Santander attributable profit for first nine months of 2017 reaches €5,077 million – up 10% after €515 million of one-off items

Underlying profit before tax was €10,175 million - up 19% in constant euros

Madrid, 26 October 2017 - PRESS RELEASE

- During the third quarter alone, and excluding one-off items, the Group generated a profit of €1,976 million, up 17% (+20% in constant euros) year-on-year. Including one-off items the Group generated €1,461 million in attributable profit in the third quarter, down 14%. One-off items during the quarter include previously announced integration costs relating to Banco Popular.
- The Group continues to be well diversified across both developed and developing markets with underlying profit increasing in 9 of the Group's 10 core markets.
- Excluding the acquisition of Banco Popular, the Group added 1.7 million loyal customers over the past year, with lending and customer funds increasing by 1% and 8% respectively in constant euros.
- During the first nine months of 2017 income increased by 10% year-on-year in constant euros with revenues increasing in eight of the Group's ten core markets.
- The Group's fully loaded common equity tier 1 (CET1) capital ratio increased by 8bp in the quarter to 10.80%. Excluding one-off items the CET1 ratio would have increased to 10.86%.
- The non-performing loan (NPL) ratio reduced by 113bps to 4.24% in the quarter, due primarily to the agreement to sell the €30 billion Popular real estate asset portfolio. Excluding Popular the NPL ratio reduced to 3.51%.
- The Group continues to deliver on its commitment to increase tangible net asset value per share, which grew by 2% during the quarter to €4.20, and reiterates its target to deliver double digit earnings per share (EPS) growth by 2018.

Banco Santander Group Executive Chairman, Ana Botín, said:

"Our business has delivered another solid quarter of results – with positive trends and further improvements in earnings quality across all of the markets in which we operate.

Our Latin American franchises continue to perform extremely well, with excellent growth in customer numbers and lending, and further improvements in credit quality. And in Europe our business is also performing strongly, despite market challenges.

We have made good progress since acquiring Banco Popular in June 2017 – successfully raising the required capital, reaching an agreement to dispose of the real estate assets, while regaining more than €10 billion in customer deposits.

Looking forward, our focus will remain on earning customer loyalty while continuing to invest in technology to deliver the best possible customer experience. We see significant potential for further profitable growth across our business and remain confident that we will meet all commercial and financial targets, including delivering double digit EPS growth by 2018."

Summary Income Statement – Including Popular

	9M'17 (m)	9M'17 v 9M'16	9M'17 v 9M'16 (EX FX)	Q3'17 (m)	Q3'17 v Q3'16	Q3'17 v Q3'16 (EX FX)
GROSS INCOME	€36,330	+12%	+10%	€12,252	+11%	+14%
OPERATING EXPENSES	-€16,957	+8%	+7%	-€5,766	+10%	+13%
NET LOAN-LOSS PROVISIONS	-€6,930	-3%	-6%	-€2,250	-10%	-8%
PROFIT BEFORE TAX	€10,175	+20%	+19%	€3,591	+22%	+26%
UNDERLYING PROFIT	**€5,592**	**+15%**	**+14%**	**€1,976**	**+17%**	**+20%**
NON RECURRING ITEMS	-€515	+107%	+101%	-€515	-	-
ATTRIBUTABLE PROFIT	**€5,077**	**+10%**	**+9%**	**€1,461**	**-14%**	**-10%**

Results Summary

Banco Santander earned an attributable profit of €5,077 million during the first nine months of 2017, an increase of 10% compared to the same period last year after €515 million of one-off items. This was driven by further improvements in the quality and recurrence of the Group's revenues, combined with good cost control and ongoing improvements in credit quality.

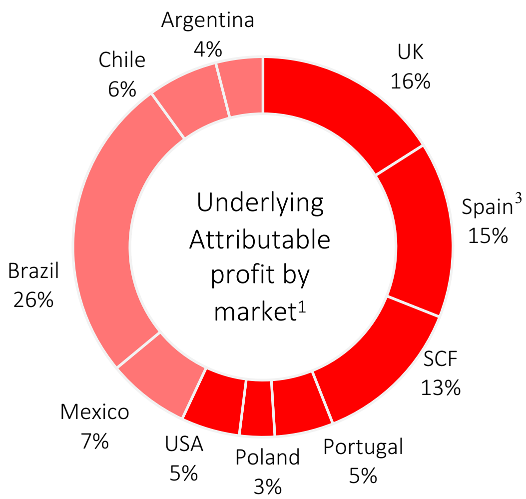
The Group continued to see positive trends across all businesses, with revenues increasing in eight of its ten core markets. Gross income increased by 12% to €36,330 million, +10% in constant euros (e.g. excluding the impact of exchange rate movements), with net interest income and fee income increasing by 12% and 15% respectively (+10% and +12% in constant euros).

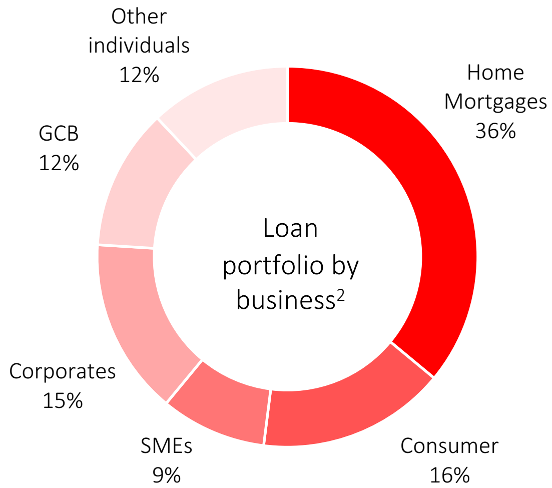
During the third quarter the Group incurred a number of one-off charges, including a €300 million charge relating to the Popular integration (announced at the time of the acquisition), a €85 million charge relating to the integration of the retail and consumer franchises in Germany, and a €130 million charge relating to equity stakes, intangible assets and other items. Excluding these extraordinary items underlying profit increased by 14% in constant euros to €5,592 million.

Santander continued to help people and businesses prosper, with the number of loyal customers (people who see Santander as their main bank) growing by 1.7 million since 30 September 2016 to 16.5 million (excl. Popular). Lending and customer funds were up by 1% and 8% respectively in constant euros over the same period.

The number of customers using digital services increased by more than 4 million over the last 12 months to 24.2 million (excl. Popular). This 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 Group's cost/income ratio, a key measure of efficiency, remained stable at 46.3% (excl. Popular).

A balanced presence across both mature and emerging markets remains one of Santander's key strengths, with underlying profit increasing in nine of the Group's ten core markets. In the first nine months of 2017 Europe contributed 52% of Group profit and the Americas 48%. The lending book also remains well diversified across business segments and geographies.





1. Excluding corporate centre, and Spain real estate activities. 2. Loans excluding repos. 3. Popular included (2%).

Credit quality continued to improve with non-performing loans (NPL) reducing to 4.24%, down from 5.37% at 30 June 2017, due mainly to the agreement to sell the €30 billion Popular real estate asset portfolio. Excluding Popular the NPL ratio reduced to 3.51%.

The Group delivered strong growth across all key shareholder measures. Over the last 12 months underlying return on tangible equity, a key measure of profitability, has increased by 90 basis points to 11.8% incl. Popular, among the best of our peers. Tangible net asset value per share increased by 2% to €4.20, and earnings per share increased by 6% to €0.316 (+11% on an underlying basis).

Santander continued to grow capital organically during the period with the fully loaded CET1 ratio increasing to 10.80%, up 8 basis points since 30 June 2017. This is significantly higher than the expected minimum regulatory capital requirement for 2019 (9.5%). Excluding one-off items the CET1 ratio would have increased to 10.86%.

Country Summary (9M'17 v 9M'16)

In Brazil attributable profit increased by 49% to €1,902 million (+34% in constant euros), with ongoing investment in the customer experience driving an increase in lending volume (+9% year-on-year) and customers funds (+26% year-on-year). During the quarter loan loss provisions remained stable while the cost of credit improved, helping further strengthen the Bank's profitability relative to peers.

In the UK attributable profit was €1,201 million, in line with the same period last year (+8% in constant euros) excluding the extraordinary gains made from the disposal of the stake in Visa Europe in Q2'16. Revenues increased year-on-year by 8.4% in constant euros as the number of 1|2|3 customers

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continued to grow as well as retail current account balances and loans and deposits to UK companies. Credit quality remains strong.

Santander Consumer Finance continues to be a market leader in Europe, with business growing above its peers. Growth in net interest income, coupled with an NPL ratio which remains at record lows, resulted in underlying profit increasing by 14% in constant euros, to €943 million. Including the one-off item registered in the third quarter, attributable profit stood at €858 million.

In Spain, excluding Popular, attributable profit increased by 61% to €914 million after 2016 was impacted by a net charge of €216 million. Excluding this charge profit increased by 16% as the 1|2|3 strategy continued to attract new customers and drive an increase in transactions. The business delivered solid growth in new lending, with a 30% increase in mortgages and 14% increase in consumer lending. Non-performing loans have decreased over the past 12 months by 83bps to 4.99% of total loans.

Banco Popular generated an attributable loss of €122 million due to a charge of €300 million taken in the third quarter of 2017 to cover integration costs. During the quarter the Group achieved a number of important milestones to support the acquisition of Popular: completing the €7,072 million capital raise; agreeing to sell 51% of Popular's real estate business to Blackstone; rebranding the branch network and making Santander's ATM network available to Popular customers. The Banco Popular loyalty bond for customers who acquired Popular shares between May 26th and June 21st, 2016, has now been accepted by more than 60% of the maximum possible issuance amount.

In Mexico attributable profit increased by 16% to €532 million (+19% in constant euros) fuelled by higher interest rates and growth in loans and demand deposits. A focus on strategic commercial initiatives, including Santander Plus, coupled with significant investment in systems and infrastructure helped increase loyal customers while also improving efficiency.

In Chile attributable profit increased by 17% to €440 million (+12% in constant euros) as revenues increased and loan loss provisions fell. During the quarter the business launched the first 100% digital on-boarding system in Chile.

In the US (excluding Popular), attributable profit fell by 12% to €337 million (also -12% in constant euros) due, in part, to the impact of the hurricanes in Dallas, Florida and Puerto Rico. Santander Bank continued to make progress in improving its profitability, with the net interest margin increasing by 49bps to 2.6% and further improvements in operating efficiency. Santander Consumer USA maintained good profitability with a ROTE of 15%, despite the shift in business mix toward a lower risk profile, which is temporarily affecting revenues and volumes.

In Portugal (excluding Popular) attributable profit increased by 15% to €336 million as the commercial transformation programme continued to drive an increase in loyal customers (up 24% year-on-year). Active loan portfolio management helped improve the cost of credit and reduce the non-performing loan ratio to 6.93%, down from a 10.46% peak following the integration of Banif. During the quarter Santander became the first bank to issue a 10-year covered bond in Portugal since 2010.

In Argentina attributable profit increased by 5% to €263 million (+17% in constant euros) due to an increase in customer revenues as the business gained lending market share, and ongoing cost control discipline. The integration of Citibank's retail business completed in August, as scheduled.

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In Poland attributable profit fell 8% to €219 million (-10% in constant euros) due to gains made during 2016 relating to the sale of the stake in Visa Europe and the negative regulatory impacts. Profit before tax increased by 11% (+9% in constant euros) fuelled by good growth in commercial revenues, better efficiency and lower provisions.

About Banco Santander

Banco Santander is the largest bank in the Eurozone with a market capitalisation of €94,752 million at 29 September 2017. It has a strong and focused presence in 10 core markets across Europe and the Americas with more than 4 million shareholders and 200,000 employees serving 132 million customers.

Santander

KEY CONSOLIDATED DATA – INCLUDING BANCO POPULAR

Balance sheet (€ million)	Sep'17	Jun'17	%	Sep'17	Sep'16	%	Dec'16
Total assets	**1,468,030**	1,445,260	1.6	**1,468,030**	1,329,538	10.4	1,339,125
Net customer loans	**854,686**	861,221	(0.8)	**854,686**	773,290	10.5	790,470
Customer deposits	**778,852**	764,336	1.9	**778,852**	667,439	16.7	691,111
Total Customer funds	**988,386**	969,778	1.9	**988,386**	846,488	16.8	873,618
Total equity	**108,723**	100,955	7.7	**108,723**	101,122	7.5	102,699

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

Income statement (€ million)	3Q'17	2Q'17	%	9M'17	9M'16	%	2016
Net interest income	**8,681**	8,606	0.9	**25,689**	22,992	11.7	31,089
Gross income	**12,252**	12,049	1.7	**36,330**	32,565	11.6	43,853
Net operating income	**6,486**	6,401	1.3	**19,373**	16,931	14.4	22,766
Underlying profit before taxes*	**3,591**	3,273	9.7	**10,175**	8,451	20.4	11,288
Underlying attributable profit to the Group*	**1,976**	1,749	13.0	**5,592**	4,855	15.2	6,621
Attributable profit to the Group	**1,461**	1,749	(16.4)	**5,077**	4,606	10.2	6,204

Changes w/o FX: Quarterly: NII: +4.9%; Gross income: +5.7%; Net operating income: +5.6%; Underlying attributable profit: +18.0%; Attributable profit: -11.7%
Year-on-year: NII: +9.7%; Gross income: +9.6%; Net operating income: +11.7%; Underlying attributable profit: +14.2%; Attributable profit: +9.4%

EPS**, profitability and efficiency (%)	3Q'17	2Q'17	%	9M'17	9M'16	%	2016
Underlying EPS (euro) *	**0.118**	0.112	5.6	**0.350**	0.315	11.2	0.429
EPS (euro)	**0.084**	0.112	(24.7)	**0.316**	0.298	6.1	0.401
RoE	**7.87**	7.74		**7.54**	7.05		6.99
Underlying RoTE*	**12.10**	11.46		**11.80**	10.92		11.08
RoTE	**11.31**	11.46		**10.99**	10.50		10.38
RoA	**0.61**	0.63		**0.59**	0.56		0.56
Underlying RoRWA*	**1.50**	1.43		**1.47**	1.34		1.36
RoRWA	**1.42**	1.43		**1.39**	1.30		1.29
Efficiency ratio (with amortisations)	**47.1**	46.9		**46.7**	48.0		48.1

Solvency and NPL ratios (%)	Sep'17	Jun'17	%	Sep'17	Sep'16	%	Dec'16
CET1 fully-loaded	**10.80**	9.58		**10.80**	10.47		10.55
CET1 phase-in	**12.18**	10.98		**12.18**	12.44		12.53
NPL ratio	**4.24**	5.37		**4.24**	4.15		3.93
Coverage ratio	**65.8**	67.7		**65.8**	72.7		73.8

Market capitalisation and shares	Sep'17	Jun'17	%	Sep'17	Sep'16	%	Dec'16
Shares (millions)	**16,041**	14,582	10.0	**16,041**	14,434	11.1	14,582
Share price (euros)**	**5.907**	5.697	3.7	**5.907**	3.882	52.2	4.877
Market capitalisation (€ million)	**94,752**	84,461	12.2	**94,752**	56,973	66.3	72,314
Tangible book value per share (euro)**	**4.20**	4.11		**4.20**	4.11		4.15
Price / Tangible book value (X)**	**1.41**	1.40		**1.41**	0.94		1.17
P/E ratio (X)**	**12.77**	12.28		**12.77**	9.78		12.18

Other data	Sep'17	Jun'17	%	Sep'17	Sep'16	%	Dec'16
Number of shareholders	**4,070,187**	4,019,706	1.3	**4,070,187**	3,920,700	3.8	3,928,950
Number of employees	**200,949**	201,596	(0.3)	**200,949**	189,675	5.9	188,492
Number of branches	**13,704**	13,825	(0.9)	**13,704**	12,391	10.6	12,235

(*) Excluding non-recurring net capital gains and provisions
(**) Data including the capital increase in July 2017

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). Detailled information on these measures is included at the end of the Q3'17 financial report.

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Important Information:

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).

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.

Banco Santander, S.A. ("Santander") cautions that this press release contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RORAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future" and similar expressions. These forward-looking statements are found in various places throughout this press release and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America (the "Form 20-F" and the "SEC", respectively) on March 31, 2017 and the Periodic Report on Form 6-K for the six months ended June 30, 2017 filed with the SEC on October 5, 2017 (the "Form 6-K") –under "Key Information-Risk Factors"- and in the Documento de Registro de Acciones filed with the Spanish Securities Market Commission (the "CNMV") –under "Factores de Riesgo"- could affect the future results of Santander and could result in other results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

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

The information contained in this press release is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in the press release. No investment activity should be undertaken only on the basis of the information contained in this press release. In making this press release available, Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this press release nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this press release is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

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.