

RESULTS JANUARY-MARCH 2016

Santander Q1 profit reaches EUR 1.633 billion, 5% less year-on-year and up 8% excluding FX impact

- *“Our Q1 results are ahead of plan and we continue to deliver on all our commitments. Both revenues and customer lending grow at 4% year-on-year (excluding FX). NPLs performance improves, CET1 increases by 22 bps to 10.27% and RoTE reaches 11.1%.*
- *These results give us confidence that we will continue to deliver, including, as we announced, increasing the cash dividend per share by 10% and total dividend by 5%.*
- *Our commercial transformation continues to perform well in all our main markets, growing loyalty of customers as a result of improvements in service and satisfaction, and embedding our culture of doing things in a Simple, Personal and Fair manner, and helping customers to prosper.*
- *The number of digital customers grew 17%, to 17.8 million, with a 49% increase in clients that are frequent users of our mobile applications”.*

Ana Botín, Group executive chairman of Banco Santander

- CUSTOMERS. Loans grew 4% to EUR 787,033 million. Deposits and mutual funds totaled EUR 760,628 million, up 4% over the first quarter of 2015.
- RESULTS. Commercial revenues increased 6%, a half point more than costs, without the effect of currency exchange. In euros, revenue fell 5% and costs, 4%.
- CAPITAL. Regulatory CET1 stood at 12.36%, exceeding the minimum required for 2016 (9.75%). Fully loaded CET1 capital increased 22 basis points in the quarter, to 10.27%, in line to exceed 11% in 2018.
- DIVERSIFICATION. Europe contributed 61% to Group profit (U.K., 23% and Spain, 15%) and the Americas, 39% (Brazil, 18% and Mexico, 7%). Chile, Argentina, Portugal and Poland together contributed profits of EUR 374 million.
 - Spain: attributable profit was EUR 307 million (-10%). Loans to businesses and SMEs rose 2% and current accounts, 8%. More than one million customers have the 1|2|3 account, which continued to gain market share in payroll deposits and pensions.
 - United Kingdom: attributable profit was EUR 453 million (349 million pounds, 0%). Lending grew 3%, with 11% increase in financing to businesses and 5% in customer funds. After four years, the 1|2|3 account has 4.8 million clients.
 - Brazil: attributable profit totaled EUR 359 million (1,540 million reais, 0%). Loans fell 1% and customer funds rose 10%.
- TRANSFORMATION. Santander reached 14 million loyal customers, with 10% growth in businesses and 8% in individuals. The 1|2|3 Strategy improved the risk profile of customers.

PRESS RELEASE

Madrid, 27 April 2016. Banco Santander registered attributable profit of EUR 1,633 million in the first quarter of 2016, a 5% decrease compared to the same period of 2015. This decline is due to the depreciation against the euro of the currencies of all the countries where the Group is present, except the dollar. Without the exchange rate impact, profit would have increased 8%.

In a year marked by a complex international economic context, with historically low interest rates in currencies key for the Group, such as the euro and the pound, Banco Santander performed well. The bank increased its two main business lines, loans and customer funds, by 4%. This means a 6% increase in commercial revenues, which becomes a 5% decline when converted to euros.

1Q'16 Financial Highlights		1Q'16 Business Highlights	
■ Attributable profit of €1,633 million	vs. 1Q'15	-5% in euros	
		+8% (currency-neutral basis)	
■ Commercial revenues up y-o-y (currency-neutral basis)	Net interest income	+6%	
	Fee income	+7%	
■ Enhanced balance sheet quality and lower cost of credit	NPL ratio	4.33%	
	Cost of credit	1.22%	
■ Capital increase compatible with high RoTE	FL CET1	10.27%	
	RoTE	11.1%	
		■ Selective growth:	
		- Lending to individuals and SMEs (+4%)	Loans +4%
		- Demand deposits (+9%)	Funds +4%
		■ Loyal customers: 14.0 million	
			Individuals +899,000 +8%
			Companies +110,000 +10%
		■ Digital customers: 17.8 million	
			Total customers +2.6 mill. +17%
			Mobile banking users +2.4 mill. +49%

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

Improved performance in revenue and business was also supported by progress in the Group's commercial transformation, particularly in technology and digitalization. The number of loyal clients reached 14 million, with growth of 10% in businesses and 8% individuals. Digital customers increased 17% to 17.8 million, with a 49% increase in customers who frequently use our mobile applications.

Results


Results for the first quarter of 2016 were affected by the exchange rate fluctuation in the different currencies in which the bank operates, which depreciated against the euro throughout last year. For the purpose of comparison, in the P&L variations are shown in euros and without the exchange rate impact.

Overall, revenues grew 4% (-6% in euros), supported by normal commercial revenues, i.e., net interest income and fees, which increased 6% and 7%, respectively. Meanwhile, results from financial transactions, which are more volatile due to their ties to capital markets, dropped 24%.

Commercial revenues grew slightly more than costs (0.5 point), without the exchange rate effect. In euros the two decreased 5% and 4%, respectively, resulting in net operating income of EUR 5,572 million for the quarter, up 3% without the exchange rate effect, and down 8% in euros. Growth of 4% in commercial revenues in Spain compared to the prior quarter is particularly noteworthy.

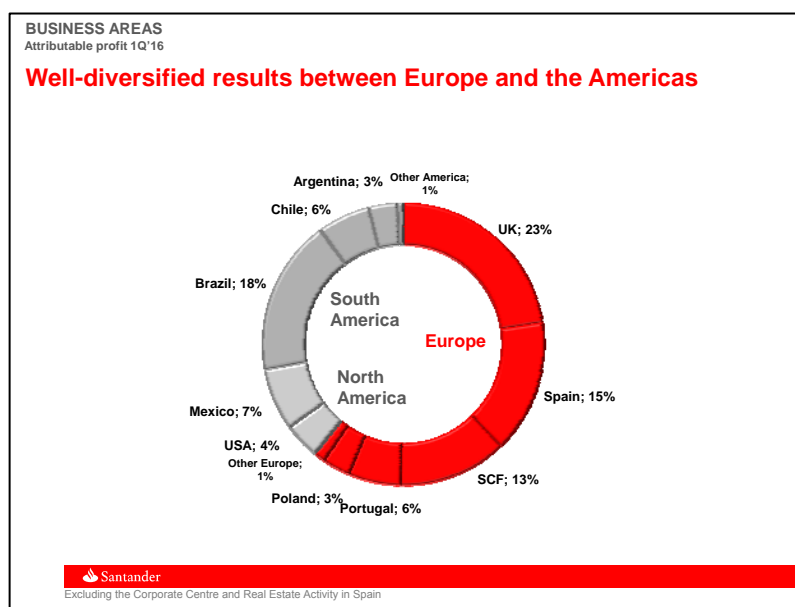
The efficiency ratio is now 48.1%, a 1.7 point improvement over the fourth quarter of last year and one of the best among international banks. Santander aims to bring this ratio to below 45% in 2018 and it is implementing plans to reconcile the investment needed for the Group's commercial transformation with greater costs resulting from increasing regulatory requirements.

INCOME STATEMENT				
Higher attributable profit backed by commercial revenues and lower cost of credit (currency-neutral basis)				
€ million	1Q'16	%1Q'15	%1Q'15 (currency-neutral)	
NII + Fee income	10,021	-5.1	6.0	Gross income backed by commercial transformation A
Gross income	10,730	-6.2	4.1	
Operating expenses	-5,158	-4.1	5.6	Operational excellence and greater effort in cost control B
Net operating income	5,572	-8.1	2.8	
Loan-loss provisions	-2,408	-6.0	4.5	Ongoing credit quality improvement, with stable provisions in recent quarters C
PBT	2,732	-8.6	2.7	
Tax	-810	-12.2	-1.9	
Attributable profit	1,633	-4.9	8.2	Profit growth, focusing on generating shareholder value D



Loan loss provisions stood at EUR 2,408 million, 5% more than those made in the same quarter of 2015 (-6% in euros). This performance in provisions occurs in the context of a drop in the NPL rate, which came in at 4.33%, 0.52 percentage point lower than a year ago, and an increase in coverage, which grew five points to 74%. NPLs fell in the quarter in six countries and Santander Consumer Finance, but rose in Portugal, due to the integration of Banif, United States and Argentina.

Europe accounted for 61% of profit and the Americas 39%. By countries, the largest contribution to profit, 23%, was made by the United Kingdom, followed by Brazil (18%), Spain (15%), Mexico (7%), Portugal and Chile (6% each), United States (4%), Argentina and Poland (3% each). Santander Consumer Finance, which carries out its activity in more than ten European countries, mainly in Germany, Spain and the Nordic countries, contributed 13% of profit, after earning EUR 251 million, with growth of 14% in euros and 17% without the exchange rate effect.



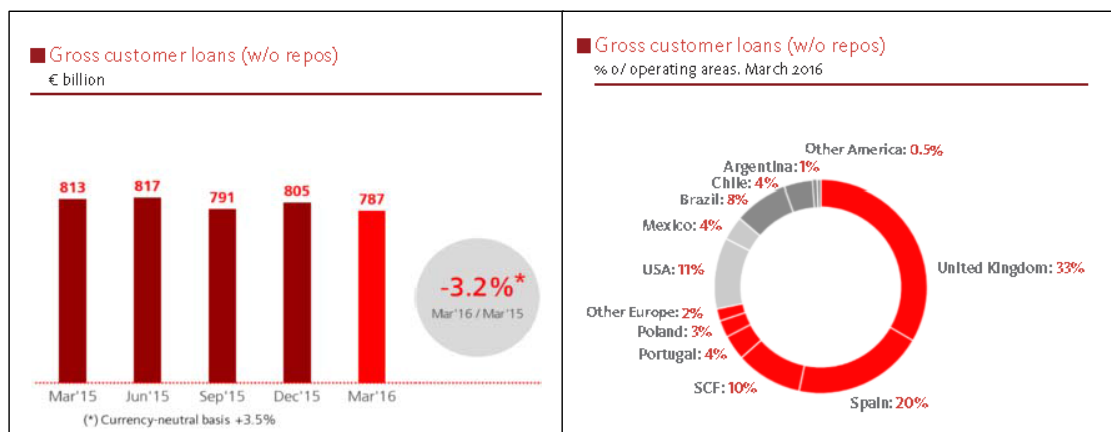
Business

Banco Santander closed the first quarter of 2016 with total assets of EUR 1.32 trillion, 3% more than the same period last year (-3% in euros). Loan volume rose to EUR 787,033 million, 4% more than the prior year (-3% in euros). Banco Santander's total customer funds reached EUR 760,628 million, with growth of 4% (-2% in euros).

Spain. The total loan portfolio stood at EUR 156,134 million, with a decrease of 3% from the close of March 2015. This fall is greatly affected by a 19% drop in financing to the public sector, while financing stock to SMEs and companies grew 2%. New production continued to register strong growth, with lending to SMEs increasing 13% and to individuals, 30%.

Santander Spain's customer funds totaled EUR 220,295 million between deposits and mutual funds, with a decline of 4%. Low interest rates and the appeal of the 1|2|3 account meant a 28% drop in term deposits, while demand deposits increased 8% and mutual funds, 1%. Cost of deposits, which grew 0.01 point in the previous two quarters, decreased 0.08 point with respect to the last quarter and 0.14 point with respect to the same period last year.

Banco Santander has recovered leadership in customer satisfaction in Spain, driven by the 1|2|3 strategy. There are currently more than one million 1|2|3 accounts in Spain, of which 980,000 are individuals and 75,000, SMEs. 1|2|3 accounts are being opened at a rate of more than 100,000 per month and the goal is to end 2016 with two million accounts. The strong loyalty of these customers is enabling the bank to increase its market share in payroll accounts, pensions and credit card billing.



United Kingdom. The loan portfolio stood at EUR 261,770 million at the close of the first quarter of 2016, with growth of 3% for the year in pounds (-5% in euros). This performance is backed by financing to companies, which grew 11%; the mortgage business, up 3%, and consumer finance, which increased 6%.

The volume of deposits and mutual funds in the United Kingdom reached EUR 216,318 million and grew 5% in pounds for the year (-3% in euros). Over the last four years, the 1|2|3 strategy has attracted 4.8 million customers, who place an average of GBP 1 billion in their accounts every month.

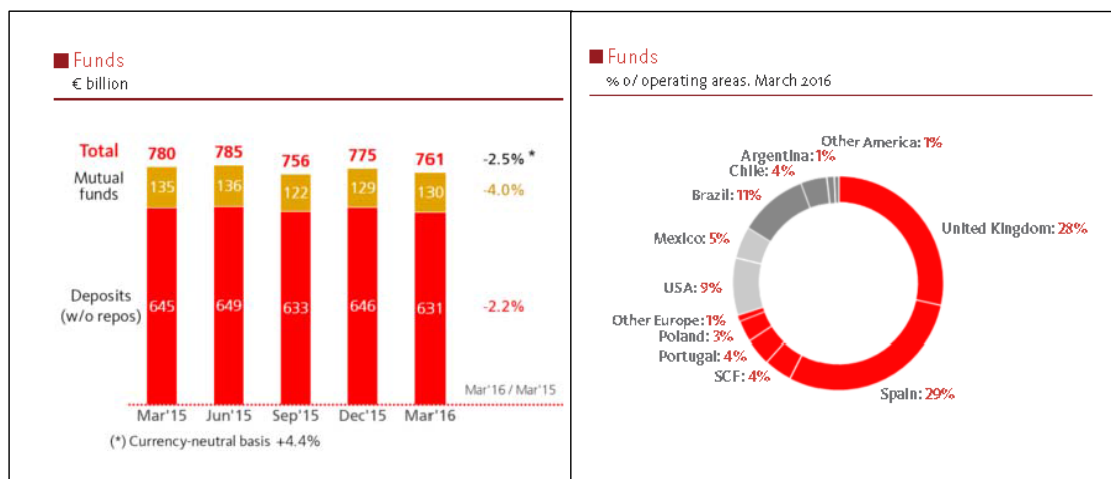
In companies, Santander UK continued to increase market share by attracting new customers, 25,000 in twelve months, thanks to specific platforms and products.

Brazil. The loan portfolio amounted to EUR 63,875 million, with a drop of 1% in local currency (-16% in euros). In a recessive context, mortgages grew, lending to SMEs remained stable and credit to large companies fell.

As for customer funds, Brazil's total deposits and mutual funds were EUR 80,383 million, representing growth of 10% without the exchange rate effect (-6% in euros). Total deposits remained stable and funds grew 21%.

Santander Brasil moved forward in its transformation process and set up a new commercial platform in 2015 which enables simplification and digitalization of processes, resulting in improved customer experience.

As for the rest of the Group's main countries, the United States grew 4% in lending year-on-year and 2% in customer funds; Mexico, 14% in credit and 12% in funds; Chile, 9% and 4%, respectively; Portugal improved 24% in loans and 22% in funds (including Banif); Poland increased credit 11% and funds 5%, and Argentina increased its loan portfolio 44% and client funds, 57% (variations that are affected by strong inflation).



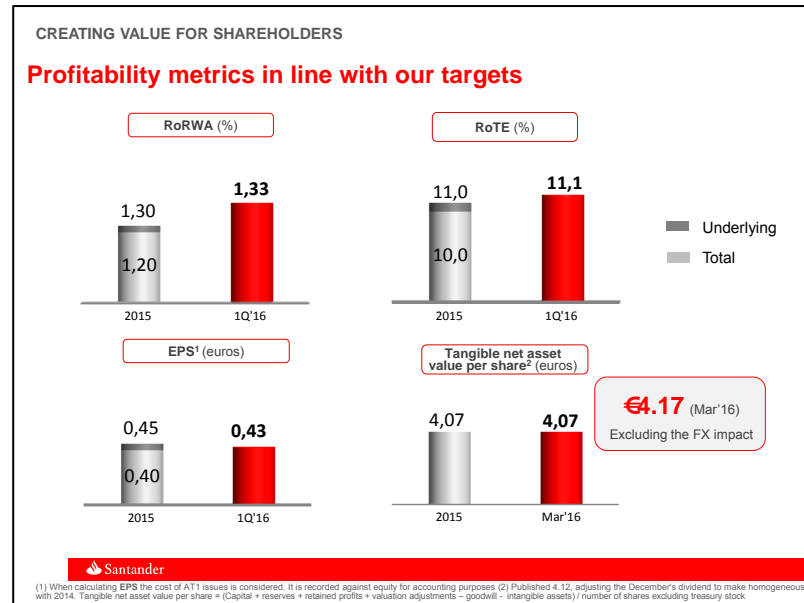
Lastly, Santander Consumer Finance, which groups the consumer finance business in continental Europe, grew deposits 8% and lending to customers 11%, boosted by the agreement with French group PSA.

Capital

With regards to capital ratios, the bank closed the first quarter of the year with total eligible equity of EUR 81,093 million, and risk weighted assets were EUR 571,959 million. As a result, Santander has a CET1 capital ratio of 12.36%, 2.61 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 10.27%, 0.22 point more than at the end of 2015 and 0.60 point more than a year before. This capital ratio is in line to reach Santander's goal of 11% by 2018.

The bank's board of directors has announced its intention to distribute a dividend of EUR 0.21 against the 2016 fiscal year, which would imply an increase of 5% of the dividend per share with respect to 2015. Of this amount, EUR 16.5 cents will be paid in cash, a 10% increase with respect to last year, and EUR 4.5 cents with the Scrip Dividend program, which enables shareholders to choose between cash or shares.



Banco Santander has a market capitalization of more than EUR 65,000 million, making it the leading bank in the euro zone. Santander has 3,682,927 shareholders and 194,519 employees serving over 122 million customers through 12,962 branches.

More info: www.santander.com

KEY CONSOLIDATED DATA

■ Balance sheet (€ million)	Mar'16	Dec'15	%	Mar'15	%	Dec'15
Total assets	1,324,200	1,340,260	(1.2)	1,369,689	(3.3)	1,340,260
Net customer loans	773,452	790,848	(2.2)	793,965	(2.6)	790,848
Customer deposits	670,607	683,122	(1.8)	687,362	(2.4)	683,122
Managed and marketed customer funds	1,057,969	1,075,565	(1.6)	1,091,174	(3.0)	1,075,565
Total equity	98,781	98,753	0.0	102,105	(3.3)	98,753
Total managed and marketed funds	1,489,950	1,506,520	(1.1)	1,545,444	(3.6)	1,506,520

■ Ordinary income statement* (€ million)	1Q'16	4Q'15	%	1Q'15	%	2015
Net interest income	7,624	7,888	(3.3)	8,038	(5.2)	32,189
Gross income	10,730	10,894	(1.5)	11,444	(6.2)	45,272
Pre-provision profit (net operating income)	5,572	5,472	1.8	6,067	(8.1)	23,702
Profit before taxes	2,732	2,173	25.7	2,990	(8.6)	10,939
Attributable profit to the Group	1,633	1,460	11.9	1,717	(4.9)	6,566

Variations w/o exchange rate: Quarterly: Net interest income: +0.2%; Gross income: +2.2%; Pre-provision profit: +5.4%; Attributable profit: +18.5%
Year-on-year: Net interest income: +5.2%; Gross income: +4.1%; Pre-provision profit: +2.8%; Attributable profit: +8.2%

■ Underlying EPS, profitability and efficiency* (%)	1Q'16	4Q'15	%	1Q'15	%	2015
EPS (euro)	0.11	0.10	11.4	0.12	(10.8)	0.45
RoE	7.5	6.5		7.6		7.2
RoTE	11.1	9.8		11.5		11.0
RoA	0.6	0.5		0.6		0.6
RoRWA	1.3	1.1		1.4		1.3
Efficiency ratio (with amortisations)	48.1	49.8		47.0		47.6

■ Solvency and NPL ratios (%)	Mar'16	Dec'15	%	Mar'15	%	Dec'15
CET1 fully-loaded	10.27	10.05		9.67		10.05
CET1 phase-in	12.36	12.55		11.91		12.55
NPL ratio	4.33	4.36		4.85		4.36
Coverage ratio	74.0	73.1		68.9		73.1

■ Market capitalisation and shares	Mar'16	Dec'15	%	Mar'15	%	Dec'15
Shares (millions)	14,434	14,434	—	14,061	2.7	14,434
Share price (euros)	3.874	4.558	(15.0)	7.017	(44.8)	4.558
Market capitalisation (€ million)	55,919	65,792	(15.0)	98,663	(43.3)	65,792
Book value (euro)	6.06	6.12		6.55		6.12
Price / Book value (X)	0.64	0.75		1.07		0.75
P/E ratio (X)	8.99	10.23		14.54		10.23

■ Other data	Mar'16	Dec'15	%	Mar'15	%	Dec'15
Number of shareholders	3,682,927	3,573,277	3.1	3,230,808	14.0	3,573,277
Number of employees	194,519	193,863	0.3	187,262	3.9	193,863
Number of branches	12,962	13,030	(0.5)	12,920	0.3	13,030

■ Information on total profit**	1Q'16	4Q'15	%	1Q'15	%	2015
Attributable profit to the Group (€ million)	1,633	25	—	1,717	(4.9)	5,966
EPS (euro)	0.11	(0.01)	—	0.12	(10.8)	0.40
RoE	7.5	4.9		7.6		6.6
RoTE	11.1	7.4		11.5		10.0
RoA	0.6	0.4		0.6		0.5
RoRWA	1.3	0.9		1.4		1.2
P/E ratio (X)	8.99	11.30		14.54		11.30

(*) - Excluding non-recurring net capital gains and provisions (4Q 2015: -€ 1,435 million; 2015: -€ 600 million)

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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, 26 2016, following a favourable report from the Audit Committee on April, 20 2016. The Audit Committee verified that the information for 2016 was based on the same principles and practices as those used to draw up the annual financial statements.