

# 1H'17 Earnings Presentation

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Simple | Personal | Fair



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# Important Information

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In addition to the financial information prepared under International Financial Reporting Standards (“IFRS”), this presentation 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. For further details on 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](http://www.cnmv.es)- and at Banco Santander -[www.santander.com](http://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](http://www.cnmv.es)) and on Banco Santander’s website ([www.santander.com](http://www.santander.com)).



# Content

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Banco Popular acquisition



Group performance 1H'17

Business areas performance 1H'17

Concluding remarks

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Glossary

# Strong strategic business fit at an attractive point in the cycle



## Acquisition in a core market

In Spain, creating the leading bank in loans and deposits  
In Portugal, reinforcing our leadership



## Leading SME franchise in Spain

The top player in SMEs  
Profitable and stable business across the cycle



## Opportunity to improve combined franchise

Developing deeper customer relationships  
Wholesale funding cost reduction



## At an attractive point in the cycle

### Group targeted RoI year 3

**13 – 14%**  
already above  
Cost of Equity by 2019

### Group efficiency improvement

**~ €500 mill.**  
before tax by 2020

### Targeted impact from Banco Popular's transaction

**EPS**  
accretive in 2019

**TNAV per share**  
accretive in 2018

# First measures taken after the acquisition

The acquisition needs the authorisation, among others, of the EU Competition Authority. The integration and commercial activity are limited to this context



## Stabilise Popular's operating liquidity and restore liquidity ratios

**ratios:** €13 bn. of liquidity provided by Santander early in the morning on June 7



## Changes in the Board of Directors

### Banco Popular's first measures since June 7



## Appointment of new members to the following Committees

Audit; Risk and Compliance; Remuneration; Appointments, Governance and Corporate Responsibility



## Review of agreements and joint ventures

Aliseda Servicios de Gestión Inmobiliaria (servicing): repurchase of 51%<sup>1</sup>



## Stabilise Spanish business activity

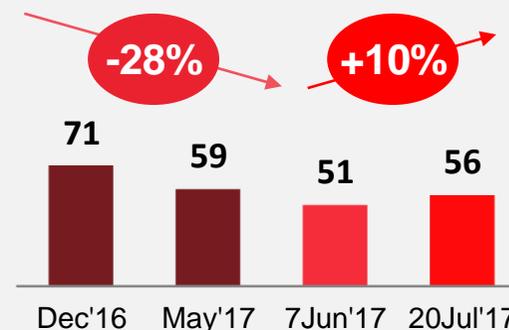
Popular core business has sharply dropped in 2017 before acquisition. After the acquisition, it started to see a change of trend



## Commercial action for retail customers

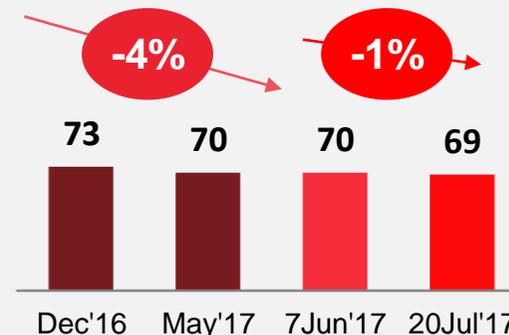
Popular and Santander have decided to launch a commercial action aimed at building loyalty among their networks' retail clients affected by Banco Popular's resolution (the "Fidelity Action")<sup>2</sup>

Customer deposits in Spain (€ billion)



Showing a change of trend since the acquisition date

Loans in Spain (excluding real estate) (€ billion)



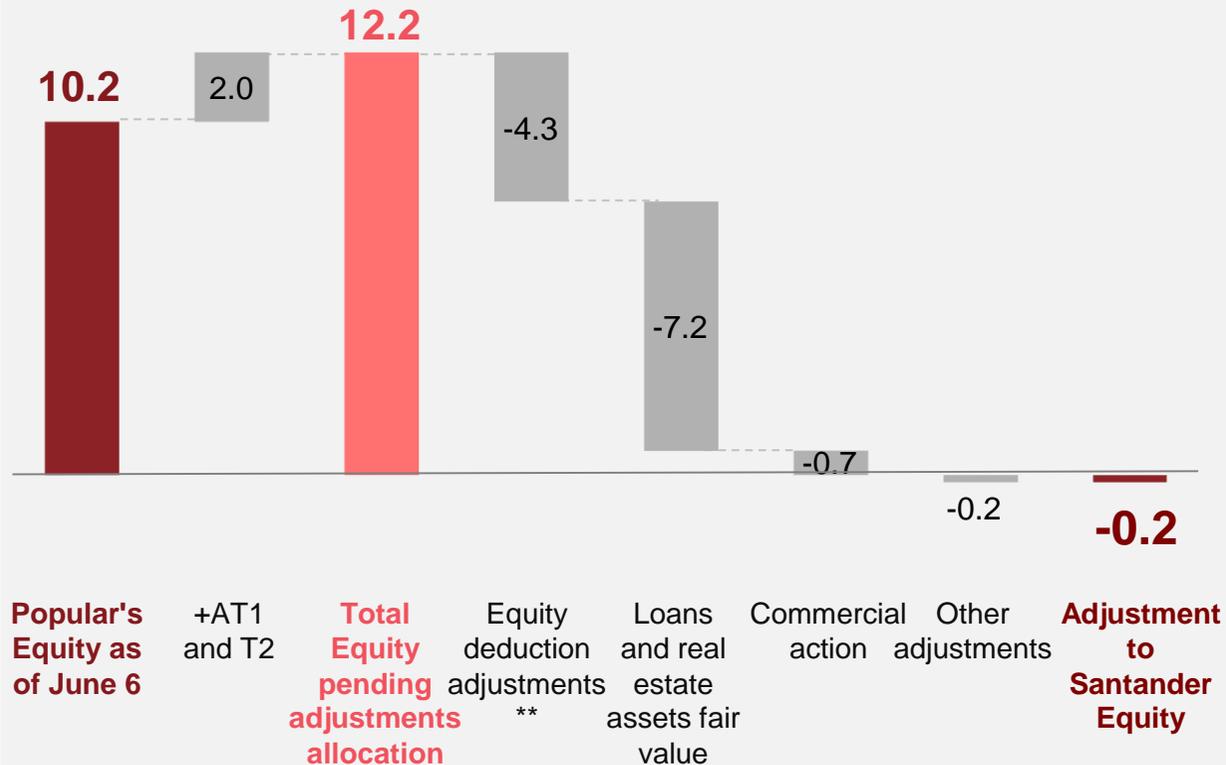
Similar pattern, although it needs more time to recover

(1) It is expected to be completed in the third quarter of 2017. (2) To be launched after the acquisition has been authorised by the EU Competition Authority

Note: Deposits excluding repos

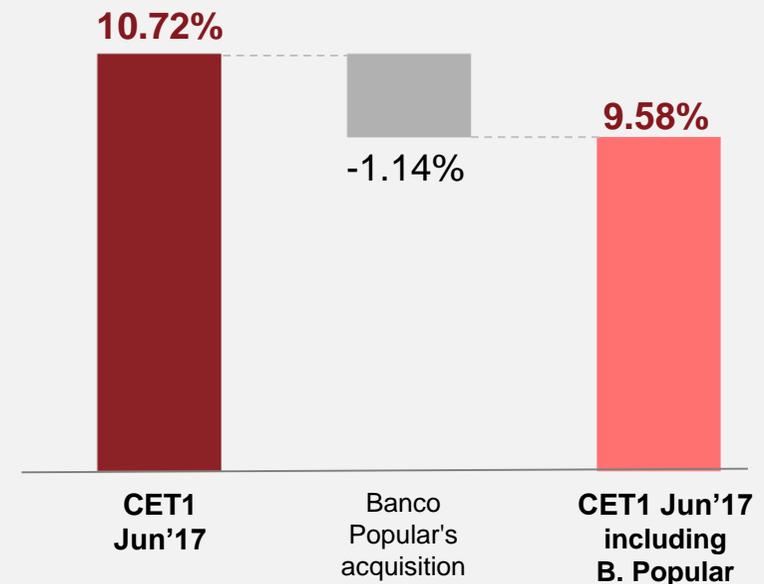
# Impact on Grupo Santander from estimated\* adjustments in Popular's acquisition

## Estimated adjustment to Santander Equity (€bn)



## Grupo Santander - Fully-loaded CET1

Santander FL CET1 dropped as Banco Popular consolidated RWAs with negative equity



# To reinforce Santander's equity to cover the acquisition of Banco Popular, we have successfully completed a rights issue



## Capital increase of €7,072 mill.

Number of shares issued: **1,458 mill.**  
 % share capital (pre-transaction): **10%**  
 Subscription price per share: **€4.85**



## 100% of the shares were subscribed

**31<sup>st</sup>  
July**

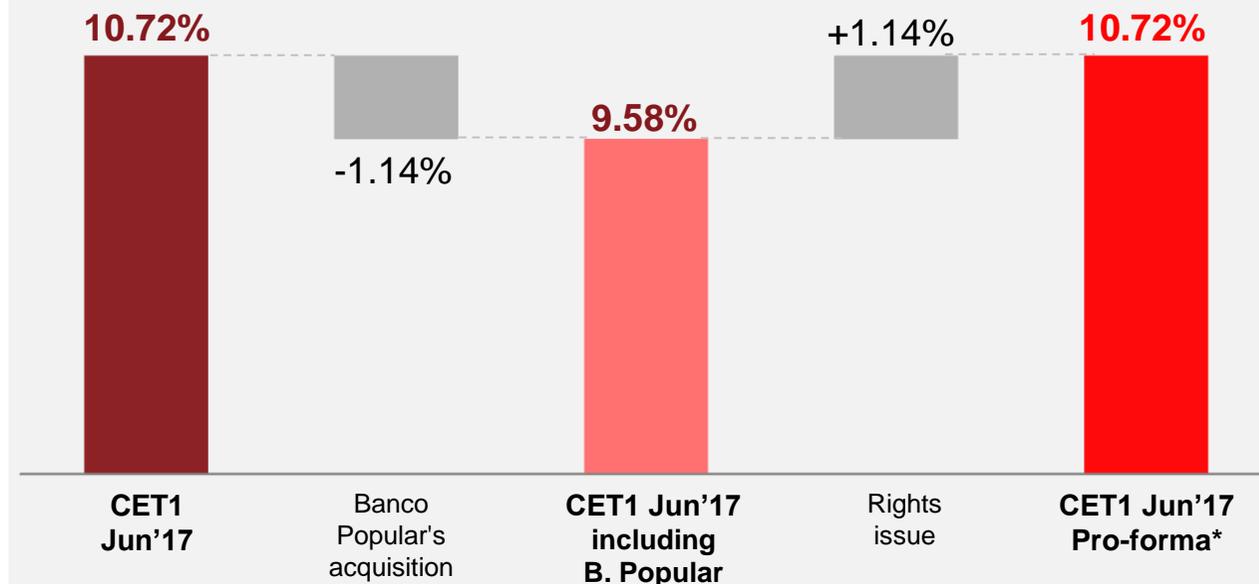
New shares included in the existing listing of Santander S.A. shares on the Spanish stock exchanges

**4<sup>th</sup>  
August**

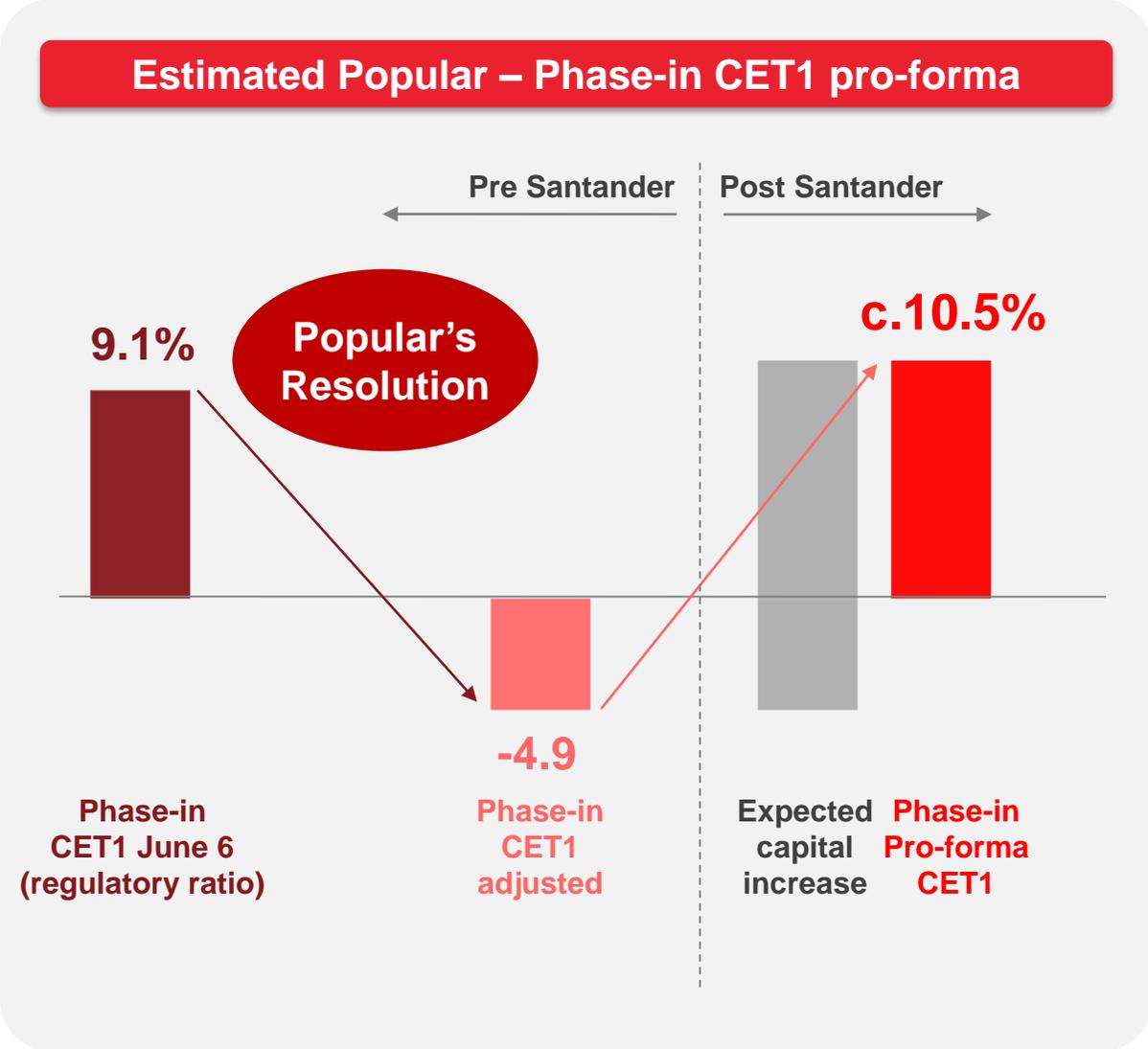
The first interim dividend to be charged to 2017's profit will be paid on August 4. Holders of the new shares issued in connection with the capital increase are entitled to the aforementioned interim dividend

## Grupo Santander - Fully-loaded CET1 pro-forma

**Banco Popular's acquisition and the rights issue have a neutral net impact on our FL CET1 capital ratio**



# Impact on Popular's regulatory capital ratio



**Popular's regulatory capital ratio affected by an estimated negative impact in Popular's P&L of c.€12bn. resulting from the Bank's resolution**

**The expected capital increase of c.€7bn. to be provided by Santander to restore Popular's regulatory capital ratio**

# Grupo Santander including Popular

<b>P&amp;L – 1H'17</b> € mill.	<b>Group excl. Popular</b>	<b>Popular<sup>2</sup></b>	<b>Grupo Santander</b>
Gross income	23,939	139	24,078
Operating expenses	-11,095	-96	-11,191
Net op. Income	12,844	43	12,887
Loan-loss provisions	-4,672	-8	-4,680
PBT	6,569	15	6,584
<b>Attributable profit</b>	<b>3,605</b>	<b>11</b>	<b>3,616</b>
<b>EPS:</b>	<b>€0.235</b>		<b>€0.236</b>
<b>RoTE:</b>	<b>11.7%</b>		<b>11.8%</b>
<b>Efficiency:</b>	<b>46.3%</b>		<b>46.5%</b>

<b>Activity – J'17</b> € bill.	<b>Group excl. Popular</b>	<b>Popular</b>	<b>Grupo Santander</b>
Net loans	779	82	861
Deposits	699	65	764
Mutual funds	151	10	161
Customer funds	850	75 <sup>1</sup>	925
<b>NPL ratio:</b>	<b>3.55%</b>	<b>20.0%</b>	<b>5.37%</b>
<b>Coverage ratio:</b>	<b>73%</b>	<b>61%</b>	<b>68%</b>
<b>Cost of credit:</b>	<b>1.19%</b>	<b>0.10%</b>	<b>1.17%</b>

**0.3%**

**Non-material impact on P&L from Popular's acquisition**  
Banco Popular's weight in the Total Group attributable profit<sup>2</sup>

**10%**  
**8.5%**

**Impact on loans and deposits from Popular's acquisition**  
Banco Popular weight in the Total Group



# Content

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Banco Popular acquisition



Group performance 1H'17



Business areas performance 1H'17

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Glossary

# 1H'17 Financial Highlights – Group excl. Popular

1H'17 / 1H'16 change

## Strong profit growth

Attributable profit

€3,605 mill.; +24%

Underlying att. profit\*

+11% (constant euros)

## Revenues' increase consistent with our commercial strategy

Net interest income<sup>1</sup>

+7%

Fee income<sup>1</sup>

+11%

## Improved capital adequacy and profitability level

FL CET1

10.72%

RoTE

11.7%

## Committed to generate value for shareholders

EPS

€0.235; +23%

TNAV/share

€4.15; +0.5%

# 1H'17 Business Highlights – Group excl. Popular

Jun'17 / Jun'16 change

## Selective growth:

- Retail banking lending (+2%)
- Demand deposits (+12%); mutual funds (+13%)

## Enhanced balance sheet quality and low cost of credit

## Loyal customers: 16.3 million

- Individuals: 14.9 million
- Companies: 1.4 million

## Digital customers: 23.0 million

- Mobile: 12.1 million

Loans	+1%
Customer funds	+8%

NPL ratio	3.55%; -74 bp
Cost of credit	1.19%; 0 bp

Individuals	+1.7 mill.	+13%
Companies	+179k	+14%

Digital	+4.0 mill.	+21%
Mobile	+4.0 mill.	+50%

# Attributable profit rose driven by higher revenues, improved efficiency and positive dynamics in loan-loss provisions

€ million	1H'17	1H'16	% /1H'16	% /1H'16 Constant euros
Gross income	23,939	21,485	11.4	7.0
Operating expenses	-11,095	-10,384	6.8	3.8
Net op. Income	12,844	11,100	15.7	10.0
Loan-loss provisions	-4,672	-4,613	1.3	-5.7
PBT	6,569	5,510	19.2	15.7
Taxes	-2,249	-1,725	30.4	26.9
<b>Underlying attrib. profit</b>	<b>3,605</b>	<b>3,160</b>	<b>14.1</b>	<b>10.8</b>
Non-recurring <sup>1</sup>	0	-248	-100.0	-100.0
<b>Attrib. Profit excl. Popular</b>	<b>3,605</b>	<b>2,911</b>	<b>23.8</b>	<b>20.3</b>
Banco Popular profit	11			
<b>Group attrib. Profit</b>	<b>3,616</b>			

Higher customer revenues

Efficiency improvement driven by costs growing below inflation rate and higher revenues

Lower loan-loss provisions after decreasing for the third straight quarter

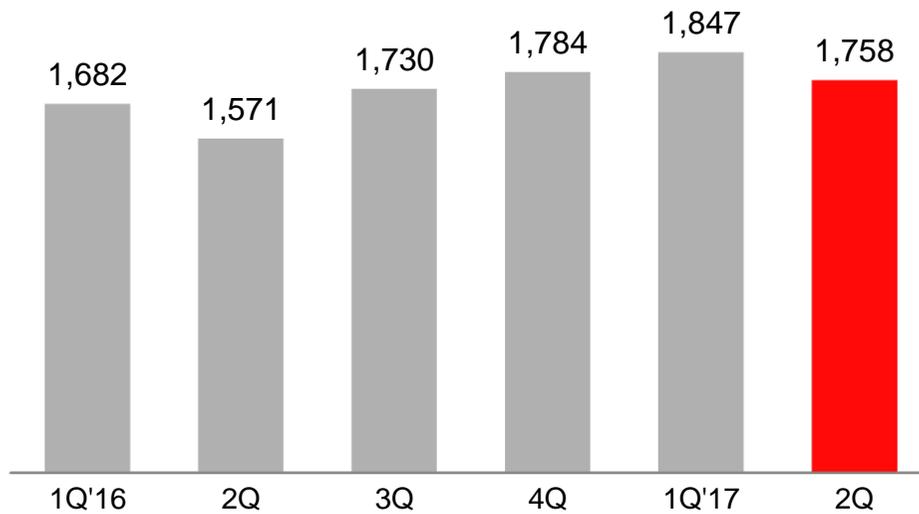
Strong and quality top line growth

Non-material impact from Popular's acquisition

# Strong profit growth across the board – excl. Popular

## Underlying attributable profit

Constant € million



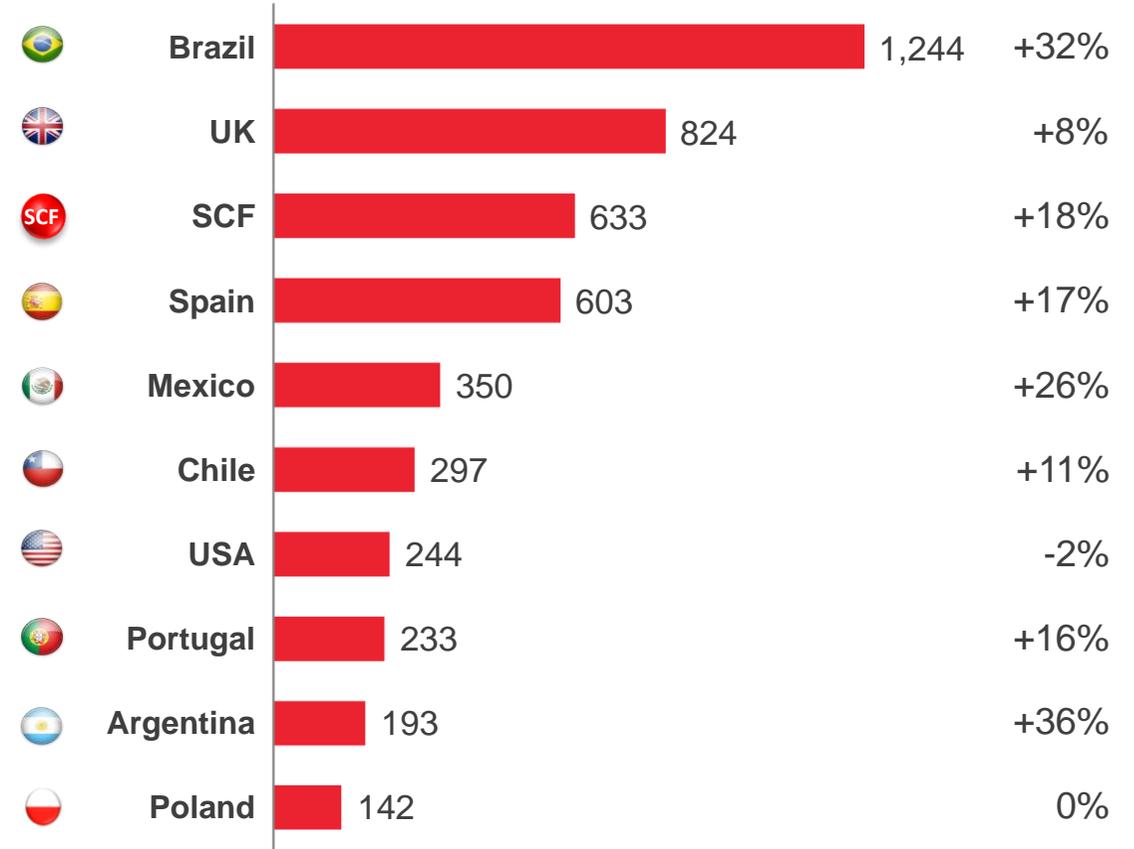
## Underlying attributable profit

€ million

1,633	1,526	1,695	1,766	1,867	1,738
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## Underlying attributable profit in core markets 1H'17

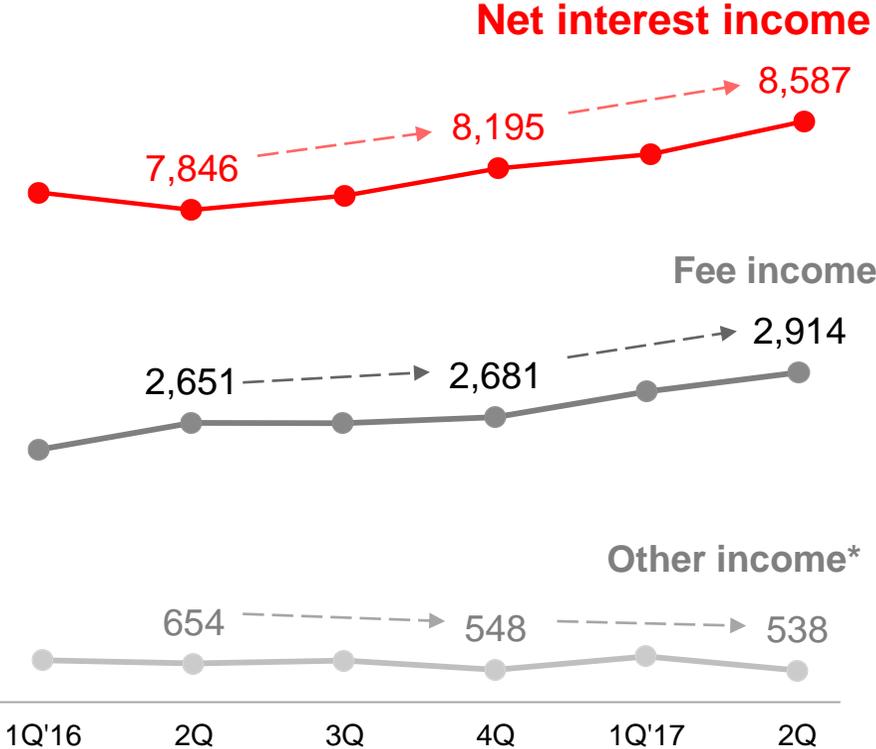
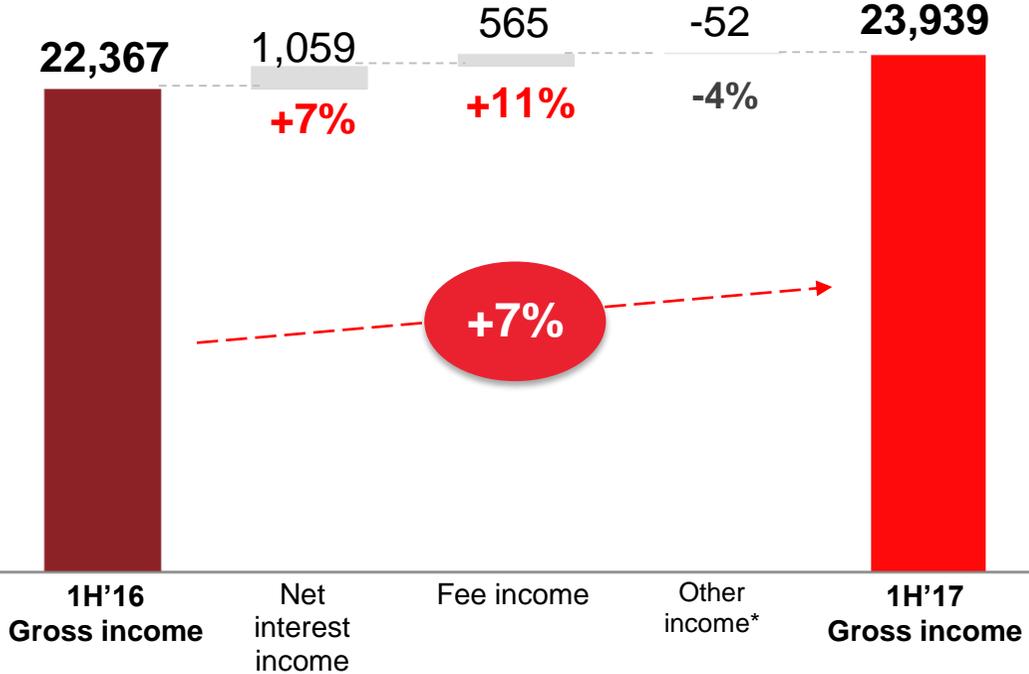
€ million and % change / 1H'16 in constant euros



# Revenues rose in 8 of 10 markets driven by strong recurring customer revenues excl. Popular

## Gross income

€ million



(\*) Other income includes gains on financial transactions, income from the equity accounted method, dividends and other operating results. Contribution to the SRF recorded in 2Q'16 and 2Q'17  
 Note: Constant euros

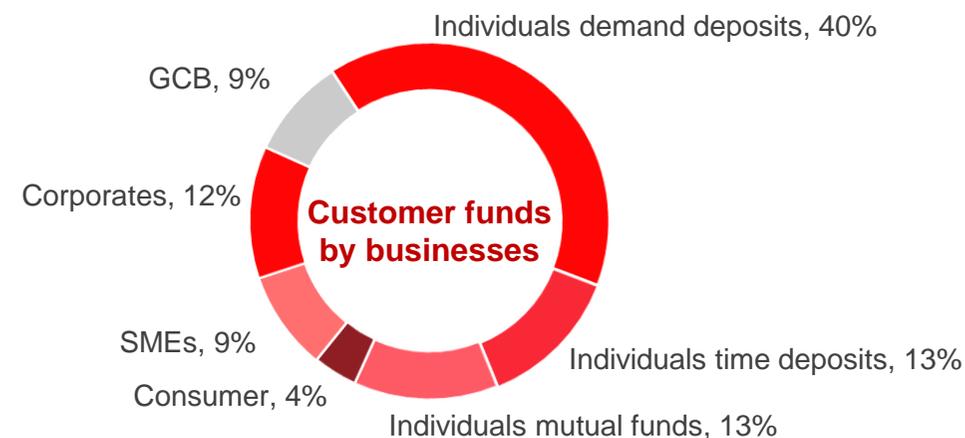
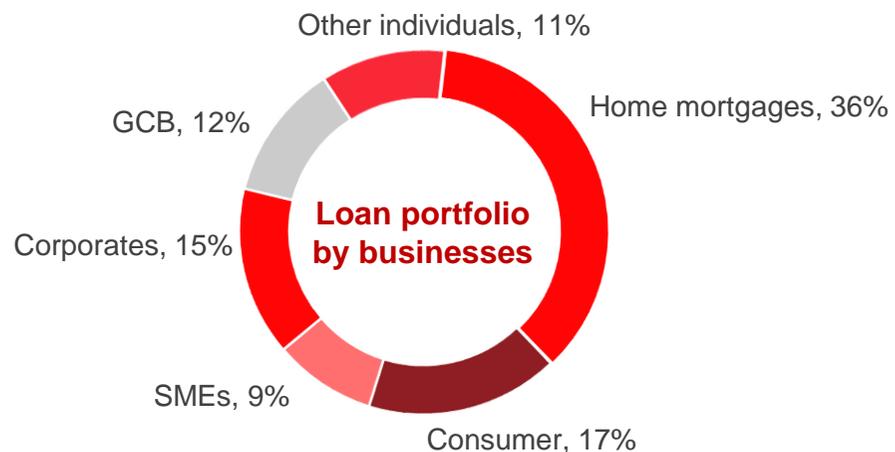
# Positive and balanced business volumes performance – excl. Popular

## Loan portfolio: growth supported by developing markets

Mature markets			Developing markets		
Jun'17	€ Billion	YoY change	Jun'17	€ Billion	YoY change
<b>Spain</b>	152	-4%	<b>Poland</b>	22	4%
<b>UK</b>	235	-1%	<b>Brazil</b>	73	7%
<b>USA</b>	80	-6%	<b>Mexico</b>	30	2%
<b>SCF</b>	89	8%	<b>Chile</b>	36	3%
<b>Portugal</b>	29	-4%	<b>Argentina</b>	8	58%

## Customer funds: growth in 9 core markets

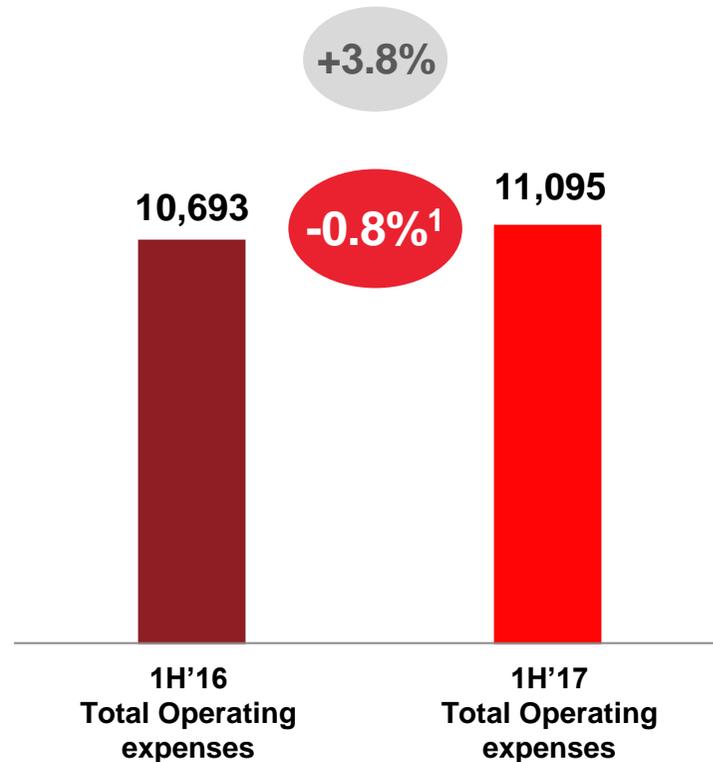
Mature markets			Developing markets		
Jun'17	€ Billion	YoY change	Jun'17	€ Billion	YoY change
<b>Spain</b>	239	9%	<b>Poland</b>	27	5%
<b>UK</b>	209	5%	<b>Brazil</b>	103	18%
<b>USA</b>	64	-1%	<b>Mexico</b>	40	7%
<b>SCF</b>	35	8%	<b>Chile</b>	33	8%
<b>Portugal</b>	32	2%	<b>Argentina</b>	13	70%



# Committed to improve efficiency and operational excellence. Cost-to-income ratio: 46% excl. Popular

## Active cost management

€ million



## 8 markets with costs flat or below inflation rate<sup>1</sup>

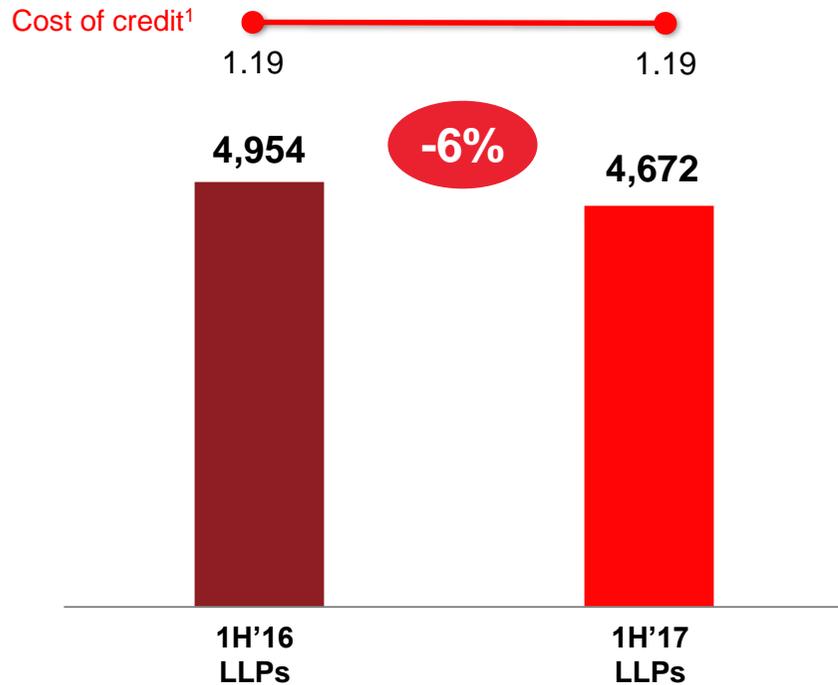
1H'17 / 1H'16, %

	Nominal	In real terms <sup>1</sup>	△ revenues vs. costs
Brazil	6.6	0.6	✓
UK	1.1	-0.6	✓
SCF	3.2	-1.3	✓
Spain	-4.0	-5.4	✓
Mexico	10.9	6.6	✓
Chile	3.0	0.2	✓
Portugal	-9.2	-10.3	✓
USA	5.2	3.4	-
Argentina	43.3	8.7	✓
Poland	-0.5	-1.3	✓
Corporate Centre	-3.5	-4.9	✓
<b>Group</b>	<b>3.8</b>	<b>-0.8</b>	✓

# Enhanced credit quality in most markets – excl. Popular

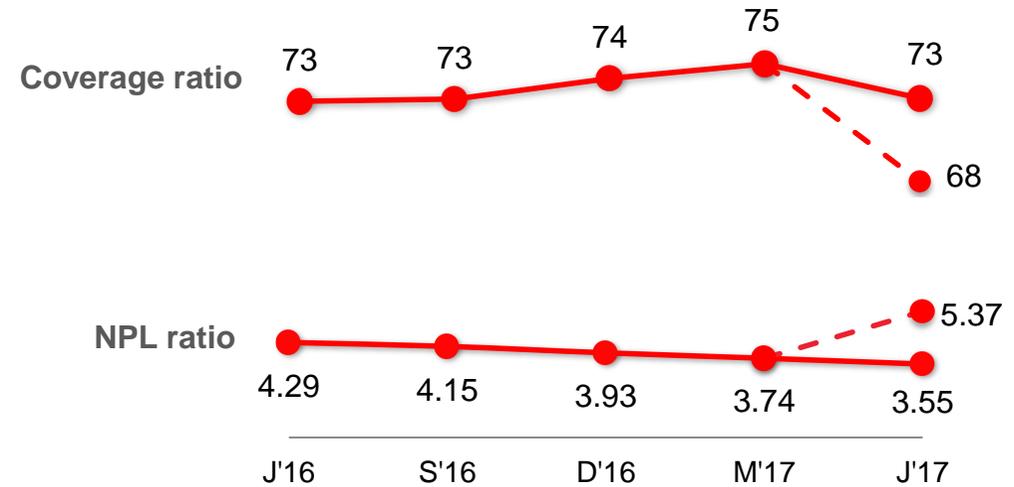
## Lower loan-loss provisions

€ million



## Credit quality ratios

%, - - - including Popular



**Banco Popular J'17**

NPL ratio	<b>20%</b>
Coverage ratio	<b>61%</b>

# Non-core real estate activity

## Santander Real Estate Activity Spain

**Santander has a strong track record in reducing non-performing assets management**

**Significant reduction 1H'17 vs. 1H'16:**

**Net loans:  
-43%**

**Real estate  
assets:  
-12%**

**Amount from  
properties sold:  
+34%**

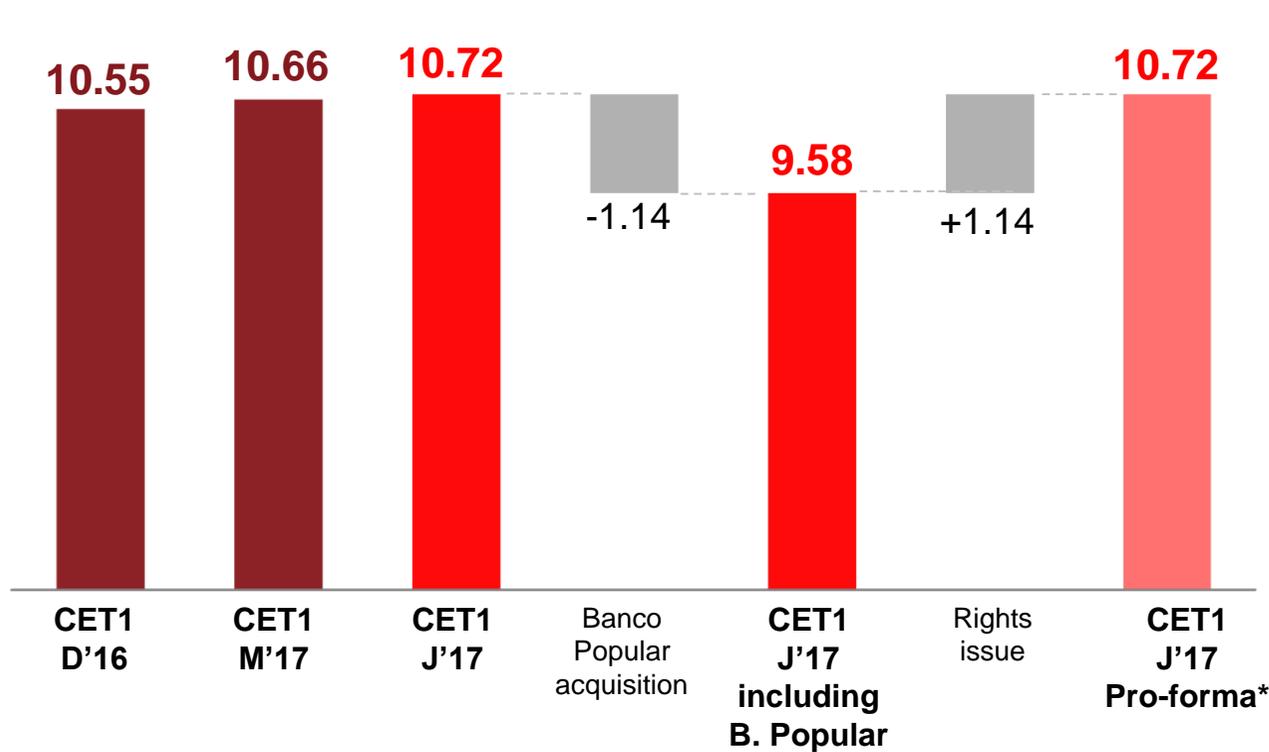
## Santander including Popular<sup>1</sup>

	Gross value (€ billion)	Coverage (%)	Net value (€ billion)
<b>Real estate assets</b>	<b>27.1</b>	<b>59</b>	<b>11.1</b>
<i>Foreclosed assets</i>	23.5	64	8.5
<i>Rental assets</i>	3.6	29	2.6
<b>RE non-performing loans (NPLs)</b>	<b>14.0</b>	<b>69</b>	<b>4.3</b>
<b>RE assets + RE non-perf. loans</b>	<b>41.1</b>	<b>63</b>	<b>15.4</b>

**Plan to reduce Banco Popular's real estate exposure to insignificant levels over a period of less than three years**

# In 2Q'17 we continued to generate capital with neutral impact after Popular's acquisition and Santander's rights issue transaction

## FL CET1 (%)

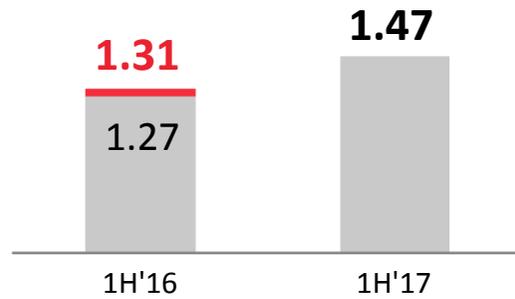


	June'17	Including Popular	Pro-forma*
Total capital ratio:		13.0%	14.2%
Leverage ratio:		4.6%	5.0%

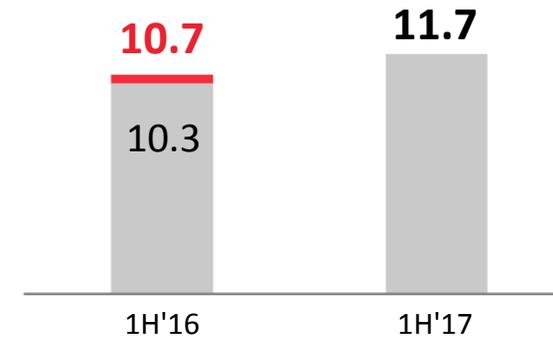
**We maintain our capital targets**

# Delivering on our commitments: creating shareholder value – excl. Popular

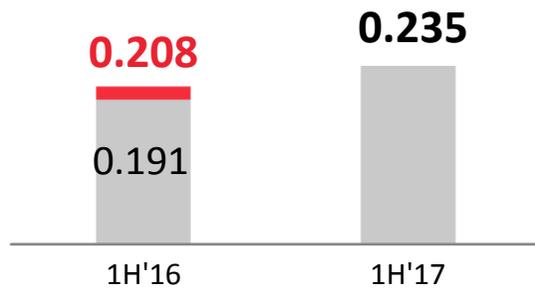
## RoRWA (%)



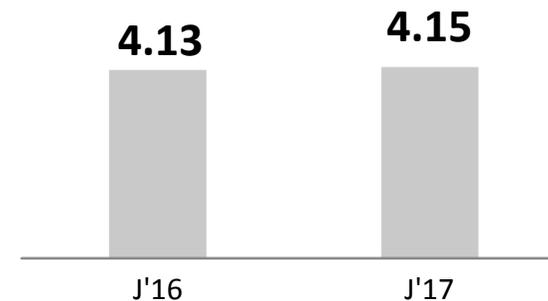
## RoTE (%)



## EPS (euros)



## TNAV per share (euros)





# Content

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Banco Popular acquisition

Group performance 1H'17

▶ Business areas performance 1H'17 ◀

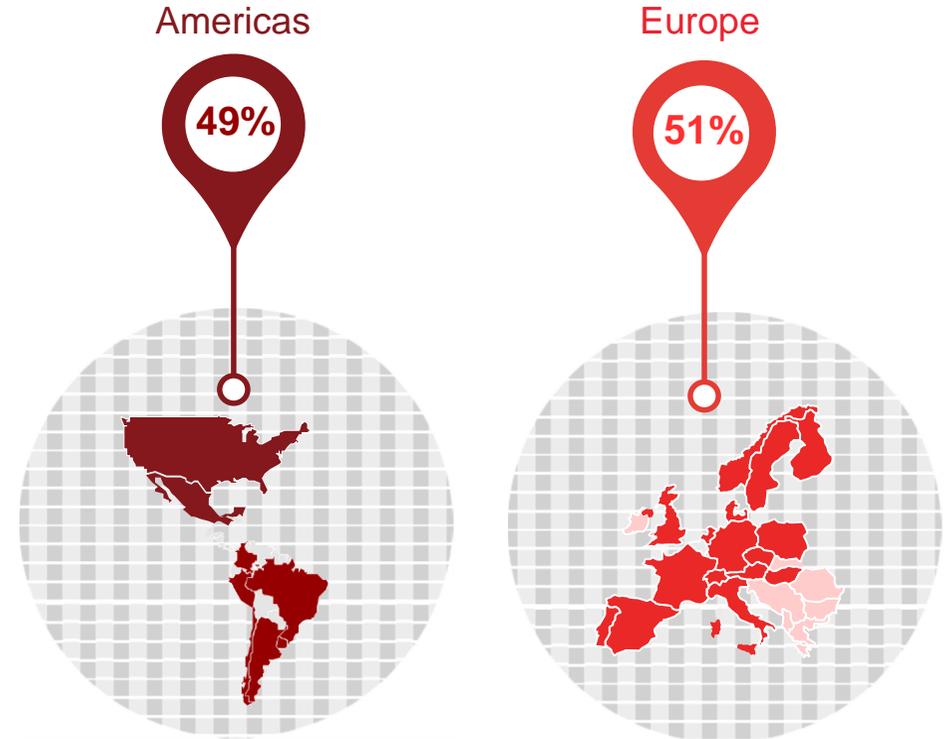
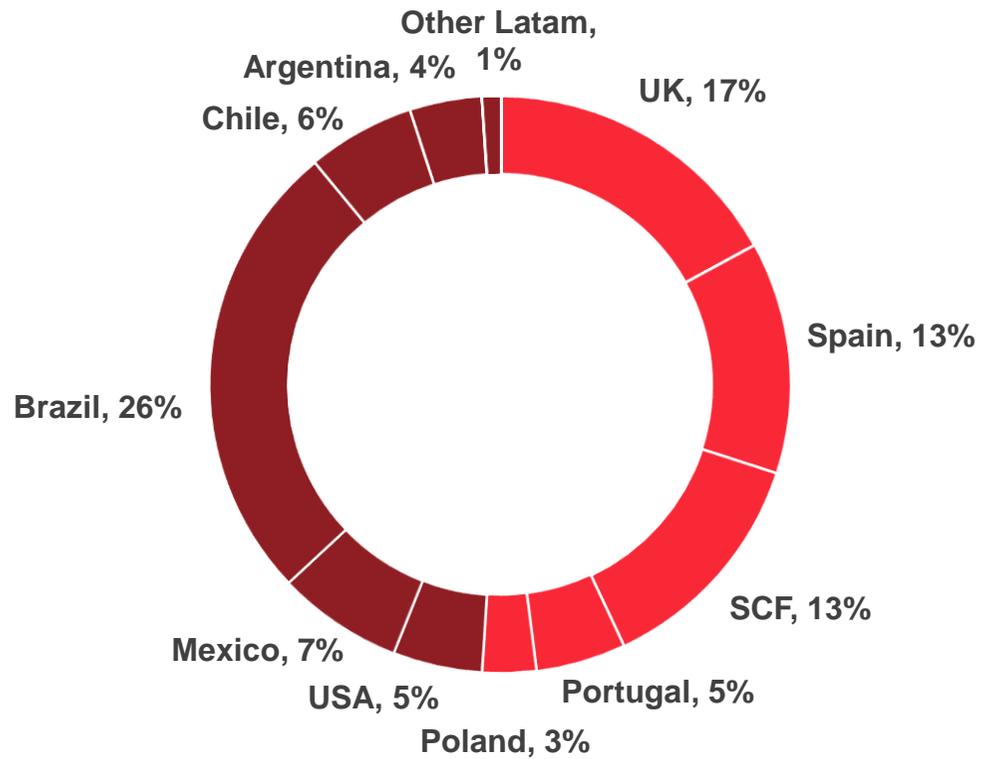
Concluding remarks

Appendix

Glossary

# Well diversified results between Europe and the Americas – excl. Popular

## Attributable profit 1H'17\*



# BRAZIL

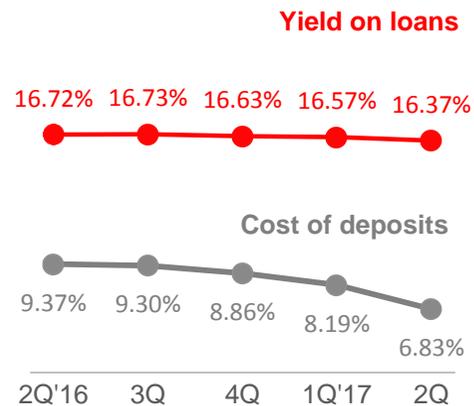
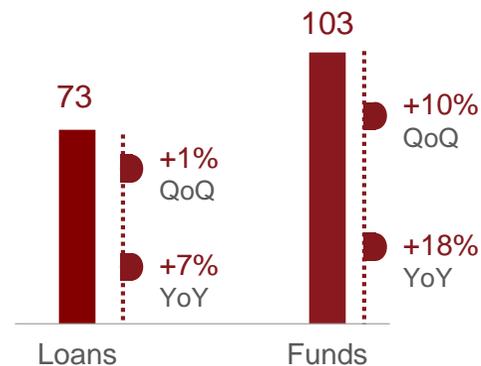
KEY DATA	1H'16	1H'17
Loyal customers (millions)	3.4	3.8
Digital customers (millions)	5.5	7.4
NPL ratio (%)	6.11	5.36
Cost of credit (%)	4.71	4.79
Efficiency ratio (%)	39.2	35.3
RoTE (%)	13.7	16.4

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	2,503	4.6	5,025	14.2
Fee income	909	2.7	1,843	20.4
Gross income	3,502	-0.6	7,219	18.5
Operating expenses	-1,233	-1.0	-2,547	6.6
LLPs	-852	-1.2	-1,762	-0.2
<b>PBT</b>	<b>1,068</b>	<b>-0.6</b>	<b>2,203</b>	<b>47.3</b>
<b>Underlying att. profit</b>	<b>610</b>	<b>1.5</b>	<b>1,244</b>	<b>31.7</b>
Non-recurring	0	—	0	—
Attributable profit	610	1.5	1,244	31.7

(1) € million and % change in constant euros

## ACTIVITY

Volumes in € billion



- We remain committed to continuously enhance our customer experience, while maintaining the strategic focus on improving profitability
- NII growth driven by volumes and spreads, with solid contribution from liability plan. Fee income up backed by good dynamics in almost all fee income lines
- Focused on cost discipline and better efficiency
- LLPs under control and lower cost of credit over the three previous quarters. NPL ratio falls over Jun'16 and remains lower than private sector banks' ratios

# UNITED KINGDOM

KEY DATA	1H'16	1H'17
Loyal customers (millions)	4.0	4.2
Digital customers (millions)	4.3	4.8
NPL ratio (%)	1.47	1.23
Cost of credit (%)	0.03	0.02
Efficiency ratio (%)	52.5	48.6
RoTE (%)	9.9	11.1

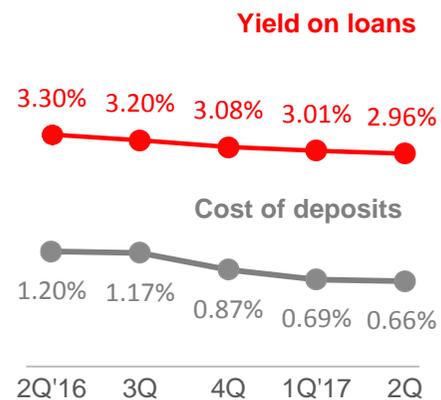
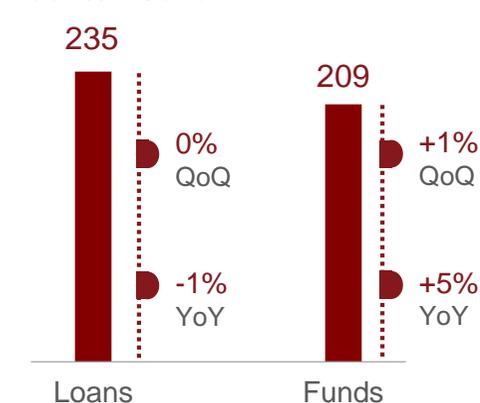
P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	1,149	4.9	2,244	8.3
Fee income	260	2.7	514	5.6
<b>Gross income</b>	<b>1,544</b>	<b>7.9</b>	<b>2,976</b>	<b>9.1</b>
Operating expenses	-723	0.0	-1,446	1.1
LLPs	-42	172.1	-57	-15.7
<b>PBT</b>	<b>608</b>	<b>3.5</b>	<b>1,197</b>	<b>7.7</b>
<b>Underlying att. profit</b>	<b>408</b>	<b>-2.0</b>	<b>824</b>	<b>8.1</b>
Non-recurring <sup>2</sup>	0	—	0	-100.0
<b>Attributable profit</b>	<b>408</b>	<b>-2.0</b>	<b>824</b>	<b>-4.1</b>

(1) € million and % change in constant euros

(2) Including €107m in 2Q16 related to capital gains from the disposal of the stake in Visa Europe and restructuring costs

## ACTIVITY

Volumes in € billion



- Total retail C/A balances up by £1.5 bn YTD. Increased lending to UK companies of £0.7 bn YTD
- Revenues up: lower cost of deposits (1I2I3 World interest rate change) partially offset by SVR attrition and new asset margin pressures
- Digital transformation supports operational efficiency and customer experience
- Credit quality remains strong in all loan books. Very low LLPs and cost of credit
- Quarterly results impacted by higher conduct provisions. Strong revenue performance supported by NII and gains on financial transactions

# SANTANDER CONSUMER FINANCE

KEY DATA	1H'16	1H'17
Active customers (millions)	17.6	19.6
NPL ratio (%)	2.95	2.61
Cost of credit (%)	0.55	0.37
Efficiency ratio (%)	45.4	44.5
RoTE (%)	14.4	17.1

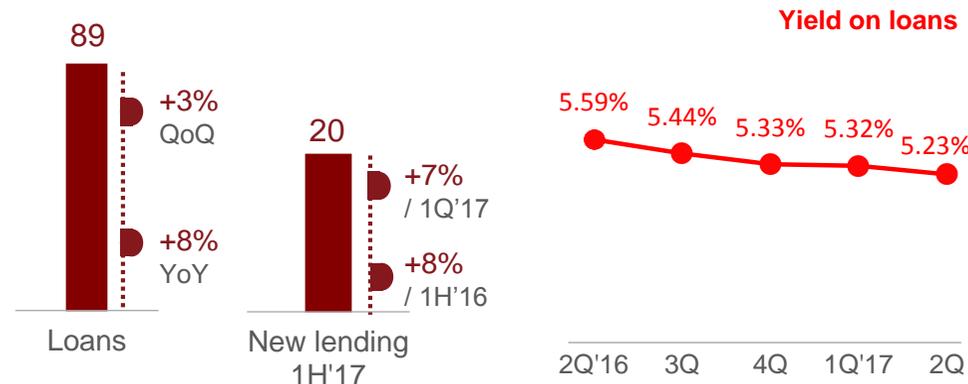
P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	877	-0.9	1,766	6.7
Fee income	220	-5.0	451	-1.9
Gross income	1,099	-1.3	2,217	5.1
Operating expenses	-485	-3.0	-987	3.2
LLPs	-57	-5.8	-118	-36.6
<b>PBT</b>	<b>522</b>	<b>1.4</b>	<b>1,040</b>	<b>17.3</b>
<b>Underlying att. profit</b>	<b>319</b>	<b>2.4</b>	<b>633</b>	<b>18.0</b>
Non-recurring	0	—	0	-100.0
<b>Attributable profit</b>	<b>319</b>	<b>2.4</b>	<b>633</b>	<b>12.6</b>

(1) € million and % change in constant euros

(2) Including €25m in 2Q16 related to capital gains from the disposal of the stake in Visa Europe

## ACTIVITY

Volumes in € billion



- High diversification and leadership in Europe
- Higher new lending in main countries, driven by auto loans (+10%)
- 1H'17 profit up underpinned by higher NII and lower LLPs
- Best-in-class profitability, and historically low NPLs and cost of credit
- Main countries profit: Nordic countries (€175mill.); Germany (€151mill.) and Spain (€115mill.)

# SPAIN – excl. Popular

KEY DATA	1H'16	1H'17
Loyal customers (millions)	1.2	1.6
Digital customers (millions)	2.7	3.0
NPL ratio (%)	6.06	4.99
Cost of credit (%)	0.45	0.33
Efficiency ratio (%)	57.9	55.5
RoTE (%)	9.0	10.5

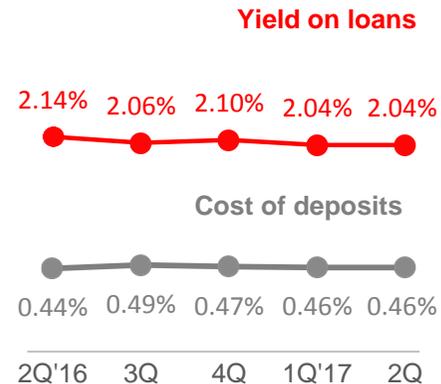
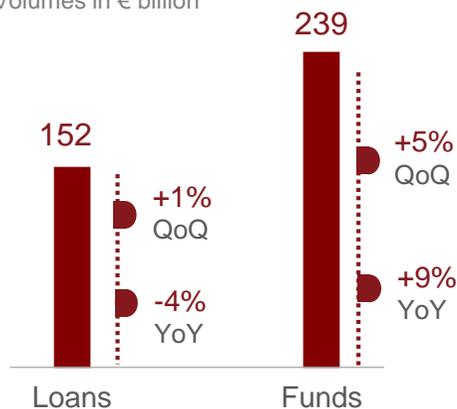
P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	749	0.4	1,496	-6.6
Fee income	537	17.0	997	14.1
Gross income	1,351	-12.2	2,890	0.1
Operating expenses	-806	1.0	-1,604	-4.0
LLPs	-137	-16.2	-300	-16.7
<b>PBT</b>	<b>344</b>	<b>-33.0</b>	<b>858</b>	<b>16.5</b>
<b>Underlying att. profit</b>	<b>241</b>	<b>-33.3</b>	<b>603</b>	<b>17.1</b>
Non-recurring <sup>2</sup>	0	—	0	-100.0
<b>Attributable profit</b>	<b>241</b>	<b>-33.3</b>	<b>603</b>	<b>101.9</b>

(1) € million

(2) Including -€216m in 2Q16 related to capital gains from the disposal of the stake in Visa Europe and restructuring costs

## ACTIVITY

Volumes in € billion



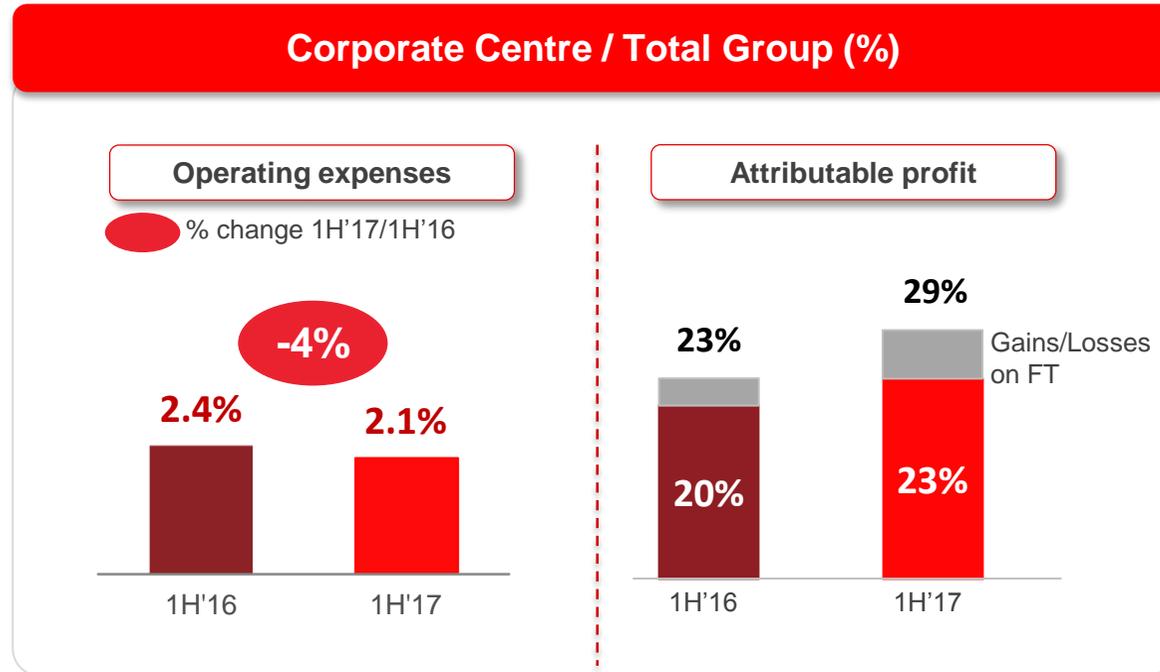
- Growing loyalty: 1I2I3 Smart proposition launch for millennials (~90k C/A since launch); number of credit cards (+1 mill. YTD) with a turnover (+43% /1H'16)
- In SMEs, good evolution in new lending /1H'16: commercial (+10%) and international business (+29%). GCB remains leader in the key League tables
- Attributable profit up YoY backed by higher fee income, cost control and lower provisions. Strong credit quality improvement
- In the quarter, attributable profit evolution affected by lower trading gains and the contribution to SRF

Good performance in other markets: larger customer base, higher profits and better credit quality. Of note, was the Fed's no objection to our Capital Plan in the US, including the payment of dividends for the first time since 2011

<b>Mexico</b>	<b>€350 mill.; +26%</b>	<ul style="list-style-type: none"> <li>Focus on strategic commercial initiatives (<i>Santander Plus</i>, mortgages, credit cards) and significant investment in systems and infrastructure</li> <li>1H'17 profit up driven by NII (fuelled by loans and demand deposit growth, and higher interest rates) and fee income. Healthy credit quality</li> </ul>
<b>Chile</b>	<b>€297 mill.; +11%</b>	<ul style="list-style-type: none"> <li>Continuing the branch network transformation (<i>WorkCafé</i>). Launch of <i>WorldMember Limited</i> credit card, for high-income customers</li> <li>Profit up YoY boosted by commercial revenues, lower provisions and cost control. Improvement of all credit quality ratios</li> </ul>
<b>US<sup>2</sup></b>	<b>€244 mill.; -2%</b>	<ul style="list-style-type: none"> <li>Improving in regulatory expectations. No objection to our Capital Plan from the Federal Reserve</li> <li>SBNA: improving profitability by optimising the balance sheet and managing costs</li> <li>SC USA: continued focus on optimising the loans mix and improving Chrysler volumes</li> </ul>
<b>Portugal<sup>2</sup></b>	<b>€233 mill.; +16%</b>	<ul style="list-style-type: none"> <li>Continued focus on commercial transformation and improvement of loyalty (rise in the 1 2 3 customer base reflected in more than 20% growth in loyal and digital customers)</li> <li>Profit up YoY due to lower costs and release of provisions. Revenues decrease (impacted by ALCO portfolio sales). Significant NPL ratio drop (-279 bps YoY)</li> </ul>
<b>Argentina</b>	<b>€193 mill.; +36%</b>	<ul style="list-style-type: none"> <li>Priority in the integration of Citibank's retail business. Progressing as scheduled</li> <li>Profit fuelled by the increase in commercial revenues and cost control offsetting the transformation plan and Citibank integration associated costs</li> </ul>
<b>Poland<sup>1</sup></b>	<b>€142 mill.; 0% PBT: +10%</b>	<ul style="list-style-type: none"> <li>Loan growth fuelled by individuals and SMEs. Significant growth in demand accounts and funds</li> <li>PBT increased YoY spurred by NII, fee income, provisions and cost containment. Profit affected by regulatory impacts</li> </ul>

# CORPORATE CENTRE

Higher losses due to cost of FX hedging and the issues to enhance the Group's TLAC position.  
Corporate Centre expenses down 4% YoY



**P&L**

€ million

	1H'16	1H'17
NII	-356	-407
Gains/Losses on FT	-99	-200
Operating expenses	-246	-238
Provisions	-63	-100
Tax and minority interests	48	-13
<b>Underlying attrib. Profit</b>	<b>-729</b>	<b>-1,031</b>
Non-recurring	-186	0
<b>Attributable profit</b>	<b>-915</b>	<b>-1,031</b>

- Higher losses in NII due to more issues
- Financial transactions fell due to cost of hedging, offset by the positive FX impact in business areas
- Lower operating expenses YoY



# Content

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Banco Popular acquisition

Group performance 1H'17

Business areas performance 1H'17



Concluding remarks



Appendix

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# Delivering on our commitments to reach our targets

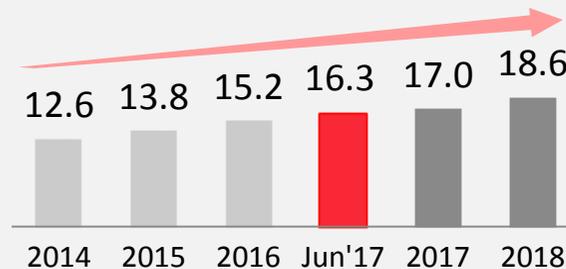
	FY2016	1H'17 excl. Popular	2017 targets
<b>Loyal customers</b> (Million)	15.2	16.3 ✓	17
<b>Digital customers</b> (Million)	20.9	23.0 ✓	25
<b>Fee income<sup>1</sup></b>	8%	11% ✓	Increase
<b>Cost of credit</b>	1.18%	1.19% ✓	Improve
<b>Cost to income</b>	48.1%	46.3% ✓	Broadly stable
<b>EPS</b> (€)	0.41	0.235 (1 <sup>st</sup> half) ✓	Increase
<b>DPS<sup>2</sup></b> (€)	0.21	0.22 ✓	Increase
<b>FL CET1</b>	10.55%	10.72% ✓	+40 bps organic per year

# In short,

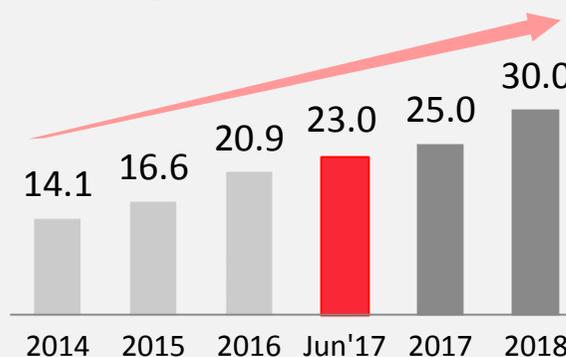
**Santander maintains a clear and consistent commercial strategy in transformation and digitalisation**

**In addition, we have reinforced our leadership position in core markets**

**Loyal customers** (million)



**Digital customers** (million)



Millennials customers proposition



Select Me – Women proposition



Openbank becomes first 100% digital Spanish bank



**Spain**

**Portugal**

**Argentina**

**US**

Continued qualitative positive progress for the company



# Content

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Banco Popular acquisition

Group performance 1H'17

Business areas performance 1H'17

Concluding remarks

▶ Appendix ◀

Glossary

## **Appendix**

**Other geographic markets results**

**Global segments results**

**Liquidity**

**NPL and coverage ratios, and cost of credit**

**Quarterly income statements**

**Popular (P&L and balance sheet)**



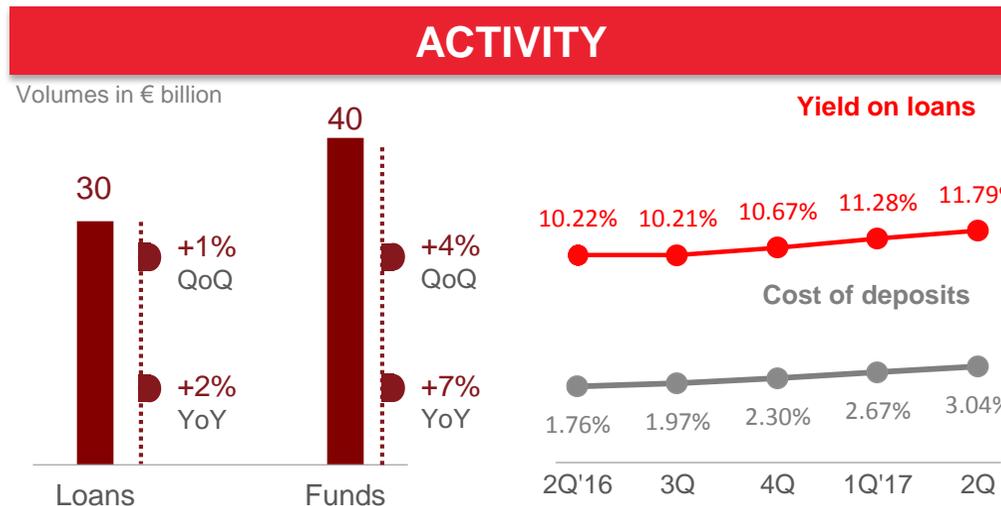
# Other geographic markets results

# MEXICO

KEY DATA	1H'16	1H'17
Loyal customers (thousands)	1,482	1,829
Digital customers (thousands)	1,045	1,694
NPL ratio (%)	3.01	2.58
Cost of credit (%)	2.96	3.01
Efficiency ratio (%)	40.5	39.1
RoTE (%)	13.6	19.6

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	663	0.6	1,287	14.3
Fee income	193	1.8	373	7.2
Gross income	914	5.2	1,738	14.7
Operating expenses	-361	7.1	-680	10.9
LLPs	-246	-0.3	-479	14.7
PBT	301	7.0	568	21.8
Underlying att. profit	187	8.7	350	26.4
Non-recurring	0	—	0	—
Attributable profit	187	8.7	350	26.4

(1) € million and % change in constant euros



- Focus on strategic commercial initiatives (Santander Plus, mortgages, credit cards) and significant investment in systems and infrastructure
- Efforts made to attract payrolls from corporate customers
- 1H'17 profit up driven by NII (fuelled by higher interest rates and loan and demand deposit growth) and fee income
- Higher LLPs due to the sale of non-performing loan portfolios in 1H'17. Healthy credit quality (lower NPL ratio. Coverage rose to 114%)

# CHILE

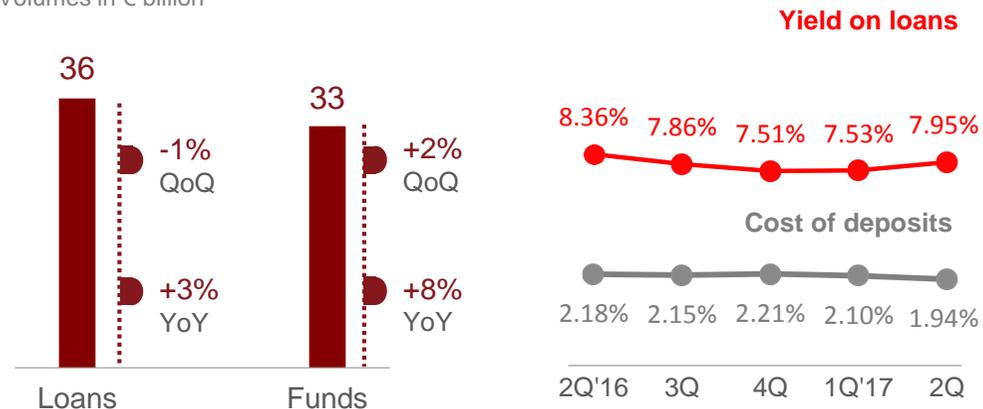
KEY DATA	1H'16	1H'17
Loyal customers (thousands)	567	613
Digital customers (thousands)	942	983
NPL ratio (%)	5.28	5.00
Cost of credit (%)	1.59	1.37
Efficiency ratio (%)	41.7	40.7
RoTE (%)	17.2	17.9

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	489	5.5	974	3.9
Fee income	100	-2.5	207	11.4
Gross income	644	4.3	1,288	5.6
Operating expenses	-260	3.2	-524	3.0
LLPs	-122	5.0	-244	-4.1
<b>PBT</b>	<b>267</b>	<b>6.9</b>	<b>529</b>	<b>15.6</b>
<b>Underlying att. profit</b>	<b>149</b>	<b>5.9</b>	<b>297</b>	<b>11.2</b>
Non-recurring	0	—	0	—
Attributable profit	149	5.9	297	11.2

(1) € million and % change in constant euros

## ACTIVITY

Volumes in € billion



- Focus on improving customer satisfaction and loyalty, mainly in medium-high income and SMEs segments
- Continuing the branch network transformation (WorkCafé). Launch of WorldMember Limited credit card, for high-income customers
- Profit up YoY boosted by commercial revenues, lower provisions and cost control. In the quarter good performance in NII (volumes and spreads) and trading gains
- Improvement in efficiency and all credit quality ratios

# UNITED STATES – excl. Popular

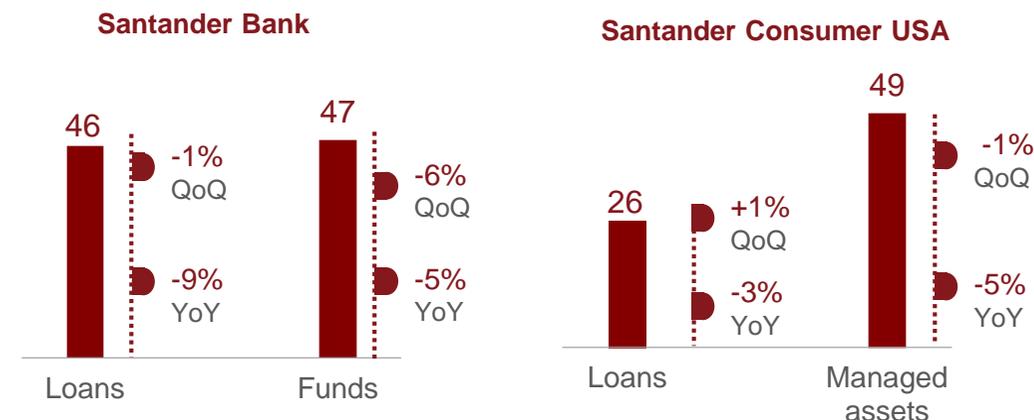
KEY DATA	1H'16	1H'17
Loyal customers (thousands)	271	307
Digital customers (thousands)	696	839
NPL ratio (%)	2.24	2.64
Cost of credit (%)	3.77	3.65
Efficiency ratio (%)	40.2	44.8
RoTE (%)	3.9	3.6

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	1,488	3.2	2,977	-4.1
Fee income	250	-5.3	523	-11.9
Gross income	1,880	3.3	3,759	-5.4
Operating expenses	-845	4.3	-1,682	5.2
LLPs	-697	-11.0	-1,507	-6.6
<b>PBT</b>	<b>314</b>	<b>61.8</b>	<b>513</b>	<b>-24.7</b>
<b>Underlying att. profit</b>	<b>149</b>	<b>60.8</b>	<b>244</b>	<b>-1.6</b>
Non-recurring	0	—	0	—
<b>Attributable profit</b>	<b>149</b>	<b>60.8</b>	<b>244</b>	<b>-1.6</b>

(1) € million and % change in constant euros

## ACTIVITY

Volumes in € billion



- Received no objection to our Capital Plan from the Federal Reserve, including the payment of dividends for the first time since 2011
- Santander Bank (SBNA): improving profitability by optimising the balance sheet and managing costs
- SC USA: focus on optimising the loan mix and improving Chrysler volumes
- P&L impacted YoY by mix change to a lower risk profile at SC, and higher personnel and legal expenses
- Profit up for the second straight quarter, driven by lower provisions. Reduced deposit cost and borrowing volumes to drive improvement of NIM

# PORTUGAL – excl. Popular

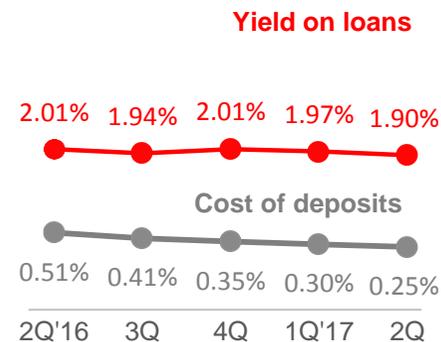
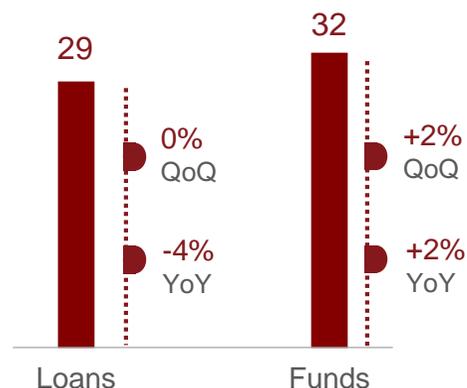
KEY DATA	1H'16	1H'17
Loyal customers (thousands)	540	670
Digital customers (thousands)	405	543
NPL ratio (%)	10.46	7.67
Cost of credit (%)	0.21	0.03
Efficiency ratio (%)	49.1	49.3
RoTE (%)	14.1	13.9

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	167	-2.9	338	-8.7
Fee income	83	-7.4	172	4.5
Gross income	265	-9.7	559	-9.6
Operating expenses	-137	-1.4	-275	-9.2
LLPs	6	-45.3	16	—
<b>PBT</b>	<b>125</b>	<b>-16.9</b>	<b>276</b>	<b>5.2</b>
<b>Underlying att. profit</b>	<b>107</b>	<b>-14.4</b>	<b>233</b>	<b>15.8</b>
Non-recurring	0	—	0	—
Attributable profit	107	-14.4	233	15.8

(\*) € million

## ACTIVITY

Volumes in € billion



- Focus on commercial transformation and loyalty improvement (rise in 1|2|3 customers reflected in more than 20% growth in loyal and digital customers)
- Continued gains in market share in new mortgages and new loans to corporates
- Profit up YoY due to lower costs and provisions (given a near zero cost of credit). Revenues impacted by ALCO portfolio sales in 2016
- Loan portfolio management behind the improved cost of credit and lower NPL ratio, after it peaked at 10.46% following Banif's integration

# ARGENTINA

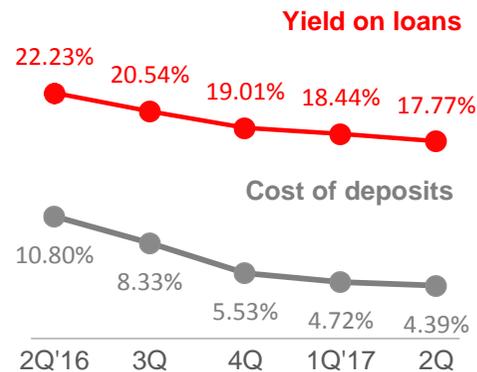
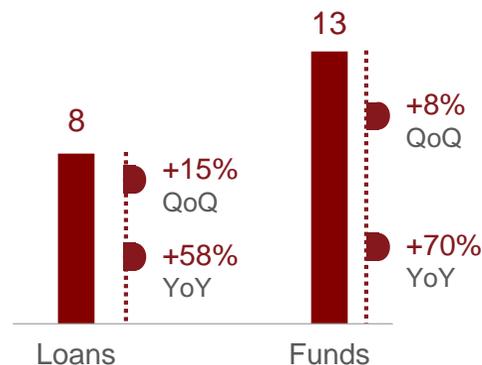
KEY DATA	1H'16	1H'17
Loyal customers (thousands)	1,093	1,403
Digital customers (thousands)*	1,414	1,642
NPL ratio (%)	1.38	2.21
Cost of credit (%)	1.96	1.75
Efficiency ratio (%)	56.5	56.0
RoTE (%)	31.8	32.5

P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	262	22.2	485	63.5
Fee income	165	12.4	317	50.6
Gross income	470	19.8	875	44.6
Operating expenses	-269	25.8	-490	43.3
LLPs	-42	50.4	-72	58.6
PBT	123	-18.0	279	36.8
Underlying att. profit	85	-17.7	193	36.4
Non-recurring	0	—	0	—
Attributable profit	85	-17.7	193	36.4

(1) € million and % change in constant euros

## ACTIVITY

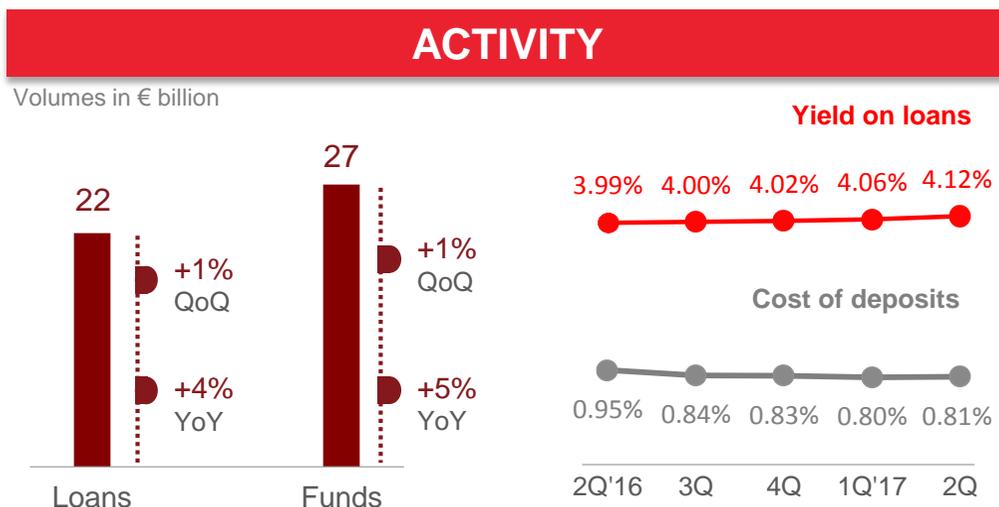
Volumes in € billion



- Priority in the integration of Citibank's retail business. Progressing as scheduled
- Market share gain in loans. Deposits driven by savings and demand deposits
- Profit fuelled by the increase in commercial revenues and costs control offsetting the transformation plan and costs associated to Citibank's integration
- Cost of credit improvement YoY and comfortable coverage ratio (110%)

# POLAND

KEY DATA	1H'16	1H'17
Loyal customers (thousands)	1,309	1,343
Digital customers (thousands)	1,950	2,025
NPL ratio (%)	5.84	4.66
Cost of credit (%)	0.75	0.65
Efficiency ratio (%)	44.4	43.3
RoTE (%)	11.9	11.3



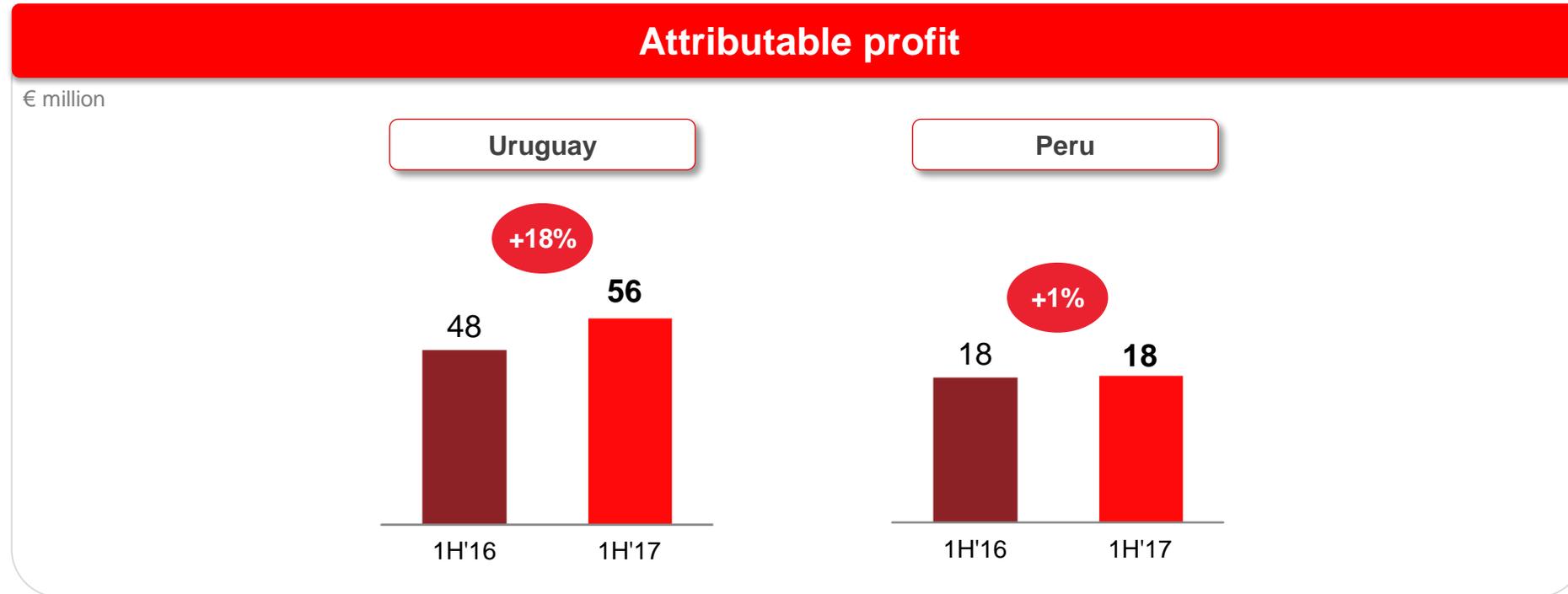
P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
NII	231	3.9	449	10.5
Fee income	112	8.7	213	7.7
Gross income	363	10.6	684	1.9
Operating expenses	-150	0.7	-296	-0.5
LLPs	-34	22.0	-60	-12.1
<b>PBT</b>	<b>152</b>	<b>19.4</b>	<b>277</b>	<b>9.9</b>
<b>Underlying att. profit</b>	<b>83</b>	<b>36.8</b>	<b>142</b>	<b>0.1</b>
Non-recurring <sup>2</sup>	0	—	0	-100.0
<b>Attributable profit</b>	<b>83</b>	<b>36.8</b>	<b>142</b>	<b>-17.4</b>

(1) € million and % change in constant euros

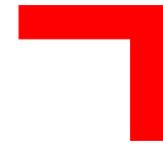
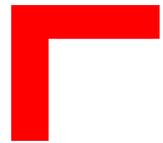
(2) Including €29m in 2Q16 related to capital gains from the disposal of the stake in Visa Europe and restructuring costs

- Loan growth fuelled by individuals and SMEs. Significant growth in demand and savings accounts, and good performance in mutual funds' sales
- PBT increased YoY spurred by NII, fee income, provisions and cost containment. Profit affected by regulatory impacts<sup>3</sup>
- Of note in the quarter was the good performance of NII and fee income registering acceleration of business. Also seasonal collection of dividends
- Credit quality improvement: lower NPL ratio and cost of credit

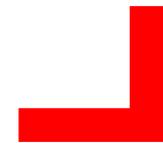
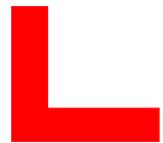
# OTHER LATIN AMERICAN COUNTRIES



- Focusing on loyalty, transactions and target segments
- Uruguay's profit driven by higher revenues, cost control and lower provisions
- Peru's profit affected by lower fee income due to minor public infrastructure expenditure



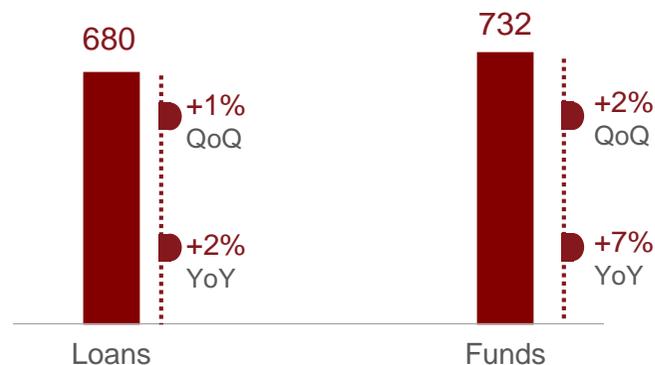
Global segments  
results



# RETAIL BANKING

## ACTIVITY

€ billion and % change in constant euros



P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
<b>NII</b>	<b>8,096</b>	<b>4.0</b>	<b>16,044</b>	<b>7.0</b>
<b>Fee income</b>	<b>2,457</b>	<b>2.4</b>	<b>4,905</b>	<b>10.7</b>
<b>Gross income</b>	<b>10,883</b>	<b>2.8</b>	<b>21,689</b>	<b>8.6</b>
<b>Operating expenses</b>	<b>-4,894</b>	<b>2.1</b>	<b>-9,782</b>	<b>4.6</b>
<b>LLPs</b>	<b>-1,998</b>	<b>-8.1</b>	<b>-4,240</b>	<b>-4.0</b>
<b>PBT</b>	<b>3,244</b>	<b>10.1</b>	<b>6,235</b>	<b>17.8</b>
<b>Underl. attrib. Profit</b>	<b>1,961</b>	<b>10.8</b>	<b>3,755</b>	<b>15.9</b>
<b>Non-recurring<sup>2</sup></b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>-100.0</b>
<b>Attributable profit</b>	<b>1,961</b>	<b>10.8</b>	<b>3,755</b>	<b>16.4</b>

(1) € million and % change in constant euros

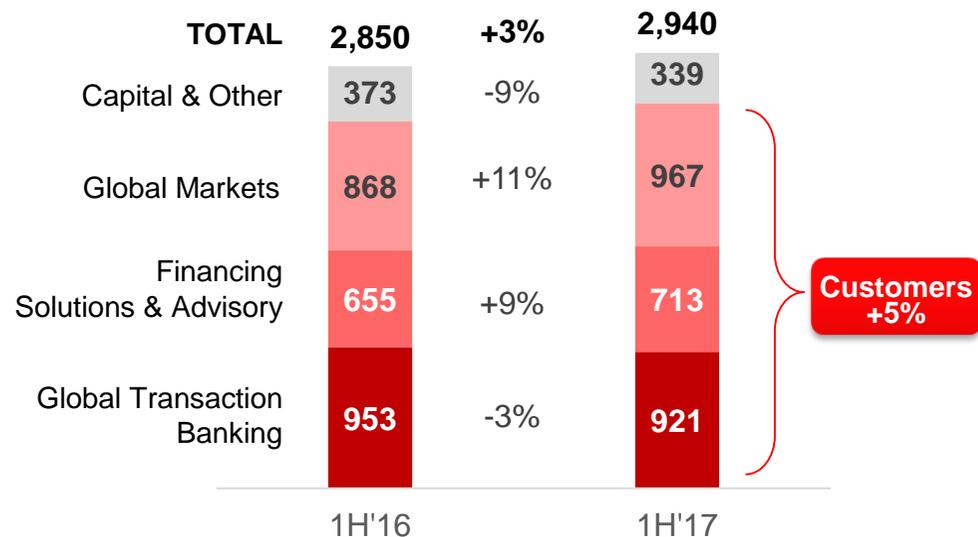
(2) In 2Q'16 capital gains from VISA Europe disposal and restructuring costs

- The retail banking model continued to be transformed into an increasingly Simple, Personal and Fair model
- Focused on three main priorities: customer loyalty, digital transformation and operational excellence
- Further development of the multi-channel model, centred on digital channels
- Progress in achieving our targets. 16.3 million loyal customers (+13% from June 2016) and 23.0 million digital customers (+21% from June 2016)

# GLOBAL CORPORATE BANKING

## GROSS INCOME

Constant € million



P&L <sup>1</sup>	2Q'17	%1Q'17	1H'17	%1H'16
<b>Nil</b>	<b>625</b>	<b>-2.8</b>	<b>1,281</b>	<b>4.5</b>
<b>Fee income</b>	<b>438</b>	<b>11.3</b>	<b>837</b>	<b>13.0</b>
<b>Gross income</b>	<b>1,374</b>	<b>-10.3</b>	<b>2,940</b>	<b>3.1</b>
<b>Operating expenses</b>	<b>-488</b>	<b>1.3</b>	<b>-975</b>	<b>-1.2</b>
<b>LLPs</b>	<b>-238</b>	<b>82.3</b>	<b>-370</b>	<b>-19.2</b>
<b>PBT</b>	<b>643</b>	<b>-28.8</b>	<b>1,576</b>	<b>14.8</b>
<b>Underl. attrib. Profit</b>	<b>414</b>	<b>-30.0</b>	<b>1,024</b>	<b>15.5</b>
<b>Non-recurring<sup>2</sup></b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>-100.0</b>
<b>Attributable profit</b>	<b>414</b>	<b>-30.0</b>	<b>1,024</b>	<b>23.6</b>

(1) € million and % change in constant euros

(2) In 2Q'16 restructuring costs

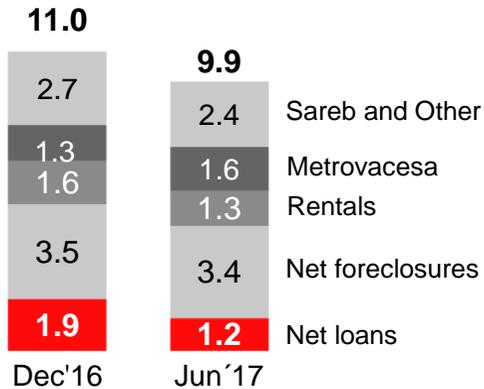
- Customer-centred strategy, underpinned by the Division's global capacities and their interconnection with local units
- Benchmark positions in export finance, corporate lending and project finance, among others, in Europe and Latin America
- Attributable profit driven by strong and diversified customer revenues and lower LLPs

# SANTANDER REAL ESTATE ACTIVITY IN SPAIN

## ACTIVITY

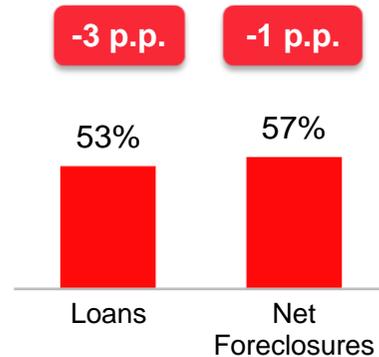
### Balance sheet

€ billion



### Coverage ratio

Jun'17 and change / Dec'16



## P&L

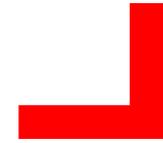
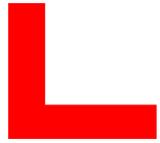
€ million

	1H'17	1H'16	%1H'16
Gross income	-9	11	—
Operating expenses	-100	-108	-7
Provisions	-114	-112	2
Tax recovery	67	62	8
<b>Attributable profit</b>	<b>-144</b>	<b>-144</b>	<b>-0</b>

- Reduction of non-core exposure continued at double digit (loans: -37% YTD; -43% YoY)
- Coverage ratio already adapted to the requirements of Appendix IX
- YoY profit comparison affected by the requirements of Appendix IX



Liquidity



# We made good headway YTD in our funding plan to enhance the Group's TLAC position and optimise its cost of capital – Group excl. Popular

## Key liquidity ratios

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Jun'17

<b>Net Loan-to-Deposit ratio (LTD):</b>	<b>111%</b>
<b>Deposits + M/LT funding / net loans:</b>	<b>115%</b>
<b>Liquidity Coverage Ratio (LCR)<sup>1</sup>:</b>	<b>146%</b>

**Comfortable liquidity position  
(Group and subsidiaries)**

## Funding plan - issuances

---

Jan-Jun'17

<b>Group issuances</b>	<b>€15.8bn (~€10.2bn TLAC-eligible)</b>
<b>Diversified issuers</b>	<b>Parent bank, SCF, UK and USA</b>
<b>Diversified currencies</b>	<b>EUR, USD, GBP</b>

**Focus on TLAC-eligible instruments, following  
our decentralised liquidity and funding model**



NPL, coverage ratios  
and cost of credit

# NPL ratio

%

	31.03.16	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
<b>Continental Europe</b>	<b>7.08</b>	<b>6.84</b>	<b>6.43</b>	<b>5.92</b>	<b>5.62</b>	<b>5.11</b>
Spain	6.36	6.06	5.82	5.41	5.22	4.99
Santander Consumer Finance	3.28	2.95	2.86	2.68	2.62	2.61
Poland	5.93	5.84	5.71	5.42	5.20	4.66
Portugal	8.55	10.46	9.40	8.81	8.47	7.67
<b>United Kingdom</b>	<b>1.49</b>	<b>1.47</b>	<b>1.47</b>	<b>1.41</b>	<b>1.31</b>	<b>1.23</b>
<b>Latin America</b>	<b>4.88</b>	<b>4.98</b>	<b>4.94</b>	<b>4.81</b>	<b>4.50</b>	<b>4.44</b>
Brazil	5.93	6.11	6.12	5.90	5.36	5.36
Mexico	3.06	3.01	2.95	2.76	2.77	2.58
Chile	5.45	5.28	5.12	5.05	4.93	5.00
<b>USA</b>	<b>2.19</b>	<b>2.24</b>	<b>2.24</b>	<b>2.28</b>	<b>2.43</b>	<b>2.64</b>
<b>Operating Areas</b>	<b>4.36</b>	<b>4.32</b>	<b>4.19</b>	<b>3.95</b>	<b>3.77</b>	<b>3.57</b>
<b>Total Group</b>	<b>4.33</b>	<b>4.29</b>	<b>4.15</b>	<b>3.93</b>	<b>3.74</b>	<b>3.55</b>

NOTE. In June 2017, including Popular: Total Group: 5.37%

# Coverage ratio

%

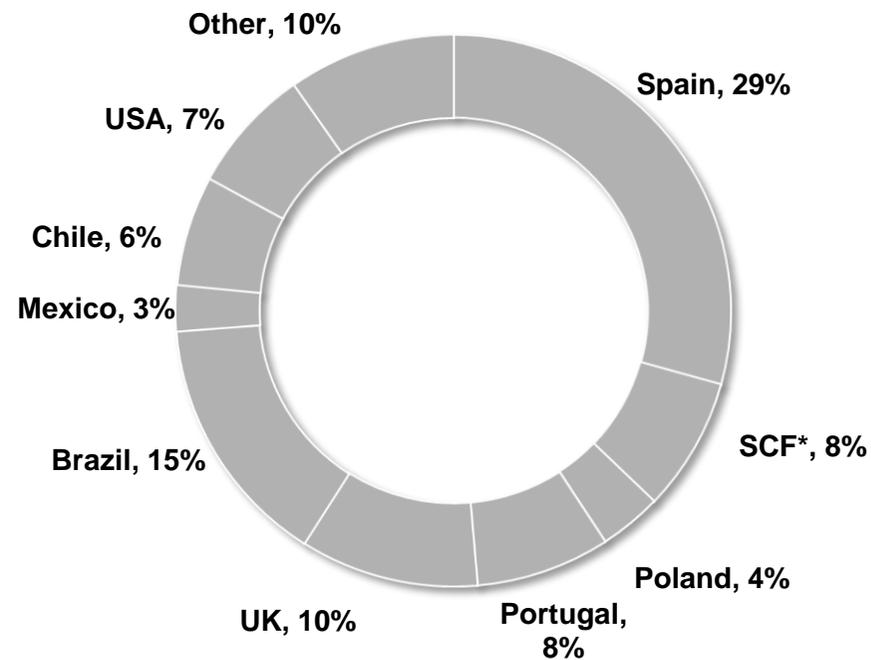
	31.03.16	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
<b>Continental Europe</b>	<b>65.4</b>	<b>61.3</b>	<b>61.3</b>	<b>60.0</b>	<b>60.6</b>	<b>58.7</b>
Spain	50.2	47.6	47.6	48.3	49.1	46.0
Santander Consumer Finance	111.9	110.6	110.7	109.1	108.9	106.5
Poland	67.0	65.8	68.9	61.0	61.2	67.5
Portugal	87.7	61.9	57.8	63.7	61.7	59.8
<b>United Kingdom</b>	<b>36.5</b>	<b>36.5</b>	<b>36.0</b>	<b>32.9</b>	<b>33.8</b>	<b>32.6</b>
<b>Latin America</b>	<b>79.7</b>	<b>81.4</b>	<b>84.5</b>	<b>87.3</b>	<b>90.5</b>	<b>89.1</b>
Brazil	83.7	85.3	89.3	93.1	98.1	95.5
Mexico	97.5	102.3	101.9	103.8	104.8	113.8
Chile	54.6	55.5	58.1	59.1	58.9	58.2
<b>USA</b>	<b>221.1</b>	<b>220.6</b>	<b>216.2</b>	<b>214.4</b>	<b>202.4</b>	<b>183.1</b>
<b>Operating Areas</b>	<b>73.3</b>	<b>72.0</b>	<b>72.8</b>	<b>73.5</b>	<b>74.6</b>	<b>72.6</b>
<b>Total Group</b>	<b>74.0</b>	<b>72.5</b>	<b>72.7</b>	<b>73.8</b>	<b>74.6</b>	<b>72.7</b>

NOTE. In June 2017, including Popular: Total Group: 67.7%

# Non-performing loans and loan-loss allowances (Ex-Popular). June 2017

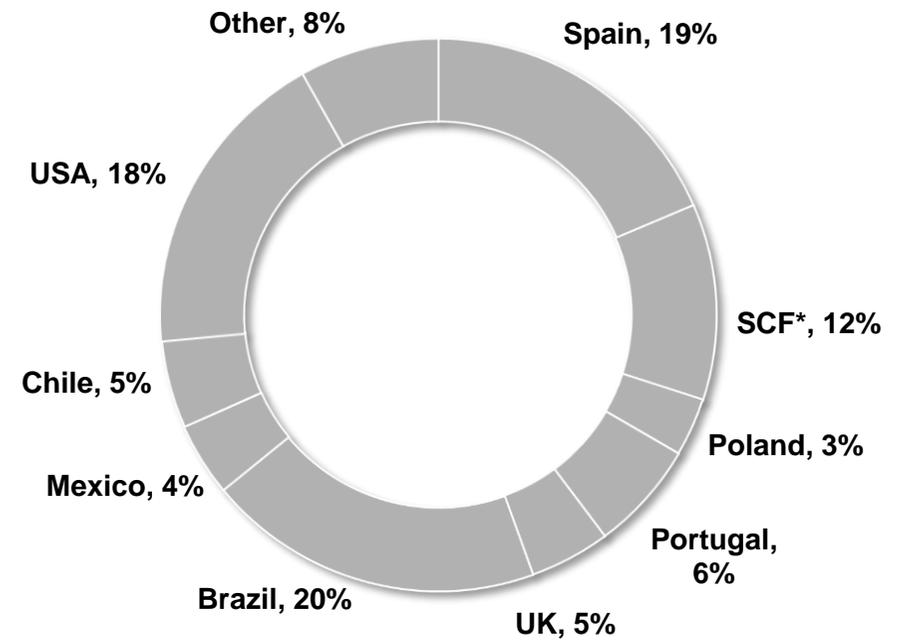
## Non-performing loans

100%: €29,745 mill.



## Loan-loss allowances

100%: €21,625 mill.



# Cost of credit

%

	31.03.16	30.06.16	30.09.16	31.12.16	31.03.17	30.06.17
<b>Continental Europe</b>	<b>0.60</b>	<b>0.51</b>	<b>0.46</b>	<b>0.44</b>	<b>0.38</b>	<b>0.37</b>
Spain	0.54	0.45	0.41	0.37	0.33	0.33
Santander Consumer Finance	0.64	0.55	0.49	0.47	0.39	0.37
Poland	0.82	0.75	0.76	0.70	0.66	0.65
Portugal	0.28	0.21	0.17	0.18	0.07	0.03
<b>United Kingdom</b>	<b>0.01</b>	<b>0.03</b>	<b>0.05</b>	<b>0.02</b>	<b>0.03</b>	<b>0.02</b>
<b>Latin America</b>	<b>3.39</b>	<b>3.41</b>	<b>3.42</b>	<b>3.37</b>	<b>3.36</b>	<b>3.37</b>
Brazil	4.63	4.71	4.87	4.89	4.84	4.79
Mexico	2.95	2.96	2.86	2.86	2.94	3.01
Chile	1.58	1.59	1.55	1.43	1.42	1.37
<b>USA</b>	<b>3.85</b>	<b>3.77</b>	<b>3.80</b>	<b>3.68</b>	<b>3.63</b>	<b>3.65</b>
<b>Operating Areas</b>	<b>1.24</b>	<b>1.20</b>	<b>1.20</b>	<b>1.19</b>	<b>1.18</b>	<b>1.19</b>
<b>Total Group</b>	<b>1.22</b>	<b>1.19</b>	<b>1.19</b>	<b>1.18</b>	<b>1.17</b>	<b>1.19</b>

NOTE. In June 2017, including Popular: Total Group: 1.17%



Quarterly income  
statements

# Grupo Santander

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
<b>NII + Fee income</b>	10,021	10,119	10,395	10,734	11,246	11,382	20,140	22,628
<b>Gross income</b>	10,730	10,755	11,080	11,288	12,029	11,910	21,485	23,939
<b>Operating expenses</b>	(5,158)	(5,227)	(5,250)	(5,453)	(5,543)	(5,552)	(10,384)	(11,095)
<b>Net operating income</b>	5,572	5,528	5,831	5,835	6,486	6,358	11,100	12,844
<b>Net loan-loss provisions</b>	(2,408)	(2,205)	(2,499)	(2,406)	(2,400)	(2,272)	(4,613)	(4,672)
<b>Other</b>	(433)	(544)	(392)	(591)	(775)	(828)	(977)	(1,603)
<b>Underlying profit before taxes</b>	2,732	2,779	2,940	2,838	3,311	3,258	5,510	6,569
<b>Underlying consolidated profit</b>	1,922	1,864	2,036	2,072	2,186	2,133	3,785	4,320
<b>Underlying attributable profit</b>	1,633	1,526	1,695	1,766	1,867	1,738	3,160	3,605
<b>Net capital gains and provisions*</b>	—	(248)	—	(169)	—	—	(248)	—
<b>Attributable profit (Ex-Popular)</b>	1,633	1,278	1,695	1,598	1,867	1,738	2,911	3,605
<b>Popular</b>						11		11
<b>Attributable profit</b>	1,633	1,526	1,695	1,766	1,867	1,749	3,160	3,616

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs in 4Q16 PPI and restatement Santander Consumer USA

# Grupo Santander

Constant € million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
<b>NII + Fee income</b>	10,508	10,496	10,618	10,876	11,127	11,501	21,004	22,628
<b>Gross income</b>	11,217	11,150	11,323	11,424	11,900	12,039	22,367	23,939
<b>Operating expenses</b>	(5,330)	(5,363)	(5,344)	(5,519)	(5,493)	(5,602)	(10,693)	(11,095)
<b>Net operating income</b>	5,887	5,787	5,978	5,905	6,407	6,437	11,674	12,844
<b>Net loan-loss provisions</b>	(2,604)	(2,350)	(2,588)	(2,448)	(2,366)	(2,306)	(4,954)	(4,672)
<b>Other</b>	(473)	(568)	(388)	(598)	(766)	(837)	(1,040)	(1,603)
<b>Underlying profit before taxes</b>	2,810	2,869	3,002	2,858	3,275	3,294	5,679	6,569
<b>Underlying consolidated profit</b>	1,984	1,923	2,079	2,093	2,164	2,156	3,907	4,320
<b>Underlying attributable profit</b>	1,682	1,571	1,730	1,785	1,847	1,758	3,253	3,605
<b>Net capital gains and provisions*</b>	—	(258)	3	(161)	—	—	(258)	—
<b>Attributable profit (Ex-Popular)</b>	1,682	1,313	1,733	1,624	1,847	1,758	2,996	3,605
<b>Popular</b>						11		11
<b>Attributable profit</b>	1,682	1,313	1,733	1,624	1,847	1,769	2,996	3,616

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs in 4Q16 PPI and restatement Santander Consumer USA

# Spain

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,243	1,232	1,185	1,198	1,206	1,287	2,475	2,493
Gross income	1,543	1,343	1,398	1,324	1,539	1,351	2,886	2,890
Operating expenses	(837)	(834)	(824)	(802)	(798)	(806)	(1,671)	(1,604)
<b>Net operating income</b>	<b>706</b>	<b>509</b>	<b>574</b>	<b>522</b>	<b>741</b>	<b>545</b>	<b>1,215</b>	<b>1,286</b>
Net loan-loss provisions	(231)	(129)	(140)	(85)	(163)	(137)	(360)	(300)
Other	(37)	(82)	(51)	(97)	(64)	(64)	(119)	(129)
<b>Underlying profit before taxes</b>	<b>438</b>	<b>298</b>	<b>382</b>	<b>340</b>	<b>514</b>	<b>344</b>	<b>736</b>	<b>858</b>
<b>Underlying consolidated profit</b>	<b>312</b>	<b>213</b>	<b>274</b>	<b>243</b>	<b>367</b>	<b>246</b>	<b>525</b>	<b>613</b>
<b>Underlying attributable profit</b>	<b>307</b>	<b>208</b>	<b>270</b>	<b>237</b>	<b>362</b>	<b>241</b>	<b>515</b>	<b>603</b>
Net capital gains and provisions*	—	(216)	—	—	—	—	(216)	—
<b>Attributable profit</b>	<b>307</b>	<b>(8)</b>	<b>270</b>	<b>237</b>	<b>362</b>	<b>241</b>	<b>299</b>	<b>603</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs

# Santander Consumer Finance

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,041	1,061	1,099	1,052	1,121	1,096	2,102	2,217
Gross income	1,045	1,051	1,106	1,060	1,118	1,099	2,097	2,217
Operating expenses	(483)	(468)	(467)	(486)	(502)	(485)	(951)	(987)
<b>Net operating income</b>	<b>562</b>	<b>583</b>	<b>639</b>	<b>574</b>	<b>616</b>	<b>614</b>	<b>1,145</b>	<b>1,230</b>
Net loan-loss provisions	(114)	(70)	(116)	(87)	(61)	(57)	(184)	(118)
Other	(39)	(41)	(36)	(52)	(37)	(35)	(80)	(72)
<b>Underlying profit before taxes</b>	<b>410</b>	<b>472</b>	<b>487</b>	<b>434</b>	<b>518</b>	<b>522</b>	<b>881</b>	<b>1,040</b>
<b>Underlying consolidated profit</b>	<b>293</b>	<b>324</b>	<b>346</b>	<b>319</b>	<b>370</b>	<b>382</b>	<b>617</b>	<b>752</b>
<b>Underlying attributable profit</b>	<b>251</b>	<b>282</b>	<b>291</b>	<b>269</b>	<b>314</b>	<b>319</b>	<b>533</b>	<b>633</b>
Net capital gains and provisions*	—	25	—	—	—	—	25	—
<b>Attributable profit</b>	<b>251</b>	<b>307</b>	<b>291</b>	<b>269</b>	<b>314</b>	<b>319</b>	<b>558</b>	<b>633</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe

# Santander Consumer Finance

Constant € million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,049	1,066	1,102	1,051	1,118	1,099	2,115	2,217
Gross income	1,053	1,056	1,109	1,059	1,116	1,102	2,109	2,217
Operating expenses	(487)	(470)	(468)	(486)	(501)	(486)	(956)	(987)
<b>Net operating income</b>	<b>567</b>	<b>586</b>	<b>641</b>	<b>573</b>	<b>615</b>	<b>615</b>	<b>1,153</b>	<b>1,230</b>
Net loan-loss provisions	(115)	(71)	(117)	(87)	(61)	(57)	(186)	(118)
Other	(39)	(42)	(36)	(52)	(37)	(35)	(80)	(72)
<b>Underlying profit before taxes</b>	<b>413</b>	<b>474</b>	<b>489</b>	<b>434</b>	<b>517</b>	<b>524</b>	<b>887</b>	<b>1,040</b>
<b>Underlying consolidated profit</b>	<b>295</b>	<b>326</b>	<b>347</b>	<b>319</b>	<b>369</b>	<b>383</b>	<b>621</b>	<b>752</b>
<b>Underlying attributable profit</b>	<b>254</b>	<b>283</b>	<b>292</b>	<b>269</b>	<b>313</b>	<b>320</b>	<b>537</b>	<b>633</b>
Net capital gains and provisions*	—	26	(0)	(0)	—	—	26	—
<b>Attributable profit</b>	<b>254</b>	<b>309</b>	<b>292</b>	<b>269</b>	<b>313</b>	<b>320</b>	<b>562</b>	<b>633</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe

# Poland

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	292	298	321	323	318	343	590	661
Gross income	311	345	330	329	321	363	656	684
Operating expenses	(145)	(146)	(149)	(139)	(146)	(150)	(291)	(296)
<b>Net operating income</b>	<b>166</b>	<b>199</b>	<b>181</b>	<b>190</b>	<b>175</b>	<b>212</b>	<b>365</b>	<b>387</b>
Net loan-loss provisions	(33)	(34)	(43)	(35)	(27)	(34)	(67)	(60)
Other	(22)	(29)	(6)	(25)	(23)	(27)	(51)	(50)
<b>Underlying profit before taxes</b>	<b>111</b>	<b>136</b>	<b>132</b>	<b>129</b>	<b>125</b>	<b>152</b>	<b>246</b>	<b>277</b>
<b>Underlying consolidated profit</b>	<b>88</b>	<b>108</b>	<b>100</b>	<b>91</b>	<b>86</b>	<b>120</b>	<b>196</b>	<b>206</b>
<b>Underlying attributable profit</b>	<b>64</b>	<b>75</b>	<b>69</b>	<b>63</b>	<b>59</b>	<b>83</b>	<b>139</b>	<b>142</b>
Net capital gains and provisions*	—	29	—	—	—	—	29	—
<b>Attributable profit</b>	<b>64</b>	<b>104</b>	<b>69</b>	<b>63</b>	<b>59</b>	<b>83</b>	<b>168</b>	<b>142</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs

# Poland

PLN million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,275	1,301	1,391	1,412	1,374	1,449	2,576	2,823
Gross income	1,357	1,507	1,430	1,440	1,386	1,532	2,863	2,918
Operating expenses	(632)	(638)	(647)	(609)	(630)	(634)	(1,270)	(1,264)
<b>Net operating income</b>	<b>724</b>	<b>869</b>	<b>783</b>	<b>831</b>	<b>756</b>	<b>898</b>	<b>1,593</b>	<b>1,653</b>
Net loan-loss provisions	(144)	(149)	(186)	(153)	(116)	(142)	(294)	(258)
Other	(97)	(126)	(25)	(111)	(100)	(112)	(223)	(213)
<b>Underlying profit before taxes</b>	<b>483</b>	<b>593</b>	<b>573</b>	<b>566</b>	<b>539</b>	<b>644</b>	<b>1,076</b>	<b>1,183</b>
<b>Underlying consolidated profit</b>	<b>384</b>	<b>471</b>	<b>434</b>	<b>399</b>	<b>372</b>	<b>506</b>	<b>855</b>	<b>878</b>
<b>Underlying attributable profit</b>	<b>281</b>	<b>327</b>	<b>300</b>	<b>277</b>	<b>257</b>	<b>351</b>	<b>607</b>	<b>608</b>
Net capital gains and provisions*	—	128	(0)	0	—	—	128	—
<b>Attributable profit</b>	<b>281</b>	<b>455</b>	<b>300</b>	<b>277</b>	<b>257</b>	<b>351</b>	<b>736</b>	<b>608</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs

# Portugal

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	273	262	260	251	261	249	535	510
Gross income	337	281	287	304	294	265	618	559
Operating expenses	(154)	(149)	(142)	(143)	(139)	(137)	(303)	(275)
<b>Net operating income</b>	<b>183</b>	<b>132</b>	<b>145</b>	<b>161</b>	<b>155</b>	<b>128</b>	<b>315</b>	<b>283</b>
Net loan-loss provisions	(22)	(6)	(16)	(9)	10	6	(29)	16
Other	(2)	(21)	(5)	(5)	(14)	(9)	(23)	(23)
<b>Underlying profit before taxes</b>	<b>158</b>	<b>104</b>	<b>124</b>	<b>146</b>	<b>151</b>	<b>125</b>	<b>263</b>	<b>276</b>
<b>Underlying consolidated profit</b>	<b>122</b>	<b>81</b>	<b>93</b>	<b>106</b>	<b>126</b>	<b>108</b>	<b>202</b>	<b>234</b>
<b>Underlying attributable profit</b>	<b>121</b>	<b>80</b>	<b>92</b>	<b>106</b>	<b>125</b>	<b>107</b>	<b>201</b>	<b>233</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>121</b>	<b>80</b>	<b>92</b>	<b>106</b>	<b>125</b>	<b>107</b>	<b>201</b>	<b>233</b>

# United Kingdom

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,434	1,393	1,302	1,307	1,349	1,409	2,827	2,758
Gross income	1,513	1,501	1,377	1,425	1,432	1,544	3,014	2,976
Operating expenses	(794)	(788)	(703)	(683)	(723)	(723)	(1,581)	(1,446)
<b>Net operating income</b>	<b>719</b>	<b>713</b>	<b>675</b>	<b>742</b>	<b>709</b>	<b>821</b>	<b>1,433</b>	<b>1,529</b>
Net loan-loss provisions	(7)	(68)	(44)	61	(15)	(42)	(74)	(57)
Other	(59)	(71)	(85)	(124)	(105)	(171)	(130)	(276)
<b>Underlying profit before taxes</b>	<b>654</b>	<b>574</b>	<b>545</b>	<b>679</b>	<b>588</b>	<b>608</b>	<b>1,228</b>	<b>1,197</b>
<b>Underlying consolidated profit</b>	<b>462</b>	<b>401</b>	<b>370</b>	<b>483</b>	<b>423</b>	<b>414</b>	<b>863</b>	<b>837</b>
<b>Underlying attributable profit</b>	<b>453</b>	<b>390</b>	<b>364</b>	<b>474</b>	<b>416</b>	<b>408</b>	<b>843</b>	<b>824</b>
Net capital gains and provisions*	—	107	—	(137)	—	—	107	—
<b>Attributable profit</b>	<b>453</b>	<b>497</b>	<b>364</b>	<b>338</b>	<b>416</b>	<b>408</b>	<b>950</b>	<b>824</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe and restructuring costs in 4Q16 PPI

# United Kingdom

£ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	1,105	1,096	1,108	1,133	1,160	1,213	2,201	2,373
Gross income	1,166	1,180	1,172	1,234	1,231	1,329	2,346	2,560
Operating expenses	(611)	(619)	(599)	(594)	(622)	(622)	(1,231)	(1,244)
<b>Net operating income</b>	<b>554</b>	<b>561</b>	<b>573</b>	<b>640</b>	<b>609</b>	<b>706</b>	<b>1,115</b>	<b>1,316</b>
Net loan-loss provisions	(5)	(53)	(37)	48	(13)	(36)	(58)	(49)
Other	(45)	(56)	(71)	(104)	(90)	(147)	(101)	(237)
<b>Underlying profit before taxes</b>	<b>504</b>	<b>452</b>	<b>465</b>	<b>583</b>	<b>506</b>	<b>524</b>	<b>956</b>	<b>1,029</b>
<b>Underlying consolidated profit</b>	<b>356</b>	<b>316</b>	<b>316</b>	<b>414</b>	<b>364</b>	<b>356</b>	<b>672</b>	<b>720</b>
<b>Underlying attributable profit</b>	<b>349</b>	<b>307</b>	<b>311</b>	<b>407</b>	<b>358</b>	<b>351</b>	<b>656</b>	<b>709</b>
Net capital gains and provisions*	—	83	2	(110)	—	—	83	—
<b>Attributable profit</b>	<b>349</b>	<b>390</b>	<b>313</b>	<b>297</b>	<b>358</b>	<b>351</b>	<b>739</b>	<b>709</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe and restructuring costs in 4Q16 PPI

# Brazil

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	2,365	2,583	2,899	3,155	3,455	3,413	4,948	6,868
Gross income	2,381	2,703	3,050	3,187	3,717	3,502	5,083	7,219
Operating expenses	(947)	(1,046)	(1,177)	(1,305)	(1,314)	(1,233)	(1,993)	(2,547)
<b>Net operating income</b>	<b>1,434</b>	<b>1,657</b>	<b>1,873</b>	<b>1,882</b>	<b>2,403</b>	<b>2,269</b>	<b>3,091</b>	<b>4,672</b>
Net loan-loss provisions	(720)	(753)	(951)	(953)	(910)	(852)	(1,473)	(1,762)
Other	(177)	(193)	(134)	(193)	(358)	(349)	(370)	(707)
<b>Underlying profit before taxes</b>	<b>536</b>	<b>711</b>	<b>788</b>	<b>736</b>	<b>1,135</b>	<b>1,068</b>	<b>1,248</b>	<b>2,203</b>
<b>Underlying consolidated profit</b>	<b>399</b>	<b>481</b>	<b>544</b>	<b>575</b>	<b>713</b>	<b>689</b>	<b>880</b>	<b>1,402</b>
<b>Underlying attributable profit</b>	<b>359</b>	<b>429</b>	<b>488</b>	<b>510</b>	<b>634</b>	<b>610</b>	<b>788</b>	<b>1,244</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>359</b>	<b>429</b>	<b>488</b>	<b>510</b>	<b>634</b>	<b>610</b>	<b>788</b>	<b>1,244</b>

# Brazil

R\$ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	10,161	10,216	10,500	11,271	11,561	12,036	20,377	23,597
Gross income	10,227	10,708	11,067	11,364	12,438	12,367	20,936	24,805
Operating expenses	(4,068)	(4,138)	(4,266)	(4,671)	(4,397)	(4,355)	(8,207)	(8,752)
<b>Net operating income</b>	<b>6,159</b>	<b>6,570</b>	<b>6,801</b>	<b>6,693</b>	<b>8,041</b>	<b>8,013</b>	<b>12,729</b>	<b>16,053</b>
Net loan-loss provisions	(3,093)	(2,972)	(3,473)	(3,398)	(3,045)	(3,008)	(6,066)	(6,053)
Other	(762)	(763)	(457)	(686)	(1,198)	(1,231)	(1,524)	(2,430)
<b>Underlying profit before taxes</b>	<b>2,304</b>	<b>2,835</b>	<b>2,870</b>	<b>2,609</b>	<b>3,798</b>	<b>3,773</b>	<b>5,139</b>	<b>7,571</b>
<b>Underlying consolidated profit</b>	<b>1,716</b>	<b>1,908</b>	<b>1,979</b>	<b>2,055</b>	<b>2,386</b>	<b>2,431</b>	<b>3,624</b>	<b>4,817</b>
<b>Underlying attributable profit</b>	<b>1,540</b>	<b>1,704</b>	<b>1,774</b>	<b>1,821</b>	<b>2,121</b>	<b>2,152</b>	<b>3,245</b>	<b>4,273</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>1,540</b>	<b>1,704</b>	<b>1,774</b>	<b>1,821</b>	<b>2,121</b>	<b>2,152</b>	<b>3,245</b>	<b>4,273</b>

# Mexico

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	767	768	767	794	804	856	1,536	1,660
Gross income	792	786	796	828	824	914	1,578	1,738
Operating expenses	(322)	(317)	(311)	(325)	(319)	(361)	(639)	(680)
<b>Net operating income</b>	<b>470</b>	<b>469</b>	<b>486</b>	<b>503</b>	<b>505</b>	<b>553</b>	<b>939</b>	<b>1,058</b>
Net loan-loss provisions	(221)	(214)	(194)	(203)	(233)	(246)	(435)	(479)
Other	(6)	(11)	(5)	(8)	(4)	(6)	(18)	(11)
<b>Underlying profit before taxes</b>	<b>243</b>	<b>244</b>	<b>288</b>	<b>293</b>	<b>267</b>	<b>301</b>	<b>486</b>	<b>568</b>
<b>Underlying consolidated profit</b>	<b>187</b>	<b>192</b>	<b>223</b>	<b>217</b>	<b>211</b>	<b>238</b>	<b>379</b>	<b>448</b>
<b>Underlying attributable profit</b>	<b>143</b>	<b>146</b>	<b>172</b>	<b>169</b>	<b>163</b>	<b>187</b>	<b>289</b>	<b>350</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>143</b>	<b>146</b>	<b>172</b>	<b>169</b>	<b>163</b>	<b>187</b>	<b>289</b>	<b>350</b>

# Mexico

Pesos million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	15,253	15,690	16,028	16,922	17,348	17,505	30,943	34,853
Gross income	15,745	16,054	16,647	17,645	17,779	18,706	31,800	36,486
Operating expenses	(6,402)	(6,479)	(6,497)	(6,922)	(6,894)	(7,386)	(12,881)	(14,280)
<b>Net operating income</b>	<b>9,343</b>	<b>9,576</b>	<b>10,151</b>	<b>10,723</b>	<b>10,886</b>	<b>11,320</b>	<b>18,919</b>	<b>22,206</b>
Net loan-loss provisions	(4,399)	(4,364)	(4,062)	(4,337)	(5,032)	(5,019)	(8,763)	(10,051)
Other	(123)	(233)	(98)	(161)	(90)	(131)	(356)	(221)
<b>Underlying profit before taxes</b>	<b>4,821</b>	<b>4,979</b>	<b>5,990</b>	<b>6,225</b>	<b>5,764</b>	<b>6,170</b>	<b>9,800</b>	<b>11,934</b>
<b>Underlying consolidated profit</b>	<b>3,724</b>	<b>3,919</b>	<b>4,643</b>	<b>4,629</b>	<b>4,548</b>	<b>4,865</b>	<b>7,643</b>	<b>9,413</b>
<b>Underlying attributable profit</b>	<b>2,839</b>	<b>2,979</b>	<b>3,577</b>	<b>3,589</b>	<b>3,523</b>	<b>3,829</b>	<b>5,818</b>	<b>7,352</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>2,839</b>	<b>2,979</b>	<b>3,577</b>	<b>3,589</b>	<b>3,523</b>	<b>3,829</b>	<b>5,818</b>	<b>7,352</b>

# Chile

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	509	534	561	613	592	589	1,043	1,181
Gross income	556	577	616	672	645	644	1,133	1,288
Operating expenses	(235)	(237)	(249)	(265)	(264)	(260)	(472)	(524)
<b>Net operating income</b>	<b>321</b>	<b>339</b>	<b>368</b>	<b>407</b>	<b>381</b>	<b>383</b>	<b>661</b>	<b>765</b>
Net loan-loss provisions	(109)	(127)	(146)	(131)	(122)	(122)	(237)	(244)
Other	1	(1)	6	(35)	2	7	1	9
<b>Underlying profit before taxes</b>	<b>213</b>	<b>211</b>	<b>228</b>	<b>241</b>	<b>261</b>	<b>267</b>	<b>425</b>	<b>529</b>
<b>Underlying consolidated profit</b>	<b>173</b>	<b>181</b>	<b>187</b>	<b>195</b>	<b>214</b>	<b>218</b>	<b>354</b>	<b>432</b>
<b>Underlying attributable profit</b>	<b>122</b>	<b>126</b>	<b>129</b>	<b>137</b>	<b>147</b>	<b>149</b>	<b>248</b>	<b>297</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>122</b>	<b>126</b>	<b>129</b>	<b>137</b>	<b>147</b>	<b>149</b>	<b>248</b>	<b>297</b>

# Chile

Ch\$ billion

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	393	409	414	441	413	430	802	843
Gross income	430	441	455	484	450	470	871	920
Operating expenses	(182)	(182)	(184)	(191)	(184)	(190)	(363)	(374)
<b>Net operating income</b>	<b>248</b>	<b>260</b>	<b>272</b>	<b>293</b>	<b>266</b>	<b>280</b>	<b>508</b>	<b>546</b>
Net loan-loss provisions	(84)	(98)	(108)	(94)	(85)	(89)	(182)	(174)
Other	1	(0)	5	(26)	1	5	1	6
<b>Underlying profit before taxes</b>	<b>165</b>	<b>162</b>	<b>169</b>	<b>173</b>	<b>182</b>	<b>195</b>	<b>327</b>	<b>378</b>
<b>Underlying consolidated profit</b>	<b>134</b>	<b>138</b>	<b>138</b>	<b>140</b>	<b>149</b>	<b>159</b>	<b>272</b>	<b>308</b>
<b>Underlying attributable profit</b>	<b>94</b>	<b>96</b>	<b>95</b>	<b>98</b>	<b>103</b>	<b>109</b>	<b>190</b>	<b>212</b>
Net capital gains and provisions	—	—	—	—	—	—	—	—
<b>Attributable profit</b>	<b>94</b>	<b>96</b>	<b>95</b>	<b>98</b>	<b>103</b>	<b>109</b>	<b>190</b>	<b>212</b>

# United States

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
<b>NII + Fee income</b>	1,831	1,755	1,724	1,708	1,763	1,738	3,587	3,500
<b>Gross income</b>	1,968	1,888	1,867	1,809	1,879	1,880	3,856	3,759
<b>Operating expenses</b>	(777)	(774)	(784)	(864)	(837)	(845)	(1,551)	(1,682)
<b>Net operating income</b>	1,191	1,114	1,083	946	1,042	1,035	2,305	2,077
<b>Net loan-loss provisions</b>	(861)	(704)	(776)	(867)	(811)	(697)	(1,565)	(1,507)
<b>Other</b>	(66)	(13)	(3)	(8)	(32)	(24)	(79)	(57)
<b>Underlying profit before taxes</b>	264	397	304	71	199	314	661	513
<b>Underlying consolidated profit</b>	160	253	213	54	138	235	414	373
<b>Underlying attributable profit</b>	82	159	141	14	95	149	240	244
<b>Net capital gains and provisions*</b>	—	—	—	(32)	—	—	—	—
<b>Attributable profit</b>	82	159	141	(19)	95	149	240	244

(\*).- Including: in 4Q16 restatement Santander Consumer USA

# United States

\$ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	2,018	1,983	1,925	1,838	1,877	1,912	4,001	3,788
Gross income	2,168	2,133	2,085	1,945	2,001	2,068	4,302	4,069
Operating expenses	(856)	(874)	(875)	(932)	(891)	(929)	(1,730)	(1,821)
<b>Net operating income</b>	<b>1,312</b>	<b>1,259</b>	<b>1,210</b>	<b>1,013</b>	<b>1,109</b>	<b>1,138</b>	<b>2,572</b>	<b>2,248</b>
Net loan-loss provisions	(949)	(797)	(867)	(935)	(863)	(768)	(1,746)	(1,631)
Other	(72)	(16)	(3)	(8)	(34)	(27)	(88)	(61)
<b>Underlying profit before taxes</b>	<b>291</b>	<b>446</b>	<b>340</b>	<b>69</b>	<b>212</b>	<b>343</b>	<b>737</b>	<b>555</b>
<b>Underlying consolidated profit</b>	<b>177</b>	<b>285</b>	<b>238</b>	<b>54</b>	<b>147</b>	<b>257</b>	<b>462</b>	<b>403</b>
<b>Underlying attributable profit</b>	<b>90</b>	<b>178</b>	<b>157</b>	<b>12</b>	<b>101</b>	<b>163</b>	<b>268</b>	<b>264</b>
Net capital gains and provisions*	—	—	—	(36)	—	—	—	—
<b>Attributable profit</b>	<b>90</b>	<b>178</b>	<b>157</b>	<b>(24)</b>	<b>101</b>	<b>163</b>	<b>268</b>	<b>264</b>

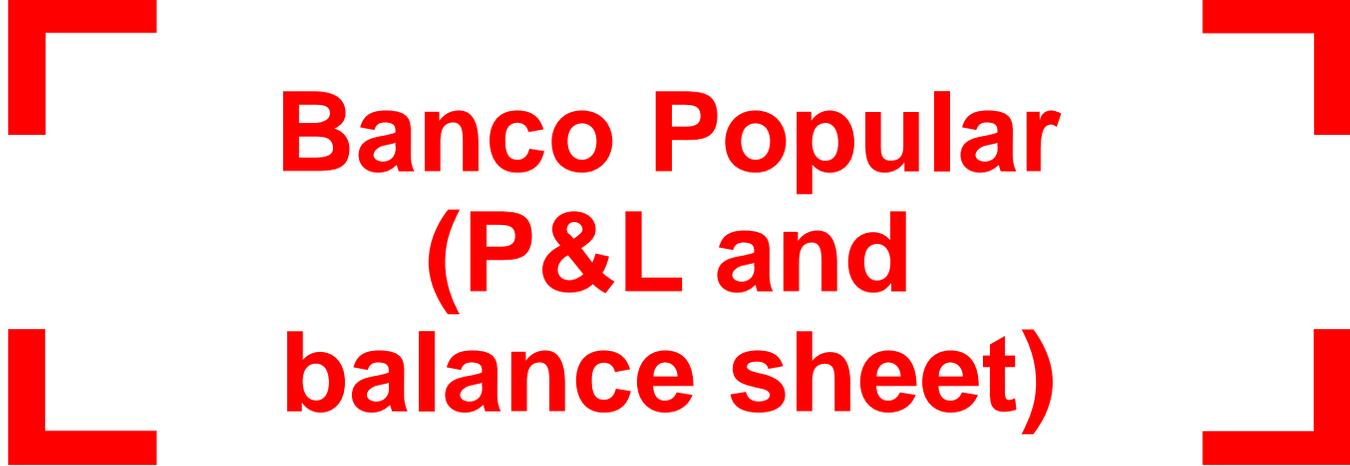
(\*).- Including: in 4Q16 restatement Santander Consumer USA

# Corporate Centre

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	(173)	(192)	(201)	(204)	(198)	(223)	(366)	(421)
Gross income	(223)	(244)	(316)	(282)	(341)	(340)	(468)	(681)
Operating expenses	(126)	(120)	(104)	(99)	(119)	(118)	(246)	(238)
<b>Net operating income</b>	<b>(349)</b>	<b>(365)</b>	<b>(421)</b>	<b>(381)</b>	<b>(460)</b>	<b>(458)</b>	<b>(714)</b>	<b>(919)</b>
Net loan-loss provisions	1	(5)	5	0	(5)	(11)	(3)	(16)
Other	(5)	(55)	(59)	44	(32)	(53)	(60)	(84)
<b>Underlying profit before taxes</b>	<b>(353)</b>	<b>(424)</b>	<b>(474)</b>	<b>(337)</b>	<b>(497)</b>	<b>(522)</b>	<b>(777)</b>	<b>(1,018)</b>
<b>Underlying consolidated profit</b>	<b>(317)</b>	<b>(418)</b>	<b>(414)</b>	<b>(298)</b>	<b>(471)</b>	<b>(561)</b>	<b>(735)</b>	<b>(1,032)</b>
<b>Underlying attributable profit</b>	<b>(311)</b>	<b>(418)</b>	<b>(412)</b>	<b>(299)</b>	<b>(468)</b>	<b>(563)</b>	<b>(729)</b>	<b>(1,031)</b>
Net capital gains and provisions*	—	(186)	—	—	—	—	(186)	—
<b>Attributable profit</b>	<b>(311)</b>	<b>(604)</b>	<b>(412)</b>	<b>(299)</b>	<b>(468)</b>	<b>(563)</b>	<b>(915)</b>	<b>(1,031)</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs



**Banco Popular  
(P&L and  
balance sheet)**

# Popular income statement in Grupo Santander\*

€ million

	2Q 17
Net interest income	109
Net fee income	31
Gains (losses) on financial transactions	(1)
Other operating income	0
<b>Gross income</b>	<b>139</b>
Operating expenses	(96)
General administrative expenses	(87)
<i>Personnel</i>	(45)
<i>Other general administrative expenses</i>	(42)
Depreciation and amortisation	(9)
<b>Net operating income</b>	<b>43</b>
Net loan-loss provisions	(8)
Other income	(20)
<b>Underlying profit before taxes</b>	<b>15</b>
Tax on profit	(5)
<b>Underlying profit from continuing operations</b>	<b>11</b>
Net profit from discontinued operations	—
<b>Underlying consolidated profit</b>	<b>11</b>
Minority interests	—
<b>Underlying attributable profit to the Group</b>	<b>11</b>
Net capital gains and provisions	—
<b>Attributable profit to the Group</b>	<b>11</b>

# Popular Balance sheet - 30 June 2017

€ million

Customer loans	82,589
Cash, central banks and credit institutions	12,538
Debt securities	19,394
<i>o/w: available for sale</i>	17,929
Other financial assets	1,971
Other assets	15,224
<b>Total assets</b>	<b>131,716</b>
Customer deposits	64,814
Central banks and credit institutions	47,137
Debt securities issued	11,915
Other financial liabilities	2,596
Other liabilities	5,262
<b>Total liabilities</b>	<b>131,723</b>
<b>Total equity</b>	<b>(7)</b>
<b>Other managed and marketed customer funds</b>	<b>18,121</b>
Mutual funds	10,003
Pension funds	4,737
Managed portfolios and insurance premiums	3,381

Income statement  
Grupo Santander  
(with Popular)

# Grupo Santander (including Popular)

€ million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	10,021	10,119	10,395	10,734	11,246	11,522	20,140	22,768
Gross income	10,730	10,755	11,080	11,288	12,029	12,049	21,485	24,078
Operating expenses	(5,158)	(5,227)	(5,250)	(5,453)	(5,543)	(5,648)	(10,384)	(11,191)
<b>Net operating income</b>	<b>5,572</b>	<b>5,528</b>	<b>5,831</b>	<b>5,835</b>	<b>6,486</b>	<b>6,401</b>	<b>11,100</b>	<b>12,887</b>
Net loan-loss provisions	(2,408)	(2,205)	(2,499)	(2,406)	(2,400)	(2,280)	(4,613)	(4,680)
Other	(433)	(544)	(392)	(591)	(775)	(848)	(977)	(1,623)
<b>Underlying profit before taxes</b>	<b>2,732</b>	<b>2,779</b>	<b>2,940</b>	<b>2,838</b>	<b>3,311</b>	<b>3,273</b>	<b>5,510</b>	<b>6,584</b>
<b>Underlying consolidated profit</b>	<b>1,922</b>	<b>1,864</b>	<b>2,036</b>	<b>2,072</b>	<b>2,186</b>	<b>2,144</b>	<b>3,785</b>	<b>4,330</b>
<b>Underlying attributable profit</b>	<b>1,633</b>	<b>1,526</b>	<b>1,695</b>	<b>1,766</b>	<b>1,867</b>	<b>1,749</b>	<b>3,160</b>	<b>3,616</b>
Net capital gains and provisions*	—	(248)	—	(169)	—	—	(248)	—
<b>Attributable profit</b>	<b>1,633</b>	<b>1,278</b>	<b>1,695</b>	<b>1,598</b>	<b>1,867</b>	<b>1,749</b>	<b>2,911</b>	<b>3,616</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs in 4Q16 PPI and restatement Santander Consumer USA

# Grupo Santander (including Popular)

Constant € million

	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	1H '16	1H '17
NII + Fee income	10,508	10,496	10,618	10,876	11,127	11,641	21,004	22,768
Gross income	11,217	11,150	11,323	11,424	11,900	12,178	22,367	24,078
Operating expenses	(5,330)	(5,363)	(5,344)	(5,519)	(5,493)	(5,698)	(10,693)	(11,191)
<b>Net operating income</b>	<b>5,887</b>	<b>5,787</b>	<b>5,978</b>	<b>5,905</b>	<b>6,407</b>	<b>6,480</b>	<b>11,674</b>	<b>12,887</b>
Net loan-loss provisions	(2,604)	(2,350)	(2,588)	(2,448)	(2,366)	(2,314)	(4,954)	(4,680)
Other	(473)	(568)	(388)	(598)	(766)	(857)	(1,040)	(1,623)
<b>Underlying profit before taxes</b>	<b>2,810</b>	<b>2,869</b>	<b>3,002</b>	<b>2,858</b>	<b>3,275</b>	<b>3,309</b>	<b>5,679</b>	<b>6,584</b>
<b>Underlying consolidated profit</b>	<b>1,984</b>	<b>1,923</b>	<b>2,079</b>	<b>2,093</b>	<b>2,164</b>	<b>2,167</b>	<b>3,907</b>	<b>4,330</b>
<b>Underlying attributable profit</b>	<b>1,682</b>	<b>1,571</b>	<b>1,730</b>	<b>1,785</b>	<b>1,847</b>	<b>1,769</b>	<b>3,253</b>	<b>3,616</b>
Net capital gains and provisions*	—	(258)	3	(161)	—	—	(258)	—
<b>Attributable profit</b>	<b>1,682</b>	<b>1,313</b>	<b>1,733</b>	<b>1,624</b>	<b>1,847</b>	<b>1,769</b>	<b>2,996</b>	<b>3,616</b>

(\*).- Including: in 2Q16 capital gains from the disposal of the stake in Visa Europe, and restructuring costs in 4Q16 PPI and restatement Santander Consumer USA



# Content

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Banco Popular acquisition

Group performance 1H'17

Business areas performance 1H'17

Concluding remarks

Appendix

▶ Glossary ◀

# Glossary - Acronyms

- **AFS:** Available for sale
- **Bn:** Billion
- **CET1:** Common equity tier 1
- **C&I:** Commercial and Industrial
- **DGF:** Deposit guarantee fund
- **FL:** Fully-loaded
- **EPS:** Earning per share
- **GoFT:** Gains on financial transactions
- **LTV:** Loan to Value
- **LLPs:** Loan-loss provisions
- **MXN:** Mexican Pesos
- **NII:** Net interest income
- **NIM:** Net interest margin
- **NPL:** Non-performing loans
- **n.m.:** Non meaningful
- **PBT:** Profit before tax
- **P&L:** Profit and loss
- **RoRWA:** Return on risk-weighted assets
- **RWA:** Risk-weighted assets
- **RoTE:** Return on tangible equity
- **SCF:** Santander Consumer Finance
- **SC USA:** Santander Consumer USA
- **SGCB:** Santander Global Corporate Banking
- **SMEs:** Small and Medium Enterprises
- **SRF:** Single Resolution Fund
- **ST:** Short term
- **SVR:** Standard variable rate
- **TNAV:** Tangible net asset value
- **UF:** Unidad de fomento (Chile)
- **y-o-y:** Year on Year
- **UK:** United Kingdom
- **US:** United States

# Glossary – definitions

## PROFITABILITY AND EFFICIENCY

- **RoTE:** Return on tangible capital: Group attributable profit / average of: net equity (excluding minority interests) – intangible assets (including goodwill)
- **RoRWA:** Return on risk-weighted assets: consolidated profit / average risk-weighted assets
- **Efficiency:** Operating expenses / gross income. Operating expenses defined as general administrative expenses + amortisations

## CREDIT RISK

- **NPL ratio:** Non-performing loans and customer advances, customer guarantees and contingent liabilities / total risk. Total risk is defined as: normal and non-performing balances of customer loans and advances, customer guarantees and contingent liabilities
- **NPL coverage ratio:** Provisions to cover losses due to impairment of customer loans and advances, customer guarantees and contingent liabilities / non-performing balances of customer loans and advances, customer guarantees and contingent liabilities
- **Cost of credit:** Provisions to cover losses due to impairment of loans in the last 12 months / average customer loans and advances of the last 12 months

## CAPITALISATION

- **Tangible net asset value per share – TNAV:** Tangible stockholders' equity / number of shares (excluding treasury shares). Tangible stockholders' equity calculated as shareholders equity + accumulated other comprehensive income - goodwill - intangible assets

Notes: 1) The averages for the RoTE and RoRWA denominators are calculated on the basis of four months from March to June in the case of second quarter figures and seven months from December to June in the case of first half figures.

2) For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the RoTE is the annualised underlying attributable profit (excluding non-recurring results), to which are added non-recurring results without annualising them.

3) For periods of less than a year, and in the event of non-recurring results existing, the profit used to calculate the RoRWA is the consolidated annualised result (excluding non-recurring results), to which is added non-recurring results without annualising them.

4) The risk-weighted assets included in the RoRWA denominator are calculated in accordance with the criteria defined by the Capital Requirements Regulation (CRR).

# Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

**Simple** | **Personal** | **Fair**

