PRESS RELEASE

RESULTS JANUARY-SEPTEMBER 2016

Santander earns €4.61 billion during the first nine months of 2016

Madrid, 26 October 2016

Banco Santander has delivered €4,606 million in attributable profits for the first nine months of 2016, down 22.5% from the same period in 2015 due to the impact of extraordinary items announced in Q2 of this year and Q2 of 2015. Excluding extraordinary items and exchange rate movements, profits grew by 8% year on year to €4,975 million.

In the third quarter alone, the bank delivered attributable profits of €1,695 million, up 1% when compared to the same period last year. Excluding the impact of currency depreciation against the euro, attributable profits in Q3 were 7% higher than the same period last year.

Banco Santander Group Executive Chairman, Ana Botín, said:

"We have delivered strong performance during the first nine months of 2016, earning the loyalty of a further one million customers, while maintaining our position as one of the most profitable banks in our peer group.

"While the low interest rate environment within developed economies remains a challenge for parts of our business, the resilience of our business model has allowed us to continue to deliver, with our Latin American and consumer finance franchises growing particularly well throughout the year.

"There continues to be real potential for further sustainable and profitable growth and we are confident that our strategy of earning the lasting loyalty of customers, strong balance sheet, and best-in-class efficiency leave us well positioned to continue delivering for our customers, colleagues, shareholders and communities.

"We continue to grow capital ahead of our goals while also funding growth in lending and increasing dividends. Dividend yield stands at around 5%. We expect to end 2016 exceeding last year's profit, enabling us to increase our dividend per share and earnings per share."

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INCOME STATEMENT. Key Highlights in million euros.

	9M'16	9M'15	Var. (%) 9M´16 vs 9M´15	Var. (%) (currency neutral)	Q3'16	Q3'15	Var. (%) Q3'16 vs Q3'15	Var. (%) (currency neutral)
Gross income	32,740	34,378	-4.8	2.7	11,080	11,316	-2.1	0.8
Operating expenses	-15,634	-16,149	-3.2	4.1	-5,250	-5,342	-1.7	1.9
Net operating income	17,106	18,229	-6.2	1.4	5,831	5,974	-2.4	-0.2
Loan-loss provisions	-7,112	-7,550	-5.8	0.5	-2,499	-2,479	0.8	0.7
Underlying PBT	8,625	8,766	-1.6	7.9	2,940	2,778	5.8	10.9
Tax on profit	-2,684	-2,649	1.3	9.5	-904	-787	14.9	18.3
Underlying profit	**4,975**	**5,106**	**-2.6**	**8.4**	**1,695**	**1,680**	**0.9**	**7.2**
Non-recurring items	-368	835	-	-	-	-	-	-
Attributable profit	**4,606**	**5,941**	**-22.5**	**-15.1**	**1,695**	**1,680**	**0.9**	**7.2**

Results Summary (9M'16 versus 9M'15 and currency neutral)

Customers: Banco Santander has continued to help its customers prosper, with lending increasing 3% year-on-year (y-o-y) and customer funds increasing by 5% y-o-y. Progress in the commercial and digital transformation has allowed the bank to increase the number of loyal customers (up 1.3 million, to 14.8 million) and digitally active customers (up 4.1 million, to 20.2 million) in the last twelve months.

Santander has continued to progress in commercial transformation, including: mobile phone payments; next generation branches; and smart ATMs. This investment has allowed for a better customer experience with seven countries ranking in the top three within their markets for customer satisfaction.

Net interest income: Net interest income grew by 2% y-o-y, with growth in seven out of ten markets. This was driven by higher volumes in both lending and deposits, with particularly strong growth in Latin America, Poland, Portugal and Consumer Finance.

Non interest income: Fee income increased by 8% y-o-y to €7,543 million, with the strategic focus on earning customer loyalty helping drive an increase in fee income across all markets. Gains on financial transactions (4% of total revenues) were down 18%, while other operating income increased 13% due to higher revenues from the leasing business of Santander Consumer USA.

Total income grew in a context in which most peers are registering declines.

Expenses: Operating expenses grew 4.1% y-o-y to €15,634 million driven in part by higher inflation in some markets and an increase in the perimeter businesses. On a like-for-like basis, costs were down 1%. The bank has maintained its best-in-class efficiency, with the cost/income ratio remaining flat at 47.8%, while continuing to invest in improving service for customers.

Loan loss provisions: Loan loss provisions were broadly flat y-o-y at €7,112 million. A strong risk culture helped drive improvements across all credit quality metrics, with the non-performing loan ratio falling by 35bps y-o-y to 4.15% and cost of credit falling by 7bps to 1.19%.

Profits: Attributable profits fell to €4,606 million as a result of a number of extraordinary items during Q2'16, including: restructuring costs (-€475 million), capital gains from the sale of VISA Europe (+€227 million), and a change in the scheduled date for contributions to the Single Resolution Fund (-€120 million). Q2'15 also benefited from a one-off gain of €835 million due to a reversal of tax liabilities in Brazil. Excluding the impact of extraordinary items and exchange rate movements, profits grew by 8% year on year to €4,975 million.

Capital: Fully loaded CET1 increased by 11bps in the third quarter and 0.42 points year-to-date, to 10.47%, on track to achieve target of 11% in 2018.

ROTE: Underlying ROTE was 11.2% and statutory ROTE was 10.6%, among the highest in the banking sector.

Diversification: Europe contributed 56% of Group profits (inc. UK 19%; Spain 14%; and Santander Consumer Finance 13%) and the Americas, 44% (inc. Brazil 20% and Mexico 7%).

Country summary (9M'16 versus 9M'15 and currency neutral)

In **Spain** the bank's priority remains to increase customer loyalty and improve service quality. The low interest rate environment continued to affect net-interest income, however, this was partly offset by good growth in fee income, strong cost control, and significant improvements in credit quality. *Key metrics: Gross Income (€4,429m, -8.5%); Operating Expenses (€2,495m, -3.1%); Loan loss provisions (€500m, -40.1%); Underlying attributable profit, excluding contribution to SRF in 2Q'16 (€885m, +0.2%); Attributable profit (€785m, -11.1%).*

Santander **UK** made good progress against its strategic targets, with 123 customers continuing to grow, strong cost discipline and good credit quality, despite uncertainty in the operating environment. Attributable profits have been impacted by the introduction in 2016 of the 8% bank corporation tax surcharge, turning the 0.3% increase in profit before tax into a decline of 11% in attributable profit. *Key metrics: Gross Income (€4,391m, +1.3%); Operating Expenses (€2,284m, +0.3%); Loan loss provisions (€119m, +51.7%); Attributable profit (€1,207m, -11.1%).*

In **Brazil** the bank has continued to see strong performance with growth in profit and income driven by good client growth, greater transactions and customer loyalty, and an increase in fee income. The change in business mix carried out in the last few years has also allowed the bank to maintain credit quality ahead of our peers. *Key metrics: Gross Income (€8,133m, +6.2%);*

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Operating Expenses (€3,170m, +5.4%); Loan loss provisions (€2,424m, +10.9%); Attributable profit (€1,276m, +9.5%).

In the **US** Santander has continued to invest to improve the retail customer experience, grow our commercial bank, and meet our regulatory requirements. Revenues fell slightly and while our costs increased, the rate of increase has begun to reduce. Provisions increased during the period due to a greater level of retention of loans at Santander Consumer USA and provisions made for Oil and Gas (mainly in Q1). *Key metrics: Gross Income (€5,723m, -1.4%); Operating Expenses (€2,335m, +6.5%); Loan loss provisions (€2,342m, +9.5%); Attributable profit (€381m, -42.1%).*

Santander Consumer Finance continued to strengthen its leadership position within the European consumer finance market. Profits rose due to an increase in new lending across all countries and improvements in cost control and credit quality. *Key metrics: Gross Income (€3,219m, +10%); Operating Expenses (€1,418m, +10%); Loan loss provisions (€300m, -30.9%); Attributable profit (€835m, +21.1%) excluding contribution to SRF in 2Q'16. Attributable profit including SRF contribution (824m, +19.5%).*

Good performance in all segments helped boost profits in **Mexico** with strong growth in both lending and deposits. The number of loyal customers increased further during the quarter and credit quality continued to improve. *Key metrics: Gross Income (€2,375m, +13.4%); Operating Expenses (€950m, +8.1%); Loan loss provisions (€629m, +11.9%); Attributable profit (€460m, +19%).*

In **Chile** the bank continued to focus on improving the customer experience and increasing loyal customers. Attributable profits increased due to higher commercial revenues, a modest decrease in provisions and good cost control. *Key metrics: Gross Income (€1,749m, +4%); Operating Expenses (€721m, +3.4%); Loan loss provisions (€382m, -0.7%); Attributable profit (€377m, +6.3%).*

In **Poland** the bank delivered good growth in net interest income, with the business gaining market share in loans. The cost of credit improved with material reductions in non performing loans. Attributable profits were impacted by the tax on assets introduced in February 2016. Excluding this impact, profit would have grown 8%. *Key metrics: Gross Income (€985m, +5%); Operating Expenses (€440m, +2.4%); Loan loss provisions (€110m, -6.9%); Attributable profit (€208m, -10.2%).*

On a like-for-like basis, profits increased significantly in **Portugal** due to strong income growth, lower costs and a significant reduction in loan loss provisions. Income was bolstered by gains on financial transactions from the sale of portfolios and the integration of Banif. *Key metrics: Gross Income (€917m, +31.5%); Operating Expenses (€455m, +20.6%); Loan loss provisions (€44m, -33.8%); Attributable profit excluding contribution to SRF in 2Q'16 (302m; +67%); Attributable profit (€293m, +62.3%).*

The strategic focus in **Argentina** continues to be on expanding and modernising the branch network to take advantage of growth opportunities. Attributable profit increased significantly due to good performance in both net interest income and fee income. The market position will be further strengthened by the acquisition of Citibank's retail portfolio. *Key metrics: Gross Income (€999m, +40.4%); Operating Expenses (€549m, +39.5%); Loan loss provisions (€75m, +24.1%); Attributable profit (€250m, +48%).*

KEY CONSOLIDATED DATA

Balance sheet (€ million)	Sep'16	Jun'16	%	Sep'16	Sep'15	%	2015
Total assets	**1,329,538**	1,342,906	(1.0)	**1,329,538**	1,320,427	0.7	1,340,260
Net customer loans	**773,290**	783,457	(1.3)	**773,290**	777,020	(0.5)	790,848
Customer deposits	**667,439**	671,903	(0.7)	**667,439**	669,255	(0.3)	683,142
Managed and marketed customer funds	**1,075,162**	1,077,369	(0.2)	**1,075,162**	1,045,507	2.8	1,075,563
Total equity	**101,122**	100,346	0.8	**101,122**	98,687	2.5	98,753
Total managed and marketed funds	**1,508,587**	1,517,386	(0.6)	**1,508,587**	1,479,841	1.9	1,506,520

Underlying income statement* (€ million)	3Q'16	2Q'16	%	9M'16	9M'15	%	2015
Net interest income	**7,798**	7,570	3.0	**22,992**	24,302	(5.4)	32,189
Gross income	**11,080**	10,929	1.4	**32,740**	34,378	(4.8)	45,272
Net operating income	**5,831**	5,703	2.2	**17,106**	18,229	(6.2)	23,702
Underlying profit before taxes	**2,940**	2,954	(0.5)	**8,625**	8,766	(1.6)	10,939
Underlying attributable profit to the Group	**1,695**	1,646	3.0	**4,975**	5,106	(2.6)	6,566

Changes on a currency-neutral basis: Quarterly: Net interest income: +1.5%; Gross income: -0.1%; Net operating income: +0.2%; Attributable profit: +2.3%
Year-on-year: Net interest income: +2.2%; Gross income: +2.7%; Net operating income: +1.4%; Attributable profit: +8.4%

Underlying EPS, profitability and efficiency* (%)	3Q'16	2Q'16	%	9M'16	9M'15	%	2015
EPS (euro)	**0.11**	0.11	3.2	**0.33**	0.35	(5.9)	0.45
RoE	**7.66**	7.45		**7.52**	7.49		7.23
RoTE	**11.36**	11.09		**11.19**	11.42		10.99
RoA	**0.61**	0.60		**0.59**	0.61		0.58
RoRWA	**1.40**	1.37		**1.37**	1.35		1.30
Efficiency ratio (with amortisations)	**47.4**	47.8		**47.8**	47.0		47.6

Solvency and NPL ratios (%)	Sep'16	Jun'16	%	Sep'16	Sep'15	%	2015
CET1 fully-loaded	**10.47**	10.36		**10.47**	9.85		10.05
CET1 phase-in	**12.44**	12.32		**12.44**	12.39		12.55
NPL ratio	**4.15**	4.29		**4.15**	4.50		4.36
Coverage ratio	**72.7**	72.5		**72.7**	71.1		73.1

Market capitalisation and shares	Sep'16	Jun'16	%	Sep'16	Sep'15	%	2015
Shares (millions)	**14,434**	14,434	—	**14,434**	14,317	0.8	14,434
Share price (euros)	**3.947**	3.429	15.1	**3.947**	4.744	(16.8)	4.558
Market capitalisation (€ million)	**56,973**	49,496	15.1	**56,973**	67,918	(16.1)	65,792
Tangible book value (euro)	**4.18**	4.13		**4.18**	4.10		4.07
Price / Tangible book value (X)	**0.94**	0.83		**0.94**	1.16		1.12
P/E ratio (X)	**9.02**	7.93		**9.02**	10.19		10.23

Other data	Sep'16	Jun'16	%	Sep'16	Sep'15	%	2015
Number of shareholders	**3,920,700**	3,794,920	3.3	**3,920,700**	3,209,138	22.2	3,573,277
Number of employees	**189,675**	191,138	(0.8)	**189,675**	191,504	(1.0)	193,863
Number of branches	**12,391**	12,589	(1.6)	**12,391**	12,901	(4.0)	13,030

Information on total profit**	3Q'16	2Q'16	%	9M'16	9M'15	%	2015
Attributable profit to the Group	**1,695**	1,278	32.6	**4,606**	5,941	(22.5)	5,966
EPS (euro)	**0.11**	0.08	35.1	**0.30**	0.41	(25.9)	0.40
RoE	**7.66**	7.03		**7.10**	8.41		6.57
RoTE	**11.36**	10.47		**10.57**	12.82		9.99
RoA	**0.61**	0.57		**0.57**	0.68		0.54
RoRWA	**1.40**	1.32		**1.31**	1.51		1.20
P/E ratio (X)	**9.78**	8.99		**9.78**	8.71		11.30

(*).- Excluding non-recurring net capital gains and provisions (2Q'16 and 9M'16: -€368 million; 9M'15: €835 million; 2015: -€600 million)
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Note: The financial information in this report was approved by the Executive Committee of Board of Directors at its meeting on October 24, 2016, following a favourable report from the Audit Committee on October 20, 2016.