.

This sensitvity measures the interest rate risk implicit in the market value of equity based on the effect of changes in interest rates on the present values of financial assets and liabilities.

Liquidity risk

Liquidity risk is associated with the Group's ability to fund its commitments at reasonable market prices and to carry out its business plans with stable sources of funding. The Group permanently monitors maximum gap profiles.

The measures used to control liquidity risk in balance sheet management are the liquidity gap, internal liquidity ratios, liquidity stress tests and the structural liquidity table.

a) Liquidity gap

The liquidity gap provides information on contractual and expected cash inflows and outflows for a given period for each currency in which the Group operates. The gap measures net cash requirements or surpluses at a given date and reflects the liquidity level maintained under normal market conditions.

In the contractual liquidity gap, all cash•flow generating balance sheet items are analysed and placed at the point of contractual maturity. For assets and liabilities without contractual maturities, the Santander Group's internal analysis model is used, based on a statistical study of the time series of the products, and the so-called stable or unstable balance for liquidity purposes is determined.

b) Liquidity ratios

The minimum liquidity ratio compares the liquid assets available for sale or transfer (after the relevant discounts and adjustments have been applied) and the assets maturing in less than twelve months with the liabilities maturing in twelve months or less.

c) Liquidity stress tests at the Santander Consumer Finance Group

The purpose of the liquidity stress tests conducted by the Santander Consumer Finance Group is to determine the impact of a severe, but plausible, liquidity crisis. In these stress scenarios, internal factors that might affect the Group's liquidity are simulated, such as a fall in the institutional credit rating or the value of on•balance-sheet assets, restrictions on transfers between Group entities or factors extemal to the SCF Group such as. inter alia. a scarcity of liquidity in the banking system, banking crises, regulatory factors, changes in consumption trends and/or a loss of confidence by depositors.

Through stressing these factors, four liquidity stress scenarios (bank crisis in Spain. idiosyncratic Santander Consumer Finance Group crisis, global crisis and crisis in wholesale markets) are simulated on a monthly basis, and early warning levels are established based on the results thereof.

d) Structural liquidity table

The aim of this analysis is to determine the structural liquidity position on the basis of the liquidity profile (more or less stable) of the various asset and liability instruments.

Each year. a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on the new securitisations. considering eligible assets available and the growth in customer deposits. This information is used to establish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

Lastly, the SCF Group units prepare the Bank of Spain liquidity statements and the liquidity coverage ratio (LCR) on a monthly basis and the net stable financing ratio (NSFR) on a quarterly basis: the liquidity coverage ratio and the net stable financing ratio are developed by the European Banking Authority (EBA) through EU Directive

2013/36 and Capital Requirements Regulation (CRR) 575/2013, and the successive technical standards subsequenty published, known as the CRDIV/CRR.

B. Structural foreign currency risk 1 Hedges of results / Structural equities risk

Structural fcreign currency risk arises mainly from investments in banks in currencies other than the euro.

Structural foreign currency risk is managed centrally at Santander Group level by applying the general corporate procedures. Since the end of 2014, hedges of this foreign currency risk exposure have been recognised in the books of bosh Banco Santander S.A. and Santander Consumer Finance S.A

*2.2 Ccntrol systems*

A. Limit sarong

The limit setting process is performed together with the Group's budgeing activity and is the tool used to establish the assets and liabilities of each business activity.

Limit setting is a dynamic process that responds to the level of risk considered acceptable by senior management.

B. Objectives of the limits structure

The limits structure requires a process to be performed that pursues, inter ala, the following objectives:

- To identify and delimit, in an efficient and comprehensive manner, the main types of market risk incurred, so that they are consistent with business management and the defined strategy.
- To quantify and communicate to the business areas the risk levels and profile deemed acceptable by senior management so as to avoid undesired risks.
- To give flexibility to the business areas for the efficient and timely assumption of financial risks, depending on market changes, and for the implementation of the business strategies, provided that the acceptable levels of risk are not exceeded.
- To allow business makers to assume risks which, although prudent, are sufficient to obtain the budgeted results.
- To deimit the range of products and underlyings with which each Treasury unit can operate, taking into account features such as assessment model and systems, liquidity of the instruments involved, etc.

*2.3 Risks and results in the first had of 2015*

A. Balance sheet management

A1. Interest rate risk

At 30 June 2015, the scope of interest rate risk in the eurozone comprised the units of the following countries: Germany. Austria, the Netherlands. Belgium. Spain (includes Financiera El Corte Ingles), Italy. Portugal and Finland.

The sensitivity of the net interest margin at the end of June 2015 to an increase in interest rates of 100 basis points was EUR -8.6 million The sensitivity of the market value of equity to a parallel rise of 100 basis points was EUR -46.9 million.

A2 Structural credit risk malagement

The aim of structural credit risk management is to reduce, through the sale of assets, the concentrations that arise naturally as a result of commercial activity. Due to the nature of Santander Consumer Finances business, its assets are a highly atomised portfolio of consumer loans. Therefore, credit risk is analysed as part of the unit's commercial strategy.

A3 Structural liquidity management

Structural liquidity management seeks to finance the Group's business with optimal maturity and cost conditions, avoiding the need to assume undesired liquidity risks.

The Group has an increashgly active presence in a wide, diverse range of financing markets, thus limiting its dependence on specific markets and ensuring the availability of various sources of market funding.

Structural liquidity management involves planning its funding requirements, structuring the sources of financing to achieve optimum diversikation in terms of maturities, instruments and markets, and defining contingency plans.

Each year. a liquidity plan is prepared on the basis of the funding needs arising from the business budgets of all the Group's subsidiaries. Based on these liquidity requirements, an analysis is made of the limits on new securitisations. considering the eligible assets available, and of the potential growth in customer deposits. This information is used to estaplish an issue and securitisation plan for the year. Throughout the year the Group periodically monitors the actual changes in financing requirements and updates this plan accordingly.

Set forth below are certain tighlights of structural liquidity management in the first half of 2015:

- Issue programmes:

AIAI- PROMISSORY NU I LS PROGRAMME

Santander Consumer Finance has a Promissory Note Issuance programme outstanding, with a maximum amount of EUR 5,000 million: the notes are traded on the Spanish AIAF Bond Market, with maturities of between 3 business days and 24 months (731 calendar days). At 30 June 2015, Santander Consumer Finance (which acts as an issuer on the primary market and places its issues through underwriters) had a promissory notes balance of EUR 1,651.5 mill on (in nominal terms).

ECP PROGRAMME

Santander Consumer Finance has a multi•currency European Commercial Paper (ECP) programme outstanding for a maximum amount of EUR 5,000 million, with maturities of between 1 days and 364 days. The balance outstanding at the end of June 2015 was EUR 3,264.1 million (in nominal terms).

SECURITISATIONS

Explanatory Note 9-d to the half-yearly condensed consolidated financial statements contains a detail of me securitlsatlons performed by the Group In the first hart of 2015 (consumer and venIcie loans).

EMTN PROGRAMME

Santander Consumer Finance has a multi-currency Euro Medium Term Note (EMTN) programme outstanding, with a maximum amount of EUR 10,000 million. At the end of June 2015 the balance outstanding was EUR 5,537,869 million, while the volume issued in the first half of 2015 was EUR 1.589 million, in five transactions (one of which was to increase a previous issue).

The Group's structural liquidity position and market presence have enabled and continue to enable the Group to carry on its lending activity normally in the context of the current market conditions.

M. Structural foreign currency risk/hedges of res ults

Structural foreign currency risk arises mainly from investments in banks in currencies other than euro. At 30 June 2015, the open foreign currency position amounted to EUR 1.546 million, the most significant positions being in Norwegian kroner (EUR 546 million) and in Swedish krona (EUR 694 million).

Structural foreign currency risk is managed centrally at Santander Group level by applying the general corporate procedures. However, as mentioned above, since the end of 2014. the transactions hedging these foreign currency risk exposures have been recognised in the accounting records of both Banco Santander, S.A. and Santander Consumer Finance, S.A.

3. Operational risk

The Group defines operational risk as 'the risk of loss resulting from inadequate or failed internal processes, human resources or systems or from external events'. Unlike other risks, this is generally a risk that is not associated with products or businesses, but is found in processes and/or assets and is generated internally (people. systems, processes) or as a result of external risks, such as natural disasters.

The Group's priority, therefore, is to identify and eliminate any clusters of operational risk, irrespective of whether losses have been incurred. Measurement of this risk also contributes to the establishment of priorities in operational risk management. For the purpose of calculating regulatory capital for operational risk, the Group decided to opt for the standardised approach provided for under Basel II standards. In this regard, in 2015 the Group is carrying out the actions necessary to shift to Advanced Measurement Approaches (AMA), for which it has already satisfied the majority of the regulatory requirements: also. the Group is extending the requirements to cover other regulatory and management principles for this risk factor.

RESEARCH. DEVELOPMENT AND INNOVATION ACTIVITIES

The Group considers innovation and development in technology to be a comerstone of the corporate strategy that places the customer at the heart of its business model. In line with the corporate objectives, the technology and operations division provides support to the business with value proposals arranged by segment and focused on customers and their satisfaction, it performs optimised price.risk management under high standards of operating security, and takes advantage of the opportunities presented by a new extensively digital world.

*Disclosures required by Bank of Spain Circular 6/2012 on information on refinancing and restructuring transactions and the concentration of risk by industry and geographical area*

Forborne loan portfolio

The term "forborne loan portfolio" refers, for the purposes of the Group's risk management, to the concepts of • restructurings' and *refinancings* as defined in Bank of Spain Circular 6/2012, which relate to transactions in which the customer has, or might foreseeably have, financial difficulty in meeting its payment obligations under the terms and conditions of the current agreement and, accordingly, the agreement has been modified or cancelled or even a new transaction has been entered into.

Set forth below is the update at 30 June 2015 of the quantitative information required by Bank of Spain Circular 6/2012 on the restructured/refinanced transactions disclosed in the consolidated financial statements at 31 December 2014. The following terms are used in Bank of Spain Circular 6/2012 with the meanings specified:

- Refinancing transaction: transaction granted or used for reasons relating to •curent or foreseeable financial difficulties the borrower may have in repaying one or more of the transactions granted to it, or through which the payments on such transactions are brought fully or partially up to date, in order to enable the borrowers of cancelled or refinanced transactions to repay the debt (principal and interest) because the borrower is unable, or might foreseeably become unable, to comply with the conditions thereof in due time and form.

- Restructured transaction: transaction with respect to which. for economic or legal reasons relating to current or foreseeable financial difficulties of the borrower, the financial terms and conditions are modified in order to facilitate the payment of the debt (principal and interest) because the borrower is unable, or might foreseeably become unable, to comply with the aforementioned terms and conditions in due time and form, even if such modification is envisaged in the agreement.

Current restructuring balances I

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Of the total gross amount of transactions restructured/refinanced by the Group at 30 June 2015. EUR 427,613 thousand relate to portfolios in Spain, with the following features:

There were no transactions wth real estate companies.

These transactions were secured by collateral of EUR 77.595 thousand at 30 June 2015 (31 December 2014: EUR 82,779 thousand).

32% of the portfolio is classified as standard. 40% as substandard and 28% as doubtful (31 December 2014: 22%, 46% and 32%, respectively), with doubtful asset coverage of 65% at 30 June 2015 (31 December 2014: 67%).

From the guarantee standpoint, mare than 60% are secured by collateral.

The distribution, by business line, of loans and advances to customers at 30 June 2015 is as follows:

| | Thousands of Euros | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Secured Loans. Loan...Value Ratio | | | | | |
| | Property Collateral | Other Collateral | Less than or Equal to 40% | More dun 40% and Lem than or Equal to 60% | More than 60% and Less than or Equal to 80% | More than 80% and Less than or Equal to 100% | More than 100% | Total |
| Public sector | | | | | • | • | • | 45.748 |
| Other financial institution. Son- | - | - | • | • | • | • | • | 340.381 |
| financial companies and individual traders | 932316 | 161439 | 160.317 | 150338 | 167.272 | 247,798 | 368.840 | 111.598.886 |
| Of which: | | | | | | | | |
| - Constructson and property development | - | • | • | • | • | • | • | 20.984 |
| - Cull engmcering conurunion | - | • | • | • | • | • | • | 2.196.123 |
| -Other purposes | 932316 | 161439 | 160,307 | 150338 | 167.272 | 247,798 | 368.040 | 8.381,779 |
| *LaOv eawlwaue'* | *23.587* | | | *14364* | *9.021* | . | . | *1.195.265* |
| *SAM* a .11 tsdindlyal &ad.,* | *904929* | *161.419* | *164107* | *134974* | *158.249* | *247.798* | *364.010* | *6.984314* |
| Other households and non-profit institutions sen Ind households INP1511s) | *7,74495* | 1112,215 | 1.114,086 | 1386.727 | 3270.624 | 734,998 | 1.224.355 | 56.100486 |
| ()Ewhich: | | | | | | | | |
| • Ro.idential | 7.74.495 | 116.642 | 1.103,112 | 1.583.0St' | 3.266.024 | 728,902 | 1.184.013 | 7.881.423 |
| - Consumer loans | | 52.839 | 8,674 | 3357 | 4.486 | 5,898 | 30.224 | 46.416.197 |
| - Other purroses | | 12.734 | 2220 | SI | 114 | 198 | 10.118 | 1.803,066 |
| Lets: Impairment lone. on assets not earmarked for specific transactions | • | • | . | | | • | • | (816.991) |
| TOTAL | | | | | | | | 66.268.702 |
| *Sfentorandum arms* | | | | | | | | |
| *Refinancing. refinanced and restructured transactions* | *127.721* | *140.499* | *31.296* | *74.4571* | | *222 II* | *71.700* | *887.262* |

**Concentration risk:**

Concentration risk is a key component of credit risk management. The Santander Group continuously monitors the degree of credit risk concentration, by geographical area/country, economic sector, product and customer group.

The Risk Committee establishes the risk policies and reviews the exposure limits required to ensure adequate management of credit risk concentration.

**The Group is subject to the regulation of large exposures' contained in Pan Four of CRR Regulation (EU)** No 575/2013 (defined as those exceeding 10% of the entity's capital). Pursuant to the rules contained in the Regulation, no exposure to any individual or economic group should exceed 25% of the Group's eligible capital (except where the customer or group of customers related to each other include one or several entities: in this case, the aggregate exposure value should not exceed 25% of the entity's eligible capital or EUR 150 million, if this amount were higher: it should not, in any case, exceed 100% of the entity's eligible capital).

The Santander Group's Risk Division works closely with the Finance Division in the active management of credit portfolios, which includes reducing the concentration of exposures through several techniques, such as the arrangement of credit derivatives for hedging purposes or the performance of securitisation transactions, in order :o optimise the risk/return ratio of the total portfolio.

The detail, by activity and geographical area of the counterparty, *d* the concentration of the Group's risk at 30 June 2015 is as follows:

| | Thousands of Euros | | | | |
|---|---|---|---|---|---|
| | Spain | Other EU Countries. | Americas | Rest of the World | Total |
| **Credit institutions** | **324,830** | **5,720,682** | **7,004** | **178,146** | **6,230,662** |
| **Public sector** | **342,223** | **588,940** | **-** | **38,020** | **969,183** |
| *Of which:* | | | | | |
| *Central government* | *342,166* | *578,124* | - | - | *920290* |
| *Other* | *57* | *10,816* | - | *38,020* | *48.893* |
| **Other financial institutions** | **240,456** | **139,252** | **-** | **74,517** | **454,225** |
| **Non-financial companies and individual traders** | **2.327,996** | **8,039,073** | **833** | **996,620** | **11,364,522** |
| *Of which:* | | | | | |
| *Construction and property development* | - | *21.262* | - | - | *21.262* |
| *Civil engineering construction* | - | *293.948* | - | - | *293.948* |
| *Large companies* | *281,426* | *3.051.773* | - | - | *3.333.199* |
| *SW& and individual traders* | *2.046,570* | *4,672,090* | *833* | *996,620* | *7.716,113* |
| **Other households and non-profit institutions serving households (NPISHs)** | **7,493,903** | **44,488,015** | **48** | **4,183,100** | **56,165,066** |
| *Of which:* | | | | | |
| *Residential* | *2,347,617* | *5,531.064* | - | *2.74!* | *7.881.422* |
| *Consumer loans* | *5,085,570* | *37,198,725* | *48* | *4.180,359* | *46,464,702* |
| *Other purposes* | *60,716* | *1,758.226* | - | - | *1.818.942* |
| **Less: Impairment losses on issets not earmarked for specific transactions** | | | | | **(816,991)** |
| **Total** | | | | | **74.366.667** |

**(') For the purposes of his table, the definition of risk includes the following items in the public balance sheet: 'Loans and Advances to Credit Institutions'. "Loans and Advances to Customers'. 'Debt Instruments'. 'Trading Derivatives'. 'Hedging Derivatives". "hvestmente and 'Contingent Liabdities.**

*OUTLOOK*

The Group's objectives in the second half of 2015 are as follows:

Increasing market share in profitable business, with returns above those of its rivals, and fostering new production and cross-selling in accordance with the circumstances in each market, backed by brand agreements and used car market penetration.

Performing strict cost management and maintaining efficiency levels.

Maintaining credit quality with the support of the shared risk and loan recovery control system.

Managing liquidity and ensuring that self-financing is maintained, on the basis of recourse to wholesale markets and retail deposits.

Maintaining stable levels of capital that comfortably exceed the new regulatory requirements under CRD IV/CRR.

***EVENTS AFTER THE REPORTING PERIOD***

No events occurred subsequent to 30 June 2015 that could have a significant impact and were not disclosed in the Explanatory Notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2015.

***Disclosures required pursuant to Mortgage Market Law 2/1981, of 25 March, and to Royal Decree 716/2009, of 24 April, implementing certain provisions of the aforementioned Law***

***Mortgage-backed bonds***

The mortgage-backed bonds ('cedulas hipotecarias') issued by Bank are securities the principal and interest of which are specifically secured by mortgages, there being no need for registration in the Property Register and without prejudice to the Bank's unlimited liability.

The mortgage-backed bonds include the holder's financial claim on the Bank, secured as indicated in the preceding paragraph, and may be enforced to claim payment from the issuer after maturity. The holders of these securities have the status of special preferential creditors vis-à-vis all other creditors (established in Article 1923.3 of the Spanish Civil Code) in relation to all the mortgage loans and credits registered in the issuer's favour and, where appropriate, in relation to the cash flows generated by the derivative financial instruments associated with the issues.

In the event of insolvency, the holders of mortgage-backed bonds will enjoy the special privilege established in Article 90.1.1 of Insolvency Law 22/2003, of 9 July.

Without prejudice to the foregoing, in accordance with Article 84.2.7 of the Insolvency Law, in the event of insolvency proceedings being instituted, the payments relating to the repayment of the principal and interest of the bonds issued and outstanding at the date of the insolvency filing will be settled up to the amount of the income received by the insolvent party from the mortgage loans and credits and, where appropriate, from the replacement assets backing the bonds and from the cash flows generated by the financial instruments associated with the issues (Final Provision 19 of the Insolvency Law).

If, due to a timing mismatch, the income received by the insolvent party is insufficient to meet the payments described in the preceding paragraph, the insolvency managers must settle them by realising the replacement assets set aside to cover the issue and, if this is not sufficient, they must obtain financing to meet the mandated payments to the holders of the mortgage-backed bonds, and the finance provider must be subrogated to the position of the bond-holders.

In the event that the measure indicated in Article 155.3 of the Insolvency Law is to be adopted, the payments to all holders of the mortgage-backed bonds issued must be made on a pro-rata basis. irrespective of the issue dates of the bonds.

*Disclosures regaling to mortgage-backed bond issues*

The detail, by curtency of issue and interest rate, of 'Mortgage-Backed Bonds' is as follows:

| Currency of Issue | Thousands of Euros | | Annual Interest Rate (%) | Maturity Date |
|---|---|---|---|---|
| | 30/06/15 | 31/12114 | | |
| Euro: | | | | |
| March 2006 issue | 1,200,000 | 1,200,000 | 3.875 | March 2016 |
| July 2007 issue | 150,000 | 150,000 | 5.135 | July 2022 |
| Balance at end of period | 1,350,000 | 1,350,000 | | |

The detail, by residual maturity period pursuant to Royal Decree 716/2009, of the aggregate principal amount of the outstanding mortgage- backed bonds issued by the Bank at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Residual Term to Maturity at 30 June 2015 | | | |
| | Liss than 3 Years | 3 to 5 Years | 5 to 10 Years | More than 10 Years |
| Issued through a public offering | 1,200,000 | - | 150,000 | - |
| Not issued through a public offering, including registered, private, retained and FAAF bonds | _ | _ | . | . |
| | 1,200,000 | - | 150,000 | - |

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | Residual Tenn to Maturity at 31 December 2014 | | | |
| | Liss than 3 | 3 to 5 Years | 5 to 10 Years | More than 10 Years |
| Issued through a public offering | 1,200,00 | - | 150,000 | - |
| Not issued through a public offering, including registered, private, retained and FAAF bonds | 0 . | _ | _ | _ |
| | 1.200.000 | - | 150,000 | - |

At 30 June 2015 and 31 December 2014. the detail of the Bank's mortgage loans and credits, indicating their eligibility and computability for mortgage market regulatory purposes. was as follows:

| | Thousands of Euros | |
|---|---|---|
| | Nominal Value | |
| | 30/06115 | 311214 |
| Total mortgage loans and credits | 2,499,306 | 2,589,851 |
| Mortgage participation certificates issued | | |
| Mortgage transfer certificates issued | | |
| Morig.age loans securing borrowings | | |
| Mortgage loans backing mortgage and mortgage-backed bond issues | | |
| i) Non-eligible mortgage loans and credits | 985,310 | 883,786 |
| - Which comply with the requirements to become eligible, except for the limit established in Art_ 5_1 of Royal Decree 716/2009 | - | 3,385 |
| - Other | 985,310 | 880,401 |
| ii) Eligible mortgage loans and credits | 1,513,996 | 1,706,061 |
| - Non-computable amounts | | |
| - Computable amounts | 1,513,996 | 1,706.065 |
| a) Mortgage loans and credits covering mortgage bond issues | | – |
| b) Mortgage loans and credits eligible to cover mortgage-backed bond issues | 1,513,996 | 1,706,065 |

Following is a detail of the nominal value of the outstanding mortgage loans and credits and of the nominal value of the loans and credits that are eligible pursuant to Royal Decree 71612009, without considering the calculation limits established under Article 12 of Royal Decree 716/2009, by origin. currency, payment status, average residual term to maturity, interest rate_ holders and type of collateral:

| | Thousands of Euros | | | |
|---|---|---|---|---|
| | 30106/15 | | 31/12/14 | |
| | Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues | Of which: Eligible Loans | Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues | Of which: Eligible Loans |
| Origin of transactions | | | | |
| Originated by the Bank | 2,499,306 | 1,513,94[; | 2.589,851 | 1,706,065 |
| Subrogations from other entities | - | - | - | - |
| Other | - | - | | - |
| Currency | | | | |
| Euro | 2,499,306 | 1,513,996 | 2,589,851 | 1,706,065 |
| Other currencies | - | | - | - |
| Payment status | | | | |
| Current | 2,421,146 | 1,483,692 | 2,511,848 | 1,681,814 |
| Past due | 78,160 | 30,304 | 78,003 | 24,251 |
| Average term to maturity | | | | |
| Less than 10 years | 164,011 | 150,297 | 149,104 | 134,016 |
| 10 to 20 years | 799,174 | 643,386 | 725,857 | 601,872 |
| 20 to 30 years | 940,393 | 533,407 | 1,076,658 | 722,024 |
| More than 30 years | 595,728 | 186,906 | 638,232 | 248,153 |
| Interest rate | | | | |
| Fixed | 35 | 35 | 37 | 37 |
| Floating | 2,499,271 | 1,513,961 | 2,589,814 | 1,706,028 |
| Hybrid | - | | - | - |

| | Thousands of EL1f6S. | | | |
|---|---|---|---|---|
| | 30/06/15 | | 31/12/14 | |
| | Mortgage Loans and Credits Backing Mortgage and Mortgage-Backed Bond Issues | Of which: Eligible Loans | Mortgage Loans and Credits Backin g Mortgage and Mortgage-Backed Bond Issues | Of which: Eligible Loans |
| Borrowers | | | | |
| Legal entities and individual businessmen | 146,405 | 89,866 | *640 | 22,29 9 |
| *Qf which: Propercv deue14..prrtenur* | - | | - | |
| Other individuals and non-profit institutions serving households (NP151-1s) | 2,352,901 | 1,424,130 | 2,553,211 | 1,663,766 |
| Type of guarantee | | | | |
| Completed buildings | | | | |
| - Residential | 2,432,923 | 1,478,688 | 2,523,051 | 1,670,502 |
| *Of which: gificialfy sponsored housing* | | - | | |
| - Commercial | 66,383 | 35,308 | 66,800 | - |
| - Other | - | | - | 35,56 3 |
| Buildings under construction | - | | - | |
| - Residential | - | | - | — |
| *Of which: ggichlify sponsored housing* | | - | - | - |
| - Commercial | | - | | |
| - Other | - | | - | - |
| Land | - | | - | - |
| - Developed | - | | - | - |
| - Other | | - | - | - |
| | 2,499,306 | 1,513,996 | 2,589,1351 | 1,706,065 |

As regards the disclosures on guarantees associated with mortgage loans and those loans eligible in accordance with the aforementioned regulations. following is a detail of the nominal value of these mortgage loans and eligible loans, based on the related loarpto.value ratio.

| | LTV Ranges | | | | |
|---|---|---|---|---|---|
| | 30/06/15 | | | | |
| | Millions of Euros | | | | |
| | Up to 40% | >40%, .< 60% | >60%, 80% | >80% | Total |
| **Mortgage loans and credits eligible for mortgage and mortgage-backed bond issues** | | | | | |
| - *Home mortgages* | *312* | *430* | *737* | - | *1.479* |
| - *Other mortgages* | *10* | *25* | - | - | *35* |

| | LTV Ranges | | | | |
|---|---|---|---|---|---|
| | 31/12/14 | | | | |
| | Millions of Euros | | | | |
| | Up to 40% | >40%, 60% | >60%, <— 80% | >80% | Total |
| **Mortgage loans and credits eligible for mortgage and mortgage-backed bond issues** | | | | | |
| - *Home mortgages* | *333* | *498* | *839* | - | *1,670* |
| - *Other mortgages* | *12* | *24* | - | - | *36* |

Following is a detail of the changes in the nominal value of eligible and non-eligible mortgage loans and credits pursuant to Royal Decree 71612009:

| | Thousands of Euros | |
|---|---|---|
| | Eligible Mortgage Loans and Credits | Non-Eligible Mortgage Loans and Credits |
| **Balance at I January 2014** | **1,739,310** | **586,636** |
| **Disposals in the period** | **(468,720)** | **(34,026)** |
| *Repaid on maturity* | - | |
| *Early repayments* | *(105,828)* | *(34.026)* |
| *Subrogations by other entities* | - | |
| *Other* | *(362,892)* | - |
| **Additions in the period** | **435,475** | **331,173** |
| *Originated by the Bank* | *11,078* | *20,672* |
| *Subrogations from other entities* | - | - |
| *Other* | *424.397* | *310,501* |
| **Balance at 31 December 2014** | **1,706,065** | **883,783** |
| **Disposals in the period** | **(288,185)** | **(142,463)** |
| *Repaid on maturity* | - | |
| *Early repayments* | **(57,723)** | *(51,015)* |
| *Subrogation by other entities* | - | |
| *Other* | *(230,462)* | *(91,448)* |
| **Additions in the period** | **96,116** | **243,990** |
| *Originated by the Bank* | *4,668* | *13,525* |
| *Subrogations from other entities* | - | - |
| *Other* | *91,448* | *230,465* |
| **Balance at 30 June 2015** | **1,513,996** | **985,310** |

The detail of the Bank's mortgage securities outstanding at 30 June 2015 and 31 December 2014 is as follows:

| | Millions of Euros | | Average Term to Maturity |
|---|---|---|---|
| | Nominal Value | | |
| | 30/06:15 | 31!12!14 | |
| Mortgage bonds outstanding | - | - | |
| Mortgage-backed bonds | 1.350 | 1.350 | - |
| *Qf which: Not recognised in liabilities* | - | - | |
| i) Debt instruments. Issued through a public offering | 1.350 | 1.350 | - |
| - Term to maturity of up to 1 year | 1.200 | - | - |
| - Term to maturity of I to 2 years | - | 1200 | - |
| - Term to maturity of 2 to 3 years | - | - | - |
| - Term to maturity of 3 to 5 years | - | - | - |
| - Term to maturity of 5 to 10 years | 150 | 150 | - |
| - Term to maturity of more than 10 years | - | - | - |
| ii) Debt instruments. Other issues | - | | - |
| - Term to maturity of up to 1 year | - | | - |
| - Term to maturity of I to 2 years | | | - |
| - Term to maturity of 2 to 3 years | | | - |
| - Term to maturity of 3 to 5 years | | | - |
| - Term to maturity of 5 to 10 years | | | - |
| - Term to maturity of more than 10 years | | | - |
| iii) Deposits | - | | - |
| - Term to maturity of up to 1 year | | | |
| - Term to maturity of I to 2 years | | | |
| - Term to maturity of 2 to 3 years | - | | |
| - Term to maturity of 3 to 5 years | - | | |
| - Term to maturity of 5 to 10 years | | | |
| - Term to maturity of more than 10 years | | | |
| Mortgage participation certificates issued | | | |
| i) Issued through a public offering | | | |
| ii) Other issues | | | |
| Mortgage transfer certificates issued | | | |
| i) Issued through a public offering | | | |
| ii) Other issues | | | |

Mortgage-backed bond issuers have an early redemption option solely for the purpose of complying with the limits on the volume of outstanding mortgage-backed bonds stipulated by mortgage market regulations.

None of the mortgage-backed bonds issued by the Bank had replacement assets assigned to them.

The members of the Board of Directors hereby state that the Bank has specific policies and procedures in place to cover all activities relating to the issues launched by the Bank in the mortgage market, which guarantee strict compliance with the mortgage market regulations applicable to these activities. Also, financial management defines the Bank% funding strategy.

The risk policies applicable to mortgage market transactions envisage maximum loan•to•value (LW) ratios, and specific policies are also in place adapted to each mortgage product, which occasionally require the application of stricter limits.

The Bank's general policies in this respect require the repayment capacity of each potential customer to be analysed. This analysis must determine whether each customer's income is sufficient to meet the repayments of the loan requested. In addition, the analysis of each customer must include a conclusion on the stability over time of the customers income considered with respect to the life of the loan. The indicator used to measure the repayment capacity (effort ratio) of each potential customer takes into account mainly the relationship between the potential debt and the income generated, considering on the one hand the monthly repayments of the loan requested and other transactions and, on the other, the monthly salary income and other duly supported income.

The Bank has specialised document comparison procedures and tools for verifying customer information and solvency.

The Bank's procedures envisage that each mortgage originated in the mortgage market must be individually valued by an appraisal company not related to the Bank.

Mortgage Market Law 41/2007, Article 5, establishes that any appraisal company approved by the Bank of Spain may issue valid appraisal reports. However, as permitted by this same article, the Bank performs a series of checks and selects, from among these companies, a small group with which it enters into cooperation agreements with special conditions and automated control mechanisms. The Bank's internal regulations specify, in detail, each of the internally approved companies, as well as the approval requirements and procedures and the controls established to uphold them. In this connection, the regulations establish the functions of an appraisal company committee on which the various areas of the Bank related to these companies are represented. The aim of the committee is to regulate and adapt the internal regulations and the activities of the appraisal companies to the current market and business situation.

Essentially, the companies wishing to cooperate with the Bank must have a significant level of activity in the mortgage market in the geographical area in which they operate, pass a preliminary screening process based on criteria of independence, technical capacity and solvency in order to ascertain the continuity of their business and, lastly, they must pass a series of tests prior to obtaining definitive approval.

In order to comply with the legislation, any appraisal provided by the customer is reviewed, irrespective of which appraisal company issues it, to verify whether the requirements, procedures and methods used to prepare it are formally adapted to the valued asset pursuant to current legislation and that the values reported are customary in the market.

***Information relating to the retail mortgage portfolio and assets acquired through foreclosure (businesses in Spain)***

The quantitative information relating to the risk exposure of the retail mortgage portfolio (businesses in Spain) at 30 June 2015 and 31 December 2014 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | 30/06/15 | 311·12114 |
| Home purchase loans: | 2,476,610 | 2,555,327 |
| *Without mortgage guarantee* | - | - |
| 01 which·. | | |
| - *Dollbijior* | - | - |
| *With mortgage guarantee* | *2,476,610* | *2,555,327* |
| Of which·. | | |
| - *Daah1/Of* | *93,214* | *94,564* |

The loan-to-value (LTV). ranges of the retail mortgage portfolio at 30 June 2015 and 31 December 2014 ware as follows:

| | 30/06/15 | | | | | |
|---|---|---|---|---|---|---|
| | Loan-to-Value Ratio | | | | | |
| | Millions of Euros | | | | | |
| | Less than or Equal to 40% | More than 4(1% and Less than 6rA, | More than 60% and Less than SW,. | More than SC& and Less than Me% | More than 100% | Total |
| Gross. Amount | *328* | *436* | *706* | *237* | *770* | *2,477* |
| *Of* wirich: *Doubtfed* | *8* | *5* | *18* | *13* | *49* | *93* |

| | 31/12/1-4 | | | | | |
|---|---|---|---|---|---|---|
| | Loan-to-Value Ratio | | | | | |
| | Millions of Euros | | | | | |
| | More than 0% and Less than 40% | More than 40% and Less than 6040 | More than 60% and Less than t1$, | More than Sint. and Less than MC% | More than 100% | Total |
| Gross Atnount | *341* | *505* | *818* | *170* | *721* | *2,555* |
| *Of mrrich: Doubtfed* | *5* | *5* | *14* | *13* | *58* | *v-7* |

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

The detail of the assets foreclosed, based on the recipient of the loan or credit facility initially granted, at 30 June 2015 and 31 December 2014 (businesses in Spain) is as follows:

| | 30/06/15 Thothands of Euros | | 31/12/14 Thousands of Euros | |
|---|---|---|---|---|
| | Carrying Amount | Of which: Impairment Losses | Carrying Amount | Of which: Impairment Losses |
| Property assets arising from financing granted for construction and property development | 705 | 2,116 | 753 | 2,479 |
| - Completed buildings | 49 | 148 | 50 | 151 |
| *Residential* | - | - | - | - |
| *Other* | *49* | *148* | *50* | */5/* |
| - Buildings under construction | - | - | - | - |
| *Residential* | - | - | - | - |
| *Other* | - | - | - | - |
| - Land | 656 | 1,968 | 703 | 2,328 |
| *Developed land* | *588* | *1,763* | *630* | *2.109* |
| *Other land* | *68* | *205* | *73* | *219* |
| Property assets from home purchase mortgage financing granted to households | 10,379 | 33,933 | 10,546 | 34,987 |
| Other property assets received in payment of debts | 659 | 1,503 | 717 | 1,754 |
| Equity instruments of, ownership interests in and financing provided lo non-consolidated companies holding these | - | - | - | - |

*CORPORATE GOVERNANCE*

***Share capital and treasury shares***

At 30 Juns 2015, the Bank's share capital amounted to EUR 5.638.6 million. The Bank's share capital consisted of 1.879.546,172 shares of EUR 3 par value each, hald by the following shareholders, all of which belong to the Santander Group:

Banco Santander, S.A.: 1,187,741,718 shares

holneth, B.V.: 469,886,543 shares

Fomento e Inversiones, SA.: 221,917,911 shares

The Bank has not performed any transactions involving treasury shares or shares of its parent in the first half of 2015 and it did not hold any treasury shares at 30 June 2015.

***Restrictions on the transferability of securities***

Not applicable.

***Restrictions on voting rights***

The shareholders attending the Annual General Meeting will have one vote for each share that they hold or represent.

Only the holders of 20 or more shares will be entitled to attend the Annual General Meeting, provided that they are registered in their name in the corresponding accounting record.

***Side agreements***

Not applicable.

***BOARD OF DIRECTORS***

***Appointment and replacement of members of the Board of Directors and amendment of the bylaws***

The representation of the Bank is the responsibility of the Board of Directors, which will comprise no fewer than 5 and no more than 15 members, who will be appointed by the Annual General Meeting for a period of 1 year. although they may be re-elected, as many times as may be desired, for further 1-year periods.

Any vacancies arising on the Board of Directors in the interval between Annual General Meetings will be filled by the Board of Directors by co-optation between the shareholders, as provided for under current legislation.

It is not necessary to be a shareholder of the Bank in order to be a director, except as mentioned above.

***Powers of the members of the Board of Directors***

On 6 June 2012, the Bank granted the powers of attomey listed in the related public deed to Ms Ines Serrano Gonzalez and to ***Mr*** Bruno Montalvo Wilmot. to enable them to exercise the powers detailed below for and on behalf of the Bank:

1. To manage, control and govem all manner of properties now or hereafter owned by the principal. to perfonn the improvements, repairs and work thereon that they deem appropriate, to lease them for the period, price and terms they consider appropriate, to evict tenants or dwellers and approve new ones, to collect rent, interest, dividends and lease payments, and to give the corresponding receipts and invoices thereof.

2. To enter into, modify, subrogate and terminate finance leases on all manner of real and movable properties, upon the terms and conditions that they may freely determine, and to acquire the properties held under such finance leases, the only limit being that when the acquisition amount exceeds EUR 300,507 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee, or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

3. To verify groupings or subdivisions of properties. demarcations and deeds of declaration of new construction.

4. To submit accounts and request them, approve them, adjust or challenge them, to provide and receive the amounts of the resulting balances and sign and receive final settlements.

5. To use, with full powers, the signature of the principal bank in all banking transactions. acts and agreements to which the principal bank s party, subject to the limits indicated for the transactions referred to in sections e) and j). and to sign all manner of correspondence.

6. To acquire and dispose of, at the price and under the terms that they may freely stipulate, including mr.ala and rainy/Masa agrnamantA and by any nthar moans parmittad by law. all mannar of movable and immovable property, not excluding rights in personam and rights in rem, the only limit being that when the transaction arranged in exercise of this power exceeds EUR 300.537 it must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certifica:e issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

7. Notwithstanding the provisions of the preceding paragraph, the limitation will not exist when the acquisition relates to loans that other financial institutions (banks, saving banks, credit cooperatives and similar entities registered with the Bank of Spain) may have granted to their customers. i.e. the loans included in the loan portfolio of the entity in question, even if the latter, in turn, had acquired the loans from another financial institution and they were not originally granted by said entity; or when the disposal relates to loans in the Bank's portfolio, whether these be loans granted to its customers or loans that :he Bank had acquired previously from another financial institution; all the foregoing irrespective of whether these acquisitions or disposals relating to the loan or loans in question are full or partial, and of the type of the loans themselves, whetter due to the form of instrumentation (agreement, deed, bills, promissory notes or by another other means) or to the additional guarantees they migtt have (all manner of security interest, mortgages. etc.).

8. To arrange in favour of the Bank mortgages and other encumbrances on immovable property to secure the loan transactions to which it is party or to underwrite guarantees and other obligations which, with respect to these transactions, are outstanding, and they will stipulate the periods. interest and distribution of charges and any other terms inherent to the agreements in question at their own discretion.

9. To modify, transfer or subrogate and terminate mortgages and other in rem rights, including entries in the Land Registry, held by the Bank, and to grant and release, in the Bank's name, tax payment documents and final account settlements, or declare that the obligations related to the encumbrances have been extinguished.

10. To reach a settlement on properties and rights and submit any questions and discrepancies affecting the Bank to the decision of arbitrators or honest brokers.

11. To appear in the hereditary successions of debtors, at insolvencies. insolvency proceedings and bankruptcies. to approve inventories and arrangements and contest them: to take part and vote at the meetings held for such purposes, whether they be in or out of court; to accept or reject such agreements as are adopted for the purpose; to sign arrangements in or out of court, to provide the guarantees that may be required, and to accept attached assets.

12. As security for the obligations of third parties and on their behalf, whether said parties be individuals or legal entities, and under the terms and clauses deemed appropriate, they may arrange. modify and withdraw or terminate guarantees and all other types of collateral before all

manner of departments, bodies and agencies at central, provincial or municipal and autonomous community government level and bodies reporting thereto, autonomous community or semi-public agencies, ordinary and special tribunals and courts, including the economic-administrative and judicial review jurisdictions, employmert courts, official banks and savings banks and, in general. before any public body, and before any type of company or individual, placing, as the case may be, the required deposits in cash or securities, with or without transfer of possession, and they may bind the Bank, even jointly and severally with the principal debtor, therefore waiving the benefits of order, discussion and division. the only limit being that, if the obligation undertaken by way of guarantee exceeds EUR 3.005,060, the transaction must have been approved by the Board of Directors or the Executive Committee, and this approval must be supported by the appropriate certificate issued by the Secretary to the Board or to the Executive Committee or by the acting Secretary to said Board or Committee, with the approval of the Chairman or of his assignee.

13. Without any limitations, to perform all manner of actions and to file claims and appeals at the courts and tribunals of any jurisdiction, including the Constitutional Court, and very in particular in the judicial review jurisdiction; to answer interrogatories: to give court depositions; to file complaints and criminal complaints and to ratify them.

14. Request the ministries, directorates general. central government and autonomous community units and offices, provincial, municipal and any other level of public corporations, authorities and civil servants, to act as deemed appropriate for the interests of the principal, by filing economic-administrative claims, appeals to superia administrative bodies and claims of any other nature and class, which they will conduct through all stages and levels; to request payment orders, and to present affidavits and evidence.

15. To confer legal and court-case powers on court procedural representatives ("procuradoree) if the principal requires such legal representation, and to perform in the Bank's name all manner of actions and exceptions which might be available to the former, conducting the proceedings through all stages and levels, including the Constitutional Court and the extraordinary cassation and review levels. and to withdraw, settle and stay such proceedings.

16. To pledge securities belonging to the Eank's portfolio in sufficient quantity so as to arrange credit account facilities. pledging the amount deemed appropriate in each case. and to sign the documents required for this purpose. aid for the arrangement. drawdown and cancellation of the aforementioned accounts and of their related guarantees and the renewal thereof upon expiry of each facility.

17. To present, at any central government offices, banks (including the Bank of Spain), companies. establishments and private individuals, shares or securities for conversion or exchange purposes, withdrawing or collecting the new certificates, receipts, securities or bills resulting from the exchange or conversion, with current or in-arrears coupons, and in general carrying out any transactions required to this end.

18. To arrange with insurance companies policies that cover all manner of movable or immovable property owned by the Bank or pledged or mortgaged in its favour against the risks of fire, catastrophic damage or third-party liability, being able to establish such terms and conditions of the policies as they see fit.

19. To authorise certifications of the Bank's accounting ledgers and documents.

20. To grant and sign the public deeds and private documents required to prepare the aforementioned acts and agreements.

21. To take part in Annual General Meetings and meetings of the Board of Directors in the name and on behalf of the Bank at companies in which the Bank holds an ownership interest.

The Bank does not grant the power to issue or buy back treasury shares. which corresponds to the Annual General Meeting or the Board of Directors. as appropriate.

*Significant agreements which will be modified or terminated in the event of a change in control of the Bank*

Not applicable

*Agreements between the Bank and the directors. executives or employees which provide for termination benefits if the relationship with the Company ends as a result of a takeover bid*

Not applicable.