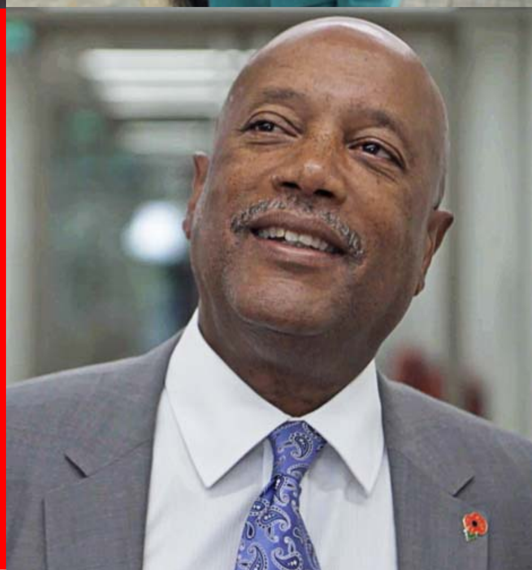







FINANCIAL REPORT
January - June 2017

We want to
help people and
businesses prosper



Santander

January - June

2017 Financial report

All customers, shareholders and the general public can use Santander's official social network channels in all the countries in which the Bank operates.

KEY CONSOLIDATED DATA

(including Banco Popular)

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

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

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

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

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

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

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

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

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

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

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

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

The financial information in this report includes alternative performance measures (APM). Detailled information on these measures is included at the end of this report.

HIGHLIGHTS OF THE PERIOD

1. Santander acquires Banco Popular and strengthens its position in Spain and Portugal

- Banco Santander announced on June 7 **the acquisition of Banco Popular** as a result of a resolution scheme adopted by the Single Resolution Board (SRB) and executed by the FROB in which Santander was selected as the adjudicating entity.
- Banco Popular's acquisition **meets our strategic and financial investment criteria**, and is expected to reinforce the Group's main business evolution ratios. It is also aligned with the Bank's strategy to make purchases that complement the franchises in its core markets when they generate value for customers and shareholders.
- This transaction thus **fits solidly into Santander's strategy and business** at an attractive moment of the economic cycle.

Strategic and financial rationale

- Creating shareholder value through consolidation in two of our key markets. In Spain, the resulting entity, which will operate in the future under the Santander brand, becomes the leader in terms of loans and deposits. In Portugal, it becomes the second largest in loans and the biggest private sector bank.
- Increasing business with SMEs is one of the Group's strategic priorities in Spain. Popular's integration will enable it to diversify the business portfolio more, with a greater weight in segments that contribute higher profitability.
- In Spain, it makes us the leading franchise in the corporate market. The two franchises complement one another, and we are confident about our capacity to improve business, deepen the customer relation and at a lower wholesale funding cost, all at a propitious moment of the cycle.
- The transaction is expected to generate a return on investment of 13-14% in 2020 and increase earnings per share as of 2019. The resulting entity aims to boost profitability and generate cost synergies of close to €500 million a year as of 2020, with efficiency ratios among the best in Spain and Portugal, and a greater revenue growth potential.

First steps taken after the acquisition

- Stabilise operating liquidity and restore liquidity ratios on June 7.
- Changes in Banco Popular's board of directors.

First measures of Banco Popular after June 7*

- Appointments. Banco Popular's board, formed by Banco Santander after the acquisition, agreed the appointment of members of the Appointments, Governance and Corporate Responsibility Committee, the Remuneration Committee, the Audit Committee and the Risk and Compliance Committee.
- Review of agreements and joint ventures. Re-purchase of 51% of the real estate servicing company, Aliseda Servicios de Gestión Inmobiliaria, S.L. This acquisition is expected to be completed in the third quarter of this year.
- Stabilising business in Spain as a priority. Banco Popular's core activity fell significantly in 2017 before its acquisition. After the acquisition there was a change in trend. Some €5,000 million deposits have been recovered, mainly institutional ones, and in loans a downward trend has been maintained, although at a slower pace.
- Banco Santander and Banco Popular have decided to launch a commercial action (Fidelity Action) aimed at building loyalty among their networks' retail clients affected by Banco Popular's resolution.
  - Those clients meeting certain conditions will be able to receive, without any payment on their part, tradable securities issued by Banco Santander for a nominal value equivalent to the investment in shares (made in the period between 26 May and 21 June 2016) or certain subordinated bonds of Banco Popular (with certain limits) that they held as of the date of the resolution of Banco Popular.
  - It will be carried out under the terms and conditions detailed in the prospectus that is expected to be registered with the Comisión Nacional del Mercado de Valores (CNMV).
  - It is estimated that the maximum principal amount of the Fidelity Bonds will be around €980 million and they are expected to be eligible instruments for the fulfilment of the MREL / TLAC. The Fidelity Action does not have any impact on the profit and loss account of Grupo Santander and its impact in 2017 on the total equity of Grupo Santander will not be significant.

(*) The acquisition is pending the authorisation, among others, as regards the defense of the competence of the European Commission.
The commercial action will take place after the authorisation from the Eurpean Commision has been obtained

HIGHLIGHTS OF THE PERIOD

2. Banco Popular's contribution

Income statement 1H'17

€ million

	SAN ex-Popular	Popular	Total Group
Gross income	**23,939**	**139**	**24,078**
Operating expenses	(11,095)	(96)	(11,191)
Net operating income	**12,844**	**43**	**12,887**
Net loan-loss provisions	(4,672)	(8)	(4,680)
Other income	(1,603)	(20)	(1,623)
Profit before taxes	**6,569**	**15**	**6,585**
Attributable profit to the Group	**3,605**	**11**	**3,616**

Banco Popular and its subsidiaries were integrated by global consolidation as of the acquisition date (June 7, 2017)

Balance sheet June'17

€ million

	SAN ex-Popular	Popular	Total Group
Net customer loans	778,632	82,589	861,221
Customer deposits	699,523	64,814	764,336
Mutual funds	151,525	10,003	161,528
Pension funds and other funds off-balance sheet	35,796	8,118	43,914

Note: Net customer loans and customer deposits including repos

Ratios 1H'17

%

	SAN ex-Popular	Popular	Total Group
EPS (euro)	0.235	—	0.236
RoTE	11.71	—	11.82
NPL ratio	3.55	20.00	5.37
Coverage ratio	72.7	60.5	67.7

Real estate activity June'17

€ million

	Total Santander Group*		
	Gross value	% Coverage	Net value
Real estate assets	27,048	59	11,107
- Foreclosed	23,470	64	8,552
- Rentals	3,578	29	2,555
Non-performing real estate loans	14,000	69	4,277
Assets + non-performing real estate	**41,048**	**63**	**15,384**

(*) Including Banco Santander's real estate activity in Spain and the total real estate assets of Banco Popular's perimeter

HIGHLIGHTS OF THE PERIOD

3. €7,072 million capital increase

Terms of the capital increase

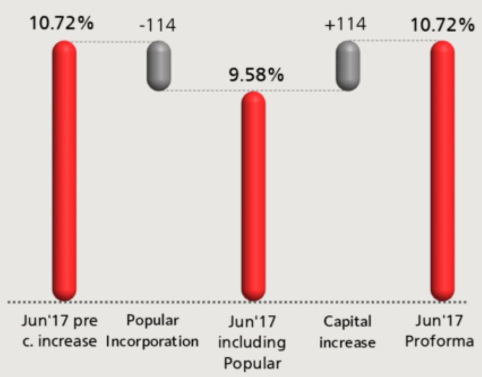
- Banco Santander made a capital increase to reinforce and optimize the Bank's equity structure in order to adequately cover the acquisition of 100% of Banco Popular's share capital.

- Terms of the transaction: The capital increase was executed by issuing new shares for an amount of €7,072* million, at a price of €4.85 per share, which represents a discount of 19.19% on the price of the shares at the close of the market on July 3 (the date when the capital increase was announced). The capital increase involved the issue of 1,458,232,745 new shares. The preferential subscription period was July 6 to 20, both inclusive.

- Result of the transaction: Banco Santander successfully completed the capital increase, which was fully subscribed. This underscored the market's confidence and positive view of Santander's strategy and the good reception of Popular's acquisition. The new shares are expected to begin trading on July 31 and will have the right to receive the first dividend charged to 2017's earnings on August 4.

Grupo Santander fully loaded CET1 pro-forma

%



- Capital ratios: With this capital increase, the acquisition of Banco Popular is neutral in terms of capital and we maintain a pro-forma fully loaded CET1 ratio of 10.72% at June, taking into consideration the effect the capital increase would have had, had it been done on that date. Consequently, we remain committed to the goal of attaining a fully loaded CET1 ratio of more than 11% in 2018.

4. Santander US moving forward in its goal to comply with regulatory requirements

Santander Holdings USA (SHUSA) passed the Federal Reserve's stress test

- SHUSA passed the Federal Reserve's stress test both quantitatively and qualitatively.
- In the first case, its core capital ratio under the adverse scenario is 12.4%, above the 4.5% required minimum and the average for the banks that participated in the exercise of 9.2%.
- In the second case, the Board of Governors of the Federal Reserve raised no objections to SHUSA's capital plan, including the payment of dividends for the first time since 2011.

(*) The effective amount of the capital increase was €7,072,428,813.25.

SANTANDER AIM

Simple | Personal | Fair

Helping people and businesses prosper

79%* of employees perceive Banco Santander as Simple. Personal and Fair

78%* engaged employees

16.3 (+13%) million loyal customers

23.0 (+21%) million digital customers

People 189,733 employees

Customers 131 million

Our aim is to be the **best retail and commercial bank** that earns the lasting loyalty of our people, customers, shareholders and communities

Communities * 1.7 million people helped in 2016

Shareholders 4.0 million

36,684* scholarships granted in 2016

1,183* agreements with universities and academic institutions in 21 countries

19.1% Total shareholder return (TSR) in the first half

+5% expected dividend growth in 2017

Note: Data excluding Banco Popular
(*) 2016 data

SANTANDER AIM

Simple | Personal | Fair

People

- We made progress in implementing *MyContribution*, the new corporate model of performance management that strengthens the Bank's culture as the driver of transformation. *MyContribution* balances the objectives on corporate behaviour (40%) and business and performance (60%) for the Corporate Centre.
- The *We are Santander Week* was held. This is a global initiative which aims to transmit our culture and foster pride in belonging to Grupo Santander. This year the challenge was to recognise those employees who best represent the Group's eight corporate behaviours, as well as an event to recognise SPF Ambassadors.
- The second *BeHealthy* challenge was launched to unite via the miles walked by employees the countries in which we operate and contribute to a solidarity project launched by the Action against Hunger NGO to combat childhood anaemia in Peru.

Customers

- The commercial transformation programme started in 2015 continues to drive growth in the number of customers (+1.9 million loyal ones and +4.0 million digital ones in the last 12 months).
- In loyalty and customer satisfaction enhancement, the Bank's products and proposals continued to be well received. Of note was the launch of *Select Me* in Mexico, which seeks to support women, including solutions that help their day-to-day professional development.
- Openbank becomes Spain's first fully digital bank, with one of the sector's most complete, flexible and agile platforms. It has a full range of products and a 24×7 tailored service.
- In order to speed up our digital transformation, the new Santander Digital division was strengthened in order to drive innovation and digitalisation throughout the Group, cooperation and teamwork with all countries, and foster the exchange of the best commercial practices.

Shareholders

- Santander celebrated 30 years of being listed on the New York Stock Exchange, the world's largest stock exchange by trading volume and the number of companies quoted.
- Following the acquisition of Banco Popular, we created in our corporate website santander.com a dedicated section with all the information on this operation. This strengthens communication of this purchase with the aim of increasing the creation of shareholder value.
- The IR Magazine Awards 2017 recognised Banco Santander's Investor Relations team as the second best of a European bank and the best in Spain, according to the Extel 2017 survey. On October 10, Banco Santander will hold a Group Strategy Update in New York at which senior management will explain the Group's strategy to investors and analysts.

Communities

- Santander joined the Climate Leadership Council as a founder member, with Ana Botín representing the Bank. This Council comprises global leaders and combats climate change with market solutions.
- Universia Spain held its AGM and was attended by Santander's chairman, representatives of all Spanish universities, close to 100 businessmen and 230 entrepreneurs and university students.
- Santander turned off for the eighth year running the lights in its most emblematic buildings in its 10 core countries and in its branch network, as part of the WWF's Earth Hour.
- Thanks to Santander scholarships, 5,000 young Spaniards carried out paid work experience in SMEs. In 2016 alone, more than 10,000 such scholarships were awarded in nine countries.

GROUP EVOLUTION EXCLUDING BANCO POPULAR

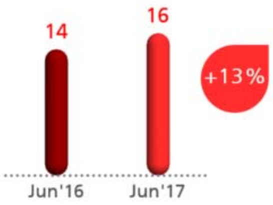
Banco Popular and its subsidiaries were integrated by global consolidation as of the acquisition date (June 7). In order, therefore, to better explain the Group's performance in the second quarter, its business evolution and results are presented in full detail excluding Banco Popular. Pages 60 to 65 include Banco Popular and Grupo Santander including Banco Popular income statement and the balance sheet.

The commercial transformation spurs growth in loyal and digital **customers**

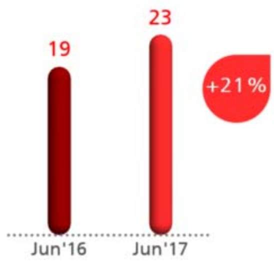
- The number of **loyal customers** increased by 1.9 million in the last 12 months (+13% individuals and +14% companies).
- The number of **digital customers** rose by 4 million over the same period, reflecting the multi channel strength.

Digital banking logins increased 36% and monetary transaction 27%

Loyal customers
Million



Digital customers
Million



P&L: solid growth in profits with good evolution of revenues, costs and provisions

- **Second quarter attributable profit of €1,738 million**, affected by the contribution to the Single Resolution Fund (€146 million net of taxes). Excluding this, profit was in line with that in the first quarter.

First half attributable profit of €3,605 million, up 24% (+20% excluding the fx impact), aided by the recording in 2016 of a non-recurring charge of €248 million. Excluding this, underlying profit was 14% higher (+11% in constant euros), due to:

- **Increase in the most commercial revenues** (net interest income, +7%; fee income, +11%),
- **Operating expenses** declined in real terms, the fruit of efficiency plans developed in 2016.
- **Loan-loss provisions continued to decline** for the third straight quarter.

P&L
€ million and % change in constant euros

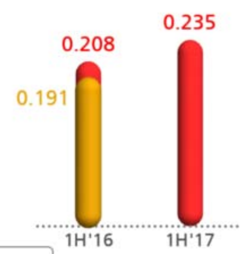
	2Q'17	/ 1Q'17	1H'17	/ 1H'16
Revenues	11,910	+1%	23,939	+7%
Expenses	5,552	+2%	11,095	+4%
LLPs	2,272	-3%	4,672	-6%
Underl. Prof.	1,738	-5%	3,605	+11%
Attrib. Prof.	1,738	-5%	3,605	+20%

Profitability, profit and dividend per share. **Creating value** for our shareholders

- Both the **RoTE** as well as the **RoRWA** are the best among our peers, higher in both cases than in the first half of 2016.
- **Earnings per share (EPS)** were 23% higher than in the first half of 2016 (+13% over the underlying EPS).
- The envisaged total **dividend** per share to be charged to 2017's earnings is €0.22. The first dividend of €0.06 will be paid on August 4.

RoTE
%

Earning per share (EPS)
%



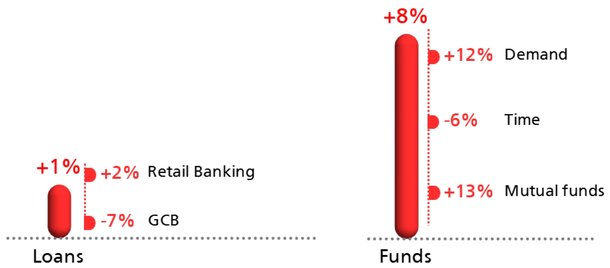
GROUP EVOLUTION EXCLUDING BANCO POPULAR

Santander maintains growth in **commercial activity** in almost all markets

- Lending fell 2% year-on-year and funds rose 5%, conditioned by a negative impact of exchange rates of 3 p.p. both, on loans and funds.
- Excluding this impact:
  - **Lending** increased 1%, with growth in the main segments and in 6 of our 10 core units.
  - **Funds** grew 8% due to demand deposits and mutual funds. They rose in nine of the 10 core units.
- Solid funding and liquidity structure. The **net loan-to-deposit ratio** was 111% (117% in June 2016).

Jun'17 / Jun'16

% change in constant euros



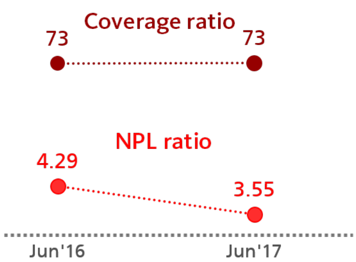
Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

Improvement in all **credit quality** ratios

- **Non-performing loans** were 8% lower in the quarter and 18% in the last 12 months.
- The **NPL ratio** dropped again in the quarter (-20 b.p.), with a good performance in all units. The ratios are at their lowest levels since the first half of 2011.
- **Cost of credit** remained unchanged over June 2016. The cost of credit is below the target announced at the Investor Day. Excluding Santander Consumer USA, the cost is 0.86%.

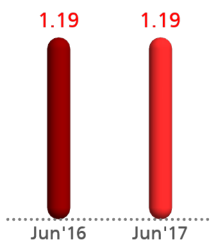
NPL and coverage ratios

%



Cost of credit

%

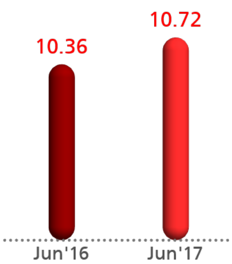


Solid **capital ratios** and appropriate for the business model, balance sheet structure and risk profile

- The **fully-loaded CET1 ratio** is 10.72%, 6 b.p. higher than in the first quarter and 36 b.p. year-on-year. The contribution to the Single Resolution Fund had an impact of -3 b.p. in the quarter.
- **Total capital ratio** of 14.38%, 28 b.p. more than in March 2017. The **fully loaded leverage ratio** stood at 5.1%
- **Tangible capital per share** is €4.15.

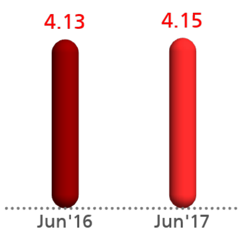
Fully loaded CET1

%



TNAV per share

Euros



GROUP EVOLUTION EXCLUDING BANCO POPULAR

Business areas (more detail in pages 23 to 39 and in the appendix)

(Changes in constant euros)

EUROPE

- **Continental Europe** posted a first half attributable profit of €1,468 million, 12% more year-on-year excluding 2016's non-recurring charge. Growth came mainly from the fall in provisions, coupled with the reduction in costs and the improvement in fee income from greater customer loyalty. Net interest income was 1% higher.

  All units increased their attributable profit except for Poland, affected by higher taxes and regulatory impacts.

  Continental Europe's second quarter profit was 10% lower because of the net contribution of €146 million to the Single Resolution Fund and lower gains on financial transactions in Spain. Commercial revenues, costs and provisions performed well.

- The **United Kingdom's** profit was €824 million, 8% more than in the first half of 2016 (excluding VISA's capital gains and restructuring costs in the second quarter of 2016). Highlights were a 9% rise in gross income, control of costs and lower provisions.

  The second quarter profit was €408 million, similar to the first quarter.

THE AMERICAS

- **Latin America**: first half attributable profit of €2,100 million, up 26% year-on-year, underpinned by higher gross income (+17%) and the good performance of net interest income, fee income and gains on financial transactions. This reflected the stronger growth in volumes, better spreads, greater customer loyalty and a good environment in the markets.

  Loan-loss provisions remained flat, which improved the cost of credit, and operating expenses rose in line with inflation rates.

  Double digit growth in profit in all countries, with three of them surpassing 25%.

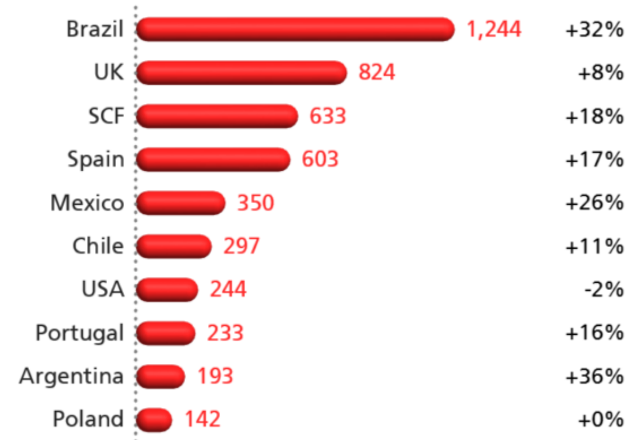
  Profit was 3% higher than the first quarter, maintaining the upward trend.

- **United States**: profit was €244 million, 2% less than in the first half of 2016, due to lower revenues and higher costs. Loan-loss provisions declined.

  Attributable profit up 61% over the first quarter. Net interest income was more stable than in previous quarters backed by growth in Santander Bank. Costs were also more stable, although still at high levels, and provisions were lower.

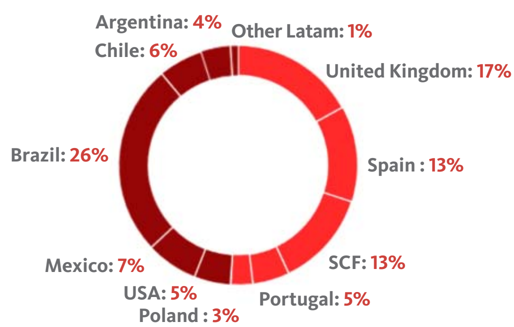
Underlying attributable profit* 1H'17

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



(*).- Excluding non-recurring net capital gains and provisions in 1H'16

Underlying attributable profit Geographic distribution*. 1H'17



(*) Over operating areas excluding Real Estate Activity in Spain, Corporate Centre and Banco Popular

» GENERAL BACKGROUND

Grupo Santander developed its business in an economic environment that continued to strengthen. The outlook for global growth is back in line with the long-term historic average. Mature economies were more dynamic and developing ones showed signs of recovery in Latin America, particularly in Brazil and Argentina, while Mexico is growing faster than expected.

Interest rates continued to rise in the US and Mexico, although they are still at lows in most mature economies and declined in some Latin American countries, impacting banking activity.

Lastly, the euro strengthened in the second quarter against the currencies of the main countries where the Group operates.

Country	GDP* change	Economic performance
Eurozone	+1.9%	Growth in the second quarter remained good and confidence indicators improved. Inflation fell after the temporary rise in oil prices. The European Central Bank held its soft monetary policy (stable interest rates and asset purchase programme).
Spain	+3.0%	Improving dynamics in the labour market in the second quarter and accelerated job creation, with GDP growing by more than 3%. Inflation remained moderate, dropping to 1.5% in June (3% in the first quarter).
Poland	+4.0%	Strong economic growth in the first quarter. Inflation still low (1.5% in June) and the unemployment rate at historically low levels (5.4% in March). The central bank's key rate (1.5%) will be held in the coming months.
Portugal	+2.8%	GDP grew strongly in the first quarter to 2.8%, inflation running at 0.9% in June and a lower unemployment rate (10.1% in March). The fiscal deficit dropped to 2% of GDP, releasing Portugal from the excessive deficit procedure.
United Kingdom	+2.0%	The economy remained resilient in the face of uncertainties, with moderate GDP growth in the first quarter. Inflation was 2.9% in May, after rising rapidly. The jobless rate was 4.5% in May (very close to its long-term equilibrium level).
Brazil	-0.4%	The central bank cut its Selic rate to 10.25% in June. Inflation eased to 3.0% in June and the monetary committee reduced the inflation target for 2019 to 4.25% and set it at 4% for 2020. In the quarter, the real depreciated 4.0% against the dollar, 10.1% against the euro.
Mexico	+2.8%	Surprising GDP growth in the first quarter. Inflation rose to 6.3% in June, but is expected to move toward the target in 2018. The central bank raised its key rate in the second quarter to 7.0%. The peso appreciated 3.8% against the dollar and depreciated 2.8% against the euro.
Chile	+0.1%	Inflation remained below 3% and is expected to stay there. The central bank cut its key rate by 50 b.p. in the second quarter to 2.5%. The peso appreciated 0.1% against the dollar in the second quarter and depreciated 6.2% against the euro.
Argentina	+0.3%	Economic policies continued to focus on correcting the macroeconomic imbalances and strengthening the external position. Inflation stabilised at below 2% a month and the economy has been growing since the beginning of 2017 (0.4% year-on-year between January and April).
United States	+2.1%	Growth dipped in the first quarter but stronger consumption in the second quarter points to a robust pace. Jobless rate at a low and the Fed continued to tighten its monetary policy, despite low inflation (1.4% in May).

(*) Year-on-year change 1Q'17

Exchange rates: 1 euro / currency parity

	Average (income statement)		Period-end (balance sheet)		
	1H'17	1H'16	30.06.17	31.03.17	30.06.16
US$	1.082	1.116	1.141	1.069	1.110
Pound sterling	0.860	0.778	0.879	0.856	0.827
Brazilian real	3.436	4.118	3.760	3.380	3.590
Mexican peso	20.995	20.151	20.584	20.018	20.635
Chilean peso	713.893	768.760	757.563	710.337	736.795
Argentine peso	16.986	15.968	18.938	16.424	16.612
Polish zloty	4.268	4.367	4.226	4.227	4.436

GRUPO SANTANDER RESULTS

- Second quarter attributable profit of €1,738 million (excluding Banco Popular), affected by the contribution to the Single Resolution Fund (€146 million net of taxes). Excluding this, profit was in line with the first quarter.
- The first half profit amounted to €3,605 million, 24% higher year-on-year and 20% in constant euros.
- One-offs were recorded in the second quarter of 2016. Excluding these factors, underlying profit was 14% higher (+11% in constant euros), with the main items as follows:
  - Gross income continued with the good trend: constant growth in both net interest income and fee income.
  - Costs under control improved the efficiency ratio to 46.3%, which remains among the best of our competitors.
  - The cost of credit was stable at 1.19%, thanks to the improvement in the quality of portfolios.
- The RoTE was 144 b.p. higher at 11.71%, among the best of comparable banks. Earnings per share rose 23% y-o-y to €0.235.
- Banco Popular's contribution to the Group's profit was €11 million (0.3% of the total).

Income statement

€ million

	2Q'17	1Q'17	Change %	Change % w/o FX	1H'17	1H'16	Change %	Change % w/o FX
Net interest income	8,497	8,402	1.1	3.3	16,899	15,194	11.2	6.7
Net fee income	2,885	2,844	1.4	3.5	5,729	4,946	15.8	10.9
Gains (losses) on financial transactions	287	573	(49.9)	(47.9)	860	870	(1.2)	(1.9)
Other operating income	240	211	14.0	17.3	451	474	(5.0)	(7.2)
Dividends	237	41	479.2	482.3	278	253	10.0	8.8
Income from equity-accounted method	154	133	16.0	17.4	287	195	47.1	39.9
Other operating income/expenses	(151)	37	—	—	(114)	26	—	—
Gross income	**11,910**	**12,029**	**(1.0)**	**1.2**	**23,939**	**21,485**	**11.4**	**7.0**
Operating expenses	(5,552)	(5,543)	0.1	2.0	(11,095)	(10,384)	6.8	3.8
General administrative expenses	(4,896)	(4,915)	(0.4)	1.5	(9,811)	(9,204)	6.6	3.4
Personnel	*(2,899)*	*(2,912)*	*(0.5)*	*1.3*	*(5,811)*	*(5,395)*	*7.7*	*4.5*
Other general administrative expenses	*(1,997)*	*(2,002)*	*(0.3)*	*1.7*	*(4,000)*	*(3,809)*	*5.0*	*1.9*
Depreciation and amortisation	(656)	(629)	4.3	5.9	(1,284)	(1,181)	8.8	6.2
Net operating income	**6,358**	**6,486**	**(2.0)**	**0.5**	**12,844**	**11,100**	**15.7**	**10.0**
Net loan-loss provisions	(2,272)	(2,400)	(5.3)	(2.5)	(4,672)	(4,613)	1.3	(5.7)
Impairment losses on other assets	(63)	(68)	(7.9)	(6.6)	(131)	(72)	81.3	71.9
Other income	(765)	(707)	8.2	10.8	(1,472)	(905)	62.8	52.7
Underlying profit before taxes	**3,258**	**3,311**	**(1.6)**	**0.6**	**6,569**	**5,510**	**19.2**	**15.7**
Tax on profit	(1,125)	(1,125)	0.0	2.3	(2,249)	(1,725)	30.4	26.9
Underlying profit from continuing operations	**2,133**	**2,186**	**(2.4)**	**(0.3)**	**4,320**	**3,785**	**14.1**	**10.6**
Net profit from discontinued operations	—	—	—	—	—	0	(100.0)	(100.0)
Underlying consolidated profit	**2,133**	**2,186**	**(2.4)**	**(0.3)**	**4,320**	**3,785**	**14.1**	**10.6**
Minority interests	395	319	24.0	25.8	715	626	14.2	9.3
Underlying attributable profit to the Group	**1,738**	**1,867**	**(6.9)**	**(4.8)**	**3,605**	**3,160**	**14.1**	**10.8**
Net capital gains and provisions*	—	—	—	—	—	(248)	(100.0)	(100.0)
Attributable profit to the Group (Ex-Popular)	**1,738**	**1,867**	**(6.9)**	**(4.8)**	**3,605**	**2,911**	**23.8**	**20.3**
Popular	**11**				**11**			
Attributable profit to the Group	**1,749**	**1,867**			**3,616**	**2,911**		
Underlying EPS Ex-Popular (euros)	**0.113**	**0.122**	**(7.8)**		**0.235**	**0.208**	**13.1**	
Underlying diluted EPS Ex-Popular (euros)	**0.112**	**0.122**	**(7.8)**		**0.234**	**0.207**	**13.1**	
EPS Ex-Popular (euros)	**0.113**	**0.122**	**(7.8)**		**0.235**	**0.191**	**23.3**	
Diluted EPS Ex-Popular (euros)	**0.112**	**0.122**	**(7.8)**		**0.234**	**0.190**	**23.3**	
Pro memoria (Ex-Popular):								
Average total assets	1,336,104	1,353,495	(1.3)		1,343,777	1,334,860	0.7	
Average stockholders' equity	90,812	91,171	(0.4)		90,783	88,100	3.0	

(*).- In 1H'16, capital gain from VISA Europe disposal (€227 million) and restructuring costs (€475 million)

Second quarter 2017 compared to the first quarter

The second quarter attributable profit was €1,738 million (excluding Popular), 7% less than the first quarter of 2016 (-5% in constant euros) because of the contribution to the Single Resolution Fund (€146 million net of taxes). Excluding this impact, profit was in line with the first quarter.

We kept up the good trend in results, excluding the exchange rate impact, as follows:

- Higher gross income, underpinned by net interest income and fee income, reflecting the greater activity and loyalty of our customers. This growth was partly offset by lower gains on financial transactions (-48%) and the contribution to the Single Resolution Fund.
- Operating expenses were under control in all units.
- Loan-loss provisions fell again, and the cost of credit remained below the target announced at the Investor Day.

Second half 2017 compared to the same period of 2016

Attributable profit rose 24% year-on-year. Excluding the negative non-recurring items in the first half of 2016, the increase was 14% and 11% in constant euros. The performance of the main lines is set out below, with all changes without the exchange rate impact.

Gross income

- The structure of our gross income, where net interest income and fee income account for 95% of total revenues, well above the average of our competitors, continues to enable us to grow in a consistent and recurring way. Gross income increased 7%, as follows:
  - **Net interest income** rose 7%, due to greater lending and higher deposits, mainly in developing countries, and management of spreads.

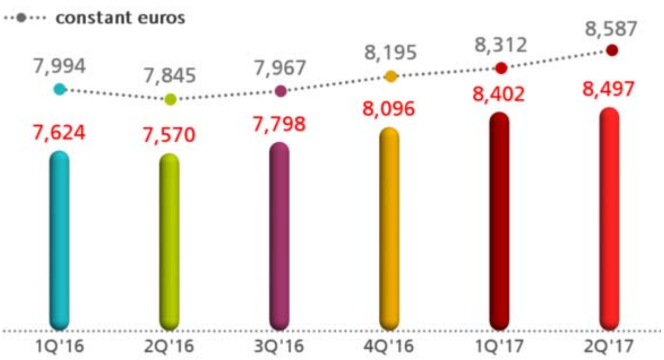
    All units increased their net interest income except for Spain, because of the impact of reduced volumes and interest rate pressure on loans, Portugal, due to sales of public debt and loan portfolios in 2016, and the US, impacted by the fall in auto finance balances and the change of business mix toward a lower risk profile (higher FICO).
  - **Fee income** was up 11%, a faster pace than in previous years. Greater activity and customer loyalty pushed up fee income in almost all units. Double-digit growth in fee income from commercial and retail banking (85% of the total) as well as from GCB.
  - Gains on financial transactions (only 4% of revenues) declined 2%, after a second quarter when they reached the lowest level of the last two years.

Operating expenses

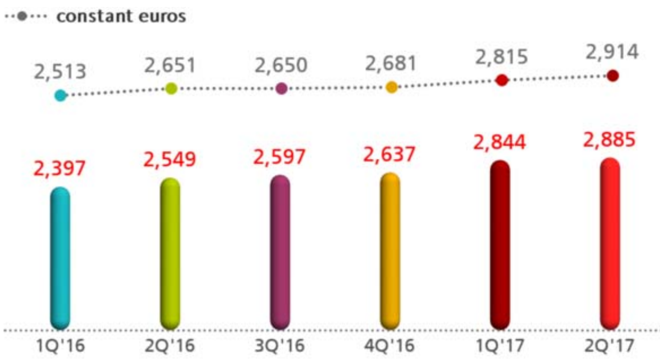
- **Operating expenses** rose 4% as a result of higher inflation in many countries and high levels in developing countries, together with costs linked to regulations and investments in commercial transformation. In real terms and on a like-for-like basis, the Group's costs were 0.8% lower, with seven units with flat costs or falling. Of note were Spain (-5%), Portugal (-10%), and Poland, SCF and the UK (-1%). The Corporate Centre's costs fell 5%. Only Argentina's and Mexico's rose because of the investment plan announced at the end of 2016, and the US.

In short, we kept up our focus on operational excellence and digitalisation in order to remain a reference in the sector in terms of efficiency, while we continued to enhance the customer experience.

Net interest income
€ million

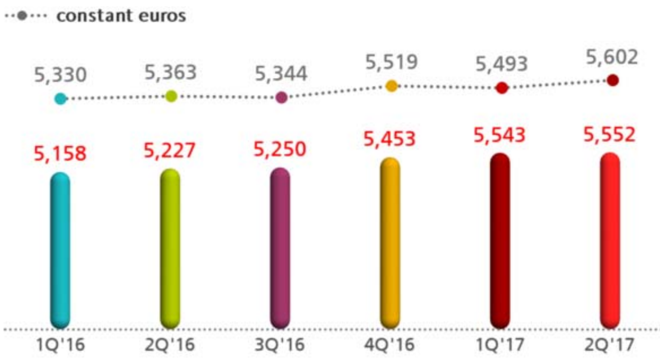


Fee income
€ million



Gross income
€ million

Operating expenses
€ million



Loan-loss provisions

- **Loan-loss provisions** fell 6%, enabling us to keep on improving the credit quality ratios of our businesses. By country:
  - Significant reductions in all euro zone units and Poland, as well as the US, UK and Chile. Particularly striking is the UK with a cost of credit close to zero.
  - Latin America remained broadly stable within a context of greater lending. Of note was Brazil, where loan-loss provisions fell for the third quarter running.

Other results and provisions

- **Other results and provisions** were €1,603 million negative, higher than in 2016. This item records different kinds of provisions, as well as capital gains, capital losses and assets impairment.

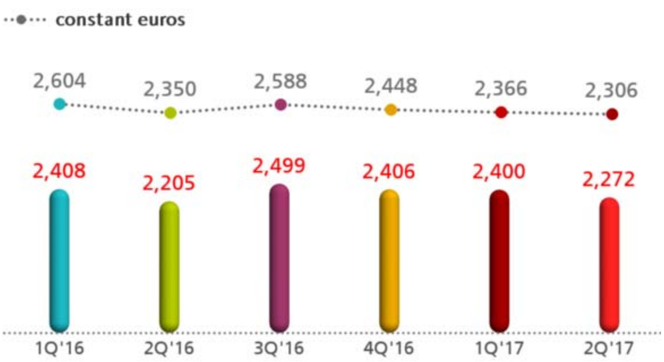
Profit and profitability

- **Pre-tax profit** rose 16% and **underlying attributable profit** 11%. The difference was due to the higher tax rate of 34% (31% in the first half of 2016).
- One-offs for restructuring costs amounting to €475 million were recorded in the second quarter of 2016 and a capital gain from the disposal of the stake in VISA Europe (€227 million). Including these non-recurring factors, **attributable profit** rose 24% (20% in constant euros).
- **RoTE** was 11.71%, **RoRWA** 1.47% and **earnings per share** (EPS) €0.235. All were higher year-on-year, with earnings per share up 23% (+13% the underlying).

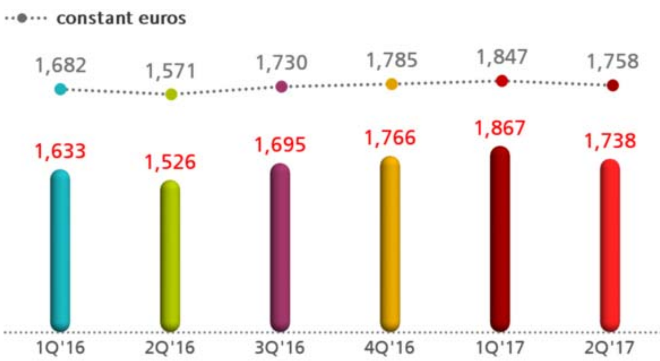
Results including Banco Popular

- Banco Popular and its subsidiaries have been consolidated into the accounts of Grupo Santander since its acquisition on June 7, 2017, and thus, its contribution to the Group is not significant (€11 million), making the Group's total attributable profit €3,616 million in the first half. The profitability ratios did not register significant changes.

Loan-loss provisions
€ million



Underlying attributable profit to the Group
€ million



Balance sheet excluding Popular

€ million

Assets	30.06.17	30.06.16	Change amount	%	31.12.16
Cash, cash balances at central banks and other demand deposits	74,404	65,368	9,036	13.8	76,454
Financial assets held for trading	130,516	157,497	(26,981)	(17.1)	148,187
Debt securities	*36,634*	*45,077*	*(8,443)*	*(18.7)*	*48,922*
Equity instruments	*18,890*	*14,237*	*4,653*	*32.7*	*14,497*
Loans and advances to customers	*11,987*	*8,747*	*3,240*	*37.0*	*9,504*
Loans and advances to central banks and credit institutions	*6,182*	*2,161*	*4,021*	*186.1*	*3,221*
Derivatives	*56,823*	*87,275*	*(30,452)*	*(34.9)*	*72,043*
Financial assets designated at fair value	40,831	42,846	(2,015)	(4.7)	31,609
Loans and advances to customers	*19,768*	*13,928*	*5,840*	*41.9*	*17,596*
Loans and advances to central banks and credit institutions	*16,796*	*24,810*	*(8,014)*	*(32.3)*	*10,069*
Other (debt securities an equity instruments)	*4,267*	*4,108*	*159*	*3.9*	*3,944*
Available-for-sale financial assets	125,286	116,385	8,901	7.6	116,774
Debt securities	*120,350*	*111,672*	*8,678*	*7.8*	*111,287*
Equity instruments	*4,935*	*4,713*	*222*	*4.7*	*5,487*
Loans and receivables	821,523	842,878	(21,355)	(2.5)	840,004
Debt securities	*14,782*	*13,672*	*1,110*	*8.1*	*13,237*
Loans and advances to customers	*746,877*	*760,781*	*(13,904)*	*(1.8)*	*763,370*
Loans and advances to central banks and credit institutions	*59,863*	*68,425*	*(8,562)*	*(12.5)*	*63,397*
Held-to-maturity investments	13,789	4,820	8,969	186.1	14,468
Investments in subsidaries, joint ventures and associates	5,211	3,411	1,800	52.8	4,836
Tangible assets	21,953	26,314	(4,361)	(16.6)	23,286
Intangible assets	28,265	29,146	(881)	(3.0)	29,421
o/w: goodwill	*25,707*	*26,541*	*(834)*	*(3.1)*	*26,724*
Other assets	51,768	54,241	(2,473)	(4.6)	54,086
Total assets	**1,313,545**	**1,342,906**	**(29,361)**	**(2.2)**	**1,339,125**

Liabilities and shareholders' equity	30.06.17	30.06.16	Change amount	%	31.12.16
Financial liabilities held for trading	94,740	118,582	(23,842)	(20.1)	108,765
Customer deposits	*15,839*	*8,755*	*7,084*	*80.9*	*9,996*
Debt securities issued	*0*	—	*0*	—	—
Deposits by central banks and credit institutions	*777*	*960*	*(183)*	*(19.0)*	*1,395*
Derivatives	*57,636*	*87,254*	*(29,618)*	*(33.9)*	*74,369*
Other	*20,489*	*21,613*	*(1,124)*	*(5.2)*	*23,005*
Financial liabilities designated at fair value	53,789	48,548	5,241	10.8	40,263
Customer deposits	*26,838*	*25,425*	*1,413*	*5.6*	*23,345*
Debt securities issued	*3,049*	*2,995*	*54*	*1.8*	*2,791*
Deposits by central banks and credit institutions	*23,900*	*20,127*	*3,773*	*18.7*	*14,127*
Other	*0*	*1*	*(1)*	*(59.5)*	—
Financial liabilities measured at amortized cost	1,023,405	1,031,650	(8,245)	(0.8)	1,044,240
Customer deposits	656,845	637,723	19,122	3.0	657,770
Debt securities issued	*208,763*	*227,991*	*(19,228)*	*(8.4)*	*226,078*
Deposits by central banks and credit institutions	*131,793*	*138,366*	*(6,573)*	*(4.8)*	*133,876*
Other	*26,004*	*27,570*	*(1,566)*	*(5.7)*	*26,516*
Liabilities under insurance contracts	644	644	(0)	(0.1)	652
Provisions	14,157	15,174	(1,017)	(6.7)	14,459
Other liabilities	25,847	27,962	(2,115)	(7.6)	28,047
Total liabilities	**1,212,582**	**1,242,560**	**(29,978)**	**(2.4)**	**1,236,426**
Shareholders' equity	107,554	103,637	3,917	3.8	105,977
Capital stock	*7,291*	*7,217*	*74*	*1.0*	*7,291*
Reserves	*97,533*	*94,303*	*3,230*	*3.4*	*94,149*
Attributable profit to the Group	*3,605*	*2,911*	*694*	*23.8*	*6,204*
Less: dividends	*(875)*	*(794)*	*(81)*	*10.2*	*(1,667)*
Accumulated other comprehensive income	(18,769)	(15,027)	(3,742)	24.9	(15,039)
Minority interests	12,177	11,736	441	3.8	11,761
Total equity	**100,963**	**100,346**	**617**	**0.6**	**102,699**
Total liabilities and equity	**1,313,545**	**1,342,906**	**(29,361)**	**(2.2)**	**1,339,125**

GRUPO SANTANDER BALANCE SHEET

- In the second quarter, without the exchange rate impact and excluding Banco Popular, lending remained stable, while funds increased 3%.
- In relation to June 2016 and excluding the exchange rate impact and Popular:
  - Gross loans excluding repos increased 1% with rises in retail banking and in 6 of the 10 core units.
  - Funds rose 8%, spurred by demand deposits and mutual funds. Growth in 9 of the 10 core units.
- Popular's contribution in the second quarter was €82,589 million of loans and €64,814 million of deposits (increases in the perimeter of 10% and 8.5%, respectively).

Loans and deposits performance (excluding Popular)

The appreciation/depreciation against the euro of the different currencies in which the Group operates had an impact on the evolution of the Group's customer balances of about 3% both in the quarter and year-on-year.

Gross customer lending

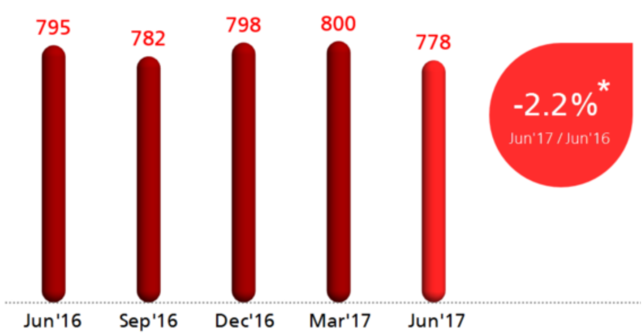
Gross customer loans excluding repos showed a balanced structure: individuals (47%), consumer credit (17%), SMEs and companies (24%) and GCB (12%).

- **Over the first quarter** of 2017, lending excluding the exchange rate impact remained stable, as follows by countries:
  - Growing or stable in all units, except for Chile (-1% in an environment of lower growth in lending).
  - Of note was Argentina (+15%), benefiting from a one-off transaction, and SCF (+3%) with growth in most countries, particularly the Nordic countries, France, Italy and Portugal.
- **In relation to June 2016** and eliminating the exchange rate impact, total Group lending was 1% higher:
  - Increases in six of the 10 core countries, with significant growth in Argentina, SCF, Brazil and Poland.
  - Falls in Spain (-4%) and Portugal (-4%), excluding Popular's acquisition, mainly due to balances in institutions and mortgages in Spain and the sale of a portfolio in Portugal. Lending in the US also declined (-6%), because of the outflow of balances in institutions and large companies.

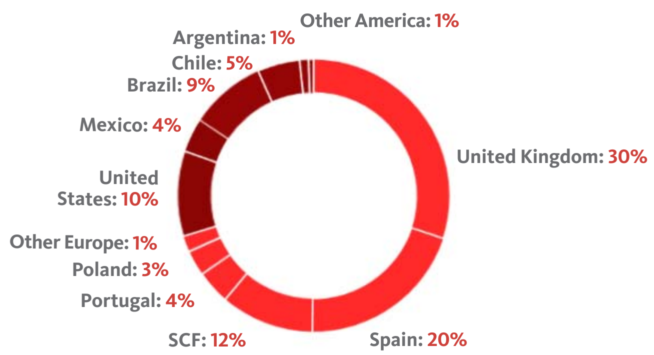
Customer funds

- **In the second quarter,** total funds (deposits excluding repos and including mutual funds) rose 3% excluding the exchange rate impact. Growth in Brazil (+10%), Argentina (+8%), Spain (+5%), Mexico (+4%) and Portugal (+2%), Chile (+2%) and the UK (+1%). The only drop was in the US, which declined 5%, due to reduced government and large companies' balances.

Gross customer loans (w/o repos)
€ billion

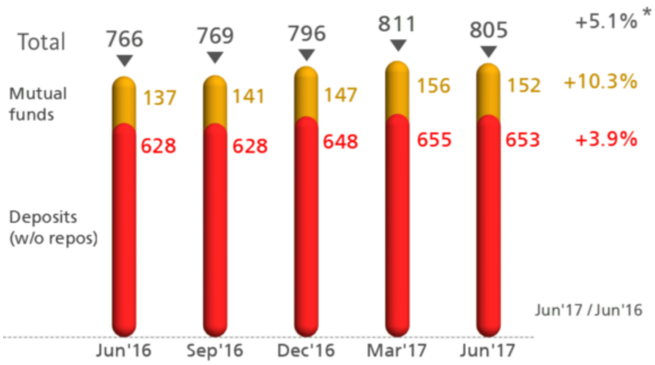


Gross customer loans (w/o repos)
% / operating areas. June 2017



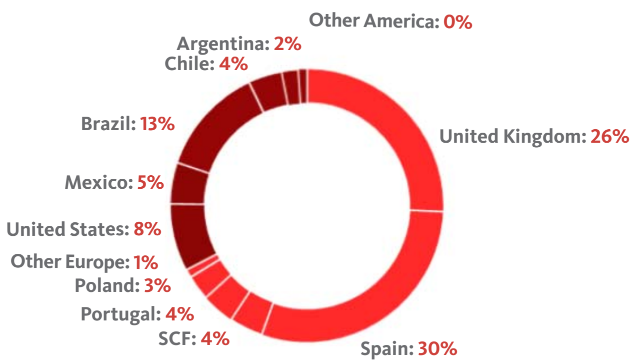
- Growth of 8% **over June 2016**, excluding the exchange rate impact, as follows:
  - The strategy of loyalty and management of funding costs helped produce a 12% increase in demand deposits and 13% in mutual funds and a 6% fall in time deposits.
  - The funds' structure was as follows: demand deposits (60%), time (21%) and mutual funds (19%).
  - Growth in the nine of the 10 core units. The largest rise was in Argentina (+70%, partly due to Citibank's incorporation), while most of the other units grew by more than 5%.
- As well as capturing deposits, the Grupo Santander attaches strategic importance to maintaining a selective policy of issuance in international fixed income markets, seeking to adapt the frequency and volume of market operations to each unit's structural liquidity needs, as well as to the receptiveness of each market.
- In the first half, the following **Grupo Santander issues** (excluding Popular) were made:
  - Medium and long-term senior debt of €5,599 million and €4,152 million of securitisations placed in the market.
  - Eligible TLAC issues (Total Loss-Absorbing Capacity) to strengthen the Group's position by a total amount of €10,152 million. (senior non-preferred: €7,647 million, subordinated debt: €1,187 million, preferred shares: €1,319 million).
  - Medium and long-term debt maturities amounted to €21,757 million.
- The net loan-to-deposit ratio was 111% (117% in June 2016) and the ratio of deposits plus medium and long term funding to the Group's loans was 115%, underscoring the comfortable funding structure.

Customer funds
€ billion



(*) In constant €: +7.8%

Customer funds
% / operating areas, June 2017



Evolution including Banco Popular

- Banco Popular contributed, after the adjustments made, €82,589 million of net loans and €64,814 million of deposits, mainly in Spain. They accounted for around 10% and 8.5%, respectively, of the Group's total after their integration into Banco Santander. Popular also contributed €10,003 million of mutual funds and €8,118 million of other off-balance sheet assets (pension funds and savings insurance).
- Popular's deposits in Spain fell sharply between 31 December 2016 and the day of its acquisition by Banco Santander (-€20,000 million). Mutual funds also dropped, although to a lesser extent (-€1,000 million). Loans declined €3,000 million between 31 December 2016 and 7 June 2017.
- After the aquistion, business activity started to stabilise on the assets side, as loans only dropped 1% until 20 July, as well as on the liabilities side, with deposits increasing €5,000 million.

SOLVENCY RATIOS

- **The fully loaded CET1 ratio was 10.72% at the end of June, before Banco Popular's incorporation, up 6 b.p. in the quarter.**
- **Including Banco Popular and July's capital increase, this ratio remained at 10.72% as the net impact of both operations was zero.**
- **Tangible equity per share was 0.5% higher year-on-year at €4.15. Including Popular and the capital increase, €4.18.**
- **The fully loaded leverage ratio was 5.1%, (4.9% in June 2016). Including Popular and the capital increase, 5.0%.**

- We continued to improve our solvency ratios. On a like-for-like basis (excluding Popular), the fully loaded CET1 ratio increased 6 b.p. to 10.72%, 2 b.p. of which came from ordinary generation of profits and management of risk weighted assets, together with some non-recurring negative and positive impacts that, combined, added 4 b.p. The contribution to the Single Resolution Fund had an impact of -3 p.b. on this ratio.
- This continued improvement in the capital ratios reflects the different measures taken by the Group, including improving and deepening a more active culture of managing capital at all levels.
- When calculating the ratio €178 million was deducted for the remuneration of the contingent-convertible preferred shares, as well as treasury stock, which at the end of June was irrelevant.

Solvency ratios including Banco Popular

- On 30 June, following Banco Popular's incorporation, the Group's fully loaded CET1 ratio at the end of the second quarter was 9.58%.
- In July, Banco Santander made a capital increase to reinforce and optimise the Bank's equity structure so as to adequately cover the acquisition of 100% of Banco Popular's share capital. This transactions contributes 114 b.p. to the Group's fully loaded CET1, thus the net impact of the acquisition and the capital increase was neutral.
- In regulatory terms, the total proforma capital ratio was 14.64% and the phase-in CET1 12.08%. The minimum ratios required by the European Central Bank for Grupo Santander on a consolidated basis for 2017 are 11.25% for the total capital ratio and 7.75% for the CET1.

Eligible capital (excluding-Popular). June 2017
€ million

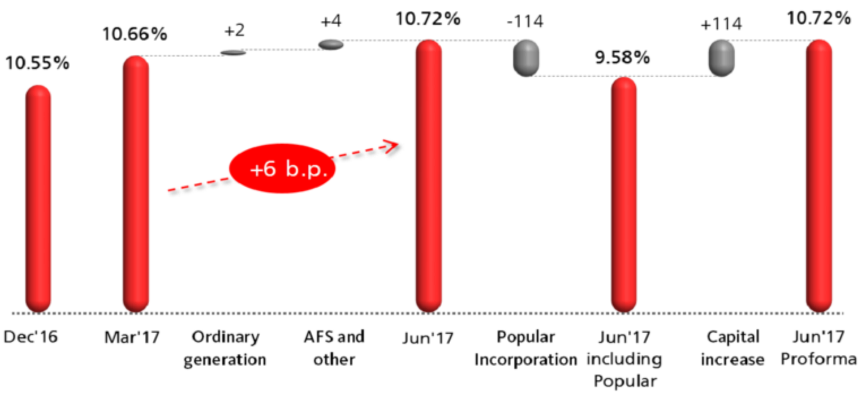
	Phase-in	Fully-loaded
CET1	70,194	61,877
Basic capital	72,934	68,941
Eligible capital	**85,960**	**82,945**
Risk-weighted assets	576,947	576,947
CET1 capital ratio	**12.17**	**10.72**
T1 capital ratio	**12.64**	**11.95**
Total capital ratio	**14.90**	**14.38**

Eligible capital proforma*. June 2017
€ million

	Phase-in	Fully-loaded
CET1	76,091	67,523
Basic capital	78,558	74,587
Eligible capital	**92,283**	**89,273**
Risk-weighted assets	630,130	630,130
CET1 capital ratio	**12.08**	**10.72**
T1 capital ratio	**12.47**	**11.84**
Total capital ratio	**14.64**	**14.17**

(*) Including Banco Popular and the capital increase completed on 27 July 2017

Fully loaded CET1
%



RISK MANAGEMENT

- **The Group's NPL ratio and cost of credit were 3.55% and 1.19%, respectively, excluding Banco Popular. These indicators continued to maintain their favourable trend. The NPL ratio was 74 b.p. lower year-on-year, (-20 b.p. quarter-on-quarter) and the cost of credit remained stable.**
- **Loan-loss provisions were 6% lower year-on-year, on a like-for-like basis and isolating the forex impact, and coverage stood at 73%.**
- **Banco Popular's NPL ratio was 20% at the end of June and the coverage ratio 61%.**

Credit risk management excluding Popular

Non-performing loans (excluding Banco Popular) stood at €29,745 million at the end of June, 8% lower than in the first quarter and 18% year-on-year. The NPL ratio was 3.55% (-74 b.p. year-on-year; -20 b.p. quarter-on-quarter).

Loan-loss provisions amounted to €21,625 million (coverage of 73%, at constant perimeter). In order to properly view this figure, it should be remembered that the NPL ratios of the UK and Spain are affected by the weight of mortgage balances, which require fewer provisions as they have guarantees.

The cost of credit was 1.19%, meeting the target set and remaining broadly stable in the last few quarters.

Credit risk management (excluding Popular)

€ million

	30.06.17	30.06.16	Var. %	31.12.16
Non-performing loans	29,745	36,291	(18.0)	33,643
NPL ratio (%)	3.55	4.29		3.93
Loan-loss allowances	21,625	26,317	(17.8)	24,835
For impaired assets	13,041	17,667	(26.2)	15,466
For other assets	8,585	8,650	(0.8)	9,369
Coverage ratio (%)	72.7	72.5		73.8
Cost of credit (%)	1.19	1.19		1.18

The NPL and coverage ratios of the main countries where the Group operates are set out below:

- **Spain** continued with positive performance. Its NPL ratio was 4.99% (-23 b.p. in the quarter) and coverage 46%.

  The Real Estate unit in Spain ended June with a NPL ratio of 91% and coverage of 53%.
- **Santander Consumer Finance's** NPL ratio was 2.61%. This was 1 b.p. lower than in the first quarter of 2017. Coverage was 106%.
- In **Poland** the NPL ratio improved to 4.66% (-54 b.p. in the quarter), mainly due to the good performance of the portfolio of companies and the sale of non-performing loans of SMEs and individuals. Coverage was 67%.
- **Portugal's** NPL ratio was 80 b.p. lower in the quarter at 7.67%, largely due to portfolio sales. Coverage was 60%.
- In the **United Kingdom** the NPL ratio was 1.23% (-8 b.p. in the quarter). The various portfolios continued to perform well, particularly mortgages and companies. Coverage was 33% (bearing in mind that 79% of the balance are mortgages).
- In **Brazil** the NPL ratio remained stable at 5.36%. Coverage was 96%, up from 93% at the end of 2016.

Non-performing loans by quarter (excluding Popular)

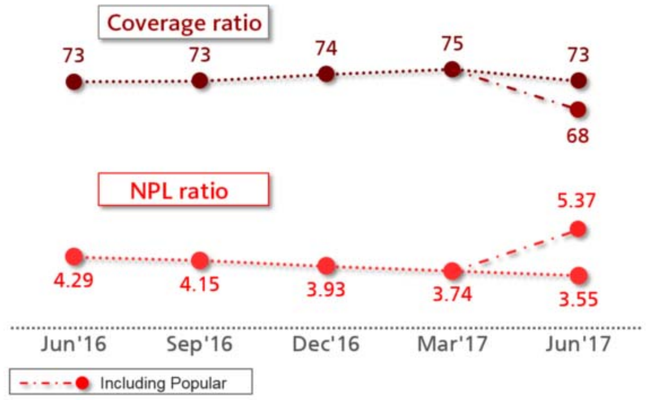
€ million

	2016				2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Balance at beginning of period	37,094	36,148	36,291	34,646	33,643	32,158
Net additions	1,668	2,221	1,763	1,710	1,583	2,255
Increase in scope of consolidation	13	664	21	36	18	—
Exchange rate differences and other	72	869	(44)	315	536	(854)
Write-offs	(2,699)	(3,612)	(3,385)	(3,063)	(3,623)	(3,813)
Balance at period-end	**36,148**	**36,291**	**34,646**	**33,643**	**32,158**	**29,745**

- **Mexico's** NPL ratio dropped 19 b.p. in the quarter to 2.58%, thanks to the good performance of mortgages and companies. Coverage was 114%.
- **Chile's** NPL ratio rose to 5.00% (+ 7 b.p. in the quarter), due to lower lending by Global Corporate Banking and an increase in consumer credit non-performing loans. Coverage remained at 58%.
- In the **United States** the NPL ratio was 2.64% (+21 b.p. in the quarter) and coverage 183%.
  - Santander Bank's NPL ratio was 10 b.p. higher than March 2017 at 1.16%, largely due to the good performance of the companies segment. Coverage was 102%.
  - Santander Consumer USA's NPL ratio rose to 5.28%, mainly due to the forbearance portfolio. Coverage was 239%.

NPL and coverage ratios. Total Group

%



Credit quality ratios including Banco Popular

- Banco Popular's non-performing loans stood at €20,969 million, and the NPL ratio was 20%. Loan-loss provisions amounted to €12,689 million (coverage ratio of 61%).
- As a result, the Group's NPL ratio after integrating Banco Popular was 5.37% and the coverage ratio 68%.

Structural FX ex-Popular

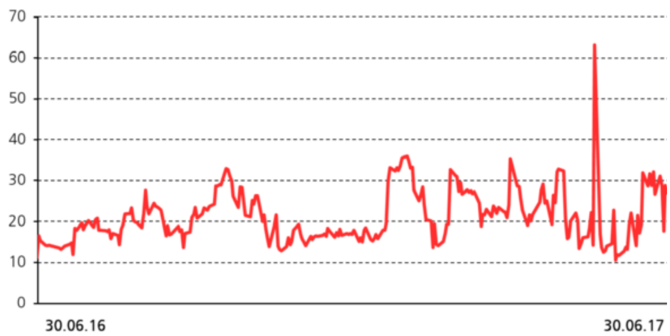
- As regards structural exchange rate risk, Santander maintains a fully-loaded CET1 coverage level of around 100% in order to protect itself from currency movements.

Market risk excluding Popular

- The risk of trading activity in the second quarter of global corporate banking, measured in daily VaR terms at 99%, fluctuated between €10.6 million and €63.2 million. These figures are low compared to the size of the Group's balance sheet and activity.
- The average VaR maintained a downward trend in the quarter, although it increased slightly at the end of June. On May 19 there was a one-off rise due to political events in Brazil, which made the markets volatile.
- In addition, there are other positions classified for accounting purposes as trading. The total VaR of trading of this accounting perimeter at the end of June was €28.7million.

Trading portfolios*. VaR performance

€ million



(*) Activity performance in Global Corporate Banking financial markets

Trading portfolios*. VaR by geographic region

€ million

	2017		2016
Second quarter	Average	Latest	Average
Total	**22.1**	**27.0**	**19.4**
Europe	7.1	7.3	9.2
USA and Asia	2.0	1.2	1.0
Latin America	21.6	24.6	14.2
Global activities	0.3	0.2	0.4

(*) Activity performance in Global Corporate Banking financial markets

Trading portfolios*. VaR by market factor

€ million

Second quarter	Min.	Avg.	Max.	Last
VaR total	**10.6**	**22.1**	**63.2**	**27.0**
Diversification efect	(2.1)	(9.7)	(39.9)	(5.8)
Interest rate VaR	11.8	18.1	70.4	17.1
Equity VaR	1.0	2.7	5.9	2.1
FX VaR	2.2	7.4	15.7	10.1
Credit spreads VaR	2.9	3.7	5.1	3.4
Commodities VaR	—	—	—	—

(*) Activity performance in Global Corporate Banking financial markets

» REAL ESTATE ACTIVITY

- The Group reports non-core real estate activity in a separate unit, Real Estate Activity Spain, which includes customer loans that are mainly for real estate promotion, and has a specialised management model, a stake in SAREB, the remaining assets of Metrovacesa, the assets of the former real estate fund and foreclosed assets.

- The Group's strategy in the last few years has been to reduce these assets, mainly loans and foreclosed assets.

- We are in an environment of stronger economic growth forecast, where unemployment is expected to keep on falling and, as a result, private consumption will rise. The real estate market is gaining traction, as shown by the latest property sale figures and upward house prices. In this context, our Real Estate Activity Spain unit sold units for an amount 34% higher than in the first half of 2016.

Real estate activity Spain
€ billion

- Net lending at the end of June stood at €1,215 million, 35% lower in the first six months and 43% year-on-year. Foreclosed assets and rentals recorded a combined reduction of 12% in the last 12 months.

Real estate activity including Banco Popular

- The sum of Real estate activity Spain and Popular's exposure is €15,384 million net (coverage of 63%), of which €11,107 million were real estate assets with coverage of 59% and €4,277 million were real estate loans, with coverage of 69%.
- As announced after Banco Popular's acquisition, the Group aims to reduce the non-productive real estate assets to insignificant levels over a period of less than three years, although it could be significantly shorter.

Real estate activity June'17
€ million

	Total Santander Group*		
	Gross value	% Coverage	Net value
Real estate assets	27,048	59	11,107
- Foreclosed	23,470	64	8,552
- Rentals	3,578	29	2,555
Non-performing real estate loans	14,000	69	4,277
Assets + non-performing real estate	**41,048**	**63**	**15,384**

(*) Including Banco Santander's Real Estate Activity Spain and the total real estate assets of Banco Popular's perimeter

» DESCRIPTION OF THE BUSINESSES

In 2017 Grupo Santander is maintaining the same general criteria applied in 2016, as well as the business segments, with the following exceptions:

- In the second quarter of 2016, and in order to make it comparable with the same period of 2015, the contribution to the Single Resolution Fund (SRF) of €120 million net was reclassified to "Net capital gains and provisions" from "Other operating results." In the fourth quarter, this reclassification was reversed. In the information presented here, and in order to facilitate the quarterly comparison, the contribution to the SRF is recorded in "Other operating results". This change affects the composition of the consolidated Group accounts, Spain, Santander Consumer Finance and Portugal, but not the attributable profit.
- Assigning to the various countries and global segments the capital gains and non-recurring provisions that were being presented in the Corporate Centre. They relate to the second and fourth quarters of 2016 and affect the attributable profit of the units of Spain (-€216 million), Santander Consumer Finance (+€25 million), Poland (+€29 million), United Kingdom (-€30 million), United States (-€32 million) and, as a counterpart of all of them, the Corporate Centre itself (+€231 million). The Group's total attributable profit does not change.
- Annual adjustment of the perimeter of the Global Customer Relationship Model between Retail Banking and Santander Global Corporate Banking. This change has no impact on the geographic businesses.

The financial statements of each business unit have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the units integrated in each segment, as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

The operating business areas are structured into two levels:

- Geographic businesses. The operating units are segmented by geographical areas. This coincides with the Group's first level of management and reflects Santander's positioning in the world's three main currency areas (euro, sterling and dollar). The segments reported on are:
  - **Continental Europe.** This covers all businesses in the area. Detailed financial information is provided on Spain, Portugal, Poland and Santander Consumer Finance (which incorporates all the region's business, including the three countries mentioned herewith).
  - **United Kingdom**. This includes the businesses developed by the Group's various units and branches in the country.
  - **Latin America**. This embraces all the Group's financial activities conducted via its banks and subsidiaries in the region. The financial statements of Brazil, Mexico and Chile are set out.
  - **United States** Includes the holding Santander Holdings USA (SHUSA) and its subsidiaries Santander Bank, Banco Santander Puerto Rico, Santander Consumer USA, Banco Santander International, Santander Investment Securities and the New York branch.

- Global businesses. The activity of the operating units is distributed by the type of business: Retail Banking, Santander Global Corporate Banking and Spain Real Estate Activity.
  - **Retail Banking**. This covers all customer banking businesses, including consumer finance, except those of corporate banking, which are managed through the Global Customer Relationship Model. The results of the hedging positions in each country are also included, conducted within the sphere of each one's Assets and Liabilities Committee.
  - **Santander Global Corporate Banking (SGCB)**. This business reflects the revenues from global corporate banking, investment banking and markets worldwide including treasuries managed globally (always after the appropriate distribution with commercial banking customers), as well as equities business.

The acquired perimeter of Banco Popular is temporarily presented separately.

In addition to these operating units, which report by geographic area and by businesses, the Group continues to maintain the area of **Corporate Centre.** This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's Assets and Liabilities Committee, as well as management of liquidity and of shareholders' equity via issues.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates amortisation of goodwill but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

The figures of the Group's various units have been drawn up in accordance with these criteria, and so do not coincide individually with those published by each unit.

Net operating income

€ million	2Q'17	s/ 1Q'17 %	s/ 1Q'17 % w/o FX	1H'17	s/ 1H'16 %	s/ 1H'16 % w/o FX
Continental Europe	**1,486**	**(12.3)**	**(12.3)**	**3,180**	**6.0**	**5.5**
o/w: Spain	545	(26.4)	(26.4)	1,286	5.8	5.8
Santander Consumer Finance	614	(0.4)	0.2	1,230	7.4	6.7
Poland	212	21.5	18.8	387	6.2	3.8
Portugal	128	(17.2)	(17.2)	283	(9.9)	(9.9)
United Kingdom	**821**	**15.8**	**15.9**	**1,529**	**6.8**	**18.0**
Latin America	**3,475**	**(0.8)**	**2.8**	**6,976**	**37.4**	**22.4**
o/w: Brazil	2,269	(5.6)	(0.3)	4,672	51.2	26.1
Mexico	553	9.6	4.0	1,058	12.7	17.4
Chile	383	0.5	5.1	765	15.7	7.5
USA	**1,035**	**(0.7)**	**2.6**	**2,077**	**(9.9)**	**(12.6)**
Operating areas	**6,816**	**(1.9)**	**0.4**	**13,762**	**16.5**	**11.1**
Corporate Centre	(458)	(0.4)	(0.4)	(919)	28.6	28.6
Total Group (Ex-Popular)	**6,358**	**(2.0)**	**0.5**	**12,844**	**15.7**	**10.0**
Popular	**43**			**43**		
Total Group	**6,401**	**(1.3)**	**1.1**	**12,887**	**16.1**	**10.4**

Attributable profit to the Group

€ million	2Q'17	s/ 1Q'17 %	s/ 1Q'17 % w/o FX	1H'17	s/ 1H'16 %	s/ 1H'16 % w/o FX
Continental Europe*	**694**	**(10.2)**	**(10.1)**	**1,468**	**13.0**	**12.5**
o/w: Spain*	241	(33.3)	(33.3)	603	17.1	17.1
Santander Consumer Finance*	319	1.7	2.4	633	18.9	18.0
Poland*	83	39.7	36.8	142	2.4	0.1
Portugal	107	(14.4)	(14.4)	233	15.8	15.8
United Kingdom*	**408**	**(2.0)**	**(2.0)**	**824**	**(2.2)**	**8.1**
Latin America	**1,050**	**0.0**	**3.5**	**2,100**	**39.4**	**26.1**
o/w: Brazil	610	(3.8)	1.5	1,244	57.9	31.7
Mexico	187	14.5	8.7	350	21.3	26.4
Chile	149	1.3	5.9	297	19.7	11.2
USA	**149**	**56.5**	**60.8**	**244**	**1.5**	**(1.6)**
Operating areas*	**2,301**	**(1.4)**	**0.3**	**4,636**	**19.2**	**16.4**
Corporate Centre*	(563)	20.4	20.4	(1,031)	41.5	41.5
Total Group (Ex-Popular)*	**1,738**	**(6.9)**	**(4.8)**	**3,605**	**14.1**	**10.8**
Neto de plusvalías y saneamientos	—	—	—	—	(100.0)	(100.0)
Total Group (Ex-Popular)	**1,738**	**(6.9)**	**(4.8)**	**3,605**	**23.8**	**20.3**
Popular	**11**			**11**		
Total Group	**1,749**	**(6.4)**	**(4.2)**	**3,616**	**24.2**	**20.7**

(*).- In the units, underlying attributable profit (excluding net capital gains and provisions) in 1H'16

Gross customer loans w/o repos

€ million	2Q'17	s/ 1Q'17 %	s/ 1Q'17 % w/o FX	1H'17	s/ 1H'16 %	s/ 1H'16 % w/o FX
Continental Europe	**304,655**	**0.6**	**0.9**	**304,655**	**0.4**	**0.2**
o/w: Spain	151,533	0.6	0.6	151,533	(3.7)	(3.7)
Santander Consumer Finance	88,919	2.2	2.8	88,919	8.1	8.3
Poland	22,158	1.2	1.1	22,158	8.9	3.8
Portugal	28,770	(0.0)	(0.0)	28,770	(3.8)	(3.8)
United Kingdom	**235,439**	**(2.9)**	**(0.2)**	**235,439**	**(6.6)**	**(0.6)**
Latin America	**152,155**	**(7.0)**	**1.0**	**152,155**	**3.0**	**6.5**
o/w: Brazil	73,368	(9.6)	0.5	73,368	1.8	6.6
Mexico	29,573	(1.4)	1.4	29,573	2.7	2.5
Chile	36,359	(7.4)	(1.2)	36,359	0.1	2.9
USA	**80,370**	**(6.4)**	**(0.1)**	**80,370**	**(8.1)**	**(5.5)**
Operating areas	**772,617**	**(2.8)**	**0.4**	**772,617**	**(2.3)**	**0.5**
Total Group (Ex-Popular)	**777,897**	**(2.8)**	**0.5**	**777,897**	**(2.2)**	**0.6**
Popular	**93,101**			**93,101**		
Total Group	**870,998**	**8.9**	**12.5**	**870,998**	**9.5**	**12.6**

Customer funds (deposits w/o repos + mutual funds)

€ million	2Q'17	s/ 1Q'17 %	s/ 1Q'17 % w/o FX	1H'17	s/ 1H'16 %	s/ 1H'16 % w/o FX
Continental Europe	**338,812**	**3.1**	**3.2**	**338,812**	**8.3**	**7.9**
o/w: Spain	239,269	4.5	4.5	239,269	9.4	9.4
Santander Consumer Finance	35,486	(0.5)	0.0	35,486	7.6	7.7
Poland	26,727	1.3	1.3	26,727	10.5	5.3
Portugal	31,857	1.8	1.8	31,857	1.6	1.6
United Kingdom	**208,546**	**(2.1)**	**0.6**	**208,546**	**(1.5)**	**4.8**
Latin America	**193,366**	**(2.0)**	**6.7**	**193,366**	**11.0**	**14.9**
o/w: Brazil	102,676	(1.6)	9.5	102,676	12.2	17.5
Mexico	39,730	1.5	4.3	39,730	7.6	7.3
Chile	32,677	(4.6)	1.7	32.677	4.7	7.7
USA	**63,745**	**(11.2)**	**(5.3)**	**63,745**	**(3.6)**	**(0.9)**
Operating areas	**804,469**	**(0.8)**	**2.6**	**804,469**	**5.2**	**7.9**
Total Group (Ex-Popular)	**804,742**	**(0.8)**	**2.6**	**804,742**	**5.1**	**7.8**
Popular	**70,570**			**70,570**		
Total Group	**875,312**	**7.9**	**11.6**	**875,312**	**14.3**	**17.2**

SPAIN*

€603 M
Attributable profit

Contribution to the Group's profit: **13%**

FIRST HALF HIGHLIGHTS

- **The strategies to increase customer capturing and loyalty, means of payment and digital developments are yielding good results.**
- **Of note, growth in lending to companies (+29% year-on-year in new lending in International Business).**
- **Solid leadership in the main league tables in Wholesale Banking.**
- **Record first half in attracting digital customers, close to 3 million, and sharp rise in new digital lending.**
- **The first half attributable profit was 17% higher year-on-year at €603 million.**

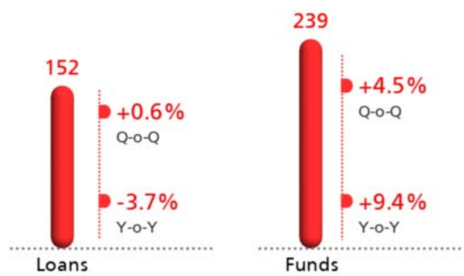
Commercial activity

- A new *1|2|3 Smart* offer was launched, 100% digital and aimed at millennial customers, with tailored products and financing.
- Significant rise in issuance of cards in the first half, with more than a million sold and a credit turnover of 43% year-on-year.
- In companies, good evolution of loans in the second quarter: +29% in new lending in international business and +10% in commercial credit.
- We maintained our solid leadership in Wholesale Banking league tables for products such as cash management, trade and supply chain management.
- All of this has spurred customer loyalty year-on-year (+35% individuals and +20% companies).
- In the digital arena, we are the only bank to offer mobile phone payments with *Apple Pay* and *Samsung Pay* (market share in payments of more than 50%). Also strong growth in new digital business: +158% in mortgages, +142% in lending and +73% in foreign trade.

Business evolution

- The stock of credit remained stable in the second quarter, as new lending continued to recover. New lending grew 13% year-on-year: +30% mortgages and +13% consumer credit.
- Year-on-year and quarter-on-quarter growth in deposits (+20% in demand deposits, in line with our 1|2|3 strategy).
- Mutual funds rose 15% year-on-year. June was a record month for net capturing. Premiums from insurance protection products also rose.

Activity
€ billion and % change



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

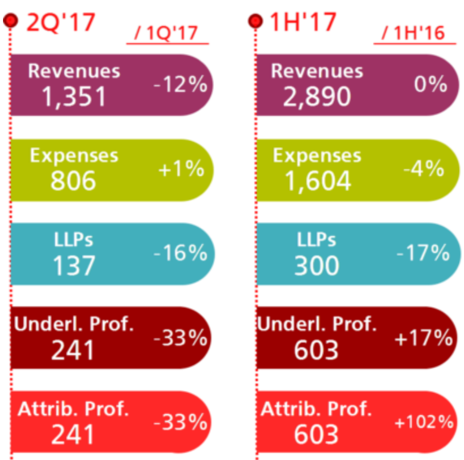
Results

The second quarter attributable profit was down 33% quarter-on-quarter at **€241** million, due to lower gains on financial transactions and the contribution to the Single Resolution Fund (€75 million net of taxes).

The first half attributable profit was €603 million, double that of the same period of 2016, which was affected by non-recurring results. **Underlying profit rose 17%.** By lines:

- The good performance of fee income (+14% year-on-year) offset the pressure on net interest income and lower gains on financial transactions. Rises in both, retail banking and GCB.
- Operating expenses continued to fall, the fruit of the efficiency plan in 2016.
- Sharp fall in provisions, which continued to normalise. Further reduction in the cost of credit for the 13th consecutive quarter to 0.33% from 0.45% in June 2016. The NPL ratio dropped to 4.99% (-107 b.p. b.p. year-on-year) and coverage stood at 46%.

P&L
€ million and % change



Detailed financial information on page 48

*Ex-Popular

SANTANDER CONSUMER FINANCE

€633 M
Attributable profit

Contribution to the Group's profit: **13%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

- Year-on-year increase in new loans in our core countries.
- We continued to gain market share, underpinned by a solid business model: diversification, critical mass in key products, efficiency and credit quality.
- Attributable profit of €633 million, 13% more than the underlying profit in the first half of 2016.

Commercial activity

- Santander Consumer Finance continued to gain market share in the first half, underpinned by a solid business model: geographic diversification, critical mass in key products, better efficiency than its competitors and a common risk system that enables high credit quality to be maintained.
- The focuses of management in the second quarter were:
  - Boost auto finance and consumer credit through agreements with retail distributors as well as producers.
  - Strengthen our digital channels.

Business evolution

- New lending increased 8% in the first half year-on-year, spurred by auto finance (+10%).
- Growth in the main units, particularly in Italy, France and the Nordic countries (+20%, +13% and +10%, respectively).
- Of note in funds were stable customer deposits at around €35,500 million, something that distinguishes us from our competitors.
- Recourse to wholesale funding was €4,601 million in the first half, via senior issues and securitisations.
- Customer deposits and medium and long-term issues-securitisations placed in the market covered 76% of net lending at the end of June.

Results

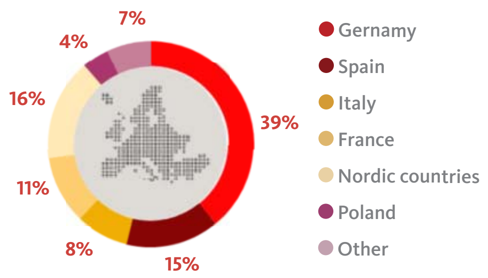
Compared to the first quarter, attributable profit was 2% higher, as the lower provisions and costs were offset by the slight drop in gross income, due to competitive and regulatory pressures.

Attributable profit was €633 million in the first half, 13% more than in the first half of 2016, when capital gains of VISA Europe were recorded. Underlying profit rose 18%, as follows:

- Higher gross income, mainly due to net interest income (+7% year-on-year spurred by larger volumes).
- Operating expenses rose less than gross income, which improved the efficiency ratio by 85 b.p. to 44.5%.
- Loan-loss provisions fell 37%. Good performance of the cost of credit thanks to the exceptional situation of portfolios and good management. The NPL ratio was 2.61%, 34 b.p. lower than in the first half of 2016. Coverage stood at 106%.
- The main units by profit are: the Nordic countries (€175 million), Germany (€151 million) and Spain (€115 million).

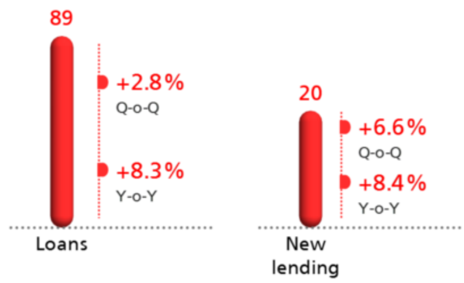
Customer loans by geographic area

%



Activity

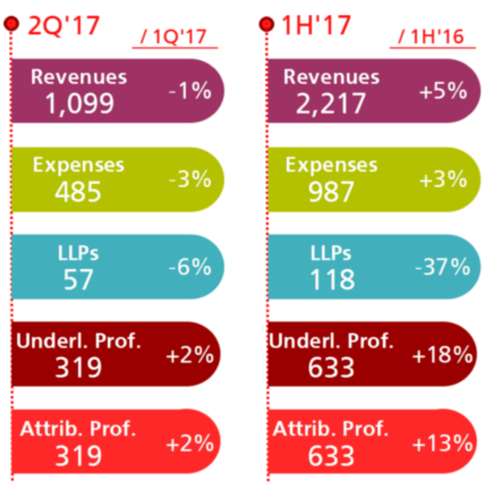
€ billion and % change in constant euros



Note: Gross loans w/o repos

P&L

€ million and % change in constant euros



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POLAND

€142 M
Attributable profit

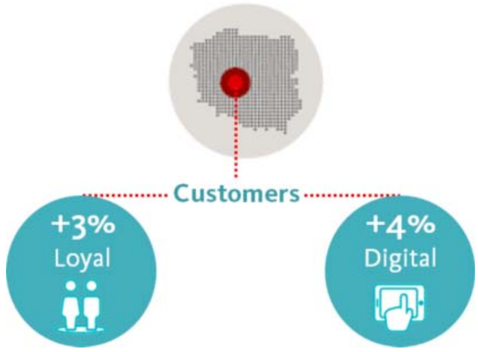
Contribution to the Group's profit: **3%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

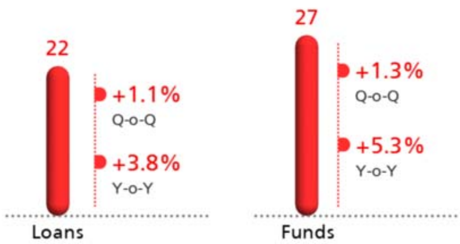
- **Strong focus on management of spreads, revenues and costs in an environment of low interest rates.**
- **Santander remains focused on mortgages, SMEs, leasing and corporates, and continues to be the market leader in mobile and online banking.**
- **Attributable profit affected by the extraordinary contribution to the Deposit Guarantee Fund (BGF) and its being non-tax deductible, and the higher impact of the tax on assets.**
- **On the other hand, profit before tax rose 10% year-on-year fuelled by the good performance of net interest income, fee income, costs and provisions.**

Commercial activity

- The Bank´s main goal is to become the bank of first choice, responding to and predicting customer expectations. Transformation objectives focus on increasing sales productiveness, cost-efficiency and implementing innovations.
- Santander remains as benchmark bank in innovation and digital channels.
- For the third consecutive year, Bank Zachodni WBK was recognised as the Best Bank in Poland by Euromoney Awards for Excellence, one of the two world's most prestigious financial sector competitions. The jury pointed out the Bank's excellent financial results combined with the effective implementation of its digital transformation programme. In addition, Bank Zachodni WBK received the Best Bank in Poland for SMEs award.
- Both, digital and loyal customers rose in the last twelve months. Of note was the increase of 10% in loyal companies.



Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

Business evolution

- Loans rose year-on-year backed by the Bank's target segments: SMEs (+7%) and individuals (+6%). By products, mortgages (+6%), credit cards (+7%) and cash loans (+6%). Corporate lending increased 1% and GCB 10%.
- Deposits increased year-on-year boosted by SMEs (+10%) and individuals (+5%). The continued strategy of reducing the cost of funding reflected the 12% increase in demand deposits and the 8% decline of term deposits. This evolution maintained our solid funding structure (net loan-to-deposit ratio of 90%).

Results

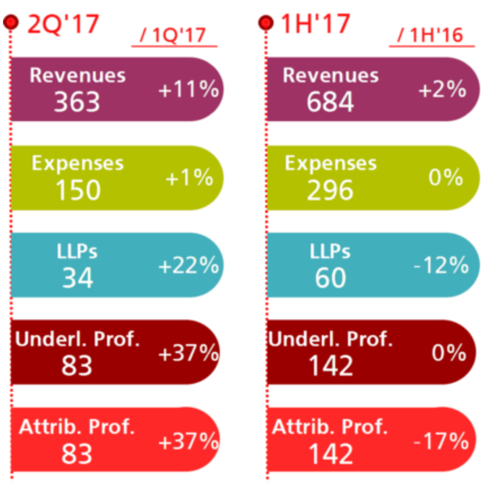
The second quarter attributable profit of €83 million was 37% higher than the first quarter, backed by revenues and greater collection of dividends, which occurs seasonally in the second quarter.

The first half attributable profit was €142 million, 17% lower than in 2016, when non-recurring results were recorded. Excluding them, attributable profit was unchanged affected by the extraordinary contribution to the DGF and its being non-tax deductible, and the higher impact of tax on assets.

Profit before taxes was 10% higher due to:

- Revenues increased, boosted by net interest income (+10%) and fee income (+8%), partially offset by lower gains on financial transactions (-55%).
- Costs remained under tight control, presenting a flat evolution, due to slightly higher personnel costs (+3%) and significantly lower general administrative expenses (-5%).
- Lower loan-loss provisions with material improvement in the NPL ratio and the cost of credit. The NPL ratio stood at 4.66% (5.84% in June 2016) and the cost of credit improved to 0.65% (0.75% in June 2016).

P&L
€ million and % change in constant euros



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PORTUGAL*

€233 M
Attributable profit

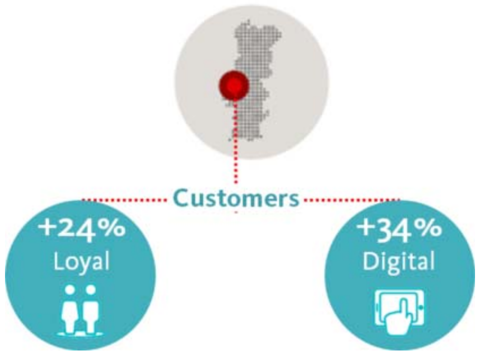
Contribution to the Group's profit: **5%**

FIRST HALF HIGHLIGHTS

- Strategy to transform the commercial model in order to improve the quality of service.
- Lending was affected by the sale of portfolios, while deposits continued to grow and focused on demand deposits (+30%).
- Profit was higher than in the first half of 2016 backed by lower costs and provisions, which more than offset the reduced revenues from the sale of loan and ALCO portfolios.

Commercial activity

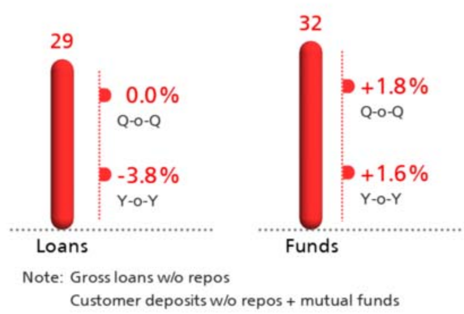
- The Bank is maintaining its strategy of transforming the commercial model, streamlining processes and developing new multi channel distribution solutions in order to improve the quality of customer service and efficiency.
- Activity in banking for individuals continues to be underpinned by the *1|2|3 World* programme. This continued to evolve positively, with a strong increase in the number of accounts, credit cards and protection insurance. This was because 51% of customers were not credit card holders, 66% did not have insurance and 25% did not have direct debiting from their accounts.
- The focus in companies remained on increasing the number of customers and the volume of business, with various initiatives such as *Santander Advance's* non-financial offer, the launch of new digital platforms and of a €1,600 million credit line to support SMEs. As part of its target to be the reference bank and support the country's economy, the *Top Exporta* conference was held in May at which the best exporters were singled out.
- These measures are reflected in the strong growth of the customer base and increased loyalty, (individuals, +23%, companies, +43%). Euromoney recognised the bank as the best in Portugal.



Business evolution

- Significant increases in new loans to individuals and companies, notably mortgages, which continued to register market shares of around 19% following the launching of new campaigns.
- This growth is not yet reflected in the year-on-year stock of credit, which fell, as it was partly eroded by the sale of some portfolios. Stable compared to December 2016 and the second quarter.
- Demand deposits increased 30% year-on-year, reflecting the strategy adopted to improve the cost of funding, which fell from 0.51% in June 2016 to 0.25% a year later. Mutual funds up 20%.

Activity
€ billion and % change



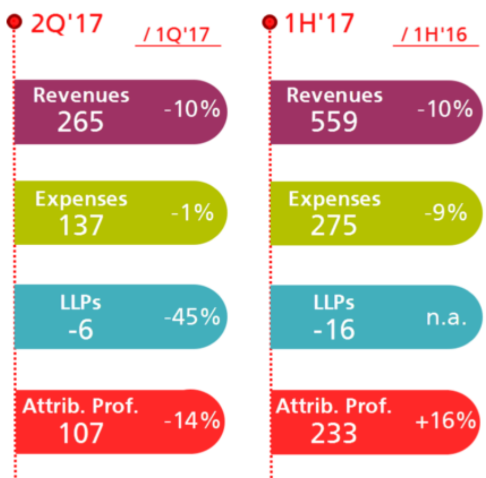
Results

In the second quarter, attributable profit was 14% lower, mainly due to lower gains on financial transactions from the sale of portfolios and the contribution to the SRF.

The first half attributable profit was 16% higher year-on-year at **€233 million.** By lines:

- Gross income affected by lower balances from the sale of loan and ALCO portfolios in 2016.
- Fall in operating expenses from the policy of optimising the commercial structure in order to adjust it to the business environment.
- Recovery of provisions from the sale of loan portfolios. Improved credit quality: NPL ratio of 7.67%, down from the peak of 10.5% after Banif's incorporation in the middle of 2016.

P&L
€ million and % change



*Ex-Popular

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UNITED KINGDOM

€824 M
Attributable profit

Contribution to the Group's profit: **17%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

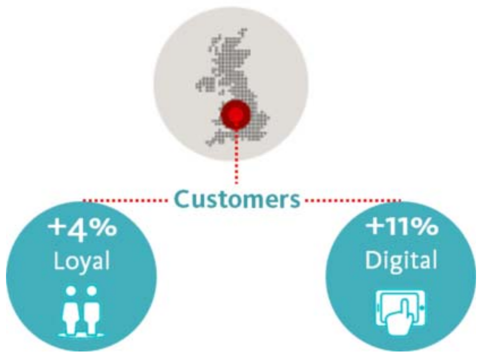
- **Strong business performance, cost discipline and good credit quality supported by still resilient UK macro-economic conditions.**
- **Solid growth in loans to corporates despite a competitive and uncertain operating environment.**
- **Digital transformation continued to support operational efficiency and customer experience.**
- **Higher revenues and broadly stable costs produced an 8% increase in profit before tax.**

Commercial activity

Santander UK is well positioned to succeed despite the more challenging macro environment:

- Leverage the *1|2|3 World* strategy, which has transformed our business. Customers increased by 43,000 to 5.2 million since the end of 2016. Retail current account balances were up by £1,500 million, and continue to show positive net inflows.
- We continue to develop our digital proposition: self-service investment platform (Investment Hub), mortgage application serviced via video link and the continued enhancement of our international offering for SMEs.
- Loyal customers continued to increase, and digital customers reached 4.8 million (+11% year-on-year).

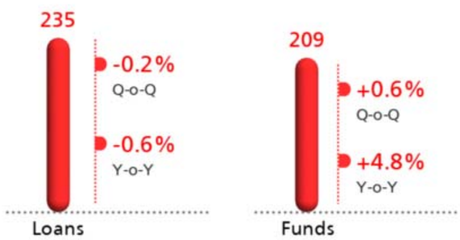
The implementation of our Banking Reform structure is well advanced, with the chosen model minimising the impact on customers and maintaining long-term flexibility.



Business evolution

- Customer lending was broadly flat since the end of 2016, with lending to companies continuing to perform well (up 3%).
- Gross mortgage lending was £11,600 million, including 10,900 first-time home buyers.
- Customer deposits excluding repos increased 5% driven by *1|2|3 World*. The strategy of reducing time deposits and growing current accounts continues.

Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

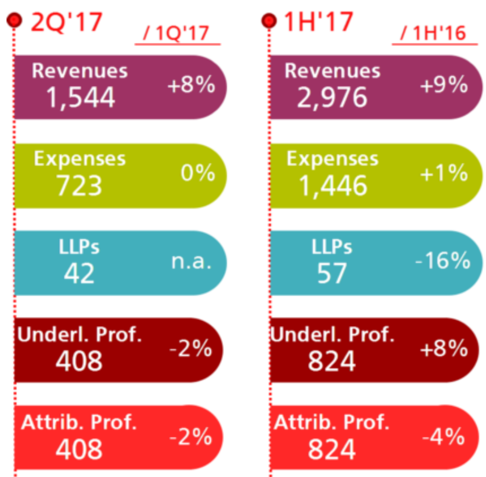
Results

Second quarter attributable profit of €408 million, similar to that in the first quarter. Good performance of gross income (net interest income and gains on financial transactions) offsetting the increase in provisions, additional conduct remediation charges and taxes.

First half attributable profit of €824 million, down 4% from the first half of 2016 when the capital gains of VISA Europe and restructuring costs were recorded. Underlying profit rose 8%. Noteworthy aspects:

- Net interest income up 8% year-on-year, driven by retail liability improvement, partially offset by standard variable rate (SVR) attrition and new asset margin pressures.
- Net fee income was up 6% year-on-year, mainly from increases in banking, credit card and investments fee income.
- Operating expenses were broadly flat, as efficiency improvements absorbed investments in business growth, the continued enhancements to our digital channels and the banking reform costs of £42 million.
- Credit quality remained strong in all loan portfolios. The NPL ratio improved to 1.23%, and the cost of credit remained close to zero.

P&L
€ million and % change in constant euros



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BRAZIL

€1,244 M
Attributable profit

Contribution to the Group's profit: **26%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **We remained positioned to grow more profitably, and increase loyalty and transactions based on a better customer experience.**
- **Continued positive trend in customer revenues, due to the good dynamics of almost all fee income lines and net interest income, which grew backed by volumes, spreads and liabilities.**
- **Loan-loss provisions remained virtually unchanged, maintaining the good evolution in credit management.**
- **Further improvement in profitability: attributable profit 32% higher year-on-year at €1,244 million.**

Commercial activity

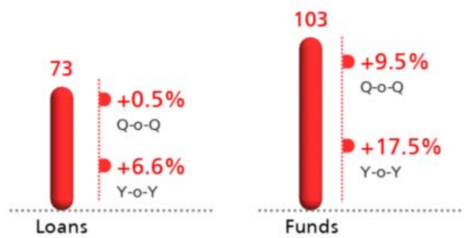
Of note among the strategic measures taken in the second quarter, all of them based on increasing transactions with customers, were:

- In card business, lending turnover rose for the seventh quarter running. *AAdvantage* programme cards began to be sold in April, with 80% of cards activated.
- In acquiring business, Getnet continued to perform much better than the market. Total turnover rose 36% and market share increased to 11.4% (+2.5 p.p.).
- In consumer finance, we expanded the new digital model *+Negocios* to the website and to the goods and services segment.
- The *Santander Way* app exceeded 6.5 million downloads and 19 million logins a month. It has new functionalities and scored 5 stars in the app markets.
- These measures resulted in double digit growth in the number of loyal and digital customers. The volume of digital transactions also rose.
- Euromoney recognised Santander as the best bank in Brazil.

Business evolution

- Lending rose 7% year-on-year, with further market share gains. Loans to individuals rose 11%, consumer finance 20% and to SMEs 7%. Credit growth to SMEs accelerated for the third straight quarter.
- Funds increased, mainly time deposits (+40%), after replacing *letras financieras* by lower-cost deposits, and mutual funds (+9%).

Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

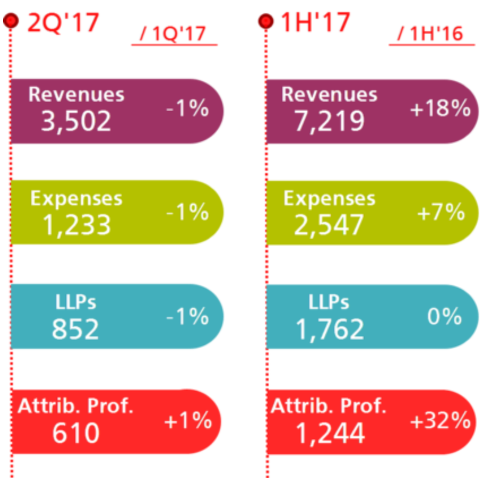
Results

Attributable profit of €610 million in the second quarter (+1% quarter-on-quarter), backed by higher commercial revenues, control of costs and lower provisions.

First half attributable profit 32% higher year-on-year at €1,244 million. Of note:

- Good performance of net interest income (+14%), mainly due to revenue from funds (+50%) and from loans (+8%), both of them supported by greater volumes and spreads.
- Fee income rose 20%, mainly from cards (+46%), acquiring business (+27%), capital markets (+24%) and current account fees (+22%).
- Costs remained under control. Total operating expenses, however, rose more than inflation in the first half due to the variable components that accompanied the business growth (of note Getnet, which increased with gains in efficiency). The efficiency ratio improved 3.9 p.p. to 35.3%.
- Stable loan-loss provisions and the cost of credit (4.79%) was lower than in the previous three quarters. The NPL ratio (5.36%) and coverage (96%) were also better.

P&L
€ million and % change in constant euros



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MEXICO

€350 M
Attributable profit

Contribution to the Group's profit: **7%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **Strategy centred on being the main bank of our customers, increasing attraction and loyalty and the use of digital channels.**
- **Commercial focus on enhancing the offer of the *Santander Plus* programme.**
- **The strategy continued to produce double-digit growth in deposits and in lending to SMEs and medium-size firms.**
- **Attributable profit up 26% year-on-year. Of note net interest income (+14%).**

Commercial activity

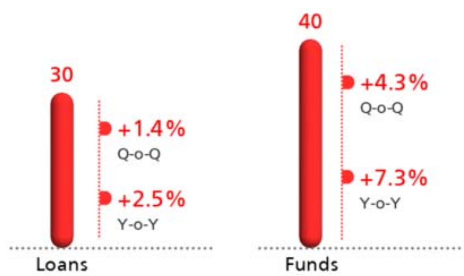
New measures were implemented in the second quarter in various segments:

- The commercial strategy continues to drive the use of digital channels, attracting new customers and domiciling payments.
- We added new benefits to the *Santander Plus* programme and facilitated their inscription via alternative channels such as ATMs and *SuperNet*, fostering multi channels. So far more than 1.9 million customers have registered, 52% of whom are new.
- Focus on replacing mortgages with the *Hipoteca Personal* through a temporary promotion. In payroll, we continued the commercial efforts in portability and launched PTU campaigns (employee profit sharing) to capture investments.
- The *Fiesta Rewards* credit card was re-launched, strengthening its benefits and releasing a new image. Insurance was promoted via ATMs.
- In companies and institutions, we are maintaining the strategy of attracting the payroll of corporate clients and launched a new campaign for SMEs.
- The *Select Me* programme was launched which seeks to support women, including solutions that help their day-to-day professional development.

Business evolution

- All these measures were reflected in a year-on-year rise in lending, both to individuals, which rose 5% (+9% consumer credit, +2% mortgages and +6% credit cards), as well as to companies (+11%) and SMEs (+9%).
- Customer funds also increased, with double-digit growth in current accounts of individuals (+17%) as well as in time deposits.
- Consistent contribution of GCB to business growth and pre-tax profit.

Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

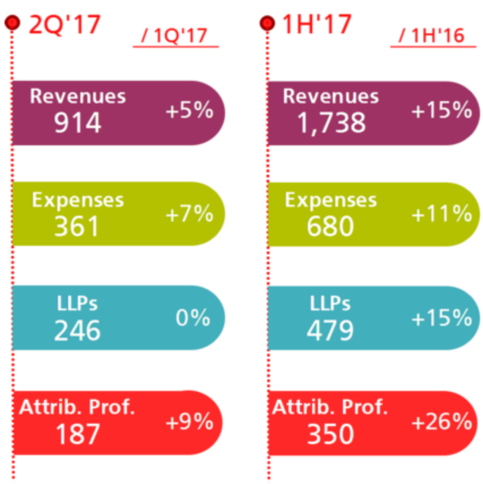
Results

Attributable profit grew 9% quarter-on-quarter to €187 million, due to the good performance of gross income and stable provisions.

The first half attributable profit was 26% higher year-on-year at €350 million. By lines:

- Net interest income rose 14%, due to higher interest rates as well as growth in loans and deposits. Fee income increased 7%, mainly from transactional banking.
- Operating expenses were higher because of new commercial projects to attract customers and increase their loyalty, as well as ongoing investments. Despite this, the efficiency ratio improved to 39.1%.
- Loan-loss provisions increased because of the disposal of non-performing loans in the first and second quarters of 2017.

P&L
€ million and % change in constant euros



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CHILE

€297 M
Attributable profit

Contribution to the Group's profit: **6%**

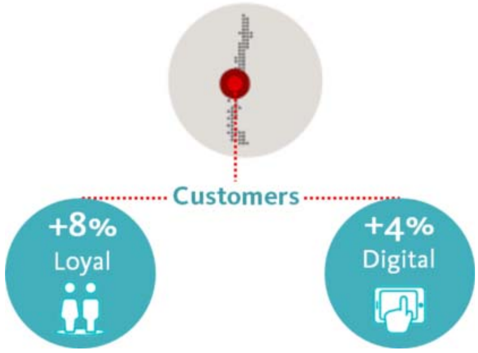
FIRST HALF HIGHLIGHTS (changes in constant euros)

- The bank continued focusing on the quality of customer service and on transforming the branch network *(WorkCafé)*.
- The growth strategy in low risk segments produced further improvements in the quality of the portfolio and in the cost of credit.
- Growth in mutual funds and advisory businesses in Global Corporate Banking, Companies and Institutions drove fee income.
- Attributable profit up 11%, spurred by dynamic commercial revenues, control of costs and provisions.

Commercial activity

The Group maintained its strategy of offering long-term profitability in a scenario of lower spreads and greater regulations:

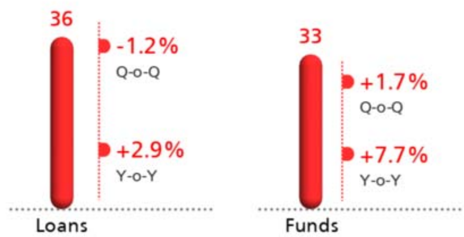
- The Bank continued to centre on improving the quality of customer attention and transforming the commercial banking segment, particularly in business with medium-high income customers and SMEs.
- The transformation of the traditional network toward a new branch model continued, with the new *WorkCafé* branches. These branches are more productive than traditional ones and improve customer satisfaction.
- The *Worldmember Limited* card was launched, focused on high-income clients.
- Digitalisation is producing an increase in digital customers. Their number is now more than 980,000 (+4% year-on-year). Loyal customers also increased (+8% individuals and +12% companies).
- Best Chile recognised the Bank as the Best Company for Employee Financial Future, and Euromoney as Best Bank in Chile and Best Investment Bank in Chile.



Business evolution

- Lending rose 3% year-on-year due to high-income clients (+10%) and SMEs (+5%). Also of note was the 10% growth in consumer credit, while mortgages grew at a slower pace after rising extraordinarily in 2015-2016.
- Deposits rose 1%, mainly time deposits, and mutual funds 39% year-on-year.

Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

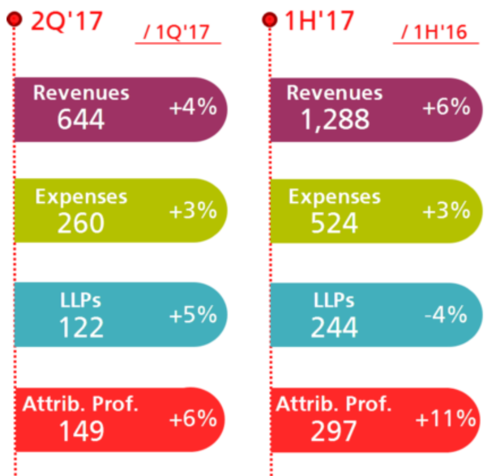
Results

The second quarter profit was €149 million (+6% quarter-on-quarter), thanks to the growth in net interest income and gains on financial transactions.

The first half profit was 11% higher year-on-year at €297 million, mainly due to the rise in net interest income and fee income, control of costs and lower provisions. By lines:

- Net interest income was up 4%, underpinned by higher volumes in target segments and management of the cost of funds. Gains on financial transactions grew 6% and fee income 11%: that from mutual funds (+15%), insurance (+36%) and financial advisory services (+222%).
- Operating expenses rose 3% as we rolled out the digital strategy and the measures to generate efficiencies began to bear fruit. The efficiency ratio improved to 40.7%.
- Provisions fell, with improvement in the situation of loans to individuals and SMEs. All credit quality indicators improved: cost of credit 1.37%, NPL ratio 5.00% and coverage 58%.

P&L
€ million and % change in constant euros



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ARGENTINA

€193 M
Attributable profit

Contribution to the Group's profit: **4%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **The integration of Citibank's retail banking proceeded according to schedule.**
- **Focus on *Santander Select* and *Pymes Advance*, on exploiting intermediation growth and on becoming a digital bank.**
- **Attributable profit was 36% higher year-on-year, driven by net interest income and fee income.**

Commercial activity and business evolution

- After taking control of Citibank's retail network on March 31, the priorities are to complete the integration, obtain synergies and enhance customer and employee satisfaction. The impact on the number of customers is very low and less than expected. Including Citibank, our market share is now almost 12%.
- In order to keep on improving the quality of service and strengthen our leadership position, we are maintaining the focus on the multi channel projects, *Select* and *Pymes Advance*.
- The branch transformation plan continued, with 259 branches transformed so far (65% of the total network). Penetration of the *Santander Río Mobile* app increased (646,000 users, 26% of active customers).
- All these actions are reflected in customer satisfaction (the best in the market), growth in loyal customers (+28%) and in digital ones (+16%), increasing cross-selling, loyalty of transaction banking customers and profitability.
- Lending rose 58% year-on-year and deposits 63% (due to demand deposits). These figures have an impact of around 14 p.p. in loans and 20 p.p. in deposits due to Citibank's entry. Excluding it, there was notable growth in consumer credit and in UVA mortgages indexed to inflation. Santander Río is the leader in new lending in this segment, with a market share of 21%.

Results

Attributable profit was 18% lower in the second quarter than in the first , due to the charges made for speeding up Citibank's integration.

The first half profit was 36% higher year-on-year at €193 million, including the first three months' control of Citibank's retail network:

- The commercial strategy and the greater business volumes boosted net interest income by 63% and fee income by 51%. Of note was fee income from maintaining accounts, securities, mutual funds and foreign currency.
- Operating expenses increased less than gross income, despite the impact of the salary agreement, the expansion of the branch network and investments in transformation and technology. Net operating income rose 46% and the efficiency ratio improved to 56.0%.
- Loan-loss provisions increased in line with lending, which maintained the high credit quality. The NPL ratio was 2.21% and coverage 110%.

PERU

€18 M
Attributable profit

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **Business continued to grow, despite the economic slowdown.**
- **The first half attributable profit was unchanged year-on-year.**

Commercial activity and business evolution

- The strategy remains focused on the corporate segment, large companies and the Group's global customers.
- The auto finance company continued to consolidate its activity, with double digit growth in revenues and a gain in market share.
- Lending was 1% higher year-on-year.

Results:

- **The second quarter profit was 29% higher than the first quarter's**, spurred by higher gross income and lower costs.
- The **first half profit was €18 million.** Gross income was down 3% due to reduced fee income from the lower activity in infrastructures, which was offset by higher gains on financial transactions. Costs were held and the efficiency ratio was 31.5%.
- High credit quality (NPL ratio of 0.55% and very high coverage), which lowered the cost of credit.

URUGUAY

€56 M
Attributable profit

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **The Group continued to be the country's leading private sector bank, focusing on retail banking and improving efficiency and the quality of service.**
- **Lending grew to target segment (SMEs) and products (consumer credit).**
- **Attributable profit rose undepinned by commercial revenues.**

Commercial activity and business evolution

The following commercial actions were developed in the first half:

- Santander continues to focus on improving customer satisfaction and increasing customer loyalty. The *Verano Select Experience*, a new way of relating to our customers, was launched in the first quarter and is having a big impact on our *Select* clients.
- As part of the process to digitalise and modernise channels, we launched the *Buzonera Inteligente*. These on-line deposit terminals cover 70% of the bank's network. The finance companies launched the second version of the app, via which customers can access all services, including loans. This element distinguishes us from our competitors.
- We continued to innovate and in May opened a new centre specialised in mortgages and auto finance, transforming a traditional branch with a specialized lay out.
- We continued to advance in our growth strategy for digital customers (153,000 at the end of June, +41%). Digital penetration reached 43%, up from 33% in 2016.
- Total lending declined 8%, impacted by the peso's appreciation on foreign currency balances and a strategy that favours capital and profitability. Consumer credit and credit cards, however, grew 15%. Deposits fell 17%, due to the drop in demand deposits caused by the outflow of non-resident deposits and the strategy of lowering the cost of funds captured.

Results

Attributable profit was 5% higher than the first quarter, underpinned by gross income and stable costs.

The first half profit was 18% higher year-on-year at €56 million, driven by:

- Net interest income (+10%) and fee income (+10%), coupled with operating expenses increasing at below the inflation rate, thanks to the ongoing efficiency plan. The efficiency ratio continued to improve, to 48.2% (-2.6 p.p. year-on-year).
- Loan-loss provisions dopped 6%, the NPL ratio remained at a low level (1.84%), coverage was 153% and the cost of credit 1.79%.

COLOMBIA

- Our bank in Colombia focuses on growing business with Latin American companies, multinational companies, international desk and large and medium-sized local companies. We also provide treasury solutions, risk coverage, foreign trade and confirming, as well developing investment banking products and supporting the country's infrastructure plan.
- Premier Credit, the auto finance company, focused on increasing its volume of operations by signing commercial agreements with dealer networks. It launched the project that will give Banco Santander de Negocios Colombia the capacity to finance loans originated by Premier Credit.
- The first half posted gross income of €13 million and an attributable profit of €3 million.

UNITED STATES*

€244 M
Attributable profit

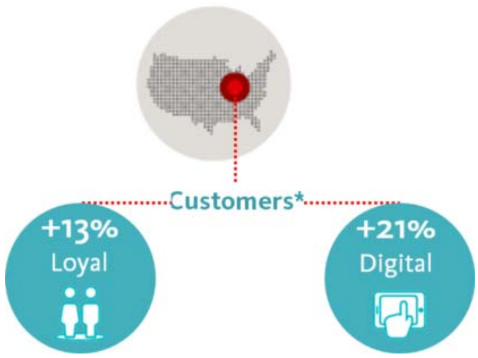
Contribution to the Group's profit: **5%**

FIRST HALF HIGHLIGHTS (changes in constant euros)

- SHUSA passed the Federal Reserve stress test, after which its Board of Directors approved the payment of dividends to begin.
- Santander Bank focused on improving profitability by optimising the balance sheet and increasing efficiency.
- Santander Consumer USA, focus on changing the business mix and building its prime loans origination platform, including Chrysler.
- First half 2017 attributable profit of €244 million, broadly stable year-on-year impacted by the change of business mix and costs still high. Quaterly, attributable profit rose for the second straight quarter.

Commercial activity

- Santander US, which includes Santander Bank, Santander Consumer USA, Banco Santander International (Miami) and Puerto Rico, continued to make progress achieving its regulatory goals, and in its transformation programme.
- SHUSA passed the Federal Reserve stress test, quantitatively (core capital ratio of 12.4% under the adverse scenario, and above the 4.5% required minimum) as well as qualitatively. The Fed did not object to the bank's capital plan, including the payment of dividends for the first time since 2011.
- At Santander Bank we remain focused on improving the customer experience, enhancing its product offerings and digital channels. Of note in the second quarter was the launching of a new credit card for retail customers, *Apple Pay*, and a new cash management platform, *Treasury Link*, for commercial customers.
- Santander Consumer USA's strategy is centred on optimizing the performance of assets retained on the balance sheet, lowering its cost of funds, and realize the full value of its agreement with Fiat Chrysler.



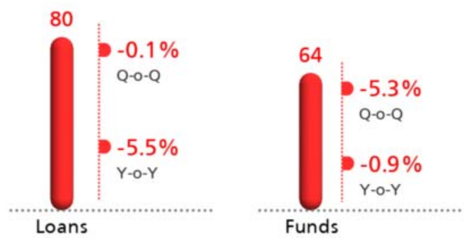
(*) Santander Bank

Business evolution

- Deposits slightly lower year-on-year following the slowdown in the second quarter, mainly because of the outflow of institutional deposits and large companies.
- Loans fell 6% year-on-year, driven by the sale of the consumer lending portfolio from Santander Consumer USA during 2016, reduction of commercial loan originations at Santander Bank and disciplined pricing targeted at improving profitability.
- Santander Bank's net interest margin increased to its highest level since 2014, reaching 2.66% in the second quarter of 2017.

Activity

€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

Results

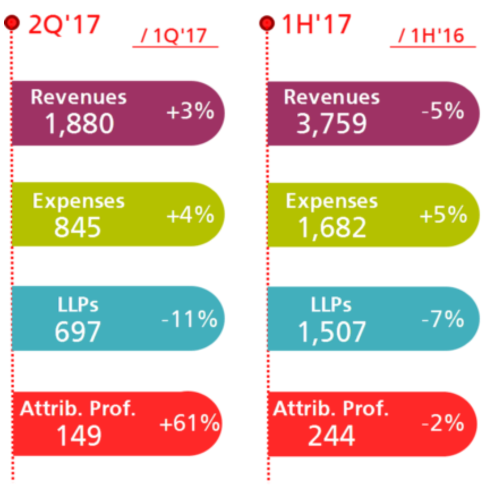
Second quarter attributable profit of €149 million, rose for the second straight quarter (61% quarter-on-quarter).

First half attributable profit of €244 million, down 2%, as follows:.

- Gross income fell, impacted by lower net interest income due to a change of business mix towards a lower risk profile at Santander Consumer USA, partly offset by lower provisions.
- Santander Bank benefited from the rise in interest rates and its lower cost of funds following balance sheet optimization efforts in 2016.
- Operating expenses rose due to investments in Santander Consumer USA, as Santander Bank's costs remained broadly flat.
- Loan-loss provisions fell 7% as a result of good performance in Santander Bank as well as in Santander Consumer USA.

P&L

€ million and % change in constant euros



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*Ex-Popular

CORPORATE CENTRE

-€1,031 M
Attributable profit

FIRST HALF HIGHLIGHTS

- **The centre's objective is to contribute value-added to the operating units, transferring the Group's best practices. It also develops functions related to financial and capital management.**
- **Gross income hit by higher costs associated with hedging of exchange rates, which have a positive impact on the business areas.**
- **Operating expenses were 4% lower after adopting streamlining and simplification measures in the second quarter of 2016.**

Strategy and functions

The corporate centre contributes value to the Group in various ways:

- It makes the Group's governance more solid, through global control frameworks and supervision, and making strategic decisions.
- Fostering the exchange of best practices in management of costs and economies of scale. This enables us to be one of the most efficient banks.
- By sharing the best commercial practices, launching global initiatives and driving digitalisation, the Corporate Centre contributes to the Group's revenue growth.

It also develops functions related to financial and capital management, as follows

- Financial Management functions:
  - Structural management of liquidity risk associated with funding the Group's recurring activity, stakes of a financial nature and management of net liquidity related to the needs of some business units.
  - This activity is carried out by diversifying the different funding sources (issues and other), maintaining an adequate profile at each moment in volumes, maturities and costs. The price at which these operations are made with other Group units is the market rate (euribor or swap) plus the premium, which in the concept of liquidity, the Group supports by immobilising funds during the term of the operation.
  - Interest rate risk is also actively managed in order to soften the impact of interest rate changes on net interest income, conducted via derivatives of high credit quality, very liquid and low consumption of capital.
  - Strategic management of the exposure to exchange rates on equity and dynamic on the countervalue of the units' results in euros for the next 12 months. Net investments in equity are currently covered by €20,609 million (mainly Brazil, UK, Mexico, Chile, US, Poland and Norway) with different instruments (spot, forex, forwards).
- Management of total capital and reserves: capital allocated to each of the units.
  - Lastly, and marginally, the Corporate Centre reflects the stakes of a financial nature that the Group makes under its policy of optimising investments.

Results

Second quarter loss of €563 million, 20% more than the first quarter due to other results and lower tax recovery.

First half loss of €1,031 million, higher than in the first half of 2016 because of the costs associated with exchange rate hedging, whose positive impact is reflected in the business areas and less recovery of taxes.

In addition, net interest income was hit by higher financial costs due to the issues made.

Operating expenses, on the other hand, were down as a result of the streamlining and simplification measures adopted in the second quarter of 2016.

Corporate Centre, € million

	2Q'17	1Q'17	Var. %	1H'17	1H'16	Var, %
Gross income	(340)	(341)	(0.1)	(681)	(468)	45.5
Net operating income	(458)	(460)	(0.4)	(919)	(714)	28.6
Underlying attributable profit to the Group	(563)	(468)	20.4	(1,031)	(729)	41.5
Attributable profit to the Group	(563)	(468)	20.4	(1,031)	(915)	12.7

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RETAIL BANKING

€3,755 M
Attributable profit

FIRST HALF HIGHLIGHTS (changes in constant euros)

- **Continued transformation of our commercial model into a model that is increasingly Simple, Personal and Fair.**
- **Focus on three main priorities: customer loyalty and satisfaction, digital transformation and operational excellence.**
- **The Group had 16.3 million loyal customers and 23.0 million digital ones at the end of June. Of note was the launching of Openbank, the first fully digital Spanish bank**
- **Euromoney chose Santander as the Best Bank in the World for SMEs for the second straight year, and Best Bank in Latin America and in five countries where it operates.**

Commercial activity

Santander maintains a clear and consistent commercial transformation strategy. The three main drivers of the transformation programme are:

1. Continuously improve **customer loyalty and satisfaction.**
2. Drive the **digital transformation of our channels, products and services.**
3. Keep on improving customer satisfaction and their experience, improving **operational excellence,** with new processes that are simpler, more efficient and omnichannel.

Euromoney named Santander for the second year running the best bank for SMEs. We were also recognised as the best bank in Latin America and in five countries (Brazil, for the first time, Chile, Poland, Portugal and Puerto Rico).

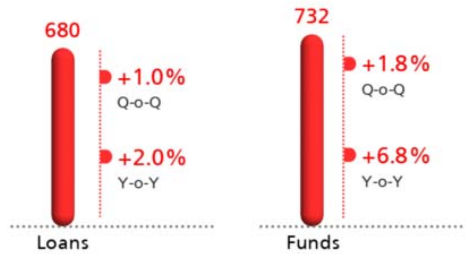
Of note in the second quarter were:

- In customer loyalty, the *1l2l3* strategy and *Santander Plus* in Mexico continued to be consolidated in most countries. For example, in Spain the *1l2l3 Smart* account for millenials (available to those aged between 18 and 31) has already captured more than 90,000 accounts since its launch in April.
- Santander continues to be a reference bank in launching innovative products tailored to customer needs. As an example, the *Select Me* programme in Mexico offers products and services aimed to support women.
- The marketing of the cards of various loyalty programmes with airlines is being well received (American Airlines, *AAdvantage* in Brazil and Argentina, the Santander Aeroméxico in Mexico and *WorldMember Limited* in Chile).
- Of note in digitalisation was the launch of Openbank, the first fully digital Spanish bank, with one of the sector's most complete, flexible and agile platforms. It has a full range of products with customized, year-round service, 24x7.
- Products and services marketed in different channels (branches, ATMs, apps, websites, etc.) are being enhanced in all markets.

Results (in constant euros)

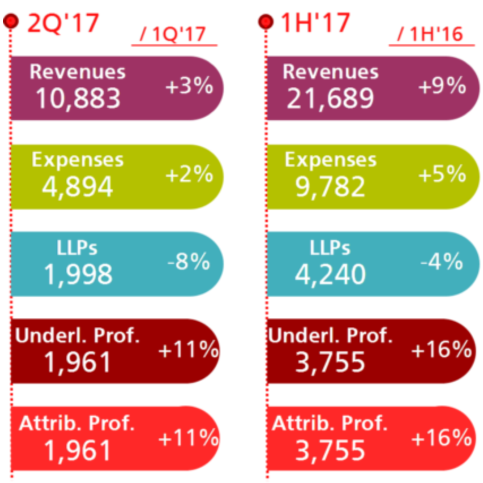
- **The first half attributable profit** was 16% higher at €3,755 million, due to growth of 7% in net interest income and 11% in fee income, and lower provisions.
- Profit was 11% more **than the first quarter,** with the same qualitative comments by lines.

Activity
€ billion and % change in constant euros



Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

P&L
€ million and % change in constant euros



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GLOBAL CORPORATE BANKING

€1,024 M
Attributable profit

FIRST HALF HIGHLIGHTS (changes in constant euros)

Santander confirmed its leadership in Latin America, Spain and Portugal in the first half, and also it strengthened its reference position in cash management and export finance.

- **Attributable profit of €1,024 million (+24%).**
- **Growth in gross income and control of costs, underpinned by the strength of our business model.**

Commercial activity and business evolution

- **Corporate Finance:** record six months in placement of shares, with strong activity in Europe and Latin America. Of note in Continental Europe was our participation in five of the year's largest capital increases: Unicredit, Deutsche Bank, Credit Suisse, EDP and Amundi, In Latin America, we took part on the three biggest operations: CCR and *Lojas Americanas* in Brazil and *José Cuervo* in Mexico.
- **Cash Management:** in Europe and Latin America we continued to be supported by our regional platform *Santander Cash Nexus*.
- **Export Finance:** the Group maintained its leadership position in Latin America, increasing the mandates won in new markets such as the Middle East.
- **Trade & Working Capital Solutions:** notable rise in mandates in both our core countries as well as in others, particulary in Receivables.
- **Debt capital markets**: Santander maintained its leadership position in Latin America and Spain and Portugal, while strengthening its position in euro, sterling and dollar markets. Of note in Latin America was the placement of the Republic of Chile's $2,000 million bond and the issues of ENAP, Energuate and YPF, among others. Also noteworthy was the Bank's increasing role in dollar issues such as that of the Coca Cola Company, where Santander played a key role, or more recently American Tower.
- **Syndicated corporate loans**: Santander continued to play a significant role in the main corporate transactions. Of note was the leadership role in Chemchina's acquisition of Syngenta and the $4,200 million loan to Fresenius to purchase Akron in the US.
- **Structured financing**: Santander maintained its leadership in Latin America, Spain and the UK. Noteworthy was the financing for Zuma to build wind power parks in Mexico and the M6 motorway in the UK, the largest M&A operation on infrastructure assets in the country.
- **Markets**: positive evolution of revenues from sales with strong growth in Spain. Greater year-on-year contribution in management of books, notably in the UK, Mexico, Spain and Portugal and Brazil.

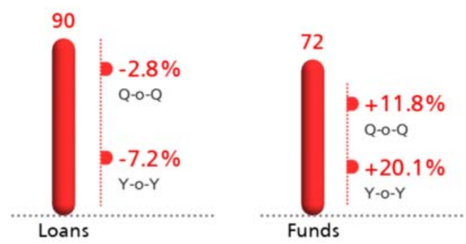
Results (in constant euros)

The **second quarter** attributable profit was 30% down over the first quarter, mainly due to lower gains on financial transactions. Commercial revenues, on the other hand, rose 3%, with excellent performance of fee income (+11%).

The first half profit was 24% higher year-on-year at €1,024 million.

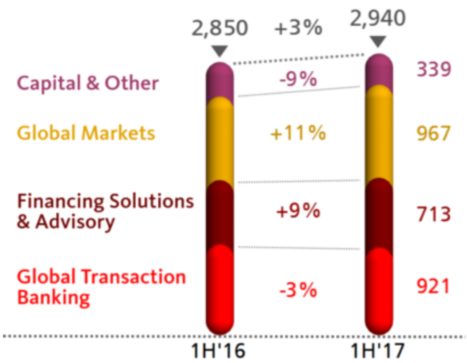
- Gross income increased due to corporate finance and global markets due to the good performance of Mexico, UK and, particularly, Spain. This evolution more than offset the loss of DVA as a result of the contraction of the Group's cost of risk. Global Transaction Banking results remained unchanged.
- Operating costs declined 1%, and provisions were also lower, particularly in the UK, US and Brazil.

Activity
€ billion and % change in constant euros

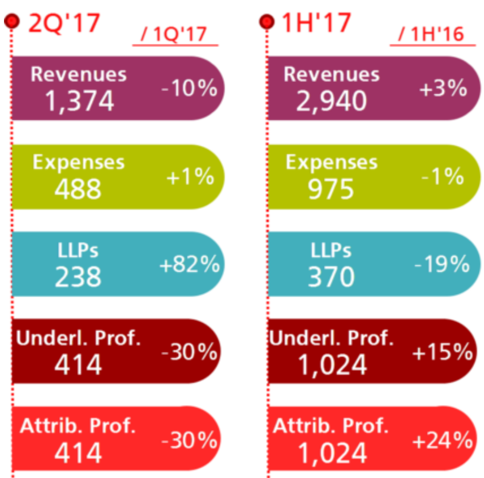


Note: Gross loans w/o repos
Customer deposits w/o repos + mutual funds

Gross income breakdown
Constant € million



P&L
€ million and % change in constant euros



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» Corporate Governance

Santander has a solid system of corporate governance, based on a strong culture and values and an adequate control of risks, which ensures that management is aligned with the interests of our shareholders, investors, employees, suppliers, customers and other stakeholders.

Balanced composition of the board

Respect for shareholders' rights

Maximum **transparency** in the board's and senior management's remuneration

At the **forefront** of best corporate governance practices

Changes in the board's composition and its committees

- The Bank's AGM ratified on April 7 the appointment of Ms. Homaira Akbari as an independent director as she meets the requirements established in Article 529 *duodecies*, section 4 of the Law on Corporations.
- On June 26, the board, at the proposal of the appointments committee, agreed to appoint Ms. Homaira Akbari and Mrs Esther Giménez-Salinas y Colomer members of the auditing committee and the risk supervision, regulation and compliance committee, respectively, in place of Mr. Juan Miguel Villar Mir, who resigned from both committees on this same date.

Other appointments

The following senior management appointments were made during the first half:

- Jennifer Scardino, senior executive vice president, head of Global Communications and deputy head of the Communications, Corporate Marketing and Research division, as of March 31.
- Keiran Foad, senior executive vice president and deputy chief risk officer, as of June 14.
- José María Linares, senior executive vice president and head of Santander Global Coprorate Banking, as of June 14.
- Lindsey Argalas, senior executive vice president and head of Santander Digital and chief digital and innovation officer. Her appointment is subject to the supervisor's authorisation.

» Corporate Social Responsibility

Santander is committed to helping people and businesses prosper

ROBECOSAM Sustainability Award Silver Class 2017 FTSE4Good

Presence in the socially responsible investment **indexes**

1.7 million **people helped** in 2016

€209 million **social investment** in communities in 2016

€157 million invested in **higher education** in 2016

Grupo Santander continued to develop new measures within its corporate social responsibility commitment. The main ones in the second quarter were:

Support for higher education, entrepreneurship and job creation

- Santander Universities, in cooperation with Crue Universidades Españolas and CEPYME, launched the sixth edition of the Santander work experience in SMEs scholarship programme which aims to complement the training of university students, bringing them closer to the professional sphere and helping them onto the job market. The latest programme enables 5,000 students to gain paid work experience in SMEs throughout Spain.

- Santander, via Santander Universities, sponsored for the second year running the INNOVATEChina international competition, which has become one of the references at global level for MBA students who want to expound their ideas and business models on the future of financial services.

Investment in the community

- Ana Botín, closed the IX Meeting of the Bank's Social Projects in Spain, which rewarded the 11 winning projects chosen by employees from the 320 initiatives of the 274 participating entities.

- Each winner received €39,807 from the fund created with the cooperation of more than 2,500 Santander employees in Spain. The Bank also co-financed the selected projects and matched the amount contributed by employees. The fund has collected €437,880 and helped 7,653 people. In its nine editions, 60 initiatives have been supported and more than 30,000 people helped.

- During the *We are Santander Week*, which involves all the Group's employees, the Fourth Big Collection of Food was held, in favour of the Red Cross. This event gives the Group's professionals the opportunity to show their solidarity spirit and contribute to improving the life of the most needy. More than 60,000 kg of basic products were delivered to the NGOs that took part in this initiative.

The environment and climate change

- Banco Santander joined the Climate Leadership Council as a founder member, with Ana Botín representing the Bank. It has global leaders and aims to combat climate change with market solutions, establishing a CO_2 price that incorporates the negative impact of greenhouse gas emissions on the economy.

- Banco Santander turned off for the eighth year running the lights in its most emblematic buildings in its 10 core markets and in its branch network under the World Wildlife Fund's Earth Hour campaign.

- Santander Global Corporate Banking led the placement by Empresas CMPC of a $500 million green bond maturing in 2027. CMPC is a world leader in the cellulose and paper sector. It makes forestry products in Latin America for local and international markets.

» The Share

Shareholder remuneration

- Shareholders received in May the fourth dividend in cash of €0.055 per share charged to 2016's earnings. This brought the total remuneration for 2016 to €0.21 per share.
- The board approved the payment of the first dividend in cash of €0.06 per share charged to 2017's earnings to be paid on August 4th.

Share price performance

- The markets performed positively in the first half against a backdrop of optimism over the expected economic measures in the US, the Fed's two interest rate rises of a quarter of a point, political stability after the Dutch and French elections and the improvement in the economic outlook. The UK's snap election, the start of the Brexit negotiations and volatile oil prices injected instability.
- The Santander share ended June at €5.792, up 16.8% in the first half and ahead of the main indexes. The Spanish Ibex 35 rose 11.7%, DJ Stoxx Banks 7.1%, DJ Stoxx 50 3.7%, and MSCI World Banks 9.3%. The total shareholder return (share price+dividend) was 19.1%, also ahead of the leading indices.

Capitalisation and trading

- At the end of June Santander was the euro zone's largest bank and the 12th among the world's financial institutions by market capitalisation (€84,461 million). The share's weighting in the DJ Stoxx 50 was 2.3%, 7.9% in the DJ Stoxx Banks and 15.5% in the Ibex-35.
- A total of 11,754 million Santander shares were traded in the first half for an effective value of €65,565 million, the highest figure among the shares that comprise Eurostoxx (liquidity ratio of 81%). The daily trading volume was 92,5 million shares (€516.3 million).

Capital increase

- Santander increased in July its capital by €7,072 million in order to reinforce its solvency following the acquisition of Banco Popular. A total of 1,458,232,745 new shares were issued, 10% of the capital stock before the increase (9.09% after the capital increase), with preferential subscription rights for the Bank's shareholders and at a price of €4.85 per share.

Shareholder base

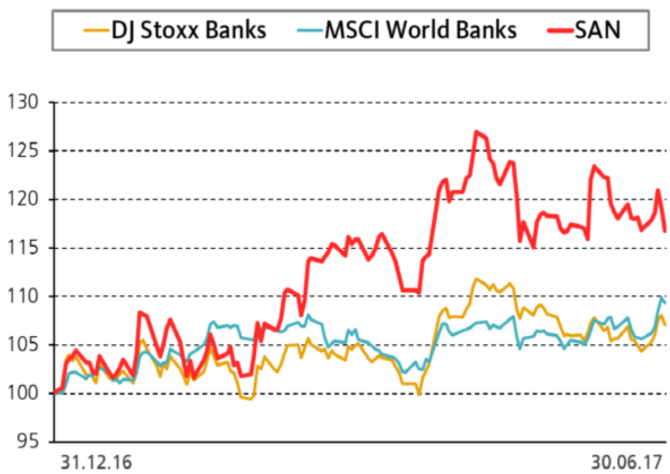
- The total number of Santander shareholders at June 30 was 4,019,706, of which 3,790,720 were European (77.3% of the capital stock) and 213,169 from the Americas (22.0%). Excluding the board of Grupo Santander, which holds 1.2% of the Bank's capital stock, individuals hold 41.3% and institutional shareholders 57.5%.

The Santander share. June 2017

Shareholders and trading data	
Shareholders (number)	4,019,706
Shares (number)	14,582,340,701
Average daily turnover (no. of shares)	92,547,829
Share liquidity (%) (Number of shares traded during the year / number of shares)	81
Price movements during the year	
Highest	6.350
Lowest	4.919
Last (30.06.17)	5.792
Market capitalisation (millions) (30.06.17)	84,461
Stock market indicators	
Price / Tangible book value (X)	1.40
P/E ratio (X)	12.32
Yield* (%)	3.77

(*).-2016 total dividend / 1H'17 average share price

Comparative performance



Financial report

APPENDIX

Quarterly income statement

€ million

	2016				2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Net interest income	7,624	7,570	7,798	8,096	8,402	8,497
Net fee income	2,397	2,549	2,597	2,637	2,844	2,885
Gains (losses) on financial transactions	504	366	440	412	573	287
Other operating income	204	270	245	142	211	240
Dividends	44	209	37	124	41	237
Income from equity-accounted method	83	112	119	130	133	154
Other operating income/expenses	78	(51)	90	(112)	37	(151)
Gross income	**10,730**	**10,755**	**11,080**	**11,288**	**12,029**	**11,910**
Operating expenses	(5,158)	(5,227)	(5,250)	(5,453)	(5,543)	(5,552)
General administrative expenses	(4,572)	(4,632)	(4,692)	(4,828)	(4,915)	(4,896)
Personnel	*(2,683)*	*(2,712)*	*(2,726)*	*(2,876)*	*(2,912)*	*(2,899)*
Other general administrative expenses	*(1,889)*	*(1,920)*	*(1,966)*	*(1,952)*	*(2,002)*	*(1,997)*
Depreciation and amortisation	(586)	(595)	(558)	(626)	(629)	(656)
Net operating income	**5,572**	**5,528**	**5,831**	**5,835**	**6,486**	**6,358**
Net loan-loss provisions	(2,408)	(2,205)	(2,499)	(2,406)	(2,400)	(2,272)
Impairment losses on other assets	(44)	(29)	(16)	(159)	(68)	(63)
Other income	(389)	(515)	(376)	(432)	(707)	(765)
Underlying profit before taxes	**2,732**	**2,779**	**2,940**	**2,838**	**3,311**	**3,258**
Tax on profit	(810)	(915)	(904)	(767)	(1,125)	(1,125)
Underlying profit from continuing operations	**1,922**	**1,864**	**2,036**	**2,071**	**2,186**	**2,133**
Net profit from discontinued operations	—	0	(0)	0	—	—
Underlying consolidated profit	**1,922**	**1,864**	**2,036**	**2,072**	**2,186**	**2,133**
Minority interests	288	338	341	305	319	395
Underlying attributable profit to the Group	**1,633**	**1,526**	**1,695**	**1,766**	**1,867**	**1,738**
Net capital gains and provisions*	—	(248)	—	(169)	—	—
Attributable profit to the Group (Ex-Popular)	**1,633**	**1,278**	**1,695**	**1,598**	**1,867**	**1,738**
Popular	—	—	—	—	—	**11**
Attributable profit to the Group	**1,633**	**1,278**	**1,695**	**1,598**	**1,867**	**1,749**
Underlying EPS (euros)	**0.108**	**0.100**	**0.112**	**0.116**	**0.122**	**0.113**
Underlying diluted EPS (euros)	**0.107**	**0.100**	**0.112**	**0.116**	**0.122**	**0.112**
EPS (euros)	**0.108**	**0.083**	**0.112**	**0.104**	**0.122**	**0.113**
Diluted EPS (euros)	**0.107**	**0.083**	**0.112**	**0.104**	**0.122**	**0.112**

(*) Including :

- In 2Q'16, capital gains from the disposal of the stake in Visa Europe (€227 million) and restructuring costs (-€475 million).
- In 4Q'16 provision for eventual claims related to payment protection insurance (PPI) in the UK (-€137 million) and restatement Santander Consumer USA (-€32 million).

Net fee income. Consolidated

€ million

	2Q'17	1Q'17	Var. %	1H'17	1H'16	Var. %
Fees from services	1,810	1,785	1.4	3,595	2,998	19.9
Mutual & pension funds	191	196	(2.6)	387	372	4.1
Securities and custody	288	270	6.4	558	450	24.1
Insurance	596	592	0.6	1,188	1,126	5.5
Group net fee income (Ex-Popular)	**2,885**	**2,844**	**1.4**	**5,729**	**4,946**	**15.8**
Popular	**31**			**31**		
Group net fee income	**2,916**	**2,844**	**2.6**	**5,760**	**4,946**	**16.5**

Operating expenses. Consolidated

€ million

	2Q'17	1Q'17	Var. %	1H'17	1H'16	Var. %
Personnel expenses	2,899	2,912	(0.5)	5,811	5,395	7.7
General expenses	1,997	2,002	(0.3)	4,000	3,809	5.0
Information technology	299	317	(5.7)	616	550	12.1
Communications	121	131	(7.7)	251	255	(1.3)
Advertising	180	169	6.4	349	304	15.0
Buildings and premises	433	449	(3.6)	882	867	1.7
Printed and office material	34	34	0.6	67	69	(1.8)
Taxes (other than profit tax)	126	124	1.9	251	232	8.2
Other expenses	804	779	3.3	1,583	1,533	3.3
Personnel and general expenses	**4,896**	**4,915**	**(0.4)**	**9,811**	**9,204**	**6.6**
Depreciation and amortisation	656	629	4.3	1,284	1,181	8.8
Group operating expenses (Ex-Popular)	**5,552**	**5,543**	**0.1**	**11,095**	**10,384**	**6.8**
Popular	**96**			**96**		
Group operating expenses	**5,648**	**5,543**	**1.9**	**11,191**	**10,384**	**7.8**

Operating means. Consolidated

	Employees			Branches		
	30.06.17	30.06.16	Var.	30.06.17	30.06.16	Var.
Continental Europe	**56,780**	**57,003**	**(223)**	**4,634**	**5,113**	**(479)**
o/w: Spain	22,941	23,309	(368)	2,869	3,119	(250)
Santander Consumer Finance	14,948	14,747	201	557	579	(22)
Poland	11,770	11,334	436	598	666	(68)
Portugal	6,096	6,466	(370)	600	734	(134)
United Kingdom	**25,740**	**26,010**	**(270)**	**829**	**850**	**(21)**
Latin America	**87,491**	**88,497**	**(1,006)**	**5,822**	**5,852**	**(30)**
o/w: Brazil	46,208	48,366	(2,158)	3,425	3,441	(16)
Mexico	17,886	17,703	183	1,400	1,389	11
Chile	11,694	12,307	(613)	407	469	(62)
USA	**18,008**	**17,871**	**137**	**763**	**774**	**(11)**
Operating areas	**188,019**	**189,381**	**(1,362)**	**12,048**	**12,589**	**(541)**
Corporate Centre	1,714	1,757	(43)			
Total Group (Ex-Popular)	**189,733**	**191,138**	**(1,405)**	**12,048**	**12,589**	**(541)**
Popular	**11,863**			**1,777**		
Total Group	**201,596**	**191,138**	**10,458**	**13,825**	**12,589**	**1,238**

Net loan-loss provisions. Consolidated

€ million

	2Q'17	1Q'17	Var. %	1H'17	1H'16	Var. %
Non performing loans	2,803	2,873	(2.4)	5,677	5,369	5.7
Country-risk	(0)	4	—	4	(3)	—
Recovery of written-off assets	(531)	(478)	11.2	(1,009)	(753)	34.0
Group net loan-loss provisions (Ex-Popular)	**2,272**	**2,400**	**(5.3)**	**4,672**	**4,613**	**1.3**
Popular	**8**			**8**		
Group net loan-loss provisions	**2,280**	**2,400**	**(5.0)**	**4,680**	**4,613**	**1.4**

Customer loans. Consolidated

€ million

	30.06.17	30.06.16	Change amount	%	31.12.16
Commercial bills	23,499	20,318	3,181	15.7	23,894
Secured loans	438,893	458,218	(19,326)	(4.2)	454,563
Other term loans	232,733	228,827	3,906	1.7	232,289
Finance leases	25,916	23,296	2,620	11.2	25,357
Receivable on demand	6,927	9,096	(2,169)	(23.8)	8,102
Credit cards receivable	21,123	19,990	1,133	5.7	21,363
Impaired assets	28,806	35,370	(6,564)	(18.6)	32,687
Gross customer loans (w/o repos)	**777,897**	**795,116**	**(17,218)**	**(2.2)**	**798,254**
Repos	21,880	14,054	7,826	55.7	16,609
Gross customer loans	**799,777**	**809,170**	**(9,393)**	**(1.2)**	**814,863**
Loan-loss allowances	21,145	25,713	(4,567)	(17.8)	24,393
Group net customer loans (Ex-Popular)	**778,632**	**783,457**	**(4,825)**	**(0.6)**	**790,470**
Popular	**82,589**				
Group net customer loans	**861,221**	**783,457**	**77,764**	**9.9**	**790,470**

Customer funds. Consolidated

€ million

	30.06.17	30.06.16	Change amount	%	31.12.16
Demand deposits	479,499	441,006	38,494	8.7	467,261
Time deposits	173,601	187,446	(13,845)	(7.4)	181,089
Mutual funds	151,525	137,428	14,097	10.3	147,416
Customer deposits w/o repos + Mutual funds	**804,626**	**765,880**	**38,746**	**5.1**	**795,766**
Pension funds	11,328	10,979	349	3.2	11,298
Managed portfolios	24,468	26,073	(1,605)	(6.2)	23,793
Subtotal	**840,421**	**802,932**	**37,489**	**4.7**	**830,858**
Repos	46,306	43,451	2,855	6.6	42,761
Group customer funds (Ex-Popular)	**886,727**	**846,383**	**40,345**	**4.8**	**873,618**
Popular	**83,051**				
Group customer funds	**969,778**	**846,383**	**123,395**	**14.6**	**873,618**

Eligible capital (fully loaded)

€ million

	Pro forma* 30.06.17	30.06.16	Change amount	%	31.12.16
Capital stock and reserves	111,778	101,710	10,068	9.9	101,437
Attributable profit	3,616	2,911	705	24.2	6,204
Dividends	(1,377)	(1,262)	(115)	9.1	(2,469)
Other retained earnings	(19,919)	(16,603)	(3,316)	20.0	(16,116)
Minority interests	7,190	6,976	214	3.1	6,784
Goodwill and intangible assets	(28,741)	(27,976)	(765)	2.7	(28,405)
Other deductions	(5,023)	(5,036)	13	(0.3)	(5,368)
Core CET1	**67,523**	**60,721**	**6,802**	**11.2**	**62,068**
Preferred shares and other eligibles T1	7,064	5,606	1,458	26.0	5,767
Tier 1	**74,587**	**66,327**	**8,261**	**12.5**	**67,834**
Generic funds and eligible T2 instruments	14,686	13,045	1,641	12.6	13,749
Eligible capital	**89,273**	**79,371**	**9,902**	**12.5**	**81,584**
Risk-weighted assets	630,130	586,020	44,110	7.5	588,088
CET1 capital ratio	**10.72**	**10.36**	**0.36**		**10.55**
T1 capital ratio	**11.84**	**11.32**	**0.52**		**11.53**
Total capital ratio	**14.17**	**13.54**	**0.63**		**13.87**

(*) Including Banco Popular and the capital increase

Continental Europe (Ex-Popular) (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	2,062	(0.1)	(0.1)	4,125	1.5	0.9
Net fee income	990	7.5	7.3	1,910	8.5	8.1
Gains (losses) on financial transactions	(4)	—	—	293	(29.3)	(29.5)
Other operating income	122	25.3	26.1	220	12.3	12.9
Gross income	**3,170**	**(6.2)**	**(6.2)**	**6,549**	**1.7**	**1.3**
Operating expenses	(1,684)	(0.1)	(0.1)	(3,368)	(2.0)	(2.4)
General administrative expenses	(1,570)	0.2	0.2	(3,136)	(2.6)	(3.0)
Personnel	*(817)*	*0.4*	*0.4*	*(1,630)*	*(1.5)*	*(1.9)*
Other general administrative expenses	*(753)*	*(0.1)*	*(0.1)*	*(1,506)*	*(3.7)*	*(4.1)*
Depreciation and amortisation	(114)	(3.2)	(3.2)	(232)	7.1	6.6
Net operating income	**1,486**	**(12.3)**	**(12.3)**	**3,180**	**6.0**	**5.5**
Net loan-loss provisions	(250)	(4.8)	(4.8)	(512)	(28.6)	(28.9)
Other income	(174)	(29.3)	(29.5)	(421)	39.3	38.7
Underlying profit before taxes	**1,062**	**(10.4)**	**(10.4)**	**2,247**	**13.4**	**12.8**
Tax on profit	(265)	(20.5)	(20.6)	(599)	12.2	11.6
Underlying profit from continuing operations	**797**	**(6.4)**	**(6.3)**	**1,648**	**13.9**	**13.2**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**797**	**(6.4)**	**(6.3)**	**1,648**	**13.9**	**13.2**
Minority interests	103	31.8	30.7	180	21.0	19.7
Underlying attributable profit to the Group	**694**	**(10.2)**	**(10.1)**	**1,468**	**13.0**	**12.5**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**694**	**(10.2)**	**(10.1)**	**1,468**	**29.9**	**29.1**

(*).- In 1H'16 capital gains from VISA Europe disposal and restructuring costs.

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	303,413	1.7	2.0	303,413	3.2	3.0
Cash, central banks and credit institutions	96,004	5.0	5.3	96,004	15.5	15.6
Debt securities	84,127	6.8	6.9	84,127	7.0	6.6
o/w: available for sale	*58,921*	*8.7*	*8.9*	*58,921*	*10.9*	*10.5*
Other financial assets	36,605	(2.7)	(2.7)	36,605	(28.6)	(28.7)
Other assets	25,119	3.7	4.2	25,119	(10.7)	(10.7)
Total assets	**545,267**	**2.8**	**3.0**	**545,267**	**1.9**	**1.7**
Customer deposits	281,952	3.1	3.3	281,952	6.6	6.2
Central banks and credit institutions	123,620	1.9	2.4	123,620	4.3	4.5
Debt securities issued	49,588	(2.6)	(2.2)	49,588	(4.7)	(4.7)
Other financial liabilities	43,251	1.1	1.1	43,251	(24.2)	(24.3)
Other liabilities	12,327	38.5	38.9	12,327	52.8	52.0
Total liabilities	**510,738**	**2.7**	**2.9**	**510,738**	**2.1**	**2.0**
Total equity	**34,530**	**4.2**	**4.7**	**34,530**	**(1.1)**	**(1.5)**
Other managed and marketed customer funds	**79,681**	**3.0**	**3.1**	**79,681**	**13.5**	**13.3**
Mutual funds	59,172	3.5	3.5	59,172	15.0	14.7
Pension funds	11,328	(0.1)	(0.1)	11,328	3.2	3.2
Managed portfolios	9,182	3.5	4.2	9,182	18.4	18.6
Pro memoria:						
Loans w/o repos	304,655	0.6	0.9	304,655	0.4	0.2
Funds (customer deposits w/o repos + mutual funds)	338,812	3.1	3.2	338,812	8.3	7.9

Ratios (%) and operating means	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Underlying RoTE	9.35	(1.25)		9.95	1.51	
Efficiency ratio (with amortisations)	53.1	3.3		51.4	(1.9)	
NPL ratio	5.11	(0.51)		5.11	(1.73)	
NPL coverage	58.7	(1.9)		58.7	(2.6)	
Number of employees	56,780	(0.2)		56,780	(0.4)	
Number of branches	4,634	(1.8)		4,634	(9.4)	

Spain (Ex-Popular) (€ million)

P&L	2Q'17	% / 1Q'17	1H'17	% / 1H'16
Net interest income	749	0.4	1,496	(6.6)
Net fee income	537	17.0	997	14.1
Gains (losses) on financial transactions	(42)	—	189	(34.8)
Other operating income	106	3.5	209	72.4
Gross income	**1,351**	**(12.2)**	**2,890**	**0.1**
Operating expenses	(806)	1.0	(1,604)	(4.0)
General administrative expenses	(765)	1.8	(1,516)	(5.2)
Personnel	*(399)*	*0.1*	*(799)*	*(3.1)*
Other general administrative expenses	*(365)*	*3.7*	*(718)*	*(7.4)*
Depreciation and amortisation	(41)	(11.3)	(87)	22.9
Net operating income	**545**	**(26.4)**	**1,286**	**5.8**
Net loan-loss provisions	(137)	(16.2)	(300)	(16.7)
Other income	(64)	0.4	(129)	7.7
Underlying profit before taxes	**344**	**(33.0)**	**858**	**16.5**
Tax on profit	(98)	(33.0)	(244)	16.0
Underlying profit from continuing operations	**246**	**(33.0)**	**613**	**16.7**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**246**	**(33.0)**	**613**	**16.7**
Minority interests	5	(18.1)	10	(0.9)
Underlying attributable profit to the Group	**241**	**(33.3)**	**603**	**17.1**
Net capital gains and provisions*	—	—	—	(100.0)
Attributable profit to the Group	**241**	**(33.3)**	**603**	**101.9**

(*).- In 1H'16 capital gains from VISA Europe disposal and restructuring costs.

Balance sheet				
Customer loans	156,283	2.1	156,283	(0.1)
Cash, central banks and credit institutions	70,944	9.8	70,944	24.8
Debt securities	62,479	9.2	62,479	10.6
o/w: available for sale	*45,006*	*13.8*	*45,006*	*17.9*
Other financial assets	33,803	(2.9)	33,803	(29.8)
Other assets	9,977	12.2	9,977	27.0
Total assets	**333,485**	**4.7**	**333,485**	**2.4**
Customer deposits	187,031	4.7	187,031	7.0
Central banks and credit institutions	70,074	4.7	70,074	14.2
Debt securities issued	16,508	(6.7)	16,508	(21.4)
Other financial liabilities	41,143	0.7	41,143	(25.4)
Other liabilities	6,802	96.8	6,802	208.1
Total liabilities	**321,559**	**4.6**	**321,559**	**2.3**
Total equity	**11,926**	**7.9**	**11,926**	**5.2**
Other managed and marketed customer funds	**72,069**	**2,8**	**72,069**	**13.4**
Mutual funds	53,838	3,2	53,838	14.8
Pension funds	10,384	(0,1)	10,384	3.0
Managed portfolios	7,847	4,6	7,847	19.9
Pro memoria:				
Loans w/o repos	151,533	0.6	151,533	(3.7)
Funds (customer deposits w/o repos + mutual funds)	239,269	4.5	239,269	9.4

Ratios (%) and operating means				
Underlying RoTE	8.49	(4.18)	10.54	1.56
Efficiency ratio (with amortisations)	59.6	7.8	55.5	(2.4)
NPL ratio	4.99	(0.23)	4.99	(1.07)
NPL coverage	46.0	(3.1)	46.0	(1.6)
Number of employees	22,941	0.2	22,941	(1.6)
Number of branches	2,869	(0.4)	2,869	(8.0)

Santander Consumer Finance (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	877	(1.4)	(0.9)	1,766	7.5	6.7
Net fee income	220	(5.2)	(5.0)	451	(1.6)	(1.9)
Gains (losses) on financial transactions	3	—	—	1	—	—
Other operating income	(0)	(90.1)	—	(1)	—	570.8
Gross income	**1,099**	**(1.7)**	**(1.3)**	**2,217**	**5.8**	**5.1**
Operating expenses	(485)	(3.4)	(3.0)	(987)	3.8	3.2
General administrative expenses	(440)	(3.9)	(3.5)	(899)	4.4	3.9
Personnel	*(212)*	*1.3*	*1.7*	*(422)*	*5.0*	*4.4*
Other general administrative expenses	*(228)*	*(8.3)*	*(7.9)*	*(476)*	*3.9*	*3.4*
Depreciation and amortisation	(45)	1.7	2.2	(89)	(2.4)	(2.8)
Net operating income	**614**	**(0.4)**	**0.2**	**1,230**	**7.4**	**6.7**
Net loan-loss provisions	(57)	(6.7)	(5.8)	(118)	(36.1)	(36.6)
Other income	(35)	(7.0)	(7.3)	(72)	(10.1)	(10.4)
Underlying profit before taxes	**522**	**0.9**	**1.4**	**1,040**	**18.1**	**17.3**
Tax on profit	(141)	(4.9)	(4.5)	(289)	9.3	8.7
Underlying profit from continuing operations	**382**	**3.2**	**3.7**	**752**	**21.8**	**21.0**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**382**	**3.2**	**3.7**	**752**	**21.8**	**21.0**
Minority interests	62	11.6	11.3	118	40.4	40.0
Underlying attributable profit to the Group	**319**	**1.7**	**2.4**	**633**	**18.9**	**18.0**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**319**	**1.7**	**2.4**	**633**	**13.5**	**12.6**

(*).- In 1H'16 capital gains from VISA Europe disposal.

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	86,446	2.3	2.9	86,446	8.6	8.8
Cash, central banks and credit institutions	4,596	(29.8)	(29.0)	4,596	(24.5)	(24.2)
Debt securities	3,543	(6.3)	(5.4)	3,543	(2.0)	(1.9)
o/w: available for sale	*3,495*	*(7.5)*	*(6.7)*	*3,495*	*(0.4)*	*(0.2)*
Other financial assets	31	(6.6)	(5.4)	31	(34.4)	(33.5)
Other assets	3,503	2.2	2.8	3,503	(3.9)	(3.8)
Total assets	**98,119**	**(0.2)**	**0.4**	**98,119**	**5.5**	**5.7**
Customer deposits	35,534	(0.4)	0.2	35,534	7.7	7.8
Central banks and credit institutions	20,250	(1.3)	(0.7)	20,250	(9.1)	(8.8)
Debt securities issued	28,732	(0.9)	(0.2)	28,732	13.1	13.4
Other financial liabilities	987	19.3	19.4	987	24.1	24.1
Other liabilities	3,473	2.3	2.6	3,473	5.4	5.5
Total liabilities	**88,976**	**(0.5)**	**0.1**	**88,976**	**5.0**	**5.2**
Total equity	**9,143**	**2.7**	**3.6**	**9,143**	**11.1**	**11.4**
Other managed and marketed customer funds	**7**	**3.1**	**3.1**	**7**	**4.4**	**4.4**
Mutual funds	2	(0.7)	(0.7)	2	(10.4)	(10.4)
Pension funds	6	4.1	4.1	6	9.0	9.0
Managed portfolios	—	—	—	—	—	—
Pro memoria:						
Loans w/o repos	88,919	2.2	2.8	88,919	8.1	8.3
Funds (customer deposits w/o repos + mutual funds)	35,486	(0.5)	0.0	35,486	7.6	7.7

Ratios (%) and operating means	2Q'17	/ 1Q'17		1H'17	/ 1H'16	
Underlying RoTE	17.10	0.00		17.08	2.71	
Efficiency ratio (with amortisations)	44.1	(0.8)		44.5	(0.9)	
NPL ratio	2.61	(0.01)		2.61	(0.34)	
NPL coverage	106.5	(2.4)		106.5	(4.1)	
Number of employees	14,948	0.6		14,948	1.4	
Number of branches	557	(1.9)		557	(3.8)	

Poland (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	231	6.4	3.9	449	13.1	10.5
Net fee income	112	11.3	8.7	213	10.2	7.7
Gains (losses) on financial transactions	10	(37.1)	(39.0)	25	(53.6)	(54.7)
Other operating income	10	—	—	(3)	—	—
Gross income	**363**	**13.1**	**10.6**	**684**	**4.3**	**1.9**
Operating expenses	(150)	3.1	0.7	(296)	1.8	(0.5)
General administrative expenses	(136)	2.9	0.4	(268)	1.9	(0.4)
Personnel	*(80)*	*4.3*	*1.8*	*(157)*	*5.1*	*2.7*
Other general administrative expenses	*(56)*	*0.9*	*(1.5)*	*(111)*	*(2.4)*	*(4.6)*
Depreciation and amortisation	(15)	5.5	3.0	(28)	1.4	(0.9)
Net operating income	**212**	**21.5**	**18.8**	**387**	**6.2**	**3.8**
Net loan-loss provisions	(34)	24.8	22.0	(60)	(10.1)	(12.1)
Other income	(27)	14.3	11.8	(50)	(2.7)	(4.9)
Underlying profit before taxes	**152**	**22.1**	**19.4**	**277**	**12.5**	**9.9**
Tax on profit	(33)	(15.3)	(17.5)	(71)	40.9	37.7
Underlying profit from continuing operations	**120**	**38.9**	**36.0**	**206**	**5.2**	**2.8**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**120**	**38.9**	**36.0**	**206**	**5.2**	**2.8**
Minority interests	37	37.3	34.5	63	12.0	9.4
Underlying attributable profit to the Group	**83**	**39.7**	**36.8**	**142**	**2.4**	**0.1**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**83**	**39.7**	**36.8**	**142**	**(15.5)**	**(17.4)**

(*).- In 1H'16 capital gains from VISA Europe disposal and restructuring costs.

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	21,429	1.2	1.2	21,429	9.8	4.6
Cash, central banks and credit institutions	1,595	(14.3)	(14.3)	1,595	(18.3)	(22.1)
Debt securities	6,634	13.9	13.9	6,634	23.7	17.8
o/w: available for sale	*5,440*	*0.9*	*0.9*	*5,440*	*20.8*	*15.1*
Other financial assets	570	1.1	1.1	570	(4.7)	(9.2)
Other assets	925	(2.9)	(2.9)	925	(2.1)	(6.8)
Total assets	**31,153**	**2.6**	**2.5**	**31,153**	**9.8**	**4.6**
Customer deposits	23,789	3.5	3.5	23,789	12.6	7.2
Central banks and credit institutions	773	(0.6)	(0.6)	773	(24.9)	(28.5)
Debt securities issued	744	22.5	22.5	744	40.9	34.2
Other financial liabilities	478	(11.0)	(11.1)	478	(19.9)	(23.7)
Other liabilities	750	(14.5)	(14.5)	750	(24.1)	(27.7)
Total liabilities	**26,535**	**2.9**	**2.9**	**26,535**	**9.3**	**4.1**
Total equity	**4,618**	**0.5**	**0.5**	**4,618**	**12.5**	**7.2**
Other managed and marketed customer funds	**3,684**	**5.8**	**5.8**	**3,684**	**17.1**	**11.5**
Mutual funds	3,598	5.9	5.8	3,598	18.1	11.5
Pension funds	—	—	5.9	—	—	12.5
Managed portfolios	86	2.4	5.9	86	(13.6)	12.5
Pro memoria:						
Loans w/o repos	22,158	1.2	1.1	22,158	8.9	3.8
Funds (customer deposits w/o repos + mutual funds)	26,727	1.3	1.3	26,727	10.5	5.3

Ratios (%) and operating means	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Underlying RoTE	12.91	3.24		11.33	(0.55)	
Efficiency ratio (with amortisations)	41.4	(4.0)		43.3	(1.0)	
NPL ratio	4.66	(0.54)		4.66	(1.18)	
NPL coverage	67.5	6.3		67.5	1.7	
Number of employees	11,770	(1.2)		11,770	3.8	
Number of branches	598	(5.2)		598	(10.2)	

Portugal (Ex-Popular) (€ million)

P&L	2Q'17	% / 1Q'17	1H'17	% / 1H'16
Net interest income	167	(2.9)	338	(8.7)
Net fee income	83	(7.4)	172	4.5
Gains (losses) on financial transactions	10	(71.3)	44	(36.3)
Other operating income	6	—	5	(66.6)
Gross income	**265**	**(9.7)**	**559**	**(9.6)**
Operating expenses	(137)	(1.4)	(275)	(9.2)
General administrative expenses	(127)	(1.3)	(256)	(10.1)
Personnel	*(82)*	*(0.9)*	*(165)*	*(5.7)*
Other general administrative expenses	*(45)*	*(2.0)*	*(91)*	*(17.1)*
Depreciation and amortisation	(9)	(2.4)	(19)	4.1
Net operating income	**128**	**(17.2)**	**283**	**(9.9)**
Net loan-loss provisions	6	(45.3)	16	—
Other income	(9)	(39.8)	(23)	(2.3)
Underlying profit before taxes	**125**	**(16.9)**	**276**	**5.2**
Tax on profit	(17)	(29.9)	(42)	(30.0)
Underlying profit from continuing operations	**108**	**(14.4)**	**234**	**15.6**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**108**	**(14.4)**	**234**	**15.6**
Minority interests	0	(7.4)	1	(18.5)
Underlying attributable profit to the Group	**107**	**(14.4)**	**233**	**15.8**
Net capital gains and provisions	—	—	—	—
Attributable profit to the Group	**107**	**(14.4)**	**233**	**15.8**

Balance sheet				
Customer loans	27,405	0.7	27,405	(1.7)
Cash, central banks and credit institutions	4,241	19.7	4,241	20.0
Debt securities	10,968	1.7	10,968	(7.3)
o/w: available for sale	*4,703*	*3.6*	*4,703*	*(19.6)*
Other financial assets	1,575	(2.3)	1,575	(16.7)
Other assets	1,800	(7.4)	1,800	3.9
Total assets	**45,988**	**2.0**	**45,988**	**(1.9)**
Customer deposits	30,193	1.4	30,193	0.8
Central banks and credit institutions	7,657	5.5	7,657	(6.2)
Debt securities issued	3,574	(1.5)	3,574	(20.4)
Other financial liabilities	330	1.7	330	5.9
Other liabilities	783	11.2	783	(1.0)
Total liabilities	**42,537**	**2.0**	**42,537**	**(2.7)**
Total equity	**3,451**	**1.3**	**3,451**	**9.1**
Other managed and marketed customer funds	**3,056**	**5.9**	**3,056**	**13.8**
Mutual funds	1,664	10.0	1,664	19.8
Pension funds	938	(0.5)	938	4.9
Managed portfolios	454	5.5	454	12.7
Pro memoria:				
Loans w/o repos	28,770	(0.0)	28,770	(3.8)
Funds (customer deposits w/o repos + mutual funds)	31,857	1.8	31,857	1.6

Ratios (%) and operating means				
Underlying RoTE	12.60	(2.71)	13.94	(0.14)
Efficiency ratio (with amortisations)	51.6	4.4	49.3	0.2
NPL ratio	7.67	(0.80)	7.67	(2.79)
NPL coverage	59.8	(1.9)	59.8	(2.1)
Number of employees	6,096	(2.2)	6,096	(5.7)
Number of branches	600	(4.3)	600	(18.3)

United Kingdom (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	1,149	4.8	4.9	2,244	(2.0)	8.3
Net fee income	260	2.6	2.7	514	(4.4)	5.6
Gains (losses) on financial transactions	118	66.7	66.8	189	16.1	28.3
Other operating income	16	41.6	41.7	28	20.9	33.6
Gross income	**1,544**	**7.8**	**7.9**	**2,976**	**(1.3)**	**9.1**
Operating expenses	(723)	(0.1)	0.0	(1,446)	(8.5)	1.1
General administrative expenses	(635)	(1.3)	(1.2)	(1,279)	(10.1)	(0.6)
Personnel	(344)	(0.1)	(0.0)	(688)	(5.7)	4.2
Other general administrative expenses	(292)	(2.7)	(2.6)	(591)	(14.6)	(5.7)
Depreciation and amortisation	(88)	10.1	10.2	(167)	5.2	16.3
Net operating income	**821**	**15.8**	**15.9**	**1,529**	**6.8**	**18.0**
Net loan-loss provisions	(42)	171.9	172.1	(57)	(23.7)	(15.7)
Other income	(171)	62.9	63.0	(276)	111.8	134.0
Underlying profit before taxes	**608**	**3.4**	**3.5**	**1,197**	**(2.5)**	**7.7**
Tax on profit	(195)	18.0	18.0	(360)	(1.4)	9.0
Underlying profit from continuing operations	**414**	**(2.3)**	**(2.2)**	**837**	**(3.0)**	**7.1**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**414**	**(2.3)**	**(2.2)**	**837**	**(3.0)**	**7.1**
Minority interests	6	(18.1)	(18.0)	13	(37.4)	(30.9)
Underlying attributable profit to the Group	**408**	**(2.0)**	**(2.0)**	**824**	**(2.2)**	**8.1**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**408**	**(2.0)**	**(2.0)**	**824**	**(13.2)**	**(4.1)**

(*).- In 1H'16 capital gains from VISA Europe disposal and restructuring costs.

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	246,759	(2.6)	0.1	246,759	(5.0)	1.0
Cash, central banks and credit institutions	39,572	15.8	19.0	39,572	9.0	16.0
Debt securities	25,742	(7.6)	(5.0)	25,742	24.8	32.8
o/w: available for sale	*10,809*	*(6.8)*	*(4.2)*	*10,809*	*(8.7)*	*(2.8)*
Other financial assets	25,489	(0.4)	2.4	25,489	(22.4)	(17.4)
Other assets	10,872	(5.9)	(3.3)	10,872	(13.5)	(8.0)
Total assets	**348,434**	**(1.2)**	**1.6**	**348,434**	**(3.8)**	**2.4**
Customer deposits	216,586	0.4	3.2	216,586	2.1	8.6
Central banks and credit institutions	24,047	9.4	12.5	24,047	14.9	22.2
Debt securities issued	63,418	(4.5)	(1.8)	63,418	(12.6)	(7.0)
Other financial liabilities	23,572	(12.4)	(9.9)	23,572	(30.3)	(25.8)
Other liabilities	4,373	(16.4)	(14.1)	4,373	(28.5)	(24.0)
Total liabilities	**331,995**	**(1.2)**	**1.5**	**331,995**	**(3.9)**	**2.2**
Total equity	**16,439**	**0.8**	**3.6**	**16,439**	**(1.1)**	**5.2**
Other managed and marketed customer funds	**8,483**	**(2.3)**	**0.4**	**8,483**	**1.4**	**7.9**
Mutual funds	8,370	(2.3)	0.4	8,370	1.5	8.0
Pension funds	—	—	—	—	—	—
Managed portfolios	114	(3.1)	(0.4)	114	(4.5)	1.6
Pro memoria:						
Loans w/o repos	235,439	(2.9)	(0.2)	235,439	(6.6)	(0.6)
Funds (customer deposits w/o repos + mutual funds)	208,546	(2.1)	0.6	208,546	(1.5)	4.8

Ratios (%) and operating means	2Q'17	/ 1Q'17		1H'17	/ 1H'16	
Underlying RoTE	10.99	(0.28)		11.12	1.18	
Efficiency ratio (with amortisations)	46.8	(3.7)		48.6	(3.9)	
NPL ratio	1.23	(0.08)		1.23	(0.24)	
NPL coverage	32.6	(1.2)		32.6	(3.9)	
Number of employees	25,740	(0.8)		25,740	(1.0)	
Number of branches	829	(1.9)		829	(2.5)	

Latin America (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	4,012	1.6	5.0	7,959	28.7	14.8
Net fee income	1,395	(0.5)	3.2	2,796	34.3	20.2
Gains (losses) on financial transactions	229	(30.5)	(26.7)	557	53.6	45.6
Other operating income	21	684.1	—	23	32.8	(5.1)
Gross income	**5,656**	**(0.4)**	**3.1**	**11,336**	**31.1**	**17.3**
Operating expenses	(2,182)	0.1	3.5	(4,360)	22.1	9.9
General administrative expenses	(1,974)	0.1	3.4	(3,948)	21.4	9.4
Personnel	*(1,093)*	*0.1*	*3.6*	*(2,185)*	*20.9*	*8.8*
Other general administrative expenses	*(881)*	*(0.0)*	*3.2*	*(1,763)*	*22.1*	*10.1*
Depreciation and amortisation	(207)	1.0	4.6	(413)	29.1	15.3
Net operating income	**3,475**	**(0.8)**	**2.8**	**6,976**	**37.4**	**22.4**
Net loan-loss provisions	(1,273)	(2.5)	0.7	(2,580)	14.5	1.2
Other income	(405)	12.7	18.3	(765)	88.7	60.1
Underlying profit before taxes	**1,796**	**(2.1)**	**1.3**	**3,631**	**50.2**	**35.9**
Tax on profit	(546)	(7.5)	(3.6)	(1,137)	83.0	64.1
Underlying profit from continuing operations	**1,249**	**0.4**	**3.7**	**2,494**	**38.8**	**26.0**
Net profit from discontinued operations	—	—	—	—	(100.0)	(100.0)
Underlying consolidated profit	**1,249**	**0.4**	**3.7**	**2,494**	**38.8**	**26.0**
Minority interests	199	2.3	4.7	394	35.8	25.9
Underlying attributable profit to the Group	**1,050**	**0.0**	**3.5**	**2,100**	**39.4**	**26.1**
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**1,050**	**0.0**	**3.5**	**2,100**	**39.4**	**26.1**

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	146,528	(6.5)	1.4	146,528	3.3	6.8
Cash, central banks and credit institutions	59,843	(13.2)	(5.3)	59,843	(8.0)	(4.6)
Debt securities	59,530	(7.2)	0.8	59,530	3.4	6.7
o/w: available for sale	*33,731*	*10.7*	*20.2*	*33,731*	*19.1*	*22.9*
Other financial assets	14,073	(22.7)	(16.9)	14,073	(19.3)	(17.3)
Other assets	18,240	(7.3)	1.6	18,240	3.4	7.6
Total assets	**298,214**	**(9.0)**	**(1.1)**	**298,214**	**(0.5)**	**2.9**
Customer deposits	145,276	(5.2)	3.0	145,276	7.7	11.4
Central banks and credit institutions	43,192	(9.6)	(2.3)	43,192	2.0	5.4
Debt securities issued	37,511	(16.8)	(9.3)	37,511	(16.9)	(13.8)
Other financial liabilities	32,801	(16.2)	(8.9)	32,801	(15.7)	(13.3)
Other liabilities	10,807	(6.5)	2.2	10,807	5.6	9.5
Total liabilities	**269,587**	**(9.2)**	**(1.3)**	**269,587**	**(0.7)**	**2.7**
Total equity	**28,627**	**(7.3)**	**1.0**	**28,627**	**1.9**	**5.5**
Other managed and marketed customer funds	**81,880**	**(6.7)**	**2.3**	**81,880**	**6.7**	**10.9**
Mutual funds	75,472	(6.8)	2.2	75,472	6.7	10.8
Pension funds	—	—	—	—	—	—
Managed portfolios	6,409	(5.5)	3.4	6,409	7.5	11.7
Pro memoria:						
Loans w/o repos	152,155	(7.0)	1.0	152,155	3.0	6.5
Funds (customer deposits w/o repos + mutual funds)	193,366	(2.0)	6.7	193,366	11.0	14.9

Ratios (%) and operating means	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Underlying RoTE	17.74	0.34		17.66	2.91	
Efficiency ratio (with amortisations)	38.6	0.2		38.5	(2.8)	
NPL ratio	4.44	(0.06)		4.44	(0.54)	
NPL coverage	89.1	(1.4)		89.1	7.7	
Number of employees	87,491	1.8		87,491	(1.1)	
Number of branches	5,822	0.6		5,822	(0.5)	

Brazil (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	2,503	(0.7)	4.6	5,025	36.9	14.2
Net fee income	909	(2.6)	2.7	1,843	44.3	20.4
Gains (losses) on financial transactions	77	(68.6)	(65.1)	324	226.3	172.2
Other operating income	12	(21.5)	(16.7)	28	(24.3)	(36.8)
Gross income	**3,502**	**(5.8)**	**(0.6)**	**7,219**	**42.0**	**18.5**
Operating expenses	(1,233)	(6.2)	(1.0)	(2,547)	27.8	6.6
General administrative expenses	(1,104)	(6.6)	(1.4)	(2,286)	27.1	6.0
Personnel	*(632)*	*(4.9)*	*0.3*	*(1,297)*	*30.2*	*8.7*
Other general administrative expenses	*(472)*	*(8.8)*	*(3.7)*	*(989)*	*23.2*	*2.8*
Depreciation and amortisation	(129)	(2.3)	3.0	(261)	34.5	12.2
Net operating income	**2,269**	**(5.6)**	**(0.3)**	**4,672**	**51.2**	**26.1**
Net loan-loss provisions	(852)	(6.4)	(1.2)	(1,762)	19.6	(0.2)
Other income	(349)	(2.5)	2.8	(707)	91.0	59.4
Underlying profit before taxes	**1,068**	**(5.9)**	**(0.6)**	**2,203**	**76.6**	**47.3**
Tax on profit	(379)	(10.1)	(5.0)	(801)	117.9	81.8
Underlying profit from continuing operations	**689**	**(3.4)**	**1.9**	**1,402**	**59.3**	**32.9**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**689**	**(3.4)**	**1.9**	**1,402**	**59.3**	**32.9**
Minority interests	79	(0.1)	5.3	158	72.0	43.5
Underlying attributable profit to the Group	**610**	**(3.8)**	**1.5**	**1,244**	**57.9**	**31.7**
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**610**	**(3.8)**	**1.5**	**1,244**	**57.9**	**31.7**

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	69,312	(9.4)	0.8	69,312	1.9	6.7
Cash, central banks and credit institutions	37,808	(6.5)	4.0	37,808	(7.5)	(3.1)
Debt securities	40,094	(4.7)	6.0	40,094	9.5	14.7
o/w: available for sale	*22,078*	*20.0*	*33.5*	*22,078*	*28.0*	*34.1*
Other financial assets	5,752	(36.8)	(29.7)	5,752	(27.6)	(24.2)
Other assets	12,557	(7.7)	2.7	12,557	(0.3)	4.5
Total assets	**165,523**	**(8.9)**	**1.3**	**165,523**	**(0.3)**	**4.4**
Customer deposits	71,642	(5.6)	5.1	71,642	4.3	9.3
Central banks and credit institutions	24,761	(4.2)	6.6	24,761	11.8	17.1
Debt securities issued	23,545	(19.0)	(9.9)	23,545	(24.5)	(21.0)
Other financial liabilities	21,367	(14.3)	(4.6)	21,367	3.6	8.5
Other liabilities	7,392	(5.7)	4.9	7,392	4.9	9.9
Total liabilities	**148,706**	**(9.1)**	**1.2**	**148,706**	**(0.7)**	**4.1**
Total equity	**16,817**	**(7.7)**	**2.7**	**16,817**	**2.6**	**7.5**
Other managed and marketed customer funds	**58,610**	**(8.2)**	**2.1**	**58,610**	**4.8**	**9.8**
Mutual funds	54,716	(8.3)	2.1	54,716	4.4	9.4
Pension funds	—	—	—	—	—	—
Managed portfolios	3,894	(7.6)	2.8	3,894	10.6	15.8
Pro memoria:						
Loans w/o repos	73,368	(9.6)	0.5	73,368	1.8	6.6
Funds (customer deposits w/o repos + mutual funds)	102,676	(1.6)	9.5	102,676	12.2	17.5

Ratios (%) and operating means	2Q'17	/ 1Q'17 %	1H'17	/ 1H'16 %
Underlying RoTE	16.25	(0.26)	16.39	2.67
Efficiency ratio (with amortisations)	35.2	(0.1)	35.3	(3.9)
NPL ratio	5.36	—	5.36	(0.75)
NPL coverage	95.5	(2.6)	95.5	10.2
Number of employees	46,208	(0.5)	46,208	(4.5)
Number of branches	3,425	0.1	3,425	(0.5)

Mexico (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	663	6.2	0.6	1,287	9.7	14.3
Net fee income	193	7.4	1.8	373	2.9	7.2
Gains (losses) on financial transactions	53	60.5	53.5	87	51.4	57.8
Other operating income	4	—	—	(9)	(39.6)	(37.1)
Gross income	**914**	**10.9**	**5.2**	**1,738**	**10.1**	**14.7**
Operating expenses	(361)	12.9	7.1	(680)	6.4	10.9
General administrative expenses	(328)	12.8	7.1	(619)	6.4	10.9
Personnel	*(163)*	*8.5*	*2.8*	*(312)*	*0.3*	*4.5*
Other general administrative expenses	*(165)*	*17.5*	*11.6*	*(306)*	*13.5*	*18.2*
Depreciation and amortisation	(33)	13.6	7.8	(62)	6.3	10.8
Net operating income	**553**	**9.6**	**4.0**	**1,058**	**12.7**	**17.4**
Net loan-loss provisions	(246)	5.3	(0.3)	(479)	10.1	14.7
Other income	(6)	53.1	46.3	(11)	(40.3)	(37.8)
Underlying profit before taxes	**301**	**12.8**	**7.0**	**568**	**16.9**	**21.8**
Tax on profit	(64)	13.0	7.2	(120)	12.2	16.9
Underlying profit from continuing operations	**238**	**12.7**	**7.0**	**448**	**18.2**	**23.2**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**238**	**12.7**	**7.0**	**448**	**18.2**	**23.2**
Minority interests	51	6.6	1.1	98	8.4	12.9
Underlying attributable profit to the Group	**187**	**14.5**	**8.7**	**350**	**21.3**	**26.4**
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**187**	**14.5**	**8.7**	**350**	**21.3**	**26.4**

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	28,913	(1.4)	1.4	28,913	2.5	2.2
Cash, central banks and credit institutions	12,436	(15.7)	(13.4)	12,436	8.2	7.9
Debt securities	13,889	(14.3)	(11.8)	13,889	(12.1)	(12.3)
o/w: available for sale	*7,391*	*5.9*	*8.9*	*7,391*	*9.8*	*9.5*
Other financial assets	6,099	(7.2)	(4.6)	6,099	(9.5)	(9.7)
Other assets	2,935	(0.8)	2.0	2,935	23.4	23.1
Total assets	**64,270**	**(7.9)**	**(5.3)**	**64,270**	**(0.6)**	**(0.8)**
Customer deposits	32,650	(3.9)	(1.2)	32,650	18.7	18.4
Central banks and credit institutions	11,612	(12.6)	(10.1)	11,612	14.3	14.0
Debt securities issued	4,994	(8.0)	(5.4)	4,994	(7.7)	(7.9)
Other financial liabilities	7,832	(20.0)	(17.7)	7,832	(44.8)	(45.0)
Other liabilities	1,860	1.0	3.8	1,860	9.0	8.7
Total liabilities	**58,949**	**(8.3)**	**(5.7)**	**58,949**	**(0.0)**	**(0.3)**
Total equity	**5,321**	**(3.2)**	**(0.5)**	**5,321**	**(6.0)**	**(6.2)**
Other managed and marketed customer funds	**10,607**	**(2.7)**	**0.0**	**10,607**	**(6.6)**	**(6.9)**
Mutual funds	10,607	(2.7)	0.0	10,607	(6.6)	(6.9)
Pension funds	—	—	—	—	—	—
Managed portfolios	—	—	—	—	—	—
Pro memoria:						
Loans w/o repos	29,573	(1.4)	1.4	29,573	2.7	2.5
Funds (customer deposits w/o repos + mutual funds)	39,730	1.5	4.3	39,730	7.6	7.3

Ratios (%) and operating means	2Q'17	/ 1Q'17	1H'17	/ 1H'16
Underlying RoTE	20.32	1.57	19.61	5.99
Efficiency ratio (with amortisations)	39.5	0.7	39.1	(1.4)
NPL ratio	2.58	(0.19)	2.58	(0.43)
NPL coverage	113.8	9.0	113.8	11.5
Number of employees	17,886	1.7	17,886	1.0
Number of branches	1,400	0.8	1,400	0.8

Chile (€ million)

		/ 1Q'17			/ 1H'16	
P&L	**2Q'17**	**%**	**% w/o FX**	**1H'17**	**%**	**% w/o FX**
Net interest income	489	0.9	5.5	974	11.9	3.9
Net fee income	100	(6.9)	(2.5)	207	19.9	11.4
Gains (losses) on financial transactions	54	11.0	15.8	103	14.1	5.9
Other operating income	0	(90.7)	(88.2)	5	—	—
Gross income	**644**	**(0.2)**	**4.3**	**1,288**	**13.7**	**5.6**
Operating expenses	(260)	(1.3)	3.2	(524)	10.9	3.0
General administrative expenses	(234)	(1.7)	2.9	(472)	9.4	1.6
Personnel	*(147)*	*4.7*	*9.4*	*(287)*	*7.5*	*(0.2)*
Other general administrative expenses	*(87)*	*(10.8)*	*(6.5)*	*(185)*	*12.6*	*4.5*
Depreciation and amortisation	(26)	1.8	6.5	(52)	26.9	17.8
Net operating income	**383**	**0.5**	**5.1**	**765**	**15.7**	**7.5**
Net loan-loss provisions	(122)	0.4	5.0	(244)	3.3	(4.1)
Other income	7	220.7	230.3	9	811.4	746.3
Underlying profit before taxes	**267**	**2.3**	**6.9**	**529**	**24.5**	**15.6**
Tax on profit	(50)	5.5	10.2	(97)	36.7	27.0
Underlying profit from continuing operations	**218**	**1.6**	**6.2**	**432**	**22.0**	**13.3**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**218**	**1.6**	**6.2**	**432**	**22.0**	**13.3**
Minority interests	68	2.2	6.8	135	27.4	18.3
Underlying attributable profit to the Group	**149**	**1.3**	**5.9**	**297**	**19.7**	**11.2**
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**149**	**1.3**	**5.9**	**297**	**19.7**	**11.2**

Balance sheet						
Customer loans	35,314	(7.4)	(1.2)	35,314	(0.0)	2.8
Cash, central banks and credit institutions	3,960	(31.2)	(26.6)	3,960	(37.0)	(35.3)
Debt securities	3,785	(15.8)	(10.2)	3,785	0.5	3.3
o/w: available for sale	*2,862*	*(27.6)*	*(22.7)*	*2,862*	*(11.7)*	*(9.2)*
Other financial assets	2,202	(11.9)	(6.1)	2,202	(19.1)	(16.8)
Other assets	1,783	(13.7)	(8.0)	1,783	(8.0)	(5.4)
Total assets	**47,043**	**(11.2)**	**(5.3)**	**47,043**	**(6.0)**	**(3.3)**
Customer deposits	25,254	(4.1)	2.3	25,254	(1.5)	1.3
Central banks and credit institutions	4,952	(25.8)	(20.9)	4,952	(32.2)	(30.3)
Debt securities issued	8,685	(15.3)	(9.7)	8,685	3.2	6.1
Other financial liabilities	2,660	(21.4)	(16.1)	2,660	(19.4)	(17.1)
Other liabilities	980	(19.5)	(14.2)	980	(11.8)	(9.4)
Total liabilities	**42,532**	**(11.2)**	**(5.3)**	**42,532**	**(7.1)**	**(4.5)**
Total equity	**4,511**	**(11.1)**	**(5.2)**	**4,511**	**5.6**	**8.6**
Other managed and marketed customer funds	**10,111**	**(4.1)**	**2.3**	**10,111**	**25.7**	**29.2**
Mutual funds	7,597	(4.7)	1.6	7,597	35.6	39.4
Pension funds	—	—	—	—	—	—
Managed portfolios	2,514	(2.2)	4.3	2,514	3.0	5.9
Pro memoria:						
Loans w/o repos	36,359	(7.4)	(1.2)	36,359	0.1	2.9
Funds (customer deposits w/o repos + mutual funds)	32,677	(4.6)	1.7	32,677	4.7	7.7

Ratios (%) and operating means						
Underlying RoTE	18.65	1.58		17.95	0.76	
Efficiency ratio (with amortisations)	40.4	(0.4)		40.7	(1.0)	
NPL ratio	5.00	0.07		5.00	(0.28)	
NPL coverage	58.2	(0.7)		58.2	2.7	
Number of employees	11,694	(1.4)		11,694	(5.0)	
Number of branches	407	(2.2)		407	(13.2)	

Estados Unidos (Ex-Popular) (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	1,488	(0.1)	3.2	2,977	(1.1)	(4.1)
Net fee income	250	(8.5)	(5.3)	523	(9.2)	(11.9)
Gains (losses) on financial transactions	25	—	—	20	(28.4)	(30.6)
Other operating income	117	(4.3)	(1.1)	239	(1.1)	(4.0)
Gross income	**1,880**	**0.0**	**3.3**	**3,759**	**(2.5)**	**(5.4)**
Operating expenses	(845)	0.9	4.3	(1,682)	8.5	5.2
General administrative expenses	(758)	0.1	3.4	(1,515)	8.3	5.0
Personnel	*(428)*	*(3.8)*	*(0.6)*	*(872)*	*7.0*	*3.8*
Other general administrative expenses	*(330)*	*5.8*	*9.2*	*(643)*	*10.0*	*6.7*
Depreciation and amortisation	(87)	8.4	11.9	(167)	10.4	7.1
Net operating income	**1,035**	**(0.7)**	**2.6**	**2,077**	**(9.9)**	**(12.6)**
Net loan-loss provisions	(697)	(14.0)	(11.0)	(1,507)	(3.7)	(6.6)
Other income	(24)	(24.8)	(22.0)	(57)	(28.4)	(30.5)
Underlying profit before taxes	**314**	**57.5**	**61.8**	**513**	**(22.4)**	**(24.7)**
Tax on profit	(79)	28.3	32.1	(140)	(43.2)	(44.9)
Underlying profit from continuing operations	**235**	**70.6**	**75.1**	**373**	**(10.0)**	**(12.7)**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**235**	**70.6**	**75.1**	**373**	**(10.0)**	**(12.7)**
Minority interests	86	101.9	106.9	129	(25.8)	(28.0)
Underlying attributable profit to the Group	**149**	**56.5**	**60.8**	**244**	**1.5**	**(1.6)**
Net capital gains and provisions	—	—	—	—	—	—
Attributable profit to the Group	**149**	**56.5**	**60.8**	**244**	**1.5**	**(1.6)**

Balance sheet	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Customer loans	76,676	(6.3)	0.0	76,676	(7.8)	(5.2)
Cash, central banks and credit institutions	15,552	(24.0)	(18.9)	15,552	(11.8)	(9.3)
Debt securities	17,819	(6.5)	(0.2)	17,819	(4.8)	(2.1)
o/w: available for sale	*15,667*	*(6.2)*	*0.1*	*15,667*	*(7.6)*	*(5.0)*
Other financial assets	2,757	(9.4)	(3.2)	2,757	(12.4)	(9.9)
Other assets	12,673	(4.5)	1.9	12,673	0.8	3.6
Total assets	**125,477**	**(8.9)**	**(2.7)**	**125,477**	**(7.2)**	**(4.6)**
Customer deposits	55,491	(12.1)	(6.1)	55,491	(6.6)	(3.9)
Central banks and credit institutions	19,476	(12.4)	(6.5)	19,476	(27.2)	(25.1)
Debt securities issued	27,188	(3.7)	2.8	27,188	4.8	7.8
Other financial liabilities	3,194	5.3	12.4	3,194	11.4	14.5
Other liabilities	4,358	(3.0)	3.5	4,358	(4.3)	(1.6)
Total liabilities	**109,707**	**(9.4)**	**(3.3)**	**109,707**	**(8.2)**	**(5.6)**
Total equity	**15,770**	**(4.8)**	**1.6**	**15,770**	**0.2**	**3.0**
Other managed and marketed customer funds	**17,223**	**(6.5)**	**(0.2)**	**17,223**	**(10.4)**	**(7.9)**
Mutual funds	8,459	(5.9)	0.5	8,459	21.2	24.6
Pension funds	—	—	—	—	—	—
Managed portfolios	8,764	(7.1)	(0.9)	8,764	(28.4)	(26.4)
Pro memoria:						
Loans w/o repos	80,370	(6.4)	(0.1)	80,370	(8.1)	(5.5)
Funds (customer deposits w/o repos + mutual funds)	63,745	(11.2)	(5.3)	63,745	(3.6)	(0.9)

Ratios (%) and operating means	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Underlying RoTE	4.45	1.64		3.64	(0.27)	
Efficiency ratio (with amortisations)	45.0	0.4		44.8	4.5	
NPL ratio	2.64	0.21		2.64	0.40	
NPL coverage	183.1	(19.3)		183.1	(37.5)	
Number of employees	18,008	1.9		18,008	0.8	
Number of branches	763	(0.1)		763	(1.4)	

Centro Corporativo (€ million)

P&L	2Q'17	1Q'17	%	1H'17	1H'16	%
Net interest income	(213)	(194)	10.0	(407)	(356)	14.5
Net fee income	(9)	(4)	110.9	(14)	(10)	41.4
Gains (losses) on financial transactions	(81)	(119)	(31.5)	(200)	(99)	103.0
Other operating income	(36)	(23)	54.3	(59)	(3)	—
Gross income	**(340)**	**(341)**	**(0.1)**	**(681)**	**(468)**	**45.5**
Operating expenses	(118)	(119)	(1.0)	(238)	(246)	(3.5)
Net operating income	**(458)**	**(460)**	**(0.4)**	**(919)**	**(714)**	**28.6**
Net loan-loss provisions	(11)	(5)	108.6	(16)	(3)	353.7
Other income	(53)	(32)	65.7	(84)	(60)	41.5
Underlying profit before taxes	**(522)**	**(497)**	**5.0**	**(1,018)**	**(777)**	**31.0**
Tax on profit	(40)	26	—	(13)	42	—
Underlying profit from continuing operations	**(561)**	**(471)**	**19.3**	**(1,032)**	**(736)**	**40.3**
Net profit from discontinued operations	—	—	—	—	0	(100.0)
Underlying consolidated profit	**(561)**	**(471)**	**19.3**	**(1,032)**	**(735)**	**40.3**
Minority interests	2	(3)	—	(1)	(7)	(88.2)
Underlying attributable profit to the Group	**(563)**	**(468)**	**20.4**	**(1,031)**	**(729)**	**41.5**
Net capital gains and provisions*	—	—	—	—	(186)	(100.0)
Attributable profit to the Group	**(563)**	**(468)**	**20.4**	**(1,031)**	**(915)**	**12.7**

(*).-In 1H'16. Restructuring costs

Balance sheet						
Debt securities	2,009	781	157.1	2,009	3,287	(38.9)
Goodwill	26,070	26,939	(3.2)	26,070	26,536	(1.8)
Capital assigned to Group areas	79,992	83,902	(4.7)	79,992	79,973	0.0
Other financial assets	8,040	10,661	(24.6)	8,040	14,494	(44.5)
Other assets	14,814	15,115	(2.0)	14,814	15,654	(5.4)
Total assets	**130,926**	**137,398**	**(4.7)**	**130,926**	**139,944**	**(6.4)**
Debt securities issued	34,279	30,740	11.5	34,279	35,292	(2.9)
Other financial liabilities	2,095	2,469	(15.1)	2,095	4,877	(57.0)
Other liabilities	8,968	12,299	(27.1)	8,968	14,809	(39.4)
Total liabilities	**45,342**	**45,507**	**(0.4)**	**45,342**	**54,978**	**(17.5)**
Total equity	**85,583**	**91,891**	**(6.9)**	**85,583**	**84,966**	**0.7**

Other managed and marketed customer funds	**53**	**52**	**2.1**	**53**	**—**	**—**
Mutual funds	53	52	2.1	53	—	—
Pension funds	—	—	—	—	—	—
Managed portfolios	—	—	—	—	—	—

Operating means						
Number of employees	1,714	1,720	(0.3)	1,714	1,757	(2.4)

Retail Banking (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	8,096	1.9	4.0	16,044	11.4	7.0
Net fee income	2,457	0.3	2.4	4,905	15.7	10.7
Gains (losses) on financial transactions	157	(30.0)	(28.8)	383	43.0	65.8
Other operating income	173	(6.2)	(3.3)	358	15.2	12.2
Gross income	**10,883**	**0.7**	**2.8**	**21,689**	**12.8**	**8.6**
Operating expenses	(4,894)	0.1	2.1	(9,782)	8.0	4.6
Net operating income	**5,989**	**1.2**	**3.4**	**11,907**	**17.1**	**12.1**
Net loan-loss provisions	(1,998)	(10.9)	(8.1)	(4,240)	3.0	(4.0)
Other income	(746)	8.8	11.7	(1,432)	68.7	56.9
Underlying profit before taxes	**3,244**	**8.5**	**10.1**	**6,235**	**19.9**	**17.8**
Tax on profit	(933)	1,3	3.4	(1,853)	27.4	25.4
Underlying profit from continuing operations	**2,312**	**11.7**	**13.1**	**4,382**	**16.9**	**14.9**
Net profit from discontinued operations	—	—	—	—	(100.0)	(100.0)
Underlying consolidated profit	**2,312**	**11.7**	**13.1**	**4,382**	**16.9**	**14.9**
Minority interests	351	27.2	28.5	627	12.6	8.9
Underlying attributable profit to the Group	**1,961**	**9.3**	**10.8**	**3,755**	**17.7**	**15.9**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**1,961**	**9.3**	**10.8**	**3,755**	**17.8**	**16.4**
Pro memoria:						
Loans w/o repos	680,140	(2.2)	1.0	680,140	(0.9)	2.0
Funds (customer deposits w/o repos + mutual funds)	731,932	(1.5)	1.8	731,932	4.1	6.8

(*).- In 1H'16 capital gains from VISA Europe disposal and restructuring costs.

Global Corporate Banking (€ million)

P&L	2Q'17	/ 1Q'17 %	/ 1Q'17 % w/o FX	1H'17	/ 1H'16 %	/ 1H'16 % w/o FX
Net interest income	625	(4.8)	(2.8)	1,281	10.0	4.5
Net fee income	438	9.6	11.3	837	16.6	13.0
Gains (losses) on financial transactions	211	(54.7)	(53.0)	678	(3.4)	(9.0)
Other operating income	101	133.8	137.3	144	6.4	4.0
Gross income	**1,374**	**(12.2)**	**(10.3)**	**2,940**	**8.1**	**3.1**
Operating expenses	(488)	0,2	1.3	(975)	(0.1)	(1.2)
Net operating income	**886**	**(17.8)**	**(15.5)**	**1,964**	**12.7**	**5.4**
Net loan-loss provisions	(238)	79.7	82.3	(370)	(11.0)	(19.2)
Other income	(5)	(62.1)	(61.6)	(19)	(41.5)	(41.4)
Underlying profit before taxes	**643**	**(31.0)**	**(28.8)**	**1,576**	**21.7**	**14.8**
Tax on profit	(185)	(30.3)	(28.0)	(450)	20.0	13.0
Underlying profit from continuing operations	**459**	**(31.2)**	**(29.1)**	**1,126**	**22.3**	**15.5**
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	**459**	**(31.2)**	**(29.1)**	**1,126**	**22.3**	**15.5**
Minority interests	44	(22.5)	(19.6)	101	27.8	15,1
Underlying attributable profit to the Group	**414**	**(32.1)**	**(30.0)**	**1,024**	**21.8**	**15.5**
Net capital gains and provisions*	—	—	—	—	(100.0)	(100.0)
Attributable profit to the Group	**414**	**(32.1)**	**(30.0)**	**1,024**	**30.9**	**23.6**
Pro memoria:						
Loans w/o repos	89,758	(6.5)	(2.8)	89,758	(9.1)	(7.2)
Funds (customer deposits w/o repos + mutual funds)	72,479	7.3	11.8	72,479	18.1	20.1

(*).-In 1H'16. Restructuring costs

Popular (€ million)

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

(*).- Results consolidated into Grupo Santander as of 7 June 2017.

Balance sheet	Jun 2017
Customer loans	82,589
Cash, central banks and credit institutions	12,538
Debt securities	19,394
o/w: available for sale	*17,929*
Other financial assets	1,971
Other assets	15,224
Total assets	**131,716**
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
Total liabilities	**131,723**
Total equity	**(7)**
Other managed and marketed customer funds	**18,121**
Mutual funds	10,003
Pension funds	4,737
Managed portfolios	3,381
Pro memoria:	
Gross customer loans w/o repos	93,101
Funds (customer deposits w/o repos + mutual funds)	70,570

Income Statement - Grupo Santander (including Banco Popular)

€ million

	2Q'17	1Q'17	Change %	Change % w/o FX	1H'17	1H'16	Change %	Change % w/o FX
Net interest income	8,606	8,402	2.4	4.6	17,008	15,194	11.9	7.4
Net fee income	2,916	2,844	2.6	4.6	5,760	4,946	16.5	11.5
Gains (losses) on financial transactions	286	573	(50.0)	(48.1)	859	870	(1.3)	(2.0)
Other operating income	240	211	14.2	17.4	451	474	(4.9)	(7.1)
Dividends	238	41	481.2	484.3	279	253	10.3	9.2
Income from equity-accounted method	160	133	20.0	21.4	293	195	49.9	42.5
Other operating income/expenses	(157)	37	—	—	(120)	26	—	—
Gross income	**12,049**	**12,029**	**0.2**	**2.3**	**24,078**	**21,485**	**12.1**	**7.7**
Operating expenses	(5,648)	(5,543)	1.9	3.7	(11,191)	(10,384)	7.8	4.7
General administrative expenses	(4,983)	(4,915)	1.4	3.3	(9,897)	(9,204)	7.5	4.4
Personnel	*(2,943)*	*(2,912)*	*1.1*	*2.9*	*(5,855)*	*(5,395)*	*8.5*	*5.3*
Other general administrative expenses	*(2,039)*	*(2,002)*	*1.8*	*3.8*	*(4,042)*	*(3,809)*	*6.1*	*3.0*
Depreciation and amortisation	(665)	(629)	5.8	7.4	(1,294)	(1,181)	9.6	7.0
Net operating income	**6,401**	**6,486**	**(1.3)**	**1.1**	**12,887**	**11,100**	**16.1**	**10.4**
Net loan-loss provisions	(2,280)	(2,400)	(5.0)	(2.2)	(4,680)	(4,613)	1.4	(5.5)
Impairment losses on other assets	(63)	(68)	(7.9)	(6.6)	(131)	(72)	81.3	71.9
Other income	(785)	(707)	11.0	13.7	(1,492)	(905)	65.0	54.8
Underlying profit before taxes	**3,273**	**3,311**	**(1.1)**	**1.0**	**6,585**	**5,510**	**19.5**	**15.9**
Tax on profit	(1,129)	(1,125)	0.4	2.7	(2,254)	(1,725)	30.6	27.2
Underlying profit from continuing operations	**2,144**	**2,186**	**(1.9)**	**0.2**	**4,331**	**3,785**	**14.4**	**10.8**
Net profit from discontinued operations	—	—	—	—	—	0	(100.0)	(100.0)
Underlying consolidated profit	**2,144**	**2,186**	**(1.9)**	**0.2**	**4,331**	**3,785**	**14.4**	**10.8**
Minority interests	395	319	24.0	25.8	715	626	14.2	9.3
Underlying attributable profit to the Group	**1,749**	**1,867**	**(6.4)**	**(4.2)**	**3,616**	**3,160**	**14.4**	**11.1**
Net capital gains and provisions*	—	—	—	—	—	(248)	(100.0)	(100.0)
Attributable profit to the Group	**1,749**	**1,867**	**(6.4)**	**(4.2)**	**3,616**	**2,911**	**24.2**	**20.7**
Underlying EPS (euros)	**0.114**	**0.122**	**(7.2)**		**0.236**	**0.208**	**13.4**	
Underlying diluted EPS (euros)	**0.113**	**0.122**	**(7.2)**		**0.235**	**0.207**	**13.4**	
EPS (euros)	**0.114**	**0.122**	**(7.2)**		**0.236**	**0.191**	**23.7**	
Diluted EPS (euros)	**0.113**	**0.122**	**(7.2)**		**0.235**	**0.190**	**23.7**	

(*).- In 1H'16 capital gains from VISA Europe disposal (€227 million) and restructuring costs (€475 million).

Balance sheet - Grupo Santander (including Banco Popular)

€ million

Assets	30.06.17	30.06.16	Change amount	%	31.12.16
Cash, cash balances at central banks and other demand deposits	83,691	65,368	18,323	28.0	76,454
Financial assets held for trading	132,348	157,497	(25,149)	(16.0)	148,187
Debt securities	*37,062*	*45,077*	*(8,015)*	*(17.8)*	*48,922*
Equity instruments	*18,907*	*14,237*	*4,670*	*32.8*	*14,497*
Loans and advances to customers	*11,987*	*8,747*	*3,240*	*37.0*	*9,504*
Loans and advances to central banks and credit institutions	*6,182*	*2,161*	*4,021*	*186.1*	*3,221*
Derivatives	*58,210*	*87,275*	*(29,065)*	*(33.3)*	*72,043*
Financial assets designated at fair value	41,398	42,846	(1,448)	(3.4)	31,609
Loans and advances to customers	*19,768*	*13,928*	*5,840*	*41.9*	*17,596*
Loans and advances to central banks and credit institutions	*16,796*	*24,810*	*(8,014)*	*(32.3)*	*10,069*
Other (debt securities an equity instruments)	*4,834*	*4,108*	*726*	*17.7*	*3,944*
Available-for-sale financial assets	143,561	116,385	27,176	23.4	116,774
Debt securities	*138,280*	*111,672*	*26,608*	*23.8*	*111,287*
Equity instruments	*5,281*	*4,713*	*568*	*12.1*	*5,487*
Loans and receivables	908,053	842,878	65,175	7.7	840,004
Debt securities	*15,473*	*13,672*	*1,801*	*13.2*	*13,237*
Loans and advances to customers	*829,466*	*760,781*	*68,685*	*9.0*	*763,370*
Loans and advances to central banks and credit institutions	*63,114*	*68,425*	*(5,311)*	*(7.8)*	*63,397*
Held-to-maturity investments	13,789	4,820	8,969	186.1	14,468
Investments in subsidaries, joint ventures and associates	6,786	3,411	3,375	99.0	4,836
Tangible assets	22,797	26,314	(3,517)	(13.4)	23,286
Intangible assets	28,628	29,146	(518)	(1.8)	29,421
o/w: goodwill	*26,070*	*26,541*	*(471)*	*(1.8)*	*26,724*
Other assets	64,209	54,241	9,968	18.4	54,086
Total assets	**1,445,260**	**1,342,906**	**102,354**	**7.6**	**1,339,125**

Liabilities and shareholders' equity	30.06.17	30.06.16	Change amount	%	31.12.16
Financial liabilities held for trading	96,137	118,582	(22,445)	(18.9)	108,765
Customer deposits	*15,839*	*8,755*	*7,084*	*80.9*	*9,996*
Debt securities issued	*0*	*—*	*0*	*—*	*—*
Deposits by central banks and credit institutions	*777*	*960*	*(183)*	*(19.0)*	*1,395*
Derivatives	*59,032*	*87,254*	*(28,222)*	*(32.3)*	*74,369*
Other	*20,489*	*21,613*	*(1,124)*	*(5.2)*	*23,005*
Financial liabilities designated at fair value	53,789	48,548	5,241	10.8	40,263
Customer deposits	*26,838*	*25,425*	*1,413*	*5.6*	*23,345*
Debt securities issued	*3,049*	*2,995*	*54*	*1.8*	*2,791*
Deposits by central banks and credit institutions	*23,900*	*20,127*	*3,773*	*18.7*	*14,127*
Other	*0*	*1*	*(1)*	*(59.5)*	*—*
Financial liabilities measured at amortized cost	1,148,471	1,031,650	116,821	11.3	1,044,240
Customer deposits	*721,659*	*637,723*	*83,936*	*13.2*	*657,770*
Debt securities issued	*220,678*	*227,991*	*(7,313)*	*(3.2)*	*226,078*
Deposits by central banks and credit institutions	*178,930*	*138,366*	*40,564*	*29.3*	*133,876*
Other	*27,204*	*27,570*	*(366)*	*(1.3)*	*26,516*
Liabilities under insurance contracts	1,693	644	1,049	162.9	652
Provisions	15,877	15,174	703	4.6	14,459
Other liabilities	28,340	27,962	378	1.4	28,047
Total liabilities	**1,344,305**	**1,242,560**	**101,745**	**8.2**	**1,236,426**
Shareholders' equity	107,565	103,637	3,928	3.8	105,977
Capital stock	*7,291*	*7,217*	*74*	*1.0*	*7,291*
Reserves	*97,533*	*94,303*	*3,230*	*3.4*	*94,149*
Attributable profit to the Group	*3,616*	*2,911*	*705*	*24.2*	*6,204*
Less: dividends	*(875)*	*(794)*	*(81)*	*10.2*	*(1,667)*
Accumulated other comprehensive income	(18,797)	(15,027)	(3,770)	25.1	(15,039)
Minority interests	12,188	11,736	452	3.8	11,761
Total equity	**100,955**	**100,346**	**609**	**0.6**	**102,699**
Total liabilities and equity	**1,445,260**	**1,342,906**	**102,354**	**7.6**	**1,339,125**

Consolidated summarised financial statements

Consolidated income statement

Consolidated balance sheet

NOTE: The financial information for the first half of 2017 and 2016 corresponds to that included in the consolidated summarised financial statements at these dates, drawn up in accordance with the International Accounting Standards (IAS) 34, Interim Financial Information. The accounting policies and methods used are those established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU), Circular 4/2004 of the Bank of Spain and the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS-IASB).

Consolidated income statement (€ million)

	1H'17	1H'16
Interest income	28,632	27,032
Interest expense	(11,624)	(11,838)
NET INTEREST INCOME	**17,008**	**15,194**
Dividend income	279	253
Share of results of entities accounted for using the equity method	293	195
Commission income	7,261	6,275
Commission expense	(1,501)	(1,329)
Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net	276	734
Gain or losses on financial assets and liabilities held for trading, net	1,055	753
Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net	(47)	422
Gain or losses from hedge accounting, net	(8)	14
Exchange rate differences, net	(416)	(672)
Other operating income	807	1,150
Other operating expenses	(944)	(1,160)
Income from assets under insurance and reinsurance contracts	1,378	1,024
Expenses from liabilities under insurance and reinsurance contracts	(1,361)	(988)
GROSS INCOME	**24,080**	**21,865**
Administrative expenses	(9,897)	(9,204)
Staff costs	(5,855)	(5,395)
Other general administrative expenses	(4,042)	(3,809)
Depreciation and amortisation cost	(1,294)	(1,181)
Provisions, net	(1,377)	(1,570)
Impairment or reversal of impairment of financial assets measured at fair value through profit or loss, net	(4,713)	(4,647)
Financial assets measured at cost	(7)	(2)
Financial assets available-for-sale	—	—
Loans and receivables	(4,706)	(4,645)
Held-to-maturity investments	—	—
PROFIT FROM OPERATIONS	**6,799**	**5,263**
Impairment of investments in subsidiaries, joint ventures and associates, net	—	(8)
Impairment on non-financial assets, net	(97)	(30)
Tangible assets	(28)	(18)
Intangible assets	(40)	—
Others	(29)	(12)
Gain or losses on non financial assets and investments, net	26	27
Negative goodwill recognized in results	—	—
Gains or losses on non-current assets held for sale classified as discontinued operations	(143)	(40)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**6,585**	**5,212**
Tax expense or income from continuing operations	(2,254)	(1,642)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**4,331**	**3,570**
Profit or loss after tax from discontinued operations	—	—
PROFIT FOR THE PERIOD	**4,331**	**3,570**
Profit attributable to non-controlling interests	715	659
Profit attributable to the parent	3,616	2,911
EARNINGS PER SHARE (euros)		
Basic	0.24	0.19
Diluted	0.24	0.19

NOTE: The financial information in this report was approved by the Bank's Board of Directors, following a favourable report from the Audit Committee. In its review, the Audit Committee ensured that the first half information has been drawn up in accordance with the same principles and practices as the annual financial statements.

Consolidated balance sheet (€ million)

ASSETS	30.06.17	31.12.16	30.06.16
Cash, cash balances at central banks and other demand deposits	83,691	76,454	65,368
Financial assets held for trading	132,348	148,187	157,497
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*40,146*	*38,145*	*32,081*
Financial assets measured at fair value	41,398	31,609	42,846
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*7,082*	*2,025*	—
Financial assets available for sale	143,561	116,774	116,385
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*44,630*	*23,980*	*27,124*
Loans and receivables	908,053	840,004	842,878
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*11,052*	*7,994*	*2,349*
Investments held.to-maturity	13,789	14,468	4,820
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*7,081*	*2,489*	*524*
Hedging derivates	9,496	10,377	11,045
Changes in fair value of hedged items in portfolio hedges of interest rate risk	1,419	1,481	1,993
Investments	6,787	4,836	3,411
Associated companies	2,586	1,594	1,650
Controlled entities	4,201	3,242	1,761
Reinsurance assets	342	331	326
Tangible assets	22,796	23,286	26,314
Property, plant and equipment	20,567	20,770	19,951
For own-use	8,267	7,860	7,681
Leased out under an operating lease	12,300	12,910	12,270
Investment property	2,229	2,516	6,363
Of which: leased out under an operating lease	*1,358*	*1,567*	*5,153*
Memorandum items: acquired in financial lease	*88*	*115*	*109*
Intangible assets	28,628	29,421	29,146
Goodwill	26,070	26,724	26,541
Other intangible assets	2,558	2,697	2,605
Tax assets	30,743	27,678	26,091
Current tax assets	6,183	6,414	4,621
Deferred tax assets	24,560	21,264	21,470
Other assets	10,032	8,447	8,945
Insurance contracts linked to pensions	423	269	279
Inventories	1,127	1,116	1,139
Other	8,482	7,062	7,527
Non-current assets held for sale	12,177	5,772	5,841
TOTAL ASSETS	**1,445,260**	**1,339,125**	**1,342,906**

Consolidated balance sheet (€ million)

LIABILITIES AND EQUITY	30.06.17	31.12.16	30.06.16
Financial liabilities held for trading	96,137	108,765	118,582
Financial liabilities designated at fair value through profit or loss	53,788	40,263	48,548
Memorandum items: subordinated liabilities	—	—	—
Financial liabilities at amortised cost	1,148,471	1,044,240	1,031,650
Memorandum items: subordinated liabilities	*21,058*	*19,902*	*22,720*
Hedging derivatives	7,638	8,156	9,365
Changes in fair value of hedged items in portfolio hedges of interest rate risk	350	448	636
Liabilities under insurance contracts	1,693	652	644
Provisions	15,877	14,459	15,174
Pensions and other post-retirement obligations	6,830	6,576	6,784
Other long term employee benefits	1,497	1,712	2,049
Taxes and other legal contingencies	3,742	2,994	2,885
Contingent liabilities and commitments	645	459	616
Other provisions	3,163	2,718	2,840
Tax liabilities	8,863	8,373	8,118
Current tax liabilities	2,764	2,679	2,560
Deferred tax liabilities	6,099	5,694	5,558
Other lialibities	11,488	11,070	9,843
Liabilities associated with non-current assets held for sale	—	—	—
TOTAL LIABILITIES	**1,344,305**	**1,236,426**	**1,242,560**
Sharehoders' equity	107,564	105,977	103,637
Capital	7,291	7,291	7,217
Unpaid capital which has been called up	—	—	—
Memorandum items: uncalled up capital	—	—	—
Share premium	44,912	44,912	45,001
Equity instruments issued other than capital	—	—	—
Equity component of compound financial instruments	—	—	—
Other equity instruments	—	—	—
Other equity	154	240	239
Accumulated retained profit	53,556	49,953	49,960
Revaluation reserves	—	—	—
Other reserves	(1,062)	(949)	(707)
(-) Own shares	(28)	(7)	(190)
Profit attributable to shareholders of the parent	3,616	6,204	2,911
(-) Interim Dividends	(875)	(1,667)	(794)
Other accumulated results	(18,797)	(15,039)	(15,027)
Items not reclassified to profit or loss	(3,869)	(3,933)	(3,665)
Actuarial gains or losses on defined benefit pension plans	(3,867)	(3,931)	(3,664)
Non-current assets classified as held for sale	—	—	—
Other recognised income and expense of investments in subsidaries, joint ventures and associates	(2)	(2)	(1)
Other valuation adjustments	—	—	—
Items that may be reclassified to profit or loss	(14,928)	(11,106)	(11,362)
Hedge of net investments in foreign operations (effective portion)	(4,615)	(4,925)	(3,995)
Exchange rate differences	(12,381)	(8,070)	(9,217)
Hedging derivatives. Cash flow hedges (effective portion)	251	469	836
Available-for-sale financial assets	2,010	1,571	1,196
Debt instruments	930	423	718
Equity instruments	1,080	1,148	478
Non-current assets classified as held for sale	—	—	—
Other recognised income and expense of investments in subsidaries, joint ventures and associates	(193)	(151)	(182)
Non-controlling interest	12,188	11,761	11,736
Other accumulated results	(1,113)	(853)	(1,029)
Other items	13,301	12,614	12,765
TOTAL EQUITY	**100,955**	**102,699**	**100,346**
TOTAL LIABILITIES AND EQUITY	**1,445,260**	**1,339,125**	**1,342,906**

Memorandum items			
Contingent liabilities	48,167	44,434	42,316
Contingent commitments	256,617	231,962	225,526

» Glossary of Alternative Performance Measures (APM)

Below we set out information on alternative performance measures in order to comply with the guidelines of the European Securities and Markets Authority, ESMA (Guidelines on Alternative Performance Meaures).

The Group uses the following indicators for managing its business. They enable profitability and efficiency to be measured, the quality of its credit portfolio, the volume of tangible equity per share and the net loan-to-deposit ratio, analysing their evolution and comparing them with those of our competitors.

The purpose of the **profitability and efficiency ratios** is to measure the ratio of profits to capital, tangible capital, assets and risk-weighted assets, while the efficiency ratio enables measures how much general administrative expenses (personnel and other) and amortisation costs are needed to generate revenue.

The **credit risk** indicators measure the quality of the credit portfolio and the percentage of non-performing loans covered by provisions.

The **capitalisation** indicator provides information on the volume of tangible equity per share.

Other indicators are also included. The loan-to-deposit ratio (LTD) identifies the relation between customer loans and advances (net) and customer deposits and so assesses what proportion of loans and advances granted by the Group are financed by customer deposits. The Group also uses gross customer loan magnitudes excluding repurchase agreements (repos) and customer deposits excluding reverse repurchase agreements (reverse repos). In order to analyse the evolution of the traditional commercial banking business of granting loans and capturing deposits, the repos and reverse repos are deducted, respectively, as they are mainly highly volatile treasury business products.

The Group presents, for both the Group's total as well as the business units, the real changes in the income statement as well as the **changes without the exchange rate effect,** as it considers the latter facilitates analysis because it enables the movements that occur in businesses to be identified without taking into account the impact of converting each local currency into euros. The average exchange rates used to calculate these changes are set out on page 12.

The Group presents, for both the Group's total as well as the business units, the real changes in the balance sheet as well as the **changes without the exchange rate effect** for customer loans and advances (excluding repos) and customer funds, which comprise deposits (without reverse repos) and mutual funds. The reason is to also facilitate analysis by isolating the changes in these balances that are not caused by converting each local currency to euros. The end-of-period exchange rates used to calculate these changes are set out on page 12.

The Group also includes **summarised income statements** in which non-recurring capital gains and provisions are presented in net terms separately in the line just before the Group's attributable profit. The Group believes that this statement explains more clearly the changes in the income statement. Those capital gains and provisions considered as non-recurring are subtracted from each of the income statement lines where they were naturally recorded.

Lastly, the indicators use profit and loss and balance sheet figures and ratios excluding Banco Popular's figures, in order to facilitate like-for-like comparisons.

The following table reconciles attributable profit by isolating the negative non-recurring impact in the first half of 2016, derived mainly from losses stemming from restructuring costs in Spain, partly offset by capital gains from the sale of Visa Europe shares, as well as the impact of Banco Popular as of its acquisition on June 7, in the first half of 2017.

Adjusted attributable profit to the Group. Six months ended on June 30
€ million

	2017	2016	% change
Unadjusted attributable profit to the Santander Group	**3,616**	**2,911**	**+24%**
(-) Attributable profit Banco Popular	11	0	—
Unadjusted attributable profit to the Santander Group (Ex-Popular)	**3,605**	**2,911**	**+24%**
(-) Non-recurring events*	0	(248)	-100%
Adjusted attributable profit to the Group	**3,605**	**3,160**	**+14%**

(*).- In 1H'16, capital gain from VISA Europe disposal (€227 million) and restructuring costs (€475 million)

The indicators and how they are calculated are defined below.

Profitability and efficiency

RoE	Return on capital: Group attributable profit / average net equity (excluding minority interests). Net equity is defined as capital and reserves + other accumulated global results + Group attributable profit + dividends and other payments.
RoTE	Return on tangible capital: Group attributable profit / average of: net equity (excluding minority interests) – intangible assets (including goodwill)
Underlying RoTE	Return on tangible capital: Group underlying attributable profit / average of: net equity (excluding minority interests) - intangible assets (including goodwill)
RoA	Return on assets: consolidated profit / average total assets
RoRWA	Return on risk-weighted assets: consolidated profit / average risk-weighted assets
Underlying RoRWA	Return on risk-weighted assets: consolidated underlying profit / average risk-weighted assets
Efficiency	Operating costs / gross income. Operating expenses are 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	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

Other indicators

Loan-to-deposit ratio	Net customer loans and advances / Customer deposits
Loans excluding repos	Gross customer loans and advances excluding repos
Deposits excluding reverse reposs	Customer deposits excluding reverse repos

Notes:

1) The averages for the RoE, RoTE, RoA 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 calculated the RoE and 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 RoA and 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).

» Other definitions

Santander Global Corporate Banking

Global Transaction Banking (GTB): includes the business of cash management, trade finance, basic financing and custody

Financing Solutions & Advisory (FS&A): includes the units of origination and distribution of corporate loans and structured financings, bond and securitisation origination teams, corporate finance units (mergers and acquisitions, primary markets of equities, investment solutions for corporate clients via derivatives), as well as asset based finance

Global Markets (GM): includes the sale and distribution of fixed income and equity derivatives, interest rates and inflation; the trading and hedging of exchange rates, and short-term money markets for the Group's wholesale and retail clients; management of books associated with distribution; and brokerage of equities, and derivatives for investment and hedging solutions.

» Acronym

AFS: Available for Sale

CET1: Common Equity Tier1

EPS: Earnings per share

FROB: Fondo de Reestructuración Ordenada Bancaria

GDP: Gross Domestic Product

MREL/TLAC: Minimum Requirement of Elegible Liabilities / Total Loss-Absorbing Capacity

NII: Net Interest Income

NPL: Non Performing Loans

Repos: Repurchase Agreements

SAREB: Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria

SRB: Single Resolution Board

SRF: Single Resolution Fund

VaR: Value at Risk

This document is a translation of a document originally issued in Spanish, Should there be any discrepancies between the English and the Spanish versions. Only the original Spanish version should be binding.

Important information

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

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