PRESS RELEASE

FIRST HALF 2016 RESULTS

Santander delivers profit of EUR 2.911 billion and reaffirms objective of increasing cash dividend per share by 10% and total dividend per share by 5% in 2016

Underlying profit amounted to EUR 3.280 billion, a 9% increase year on year.

- *We continue to deliver on our commitments and reaffirm guidance of an increase in earnings and total dividend per share in 2016, despite worse than expected economic conditions.*
- *We are improving the quality of our balance sheet (NPLs fell), solvency (core capital improved 9 bps, to 10.36%), and profitability (RoTE reached 11.1%). Customer loans and deposits grew by 4% and digital clients reached 19.1 million (+23%).*
- *Our business in Brazil continues to perform even better than expected, delivering 6% growth in net profit in local currency.*
- *We are investing in our people and improving digital and branch-based personal services for all our customers."*

Ana Botín, Group executive chairman of Banco Santander

- ONE-OFFS. One-off transactions reduced earnings by net EUR 368 million. In the second quarter, restructuring costs were EUR 475 million and a contribution of EUR 120 million was made to the European Resolution Fund. Santander also made a capital gain of EUR 227 million from the sale of its stake in Visa Europe. In the same period of 2015, there was an extraordinary profit of EUR 835 million from Brazil. Those one-offs and the exchange rate effect reduced net profit by 32%.
- RESULTS. Net operating income rose by 2% to EUR 11,275 million in the first half of the year. Net interest income increased 3% and fee income rose 8% thanks to higher activity from loyal customers who benefit from the 1|2|3 strategy.
- CAPITAL. The CET1 fully loaded capital ratio rose 9 basis points in the quarter, to 10.36%, on target to exceed 11% in 2018.
- DIVERSIFICATION. Europe contributed 57% to Group profit (UK, 20% and Spain, 15%) and the Americas, 43% (Brazil, 19% and Mexico, 7%).
    - Spain: Ordinary attributable profit amounted to EUR 616 million (+8%). Lending increased over the prior quarter (+1%).
    - UK: Attributable profit of EUR 843 million (GBP 656 million, -12%, due to the impact of the new bank tax). Loans grew 3% and customer funds, 6%.
    - Brazil: Attributable profit reached EUR 788 million (BRL 3,245 million, +6%). Lending dropped 2% and customer funds rose 9%.

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Santander

Madrid, 27 July 2016. Banco Santander registered attributable profit of EUR 2.911 billion in the first half of 2016, a 32% decrease compared to the same period of 2015. This decline is affected by one-offs and the depreciation against the euro of the currencies of the main countries where the Group is present.

In the second quarter of 2016, one-off charges amounting to net EUR 368 million were booked, while in the same quarter last year a positive one-off of EUR 835 million was registered from the reversal of loan loss provisions in Brazil. Without the impact of these one-offs and the exchange rate effect, the Group's ordinary profit grows 9% to EUR 3.28 billlion.

In the first half of 2015, currencies were stronger against the euro. For this reason, for comparison purposes, the income statement includes variations in euros and without the exchange rate impact.

1H'16 Financial Highlights

Attrib. profit impacted by one-offs in 1H'15 and 1H'16.	Attributable profit	€2,911 mill.; -31.7%
Underlying profit growth	Underlying profit*	€3,280 mill.; +8.9%
Commercial revenues up y-o-y (currency-neutral)	NII	+3.0%
	Fee income	+7.7%
Enhanced balance sheet quality and lower cost of credit	NPL ratio	4.29%
	Cost of credit	1.19%
Capital increase compatible with high RoTE	FL CET1	10.36%
	Underlying RoTE	11.1%

(*) Excluding one-off items and contribution to the Single Resolution Fund (SRF) due to change in the scheduled contribution dates. % change on a currency-neutral basis

1H'16 Business Highlights

Var. Jun'16 / Jun'15

Selective growth: – Lending to individuals and companies (+4%) – Demand deposits (+9%)	Loans	+4%
	Funds	+4%
Loyal customers: 14.4 million – Individuals: 13.2 million – Companies: 1.2 million	Individuals	+1.1 mill. +9%
	Companies	+148 thousand +13%
Digital customers: 19.1million – Mobile: 8.4 million	Digital	+3.6 mill. +23%
	Mobile	+2.9 mill. +54%

Note: Loans excluding repos. Customer funds: deposits excluding repos + marketed mutual funds. % change on a currency-neutral basis

In a year in which the global macroeconomic outlook has deteriorated, Banco Santander improved the quality of its balance sheet, its solvency and its profitability. This allows the Bank to reaffirm its commitment to end the year with an increase in earnings per share, while growing total dividend per share 5% and the cash dividend, approximately 10%.

Results

In this scenario, the Bank's two main business lines, lending and customer funds, increased by 4%. In addition, the number of loyal clients increased by 10%, to 14.4 million, and digital customers 23%, to 19.1 million. These increases in business and loyalty led to growth of 3% in net interest income and 8% in fee income. This performance is mainly a result of greater transactionality and product sales that stem from the 1|2|3 strategy which has already been implemented in the UK, Spain, Portugal and, recently, Mexico. Increasing loyalty and digitalization are pillars of the Group's commercial transformation.

Net operating income, which indicates recurring results generation capacity, reached EUR 11,275 million, a 2% increase (-8% in euros). The efficiency ratio stood at 47.9%, a 0.2 point improvement over the prior quarter.

INCOME STATEMENT

Higher underlying profit backed by commercial revenues and lower cost of credit (currency-neutral basis)

€ Million	1H'16	1H'15	%1H'15	%1H'15 (currency-neutral)
Gross income	21,660	23,062	-6.1	3.6
Operating expenses	-10,384	-10,806	-3.9	5.2
Net operating income	**11,275**	**12,256**	**-8.0**	**2.2**
Loan-loss provisions	-4,613	-5,071	-9.0	0.2
Underlying PBT	**5,685**	**5,988**	**-5.1**	**6.5**
Tax	-1,780	-1,862	-4.4	5.9
Underlying profit	**3,280**	**3,426**	**-4.3**	**8.9**
Non-recurring results[1]	-368	835	—	—
Attributable profit	**2,911**	**4,261**	**-31.7**	**-24.3**

Gross income backed by commercial transformation

Operational excellence. Cost savings measures underway

Ongoing credit quality improvement, with decline in provisions in recent quarters

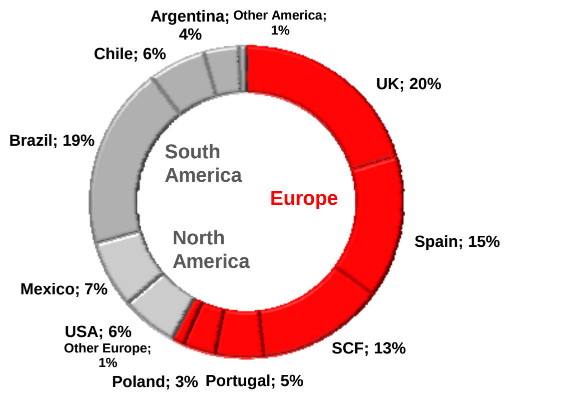
Profit growth, focusing on generating shareholder value

Attributable profit impacted by non-recurring items

(1) One-off items and contribution to the SRF in 1H'16, due to change in the scheduled contribution dates. Net result of the reversal of provisions in Brazil in 1H'15

Underlying profit 1H'16

Well-diversified results between Europe and the Americas



Loan loss provisions came in at EUR 4,613 million, almost the same as the first half of 2015 (-9% in euros). This performance occurs in the context of a drop in NPLs, now at 4.29%, 0.35 percentage point less than a year ago, and an increase in coverage of three points, to 73%. NPLs improved in general, with Spain, Mexico, Chile, Poland and Santander Consumer Finance (SCF) standing out.

57% of Group profits is generated in Europe and 43% in the Americas. By country, the largest contribution was made by the UK, with 20%, followed by Brazil (19%), Spain (15%), Mexico (7%), the United States and Chile (6% each), Portugal (5%), Argentina (4%) and Poland (3%). SCF, which operates in more than ten European countries, particularly in Germany, Spain and the Nordics, contributed 13% to profits after earning 533 million, with growth of 16% in euros, 18% without the exchange rate effect.

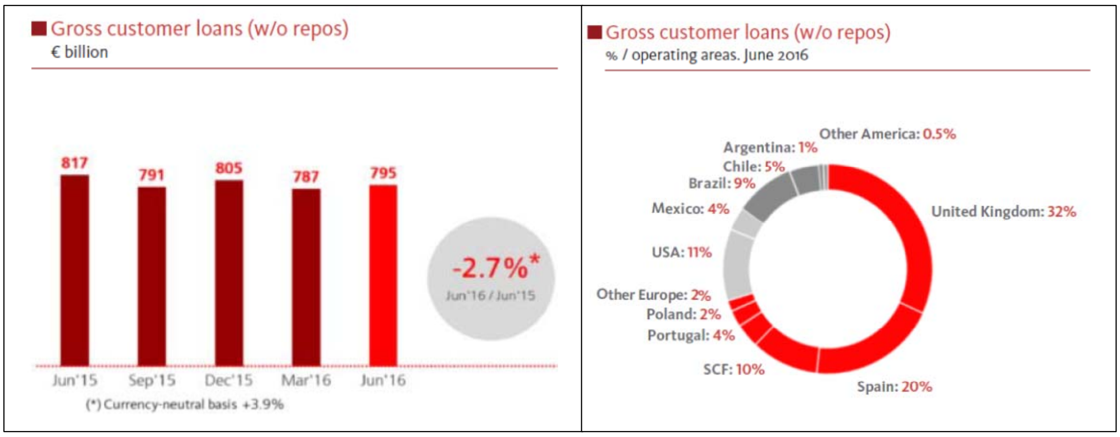
Business

Banco Santander closed the first quarter of 2016 with total assets of EUR 1.343 trillion, an increase of 6% year on year (0% in euros). Lending volume amounted to EUR 795,182 million, 4% over last year (-3% in euros). Overall customer funds reached EUR 765,859 million, with growth of 4% (-2% in euros).

Spain. The loan portfolio reached EUR 157,337 million euros, with a 2% drop over the first half of 2015. Nevertheless, this figure represents an increase of almost 1% with respect to the first quarter 2016, reflecting growth in financing to businesses. The year-on-year decrease is tied to the 8% drop in financing to the public sector and the 3% decrease in the mortgage book. New production increased sharply, with growth of 18% in SMEs and 25% lending to retail customers due to consumer finance and mortgages.

Total customer funds (deposits plus mutual funds) amounted to EUR 218,687 million, a 4% decrease. Low interest rates and the appeal of the 1|2|3 account meant that term deposits fell 21%, while demand deposits rose 2% and assets in mutual funds rose 3%. The cost of deposits fell for the second consecutive quarter, to 0.48%, 0.08 point less than the prior year.

The 1|2|3 strategy, which now benefits 1.24 million customers in Spain of which 380,000 joined this year, improves customer loyalty and increases market share in payroll deposits, pensions and card fees. This increased activity resulted in fee income growth of 7% in retail banking.

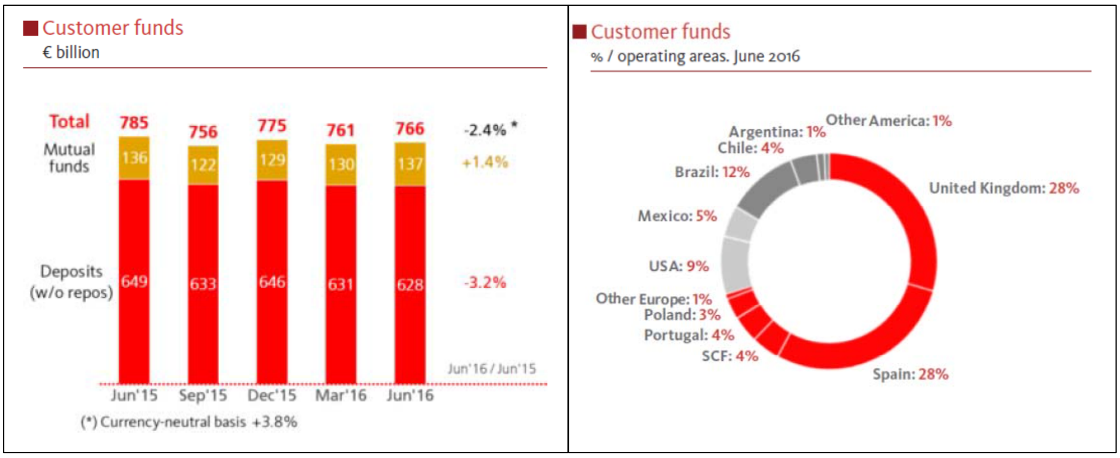


United Kingdom. The lending portfolio amounted to EUR 251,977 million at the end of the first half of 2016, with growth of 3% in pounds (-11% in euros) and progress made in all segments. Financing to companies grew 11%, and mortgages and consumer financing, 2%. The mortgage book is diversified throughout the UK and is high quality, with low average amounts per mortgage, low ratios of loan over asset value and low total credit over customer income.

In the U.K., the volume of assets in mutual funds reached EUR 211,699 million and grew 6% in the year in pounds (-9% in euros). Over the last four years, the 1|2|3 strategy, has attracted 4.9 million clients, 276,000 in the first half of 2016.

Brazil. The credit portfolio reached EUR 72,096 million, with a decrease of 2% in reals (-5% in euros). By segments, financing to individuals increased 3%, boosted by payroll credit and mortgages, while lending to companies declined.

Total deposits and mutual funds reached EUR 91,507 million, with growth of 6% without the exchange rate effect (+2% in euros), with good progress in *letras financeiras* (notes) and mutual funds.



As for the rest of the Group's main countries, United States grew lending 4% and slightly increased customer funds; in Mexico, loans rose 16% and customer funds, 14%; Chile increased both business lines 8%; Portugal grew lending 23% and customer funds, 24%; Poland increased loans 12% and customer funds, 7%; and Argentina grew its credit portfolio 46% and customer funds 53% (both impacted by high inflation).

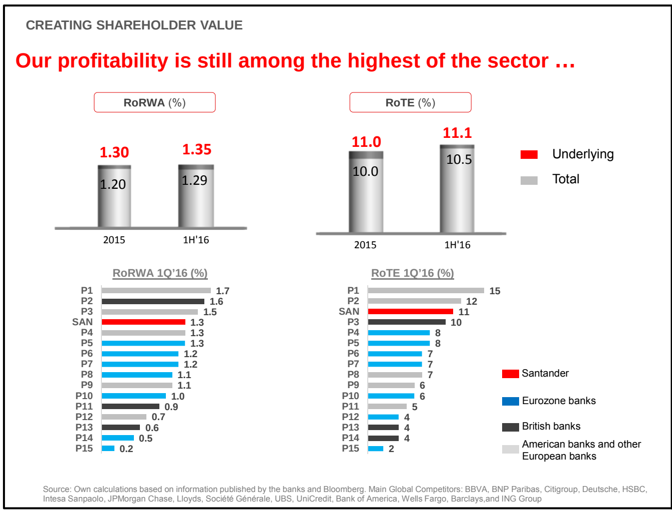
Lastly, Santander Consumer Finance, which groups the consumer finance business in continental Europe, grew deposits 5% and lending to customers 14%, boosted by the agreement with French group PSA Finance.

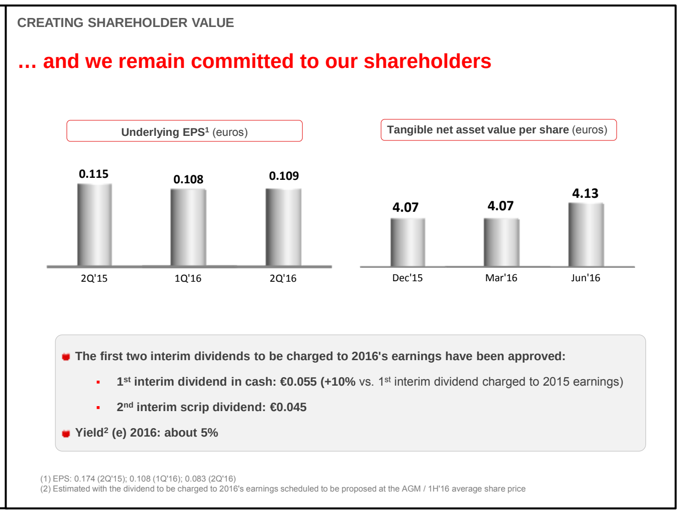
Capital

With regards to capital ratios, the bank closed the first half of the year with total eligible equity of EUR 79,371 million, and risk weighted assets of EUR 586,020 million. Santander has a CET1 capital ratio of 12.32%, 2.57 percentage points more than the minimum required by the European Central Bank for 2016, which is 9.75%.

The CET1 fully loaded capital ratio, which assumes capital requirements that will be in force as of 1 January 2019, is 10.36%, 0.31 point more than at the end of 2015. This capital ratio is in line to reach Santander's goal of 11% by 2018.

Banco Santander´s board of directors has announced its intention to distribute a EUR 0.21 dividend against the 2016 fiscal year, which would mean an increase of 5% of the dividend per share over 2015. Of this amount, EUR 16.5 cents would be paid in cash, 10% more than the prior year, and EUR 4.5 cents in cash or shares, depending on each shareholder's preference. Next August 1, the first dividend charged to 2016 results will be paid and it will be EUR 5.5 cents per share in cash, 10% more than the same period last year.





Banco Santander has a market capitalization of approximately EUR 55,000 million, making it the leading bank in the euro zone. Santander has 3,794,920 shareholders and 191,138 employees serving over 121 million customers through 12,589 branches.

More information at www.santander.com

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KEY CONSOLIDATED DATA

Balance sheet (€ Million)	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Total assets	**1,342,906**	1,324,200	1.4	**1,342,906**	1,339,376	0.3	1,340,260
Net customer loans	**783,457**	773,452	1.3	**783,457**	799,233	(2.0)	790,848
Customer deposits	**671,903**	670,626	0.2	**671,903**	687,918	(2.3)	683,142
Managed and marketed customer funds	**1,077,369**	1,057,964	1.8	**1,077,369**	1,082,946	(0.5)	1,075,563
Total equity	**100,346**	98,781	1.6	**100,346**	101,952	(1.6)	98,753
Total managed and marketed funds	**1,517,386**	1,489,950	1.8	**1,517,386**	1,514,136	0.2	1,506,520

Underlying income statement* (€ Million)	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
Net interest income	**7,570**	7,624	(0.7)	**15,194**	16,319	(6.9)	32,189
Gross income	**10,929**	10,730	1.9	**21,660**	23,062	(6.1)	45,272
Net operating income	**5,703**	5,572	2.3	**11,275**	12,256	(8.0)	23,702
Underlying profit before taxes	**2,954**	2,732	8.1	**5,685**	5,988	(5.1)	10,939
Underlying attributable profit to the Group	**1,646**	1,633	0.8	**3,280**	3,426	(4.3)	6,566

Changes on a currency-neutral basis: Quarterly: Net interest income: -1.8%; Gross income: +0.8%; Net operating income: +1.1%; Attributable profit: -0.2%
Year-on-year: Net interest income: +3.0%; Gross income: +3.6%; Net operating income: +2.2%; Attributable profit: +8.9%

Underlying EPS, profitability and efficiency* (%)	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
EPS (euro)	**0.11**	0.11	0.8	**0.22**	0.24	(8.4)	0.45
RoE	**7.45**	7.46		**7.45**	7.51		7.23
RoTE	**11.09**	11.13		**11.10**	11.46		10.99
RoA	**0.60**	0.58		**0.59**	0.61		0.58
RoRWA	**1.37**	1.33		**1.35**	1.36		1.30
Efficiency ratio (with amortisations)	**47.8**	48.1		**47.9**	46.9		47.6

Solvency and NPL ratios (%)	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
CET1 fully-loaded	**10.36**	10.27		**10.36**	9.83		10.05
CET1 phase-in	**12.32**	12.36		**12.32**	12.38		12.55
NPL ratio	**4.29**	4.33		**4.29**	4.64		4.36
Coverage ratio	**72.5**	74.0		**72.5**	70.1		73.1

Market capitalisation and shares	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Shares (millions)	**14,434**	14,434	—	**14,434**	14,317	0.8	14,434
Share price (euros)	**3.429**	3.874	(11.5)	**3.429**	6.264	(45.3)	4.558
Market capitalisation (€ million)	**49,496**	55,919	(11.5)	**49,496**	89,679	(44.8)	65,792
Tangible book value (euro)	**4.13**	4.07		**4.13**	4.18		4.07
Price / Tangible book value (X)	**0.83**	0.95		**0.83**	1.50		1.12
P/E ratio (X)	**7.93**	8.99		**7.93**	13.27		10.23

Other data	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Number of shareholders	**3,794,920**	3,682,927	3.0	**3,794,920**	3,203,349	18.5	3,573,277
Number of employees	**191,138**	194,519	(1.7)	**191,138**	190,262	0.5	193,863
Number of branches	**12,589**	12,962	(2.9)	**12,589**	12,910	(2.5)	13,030

Information on total profit**	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
Attributable profit to the Group	**1,278**	1,633	(21.8)	**2,911**	4,261	(31.7)	5,966
EPS (euro)	**0.08**	0.11	(22.9)	**0.19**	0.30	(35.6)	0.40
RoE	**7.03**	7.46		**7.03**	8.42		6.57
RoTE	**10.47**	11.13		**10.48**	12.86		9.99
RoA	**0.57**	0.58		**0.56**	0.68		0.54
RoRWA	**1.32**	1.33		**1.29**	1.51		1.20
P/E ratio (X)	**8.99**	8.99		**8.99**	10.58		11.30

(*).- Excluding non-recurring net capital gains and provisions (2Q'16 and 1H'16: -€368 million; 1H'15: €835 million; 2015: -€600 million)
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Note: The financial information in this report was approved by the Board of Directors at its meeting on July, 25 2016, following a favourable report from the Audit Committee on July, 20 2016.