Santander earns €3,616 million in attributable profit during the first half of 2017 - up 24%

Group profit before tax was €6,584 million - up 16% in constant euros

Madrid, 28 July 2017 - PRESS RELEASE

- In the standalone second quarter the Group generated €1,749 million in attributable profit, up 37% compared to the same period last year. This includes an €11 million contribution from Banco Popular which was acquired on 7 June 2017.
- Gross income excluding Popular increased by 11% to €23,939 million (+7% in constant euros), driven by strong growth in recurring customer revenues.
- The Group's fully loaded common equity tier 1 (CET1) capital ratio increased to 10.72% at 30 June 2017 (excl. Popular). The impact of the acquisition of Popular was offset by the successful completion of a €7,072 million rights issue during July.
- In the last 12 months the Group has added 1.9 million loyal customers (excl. Popular), with lending and customer funds increasing by 1% and 8% respectively in constant euros.
- The Group continues to be well diversified across both developed and developing markets with Brazil contributing 26% of Group attributable profit, the UK contributing 17% and Spain contributing 13%.
- Santander maintained its position as one of the most profitable and efficient banks in the world. Return on tangible equity, a key measure of profitability, increased by 144 basis points in the year to 11.7% excl. Popular, while the cost to income ratio is 46.3%.

Banco Santander Group Executive Chairman, Ana Botín, said:

"We have continued to deliver on our commitments, creating strong profitable growth, and further improving the quality of our earnings throughout the Group. The business has seen positive trends across all markets with particularly strong growth in Latin America, further improvements in Spain, and robust performance in the UK despite the ongoing challenges.

Since acquiring Popular less than two months ago we have made significant progress in addressing the immediate priorities: We have raised the capital necessary to meet our requirements and announced a process to reduce Popular's real estate exposures; we have launched a commercial action to help build loyalty among customers affected by the resolution; we have confirmed the financial estimates made during the acquisition; and we now have a new board and management team in place. Furthermore, we are pleased to say that the quality and commitment of Popular´s teams is very high. We are, therefore, extremely confident that the acquisition of Popular will deliver a return on investment of 13-14% by 2019.

The banking industry continues to face challenges, but we are well placed to further support our customers and continue to grow profitably. We remain committed to meeting our commercial and financial targets for 2018 and doing so in the right way."

Summary Income Statement

		H1'17 (m)	H1'17 v H1'16	H1'17 v H1'16 (EX FX)	Q2'17 (m)	Q2'17 v Q2'16	Q2'17 v Q2'16 (EX FX)
Excl. Popular	GROSS INCOME	€23,939	11%	7%	€11,910	11%	8%
	OPERATING EXPENSES	€11,095	7%	4%	€5,552	6%	4%
	NET LOAN-LOSS PROVISIONS	€4,672	1%	-6%	€2,272	3%	-2%
	PROFIT BEFORE TAX	€6,569	19%	16%	€3,258	17%	15%
	NON RECURRING ITEMS	€0	-100%	-100%	€0	-100%	-100%
	ATTRIBUTABLE PROFIT	€3,605	24%	20%	€1,738	36%	34%
	BANCO POPULAR	€11			€11		
	ATTRIBUTABLE PROFIT	**€3,616**	**24%**	**21%**	**€1,749**	**37%**	**35%**

Banco Popular and its subsidiaries became part of the Group as of the acquisition date of 7 June 2017. The impact of the Group income statement for first half of 2017 is not therefore significant. In order to better explain the Group's performance in the period, all performance details henceforth exclude the impact of the acquisition, unless otherwise stated.

Results Summary

Banco Santander earned an attributable profit of €3,605 million during the first half of 2017, an increase of 24% compared to the same period last year. This was driven by an increase in customer revenues, disciplined cost control, and further improvements in loan loss provisions. Banco Popular, which Santander acquired on 7 June 2017, contributed a further €11 million to the Group's attributable profit in the period to 30 June 2017, bringing total Group attributable profit to €3,616 million during the first half of 2017 and €1,749 million in the standalone second quarter (+37% compared to second quarter of 2016).

The Group continued to see positive trends across all markets, with revenues increasing in eight of the Group's ten core markets. Gross income increased by 11% to €23,939 million (+7% in constant euros) with net interest income and fee income increasing by 11% and 16% respectively (7% and 11% in constant euros).

Santander has continued to help people and businesses prosper across all its markets during the period, with the number of loyal customers (people who see Santander as their main bank)

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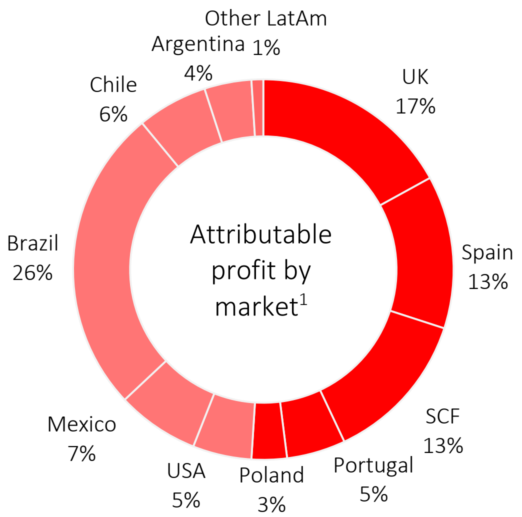
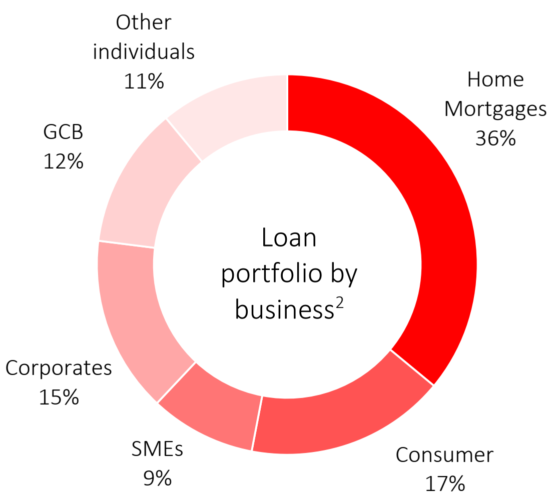
growing by 1.9 million since 30 June 2016 to 16.3 million. Lending and customer funds were up by 1% and 8% respectively in constant euros over the same period.

The acquisition of Popular increases customers loans by 10% (€82,600 million) to €861,200 million. Customer deposits increase by 8.5% (€64,800 million), to €764,300 million. While customer deposits in Banco Popular fell by €20,000 million in Spain in the period from 30 December 2016 and 7 June 2017, following the resolution process and subsequent acquisition deposit levels have begun to recover, increasing by €5,000 million in the weeks following the acquisition.

The Group continued to deliver on its commercial transformation with digital customers increasing by 4 million over the last 12 months to 23 million. The progression in digital transformation, combined with strong cost discipline, allowed Santander to maintain its position as one of the most efficient banks in the world. The cost/income ratio, a key measure of efficiency, improved two percentage points in the period from 48.3% in the first half of 2016 to 46.3% in the first half of 2017.

A balanced presence across both mature and emerging markets remains one of Santander's key strengths. In the first half of 2017 Europe contributed 51% of Group profit and the Americas 49%. The lending book is also well diversified across business segments and geographies.





1. Excluding corporate centre, Banco Popular, and Spain real estate activities 2. Loans excluding repos

Credit quality continued to improve with non-performing loans (NPL) reducing to 3.55% of total lending, from 3.74% at 31 March 2017 and 4.29% at 30 June 2016. Including Popular the Group NPL ratio at 30 June 2017 was 5.37%. The coverage ratio and cost of credit remained in line with 30 June 2016 at 73% and 1.19% respectively (68% and 1.17% incl. Popular).

The Group delivered strong growth across all key shareholder measures. Over the last 12 months return on tangible equity, a key measure of profitability, has increased by 144 basis points to 11.7% (11.8% incl. Popular), among the best of our peers. Tangible net asset value per share increased by 0.5% to €4.15, and earnings per share increased by 23% to €0.235.

Santander continued to grow capital organically during the period with the fully loaded CET 1 ratio increasing by 17 basis points to 10.72% since 31 December 2016. This is significantly higher than the expected minimum regulatory capital requirement for 2019 (9.5%). Santander's fully loaded leverage ratio remains higher than most European peers at 5%.

The impact of the acquisition of Banco Popular on the Group's CET 1 was entirely offset by the successful completion of a €7,072 million rights issue which was finalised on 27 July 2017. The Group remains committed to increasing its CET1 ratio organically by 40 bps during 2017, achieving a fully loaded CET1 ratio of 11% in 2018.

Country Summary (H1'17 v H1'16)

In Brazil attributable profit increased by 58% to €1,244 million (+32% in constant euros), with strong growth in revenues, disciplined cost control and a reduction in cost of credit in the quarter, supported by a strengthened Brazilian Real. Ongoing improvements to the customer experience helped increase the number of loyal customers by more than 400,000 year on year to 3.8 million, while the number of digital customers increased by nearly 2 million to 7.4 million.

In the UK attributable profit fell by 13% to €824 million (-4.1% in constant euros) due to extraordinary gains made in the first half of 2016 from the disposal of the stake in Visa Europe. Excluding this impact, profit increased by 8.1% in constant euros with strong growth in revenue driven by improving deposit costs and ongoing cost discipline. The business added a further 180,000 loyal customers since 30 June 2016, with lending to UK companies increasing by £700 million and retail current account balances increasing by £1.5 billion.

Santander Consumer Finance continued to deliver strong growth in attributable profit, up 13% to €633 million compared to the same period last year, driven by an increase in new lending across all markets and historically low non-performing loans.

The attributable profit of Santander in Spain increased by 102% to €603 million after H1 2016 was impacted by a net charge of €216 million relating to capital gains and restructuring costs. Excluding the impact of this charge profit increased by 17.1% as the launch of 123 Smart account and positive trends within the SME business helped increase the number of loyal customers by 380,000 year on year to 1.6 million. Credit quality continued to improve significantly during the period with provisions falling by 17%.

In Mexico attributable profit increased by 21% to €350 million (+26% in constant euros) driven by strong growth in both net interest income and fee income. The ongoing progress in a

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number of strategic commercial initiatives (incl. Santander Plus, mortgages and credit cards) helped increase the number of loyal customers by 350,000 during the period.

In Chile growth in lending volumes and reduction in cost of deposits, combined with good cost control and improvements across all credit quality metrics helped drive an increase in attributable profit of 20% to €297 million (+11% in constant euros).

In the US attributable profit grew by 1.5% to €244 million (-2% in constant euros) as profit increased for second straight quarter. A reduction in both loan loss provisions and deposit costs helped offset the impact of the change in customer risk profile at Santander Consumer US. Santander Holdings USA reached a significant regulatory milestone during the period after it received no objection from the Federal Reserve to its capital plan, including the payment of dividends for the first time since 2011.

In Portugal attributable profit increased by 16% to €233 million with focus on commercial transformation helping drive a 24% increase in loyal and 34% increase in digital customers. Improving cost of credit helped offset a reduction in revenues due to portfolio sales made in 2016.

In Argentina attributable profit increased by 28% to €193 million (+36% in constant euros) due to strong growth in business volumes and ongoing cost control offsetting investment in commercial transformation. The integration of Citibank's retail business is progressing as scheduled.

In Poland attributable profit fell 15% during the same period to €142 million (-17% excluding currency impact) due to gains made during the first half of 2016 relating to the sale of the stake in Visa Europe and the negative impact of the banking asset tax (applied from 1 Feb 2016). Profit before tax increased by 13% (+10% in constant euros).

About Banco Santander

Banco Santander is the largest bank in the Eurozone with a market capitalisation of €84,500 million at 30 June 2017. It has a strong and focused presence in 10 core markets across Europe and the Americas with just under 4 million shareholders and 200,000 employees serving 131 million customers.

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KEY CONSOLIDATED DATA
(including Banco Popular)

Balance sheet (€ million)	Jun'17	Mar'17	%	Jun'17	Jun'16	%	Dec'16
Total assets	**1,445,260**	1,351,956	6.9	**1,445,260**	1,342,906	7.6	1,339,125
Net customer loans	**861,221**	795,312	8.3	**861,221**	783,457	9.9	790,470
Customer deposits	**764,336**	705,786	8.3	**764,336**	671,903	13.8	691,111
Total Customer funds	**969,778**	898,110	8.0	**969,778**	846,383	14.6	873,618
Total equity	**100,955**	104,869	(3.7)	**100,955**	100,346	0.6	102,699

Note: Total customer funds included customer deposits, mutual funds, pension funds, managed portfolios and insurance premiums.

Income statement (€ million)	2Q'17	1Q'17	%	1H'17	1H'16	%	2016
Net interest income	**8,606**	8,402	2.4	**17,008**	15,194	11.9	31,089
Gross income	**12,049**	12,029	0.2	**24,078**	21,485	12.1	43,853
Net operating income	**6,401**	6,486	(1.3)	**12,887**	11,100	16.1	22,766
Underlying profit before taxes*	**3,273**	3,311	(1.1)	**6,585**	5,510	19.5	11,288
Underlying attributable profit to the Group*	**1,749**	1,867	(6.4)	**3,616**	3,160	14.4	6,621
Attributable profit to the Group	**1,749**	1,867	(6.4)	**3,616**	2,911	24.2	6,204

Changes w/o FX: Quarterly: NII: +4.6%; Gross income: +2.3%; Net operating income: +1.1%; Underlying attributable profit: -4.2%; Attributable profit: -4.2%
Year-on-year: NII: +7.4%; Gross income: +7.7%; Net operating income: +10.4%; Underlying attributable profit: +11.1%; Attributable profit: +20.7%

EPS, profitability and efficiency (%)	2Q'17	1Q'17	%	1H'17	1H'16	%	2016
Underlying EPS (euro) *	**0.114**	0.122	(7.2)	**0.236**	0.208	13.4	0.436
EPS (euro)	**0.114**	0.122	(7.2)	**0.236**	0.191	23.7	0.407
RoE	**7.74**	8.19		**7.97**	6.89		6.99
Underlying RoTE*	**11.46**	12.13		**11.82**	10.69		11.08
RoTE	**11.46**	12.13		**11.82**	10.27		10.38
RoA	**0.63**	0.65		**0.64**	0.55		0.56
Underlying RoRWA*	**1.43**	1.48		**1.45**	1.31		1.36
RoRWA	**1.43**	1.48		**1.45**	1.27		1.29
Efficiency ratio (with amortisations)	**46.9**	46.1		**46.5**	48.3		48.1

Solvency and NPL ratios (%)	Jun'17	Mar'17	%	Jun'17	Jun'16	%	Dec'16
CET1 fully-loaded	**9.58**	10.66		**9.58**	10.36		10.55
CET1 phase-in	**10.98**	12.12		**10.98**	12.32		12.53
NPL ratio	**5.37**	3.74		**5.37**	4.29		3.93
Coverage ratio	**67.7**	74.6		**67.7**	72.5		73.8

Note: Including the capital increase in July, the fully loaded CET1 at June'17 was 10.72% and the phase-in CET1 12.08%.

Market capitalisation and shares	Jun'17	Mar'17	%	Jun'17	Jun'16	%	Dec'16
Shares (millions)	**14,582**	14,582	—	**14,582**	14,434	1.0	14,582
Share price (euros)	**5.792**	5.745	0.8	**5.792**	3.429	68.9	4.959
Market capitalisation (€ million)	**84,461**	83,776	0.8	**84,461**	49,496	70.6	72,314
Tangible book value per share (euro)	**4.13**	4.26		**4.13**	4.13		4.22
Price / Tangible book value (X)	**1.40**	1.35		**1.40**	0.83		1.17
P/E ratio (X)	**12.28**	11.74		**12.28**	8.99		12.18

Note: Including July's capital increase tangible book value per share at June'17 was €4.18.

Other data	Jun'17	Mar'17	%	Jun'17	Jun'16	%	Dec'16
Number of shareholders	**4,019,706**	3,957,838	1.6	**4,019,706**	3,794,920	5.9	3,928,950
Number of employees	**201,596**	188,182	7.1	**201,596**	191,138	5.5	188,492
Number of branches	**13,825**	12,117	14.1	**13,825**	12,589	9.8	12,235

(*) Excluding non-recurring net capital gains and provisions

Note: The financial information in this report has been approved by the Bank's Board of Directors, following a favourable report from the Audit Committee.

The financial information in this report includes alternative performance measures (APM). Detailed information on these measures is included in the 2Q17 quarterly report.

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Forward-looking statements speak only as of the date of this press release and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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Note: Statements as to historical performance or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this press release should be construed as a profit forecast.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

In addition to the financial information prepared under International Financial Reporting Standards (“IFRS”), this press release includes certain alternative performance measures as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) as well as Non-IFRS measures. The APMs and Non-IFRS Measures are performance measures that have been calculated using the financial information from the Santander Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs and Non-IFRS Measures are been used to allow for a better understanding of the financial performance of the Santander Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Santander Group defines and calculates these APMs and Non-IFRS Measures may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Please refer to the quarterly financial Report for further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFR, see Section 26 of the Documento de Registro de Acciones for Banco Santander filed with the CNMV on July 4, 2017 (available on the Web page of the CNMV -www.cnmv.es- and at Banco Santander -www.santander.com) and Item 3A of the Annual Report on Form 20-F for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission on March 31, 2017 (the “Form 20-F”). For a discussion of the accounting principles used in translation of foreign currency-denominated assets and liabilities to euros, see note 2(a) to our consolidated financial statements on Form 20-F and to our consolidated financial statements available on the CNMV’s website (www.cnmv.es) and on Banco Santander’s website (www.santander.com).

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