Santander earns €1,867 million in attributable profit during Q1 2017 (up 14%)

Profit before tax was €3,311 million, up 17% excluding currency movements

Madrid, 26 April 2017 - PRESS RELEASE

- The Group has earned the loyalty of a further 1.5 million customers since Q1'16, with lending and customer funds increasing by 2% and 7% respectively.
- The Group continues to be well diversified with Europe contributing 52% of profit and the Americas 48% (Brazil 26%). Attributable profit increased in nine of the Group's ten core markets, excluding currency movements.
- During the first quarter of 2017 the Group's common equity tier 1 capital ratio increased by 11 basis points to 10.66%, while cost/income ratio improved to 46.1% from 48.1%.
- Since Q1 2016, return on tangible equity, a key measure of profitability, has increased by 100 basis points to 12.1%, among the best of our peers. Tangible net asset value per share increased by 5% to €4.26, and earnings per share increased by 14% to €0.122.

Banco Santander Group Executive Chairman, Ana Botín, said:

"It's been a strong start to the year with positive momentum across all markets and particularly good growth in Latin America, Spain and our consumer finance business. We are earning the loyalty of more customers, delivering ahead of our targets, and maintaining our position as one of the most efficient, profitable, and predictable banks in the world.

"While the environment continues to be challenging for the banking sector, the outlook for Santander is positive. The economies of all our core markets are expected to grow this year and we are confident that our business model, combined with the consistent execution of our strategy, position us well to continue delivering for our customers and teams while growing profitably in the years ahead."

Income Statement

	Q1'17 (m)	Q1'17 v Q1'16	Q1'17 v Q1'16 (EX FX)
GROSS INCOME	€12,029	+12.1%	+6.2%
OPERATING EXPENSES	€-5,543	+7.5%	+3.1%
OPERATING INCOME	€6,486	+16.4%	+8.9%
NET LOAN-LOSS PROVISIONS	€-2,400	-0.4%	-9.1%
PROFIT BEFORE TAX	€3,311	+21.2%	+16.8%
ATTRIBUTABLE PROFIT	€1,867	+14.3%	+10.0%

Corporate Communications
Ciudad Grupo Santander, edificio Arrecife, pl. 2
28660 Boadilla del Monte (Madrid) Telf.: +34 91 2895211
comunicacion@gruposantander.com
www.santander.com - Twitter: @bancosantander

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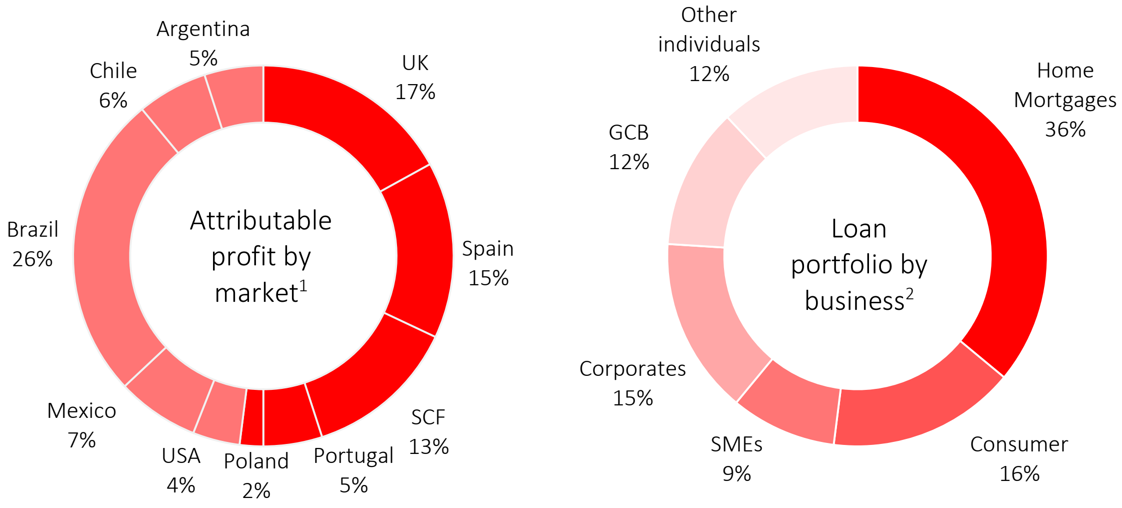
Results Summary

Banco Santander delivered an attributable profit of €1,867 million during the first quarter of 2017, +14% compared to Q1 2016. Excluding currency movements, profit before tax increased by 17% to €3,311 million.

The underlying business performance was strong, with positive trends in all markets and particularly good growth in Latin America, Spain and Santander Consumer Finance. Excluding the impact of currency movements, attributable profits increased in nine of the Group's ten core markets.

Santander's differential business model continues to provide strong diversification across both mature and developing markets. In the first quarter of 2017 Europe contributed 52% of Group profit and the Americas 48%. The lending book is also well diversified across business segments and geographies.



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

During the quarter the Group continued to help people and businesses prosper across all its markets. Lending and customer funds increased by 2% and 7% respectively over the past 12 months while the number of loyal customers (people who see Santander as their main bank) increased by 1.5 million to 15.5 million.

The Group's ongoing investment in technology helped increase the number of digital customers by 4.2 million since Q1 2016 to 22.1 million, while also increasing customer satisfaction. Santander ranks among the top three highest rated banks for customer satisfaction in eight of its nine core geographies.

As well as improving customer satisfaction, the progression in digital transformation, combined with strong cost discipline, allowed Santander to further strengthen its position as one of the most efficient banks in the world, with the cost/income ratio improving to 46.1% from 48.1% during the quarter.

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Credit quality also continued to improve with non-performing loans reducing to 3.74% of total lending, from 4.33% at Q1 2016. The Group's coverage ratio increased to 75% from 74%, while the cost of credit reduced to 1.17% from 1.22%.

The Group delivered strong growth across its key shareholder measures and continued to meet all strategic targets. Since Q1 2016 return on tangible equity, a key measure of profitability, has increased by 100 basis points to 12.1%, among the best of our peers. Tangible net asset value per share increased by 5% to €4.26, and earnings per share increased by 14% to €0.122.

Strong profitability allowed the Group to further strengthen its capital during the quarter with the common equity tier 1 capital ratio increasing by 11 basis points to 10.66%. This is significantly higher than the Group's expected minimum regulatory capital requirement for 2019 (9.5%).

Country Summary

Attributable profit to the Group

€ million	1Q'17	/ 1Q'16 %	/ 1Q'16 % w/o FX
Continental Europe	**774**	**9.5**	**9.0**
o/w: Spain	362	17.7	17.7
Santander Consumer Finance	314	25.1	23.4
Poland	59	(7.6)	(8.5)
Portugal	125	3.8	3.8
United Kingdom	**416**	**(8.1)**	**2.6**
Latin America	**1,050**	**49.3**	**30.3**
o/w: Brazil	634	76.8	37.7
Mexico	163	14.3	24.1
Chile	147	21.1	9.4
USA	**95**	**16.3**	**12.4**
Operating areas	**2,335**	**20.1**	**16.4**
Corporate Centre	(468)	50.3	50.3
Total Group	**1,867**	**14.3**	**10.0**

In Brazil attributable profit was €634 million, an increase of 77% compared to Q1 2016 driven in part by a strengthening Brazilian Real but also strong business performance. Excluding the currency impact attributable profits grew by 38% with an increase in loyal customers stimulating strong growth in income, and prudent risk management leading to a reduction in loan loss provisions. The proportion of non-performing loans in Brazil continued to be lower than private sector peers.

In the UK attributable profit reduced by 8% to €416 million with solid underlying performance, very strong credit quality and disciplined cost control, offset by both the depreciation of the pound against the euro, and one off costs, including an additional provision for PPI claims of £32 million. Excluding the currency impact, attributable profit increased by 3%.

In Santander Spain attributable profit increased to €362 million, up 18% compared to the same period in 2016 as provisions normalised and the cost of credit improved for the 12th consecutive quarter. The successful delivery of the 1|2|3 strategy led to a significant increase in loyal customers (+350,000 since Q1 2016), while the bank's leading position in wholesale markets helped drive good growth in fee income.

Santander Consumer Finance (SCF) again delivered strong growth in attributable profit, up 25% compared to the same period last year to €314 million (+23% excluding currency movements) driven by an increase in lending across all markets and historically low non-performing loans.

In Mexico an increase in interest rates coupled with good growth in loans and demand deposits helped drive strong growth in income. Attributable profits increased by 14% to €163 million (+24% excluding currency movements). Provisions increased due to an increase in lending and the sale of a non-performing portfolio. The cost of credit remained stable.

In Chile an increase in both lending and deposits since Q1 2016, combined with good cost control and improvements across all credit quality metrics helped drive an increase in attributable profit of 21% to €147 million (+9% excluding currency movements).

In Portugal attributable profit increased by 4% to €125 million compared to Q1 2016 with growth in loyal customers, lower cost of credit and strong cost control offsetting a reduction in revenues due to portfolio sales made in 2016.

In the US attributable profit increased by 16.3% to €95 million compared to Q1 2016 (+12% excluding currency impact). Income at Santander Consumer US fell due to a change in customer risk profile, however, this was offset by an increase in net interest income and lower cost of funds at Santander Bank, as well as lower loan loss provisions.

In Argentina attributable profit increased by 61% to €108 million (+69% excluding currency movements) with strong growth in business volumes pushing up net interest income and fee income, combined with a reduction in the cost of credit and non-performing loans. The profit and loss figures do not include the Citi integration which took place on 31 March 2017.

In Poland attributable profit fell 8% during the same period to €59 million (-9% excluding currency impact) due to higher taxes on profit and the negative impact of the banking asset tax (applied from 1 Feb 2016). Excluding these effects, PBT increased by 20% (+18% excluding currency movements).

About Banco Santander

Banco Santander is the largest bank in the eurozone with a market capitalisation of €83.8 billion. It has a strong and focused presence in 10 core markets across Europe and the Americas with just under 4 million shareholders and 188,000 employees serving 128 million customers.

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Key Consolidated Data

Balance sheet (€ million)	Mar'17	Dec'16	%	Mar'16	%	Dec'16
Total assets	**1,351,956**	1,339,125	1.0	1,324,200	2.1	1,339,125
Net customer loans	**795,312**	790,470	0.6	773,452	2.8	790,470
Customer deposits	**705,786**	691,111	2.1	670,627	5.2	691,111
Customer funds	**898,110**	873,618	2.8	836,377	7.4	873,618
Total equity	**104,869**	102,699	2.1	98,781	6.2	102,699

Income statement (€ million)	1Q'17	4Q'16	%	1Q'16	%	2016
Net interest income	**8,402**	8,096	3.8	7,624	10.2	31,089
Gross income	**12,029**	11,288	6.6	10,730	12.1	43,853
Net operating income	**6,486**	5,835	11.2	5,572	16.4	22,766
Underlying profit before taxes	**3,311**	2,838	16.7	2,732	21.2	11,288
Underlying attributable profit to the Group	**1,867**	1,766	5.7	1,633	14.3	6,621
Attributable profit to the Group	**1,867**	1,598	16.9	1,633	14.3	6,204

Variations w/o FX: **Quarterly:** NII: +1.4%; Gross income: +4.2%; Net operating income: +8.6%; Underlying attributable profit: +3.7%; Attributable profit: +13.9%
Year-on-year: NII: +4.0%; Gross income: +6.2%; Net operating income: +8.9%; Underlying attributable profit: +10.0%; Attributable profit: +10.0%

EPS, profitability and efficiency (%)	1Q'17	4Q'16	%	1Q'16	%	2016
Underlying EPS (euro) *	**0.122**	0.116	5.3	0.108	13.6	0.436
EPS (euro)	**0.122**	0.104	17.0	0.108	13.6	0.407
RoE	**8.19**	7.66		7.46		6.99
Underlying RoTE*	**12.13**	11.57		11.13		11.08
RoTE	**12.13**	11.29		11.13		10.38
RoA	**0.65**	0.61		0.58		0.56
Underlying RoRWA*	**1.48**	1.42		1.33		1.36
RoRWA	**1.48**	1.38		1.33		1.29
Efficiency ratio (with amortisations)	**46.1**	48.3		48.1		48.1

Solvency and NPL ratios (%)	Mar'17	Dec'16	%	Mar'16	%	Dec'16
CET1 fully-loaded	**10.66**	10.55		10.27		10.55
CET1 phase-in	**12.12**	12.53		12.36		12.53
NPL ratio	**3.74**	3.93		4.33		3.93
Coverage ratio	**74.6**	73.8		74.0		73.8

Market capitalisation and shares	Mar'17	Dec'16	%	Mar'16	%	Dec'16
Shares (millions)	**14,582**	14,582	—	14,434	1.0	14,582
Share price (euros)	**5.745**	4.959	15.8	3.874	48.3	4.959
Market capitalisation (€ million)	**83,776**	72,314	15.8	55,919	49.8	72,314
Tangible book value (euro)	**4.26**	4.22		4.07		4.22
Price / Tangible book value (X)	**1.35**	1.17		0.95		1.17
P/E ratio (X)	**11.74**	12.18		8.99		12.18

Other data	Mar'17	Dec'16	%	Mar'16	%	Dec'16
Number of shareholders	**3,957,838**	3,928,950	0.7	3,682,927	7.5	3,928,950
Number of employees	**188,182**	188,492	(0.2)	194,519	(3.3)	188,492
Number of branches	**12,117**	12,235	(1.0)	12,962	(6.5)	12,235

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

Note: The financial information in this report has not been audited, but it was approved by the Board of Directors at its meeting on April, 25 2017, following a favourable report from the Audit Committee on April, 19 2017. The Audit Committee verified that the information for 2017 was based on the same principles and practices as those used to draw up the annual financial statements.

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