# 2016

## Financial report

January - September

We want to help people and businesses prosper

Santander

# Financial Report



At Banco Santander, we take advantage of new communication technologies and the social networks to improve dialogue with our stakeholders

# KEY CONSOLIDATED DATA

| Balance sheet (€ million) | Sep'16 | Jun'16 | % | Sep'16 | Sep'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| Total assets | **1,329,538** | 1,342,906 | (1.0) | **1,329,538** | 1,320,427 | 0.7 | 1,340,260 |
| Net customer loans | **773,290** | 783,457 | (1.3) | **773,290** | 777,020 | (0.5) | 790,848 |
| Customer deposits | **667,439** | 671,903 | (0.7) | **667,439** | 669,255 | (0.3) | 683,142 |
| Managed and marketed customer funds | **1,075,162** | 1,077,369 | (0.2) | **1,075,162** | 1,045,507 | 2.8 | 1,075,563 |
| Total equity | **101,122** | 100,346 | 0.8 | **101,122** | 98,687 | 2.5 | 98,753 |
| Total managed and marketed funds | **1,508,587** | 1,517,386 | (0.6) | **1,508,587** | 1,479,841 | 1.9 | 1,506,520 |

| Underlying income statement* (€ million) | 3Q'16 | 2Q'16 | % | 9M'16 | 9M'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| Net interest income | **7,798** | 7,570 | 3.0 | **22,992** | 24,302 | (5.4) | 32,189 |
| Gross income | **11,080** | 10,929 | 1.4 | **32,740** | 34,378 | (4.8) | 45,272 |
| Net operating income | **5,831** | 5,703 | 2.2 | **17,106** | 18,229 | (6.2) | 23,702 |
| Underlying profit before taxes | **2,940** | 2,954 | (0.5) | **8,625** | 8,766 | (1.6) | 10,939 |
| Underlying attributable profit to the Group | **1,695** | 1,646 | 3.0 | **4,975** | 5,106 | (2.6) | 6,566 |

Changes on a currency-neutral basis: Quarterly: Net interest income: +1.5%; Gross income: -0.1%; Net operating income: +0.2%; Attributable profit: +2.3%
Year-on-year: Net interest income: +2.2%; Gross income: +2.7%; Net operating income: +1.4%; Attributable profit: +8.4%

| Underlying EPS, profitability and efficiency* (%) | 3Q'16 | 2Q'16 | % | 9M'16 | 9M'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| EPS (euro) | **0.11** | 0.11 | 3.2 | **0.33** | 0.35 | (5.9) | 0.45 |
| RoE | **7.66** | 7.45 | | **7.52** | 7.49 | | 7.23 |
| RoTE | **11.36** | 11.09 | | **11.19** | 11.42 | | 10.99 |
| RoA | **0.61** | 0.60 | | **0.59** | 0.61 | | 0.58 |
| RoRWA | **1.40** | 1.37 | | **1.37** | 1.35 | | 1.30 |
| Efficiency ratio (with amortisations) | **47.4** | 47.8 | | **47.8** | 47.0 | | 47.6 |

| Solvency and NPL ratios (%) | Sep'16 | Jun'16 | % | Sep'16 | Sep'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| CET1 fully-loaded | **10.47** | 10.36 | | **10.47** | 9.85 | | 10.05 |
| CET1 phase-in | **12.44** | 12.32 | | **12.44** | 12.39 | | 12.55 |
| NPL ratio | **4.15** | 4.29 | | **4.15** | 4.50 | | 4.36 |
| Coverage ratio | **72.7** | 72.5 | | **72.7** | 71.1 | | 73.1 |

| Market capitalisation and shares | Sep'16 | Jun'16 | % | Sep'16 | Sep'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| Shares (millions) | **14,434** | 14,434 | — | **14,434** | 14,317 | 0.8 | 14,434 |
| Share price (euros) | **3.947** | 3.429 | 15.1 | **3.947** | 4.744 | (16.8) | 4.558 |
| Market capitalisation (€ million) | **56,973** | 49,496 | 15.1 | **56,973** | 67,918 | (16.1) | 65,792 |
| Tangible book value (euro) | **4.18** | 4.13 | | **4.18** | 4.10 | | 4.07 |
| Price / Tangible book value (X) | **0.94** | 0.83 | | **0.94** | 1.16 | | 1.12 |
| P/E ratio (X) | **9.02** | 7.93 | | **9.02** | 10.19 | | 10.23 |

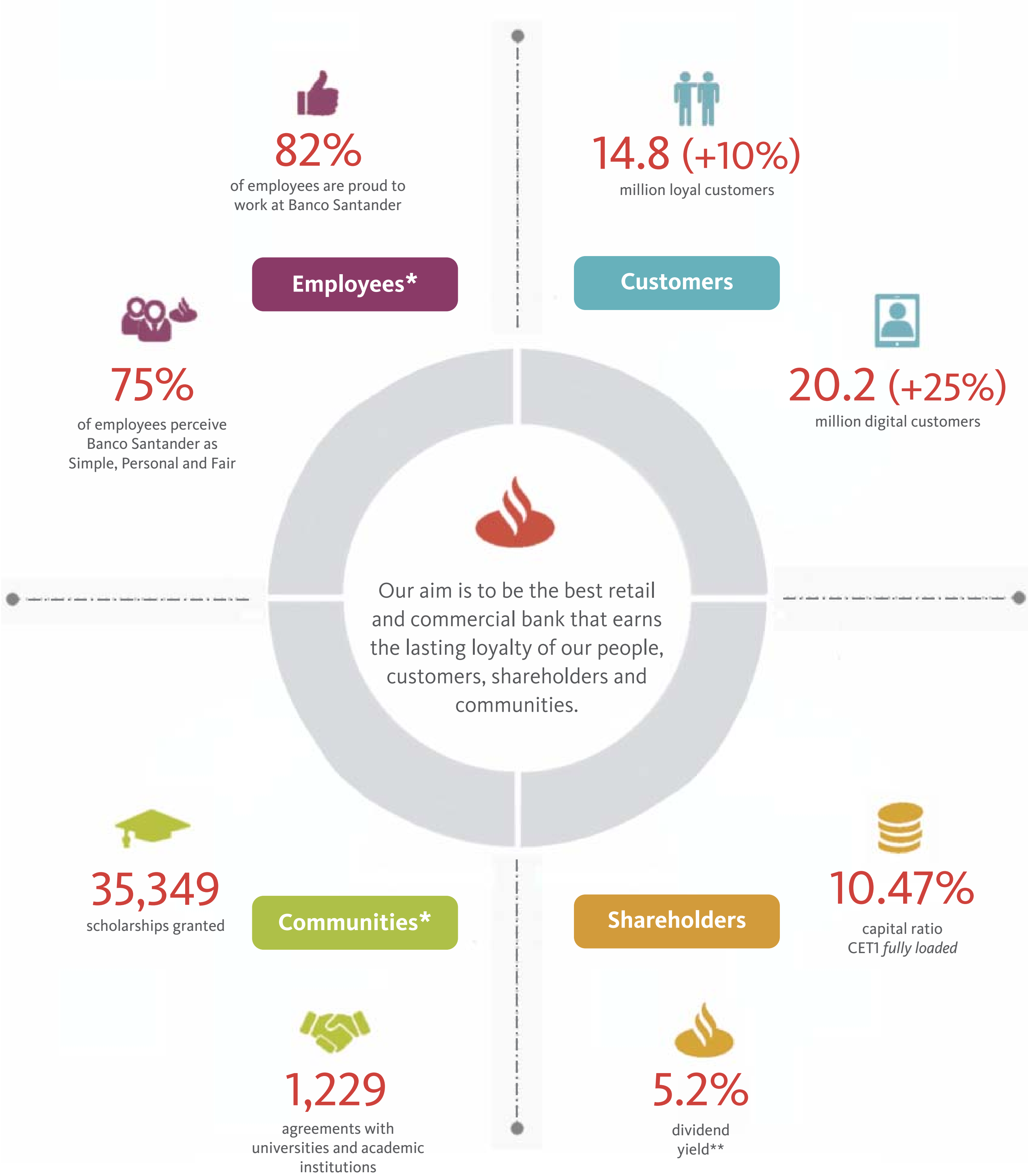
| Other data | Sep'16 | Jun'16 | % | Sep'16 | Sep'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| Number of shareholders | **3,920,700** | 3,794,920 | 3.3 | **3,920,700** | 3,209,138 | 22.2 | 3,573,277 |
| Number of employees | **189,675** | 191,138 | (0.8) | **189,675** | 191,504 | (1.0) | 193,863 |
| Number of branches | **12,391** | 12,589 | (1.6) | **12,391** | 12,901 | (4.0) | 13,030 |

| Information on total profit** | 3Q'16 | 2Q'16 | % | 9M'16 | 9M'15 | % | 2015 |
|---|---|---|---|---|---|---|---|
| Attributable profit to the Group | **1,695** | 1,278 | 32.6 | **4,606** | 5,941 | (22.5) | 5,966 |
| EPS (euro) | **0.11** | 0.08 | 35.1 | **0.30** | 0.41 | (25.9) | 0.40 |
| RoE | **7.66** | 7.03 | | **7.10** | 8.41 | | 6.57 |
| RoTE | **11.36** | 10.47 | | **10.57** | 12.82 | | 9.99 |
| RoA | **0.61** | 0.57 | | **0.57** | 0.68 | | 0.54 |
| RoRWA | **1.40** | 1.32 | | **1.31** | 1.51 | | 1.20 |
| P/E ratio (X) | **9.78** | 8.99 | | **9.78** | 8.71 | | 11.30 |

(*).- Excluding non-recurring net capital gains and provisions (2Q'16 and 9M'16: -€368 million; 9M'15: €835 million; 2015: -€600 million)
(**).- Including non-recurring net capital gains and provisions (2Q'16 and 9M'16: -€368 million; 9M'15: €835 million; 2015: -€600 million)

Note: The financial information in this report was approved by the Executive Committee of Board of Directors at its meeting on October 24, 2016, following a favourable report from the Audit Committee on October 20, 2016.

# Helping people and businesses prosper




(*) 2015 data
(**) The last four dividends paid / 9M'16 average share price

# Simple | Personal | Fair

## → Employees

- Human Resources continued to focus on people and in the third quarter reviewed the corporate segmentation of executives in order to adapt the structure to the new culture and adjust it to the organisation and the current challenges.

In order to improve the working environment, the following actions were launched:

- Globlal commitment survey conducted throughout the Group, for the third time.
- *Be Healthy*, a global health and wellbeing programme in various countries.
- *Solaruco Pop Up*, an initiative to extend the knowledge shared in the Corporate Centre of Knowledge and Development to all the Group's professionals.
- Further progress in *Flexiworking*.

Employees
189,675
professionals

## → Customers

- Of note among the measures for improving customer loyalty is the 1|2|3 strategy in Spain, Portugal and the UK, and consolidation of differentiated value offers in Brazil, Mexico, Chile and Argentina.
- More important changes were also made to the commercial *NEO CRM* tools and we continued to transform the distribution network by improving the technology platforms and increasing digital capacities.
- The objective is to enhance the customer experience, strengthen the relationship and loyalty via technological advances that enable us to have a unique vision and offer different channels and products. In short, let the customer decide when, how and where they want to be tended to (anytime, anywhere, anyhow).

Customers
124
million

## → Shareholders

- The Group held in London on September 30th its first Group Strategy Update, at which senior management explained to analysts and international investors the progress made by the Group since the last Investor Day.
- EBA's stress test: shareholders and investors were told the Group's results.
- Santander App Shareholders and Investors: updating and renewal of the app, incorporating the latest technological advances.
- *Becas Capacitas*: scholarships for university studies for shareholders and families with disabilities.

Shareholders
3.9
million

## → Communities

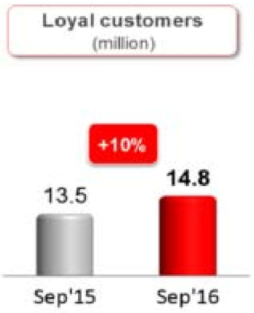
- Spin 2016 was held in Santiago de Compostela, the largest entrepreneurial event for Latin American university students, attended by more than 2,300 entrepreneurs, students and investors.
- Workshop organized by Madrid's Complutense University and the Institute for Global Law and Policy at Harvard University, with the participation of 90 young doctors from 50 countries, which discussed issues to do with global policies and internationalization.
- *Primus Inter Pares* prize presented to Portugal's three best university students in economics, engineering and management.

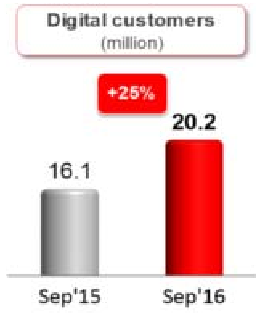
Communities
1.2
million people
helped in 2015

# HIGHLIGHTS OF THE PERIOD

## ➔ Increase in loyal and digital customers within the transformation of the commercial model

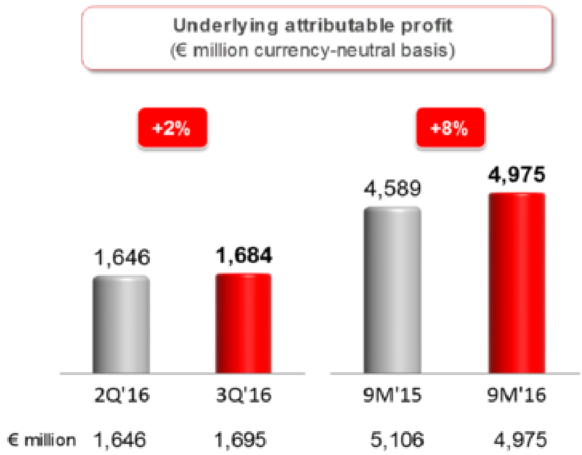
- We continued to transform our commercial model and make it increasingly **Simple, Personal and Fair**.
- The number of **loyal customers** increased by 1.3 million in the last 12 months (+10%), with individuals up 9% and companies 16%.
- The number of **digital customers** rose by 4.1 million (+25% since September 2015), reflecting the strength of the multi-channel strategy.



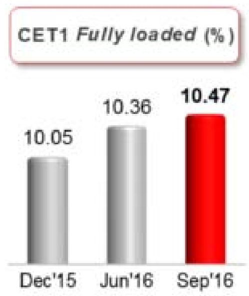

## ➔ Underlying profit growth with good performance of commercial revenues and provisions

- **Third quarter attributable profit of €1,695 million**, up from €1,278 million in the second quarter, affected by non-recurring items and the contribution to the Single Resolution Fund. **Excluding them, and on a currency-neutral basis, profit was 2% higher**.
- **First nine months' underlying profit of €4,975 million**, 8% more than in the same period of 2015 (on a currency-neutral basis), due to:
  - Solid commercial revenues, driven by net interest income and fee income.
  - Costs stable in real terms and on a like-for-like basis.
  - Provisions remained practically stable.
- Including the non-recurring impacts, **attributable profit** was 22% lower than in September 2015 **at €4,606 million**.




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

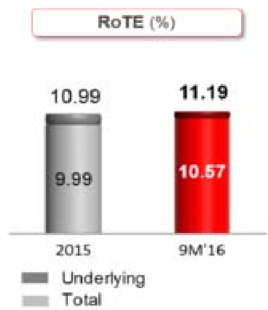
- **Fully-loaded CET1 ratio** of 10.47%, up 11 b.p. in the third quarter (+42 b.p. year-to-date), due to profit generation (16 b.p.) and management of risk-weighted assets together with some non-recurring impacts (overall, -5 b.p.)
- **Total capital ratio** of 13.70% and **fully-loaded leverage** of 5,0%.
- **Tangible net asset value per share** of €4.18 (+€0.05 in the quarter).
- **European Banking Authority stress test**: Santander is the bank that least destroys capital among its peers in the adverse scenario.

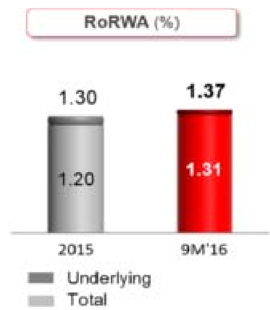




## ➔ Return, earnings per share and dividend per share. Creating value for our shareholders

- **Underlying RoTE of 11.2%**, in line with 2015.
- **Underlying RoRWA of 1.37%**, higher than in 2015.
- EPS of €0.30 per share. **Underlying EPS** of €0.33 per share (€0.35 in the first nine months of 2015).
- The first interim **dividend** charged to 2016's earnings was paid in cash and the scrip dividend programme applied to the second dividend. We aim to increase the total dividend by 5% and by around 10% in cash.

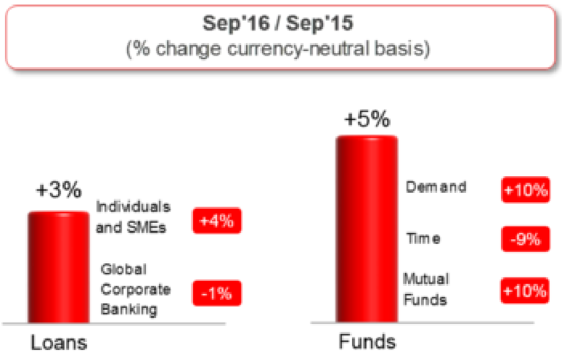


# HIGHLIGHTS OF THE PERIOD

## → In a complex environment, we continued to expand our activity, mainly in emerging countries

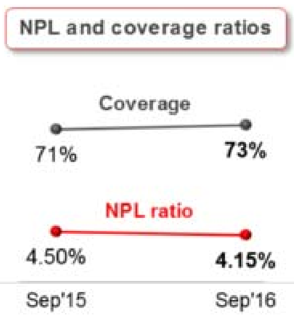
- Negative impact of exchange rates on customers' balances: -1 p.p in the third quarter and -3/-4 in 12 months.
- On a currency-neutral basis:
  - **Lending** rose 3% year-on-year and increased in all the main segments and in eight of the 10 core units.
  - **Funds** increased 5% year-on-year due to demand deposits and mutual funds. Growth in nine of the 10 core units.
- Solid funding structure and liquidity. Net **loan-to-deposit ratio** of 116% (117% in June).

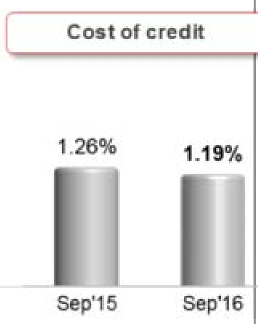



Note: loans and deposits excluding repos

## → Improvement in all credit quality ratios

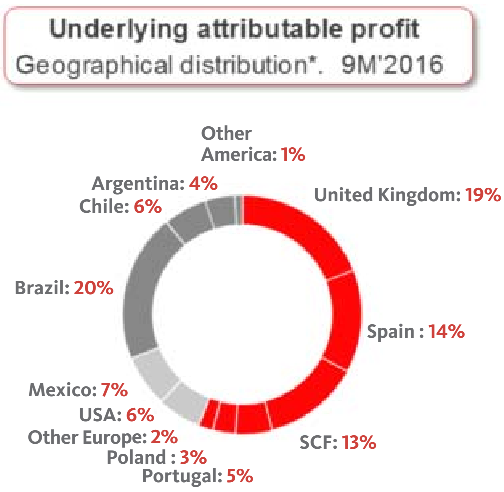
- **Non-performing loans (NPL) entries**, isolating the perimeter effect and on currency-neutral basis, were 21% lower than in the second quarter. **Non-performing loans** down 5% in the third quarter and 8% year-on-year.
- **NPL ratio** of 4.15% on a continued downward trend.
- **Coverage** remained at 73% (+2 p.p. since September 2015).
- **Cost of credit** of 1.19%, 7 b.p. lower than in September 2015. Excluding Santander Consumer USA, 0.85% (-10 b.p.).




## → Business areas: (more detail on pages 21-36 and in the appendix)

- **Continental Europe**: first nine months' underlying attributable profit, excluding the contribution to the Single Resolution Fund in order to have a more homogeneous comparison, of €2,104 million (+17% year-on-year), driven by stable revenues, control of costs and lower provisions. Profit was 4% lower than the second quarter, due to the higher collection of dividends that usually occurs in that period and the increase in provisions.
- **United Kingdom**: first nine months' attributable profit of £967 million (-11% year-on-year due to corporate tax surcharge). Excluding this, pre-tax profit was stable. Third quarter profit up 3% because of fee income, lower costs and provisions.
- **Latin America**: very negative impact of exchange rates in the last 12 months (-16 p.p.). Excluding this, the first nine months' attributable profit was 13% higher year-on-year at €2,424 million, due to higher revenues (net interest income: +6%; fee income: +14%). Gross income, net operating income and profit were at the highest levels of the last 11 quarters.
- **United States**: first nine months' attributable profit of $425 million, 42% lower than in the same period of 2015 because of higher costs and provisions, partly due to the temporary impact of ongoing measures (creation of the holding, investment in the franchise, priorities in consumer credit, etc) and provisions in the first quarter for Oil&Gas in line with the sector's. Third quarter profit lower, as provisions are usually higher in that period.




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

# Group Strategy Update

In order to strengthen our commitment to transparency and improve communication with the market, Santander held its first Group Strategy Update event on September 30.

The management team, both at the corporate level as well as the main retail units, explained the changes in the environment over the last 12 months, the progress made in achieving the goals set for 2016 and gave details on the strategy and next steps for achieving the 2018 objectives.

## → We are advancing toward meeting our targets for 2016

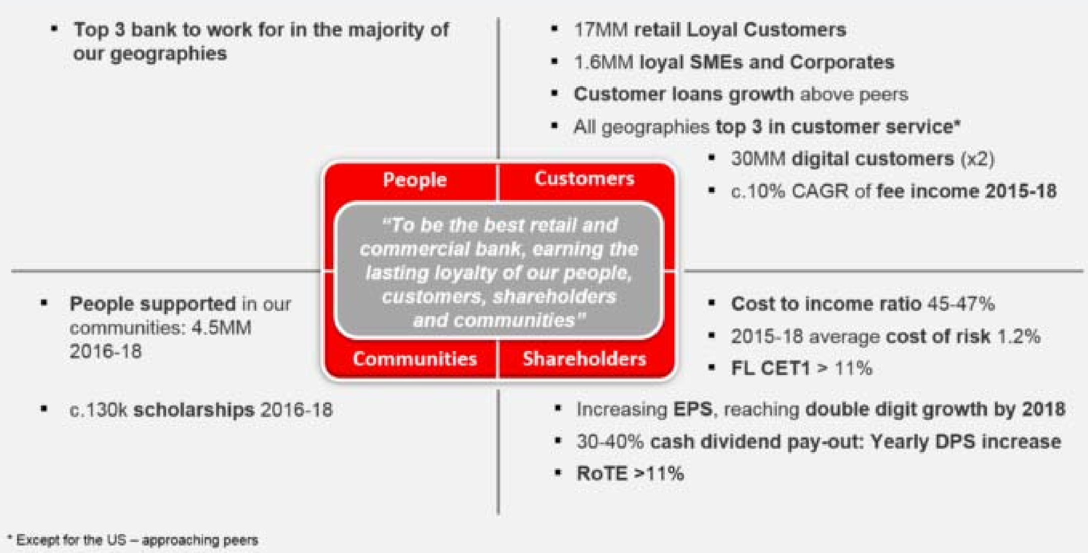
- Double-digit year-on-year growth in loyal and digital customers, with growth in all countries where we operate.
- Gain in market share in SMEs and companies.
- Fee income, a key element in a world with low interest rates, is growing faster than in 2015.
- The efficiency ratio has remained virtually stable, in line with our goal.
- The cost of credit is improving, as reflected in our risk management, and is better than that of our peers in almost all the markets in which we operate.
- The underlying RoTE remained at around 11%, among the best of our peers.
- Our TNAV per share has been increasing in the last quarters. The EPS is very in line with 2015, with the goal of increasing it at the end of the year. We have also announced a plan to raise the cash dividend per share in the year by around 10%.
- Lastly, our CET1 is increasing quarter after quarter in line with our target to exceed 11% by 2018.

## → Our main targets for 2018

In a more demanding economic and regulatory environment, where developed markets continue to be affected by interest rates at historic lows, combined with the uncertainty over the UK's exit from the EU and greater tax pressure in some countries:

- We are sticking to the goals set at the 2015 Investor Day for customers, employees and society.
- We reaffirmed our main targets to our shareholders: increase in EPS in 2016/17, double-digit rise in 2018, and drive in dividend per share and TNAV per share.
- The efficiency ratio goal is around 45-47% (less than 45% at the 2015 Investor Day) and the objective for RoTE above 11% (approximately 13% at the 2015 Investor Day).

## → Targets 2018



# Stress Test

The European Banking Authority (EBA) published in July the results of the stress tests applied to the EU's 51 main banks.

This time, a minimum capital level required to pass the test was not set. Instead, the final results were used as one more variable for the European Central Bank to determine the minimum capital requirements for each of the banks (under the Supervisory Review and Evaluation Process, SREP).

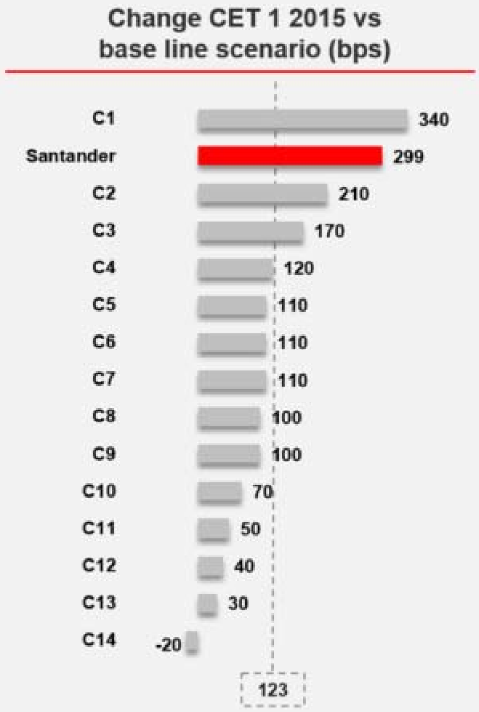
The test established two scenarios (base and adverse), taking as the starting point the banks' balance sheets at the end of 2015 and with a three-year horizon until 2018. This exercise cannot be compared with that in 2014, as it is based on a more demanding scenario and with different assumptions.

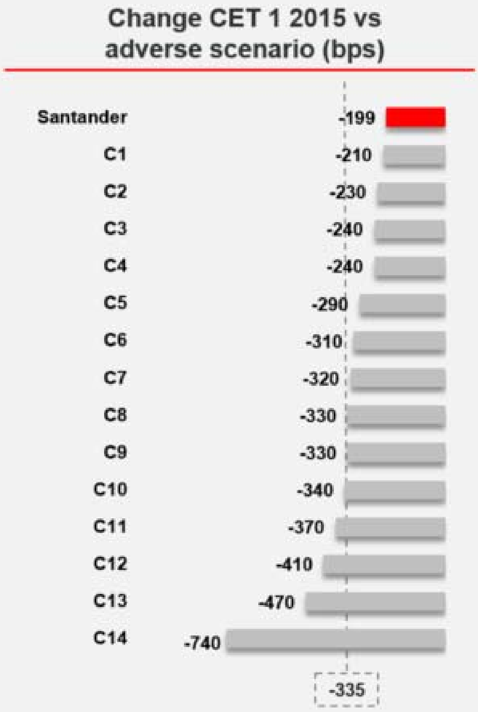
The adverse scenario, with a very low probability of happening, sees a sharp macroeconomic downturn and in the financial markets, both in Europe as well in other countries where Santander operates. For example, the euro zone's GDP was envisaged as falling 3%, the stock markets 30% and housing prices 11%, while public debt spreads widened.

## → Santander again obtained excellent results, as it did in the previous stress tests

- In the adverse scenario, Santander is the bank which destroys the least capital among its peers. The fully loaded CET1 capital ratio decreased 199 basis points, (vs.an average of -335), from 10.2% in 2015 to 8.2% in 2018.
- In the base scenario, Santander is the second ranked bank that generates the most capital among its peers. It not only does not decrease capital, but also generates more.
- Santander shows greater resistance than its peers due to its high recurring generation of revenues and results, thanks to its commercial and retail banking model and unique geographic diversification.
- The result of all this is that our stable and predictable business model requires less capital and entails a lower cost of capital.

## → Results of the EBA's stress test




Peers: BBVA, BNP, Soc Gen, C. Agricole, Deutsche Bank, Commerzbank, Unicredit, Intesa Sanpaolo, ING, Nordea, Lloyds, HSBC, Barclays and RBS

# Customers

Our competitive advantage is having sufficient critical mass in each of our 9+1 core markets (including Santander Consumer Finance in Europe), where we serve 124 million customers. This is what enables us to generate revenues consistently, quarter after quarter, and via the economic cycle.

We have gained the confidence of our clients during many years of efforts, taking care of their financial needs.

Our business continues to be based on personal relations. Our priority this year and beyond is to win the loyalty of our customers and foster greater use of our digital banking services.

## → Loyal customers: 14.8 million

- We want to engage a larger number of customers and make transaction banking the key element. We analyse which products have opportunities to be improved within each market and work to develop projects to capture more customers.
- Developing value offers for each type of customer and having a long-term strategy are the base for increasing customers' confidence and loyalty in the Group's core countries.
- The number of engaged customers increased to 14.8 million in the third quarter, thanks to new commercial tools (Poland and Argentina) and to tailored value offers (cards, 1|2|3 mini account, Santander Select Global Value proposal throughout the Group).
- Loyal individual customers increased 9% in the 12 months to September and 16% to companies.
- We continued to transform our offices in order to offer a more personalised service and simpler and more intuitive processes.

**Individuals**
**13.5**
million

**SMEs and companies**
**1.3**
million

## → Digital customers: 20.2 million

- Digitalization is the key for adapting Santander to the new way of interacting with customers.
- Santander is carrying out an intense digitalisation process that affects not only the services provided to its customers but also all its operations, both internal as well as external; how to use data to spur business growth; updating and modernising systems and streamlining processes and the organisation in general.
- The number of digital customers increased in 12 months by 4.1 million to 20.2 million at the end of September (+25%).
- The main units are Brazil (6 million digital clients) and the UK (over 4.5 million). Also of note is Mexico (+55% year on year).
- Online banking users surged 54% in the last 12 months, reflecting the success of our focus on developing strategies to foster greater use of our digital services and products.

**Online banking users**
**16.2**
million

**Mobile banking users**
**9.4**
million

# General background

Grupo Santander conducted its business against a backdrop of an economic environment with major challenges and highly volatile capital markets. Banking activity, moreover, continued to be affected by historically low interest rates in most developed countries, tougher competition in some markets, mainly in lending, and a more demanding regulatory environment.

Developed economies in the first half of 2016 slowed a little, while emerging markets recovered slightly. The latest indicators point to some improvement in activity in the second half of the year, chiefly in the emerging economies of Europe and Latin America, particularly Brazil.

- **United States**: the economy grew by just over 1% in the second quarter, lowering the forecast for the whole year (from 2.0% to 1.5%). The unemployment rate remained very low at 4.9%, despite which there are no inflationary pressures. Interest rates have been stable since the Federal Reserve began to raise them in December 2015, however there could be an interest rate hike before the end of the year.

- **United Kingdom**: the economy was strong in the second quarter, growing 0.7% quarter-on-quarter (2.1% year-on-year), in line with its potential growth rate, and despite the uncertainty generated by the referendum about the European Union. Inflation was 0.6% in August and on an upward trend due to sterling's depreciation and the more stable trend in oil and food prices. The jobless rate was 4.9% (its long-term equilibrium level).

- The **eurozone** GDP grew 0.3% in the second quarter (1.6% year-on-year). The recent figures suggest the region is resisting the UK referendum and will grow moderately in the third quarter. Inflation is rising very gradually (0.2% in August). In this environment the European Central Bank believes further measures are not required.

  - **Germany:** the economy is growing strongly (0.7% in the first quarter and 0.4% in the second), fuelled, in the latter case, by the external sector, which is offsetting the contraction of domestic demand.

  - **Spain:** GDP was still growing at more than 3% year-on-year in the second quarter, spurred by household consumption and corporate investment. The unemployment rate fell further (to 20% in the second quarter), backed by solid job creation.

  - **Portugal:** GDP rose 0.3% quarter-on-quarter in the second quarter (0.9% year-on-year). Doubts on the financial system and budgetary challenges persist, limiting growth prospects.

- **Poland**: the economy expanded 3.1% year-on-year in the second quarter after the slowdown in the first quarter, driven by private consumption and net exports. Official interest rates remained unchanged at 1.5%.

- **Brazil**: the GDP downturn improved in the second quarter, with year-on-year growth at -3.8% (-5.4% in the first quarter), thanks to investment which grew after falling for 10 straight quarters. The central bank held the Selic rate at 14.25%, but indicated that it could begin to lower rates if inflation eases and there is less uncertainty over approving and implementing economic adjustment measures. Inflation was 9% in August and is expected to decline to 7% by the end of the year. The real, after appreciating in the second quarter, remained virtually stable against the dollar in the third quarter and depreciated 1% against the euro.

- **Mexico**: the economy grew 2.5% year-on-year in the first half. Inflation remains below 3%, although it rose a little in the third quarter (from 2.5% in June to 2.7% in August). The central bank, following two increases in the first half, held its key rate at 4.25%. The peso fell 5% against the dollar and 11% so far this year (5% and 13%, respectively, against the euro).

- **Chile**: year-on-year growth slowed in the first half to 1.9% from 2.1% in the second half of 2015. Inflation eased to 3.4% in August (4.2% in June) and expectations remain firm for around 3% at the end of the year. The central bank held its rate at 3.5%. The peso was virtually stable in the third quarter against the dollar and the euro.

## Exchange rates: 1 euro / currency parity

| | Average (income statement) | | Period-end (balance sheet) | | |
|---|---|---|---|---|---|
| | 9M'16 | 9M'15 | 30.09.16 | 31.12.15 | 30.09.15 |
| US$ | 1.116 | 1.113 | 1.116 | 1.089 | 1.120 |
| Pound sterling | 0.801 | 0.727 | 0.861 | 0.734 | 0.739 |
| Brazilian real | 3.935 | 3.487 | 3.621 | 4.312 | 4.481 |
| New Mexican peso | 20.403 | 17.321 | 21.739 | 18.915 | 18.977 |
| Chilean peso | 758.226 | 711.376 | 733.618 | 773.772 | 784.882 |
| Argentine peso | 16.204 | 9.980 | 17.004 | 14.140 | 10.558 |
| Polish zloty | 4.357 | 4.155 | 4.319 | 4.264 | 4.245 |

# Grupo Santander results

## First nine months highlights

- Continuing the good trend in results, with attributable profit of €1,695 million, higher than the previous two quarters.
- The first nine months' underlying attributable profit of €4,975 million was 8% higher than the same period of 2015 (on a currency-neutral basis), due to:
    - Solid commercial revenues, backed by net interest income and fee income.
    - Costs under control in real terms and on a like-for-like basis, mainly due to the savings generated by the measures to streamline structures.
    - The cost of credit was reduced from 1.26% in September 2015 to 1.19% a year later, thanks to an improvement in the quality of portfolios.
- The efficiency ratio was 47.8%, among the best of our competitors.
- Underlying RoTE at 11.2%, in line with that at the end of 2015 (11.0%).
- Including the non-recurring events reported in the second quarter, the attributable profit year-to-date was €4,606 million

### Income statement

€ million

| | 3Q'16 | 2Q'16 | Variation % | Variation % w/o FX | 9M'16 | 9M'15 | Variation % | Variation % w/o FX |
|---|---|---|---|---|---|---|---|---|
| **Net interest income** | **7,798** | **7,570** | **3.0** | **1.5** | **22,992** | **24,302** | **(5.4)** | **2.2** |
| Net fee income | 2,597 | 2,549 | 1.9 | 0.0 | 7,543 | 7,584 | (0.5) | 8.0 |
| Gains (losses) on financial transactions | 440 | 366 | 20.3 | 19.5 | 1,311 | 1,702 | (23.0) | (18.4) |
| Other operating income | 245 | 445 | (44.9) | (45.2) | 894 | 790 | 13.2 | 12.8 |
| Dividends | 37 | 209 | (82.5) | (82.7) | 289 | 347 | (16.8) | (14.7) |
| Income from equity-accounted method | 119 | 112 | 6.0 | 3.7 | 314 | 293 | 7.1 | 18.1 |
| Other operating income/expenses | 90 | 124 | (27.5) | (26.3) | 291 | 149 | 94.8 | 55.2 |
| **Gross income** | **11,080** | **10,929** | **1.4** | **(0.1)** | **32,740** | **34,378** | **(4.8)** | **2.7** |
| Operating expenses | (5,250) | (5,227) | 0.4 | (0.5) | (15,634) | (16,149) | (3.2) | 4.1 |
| General administrative expenses | (4,692) | (4,632) | 1.3 | 0.4 | (13,896) | (14,342) | (3.1) | 4.4 |
| *Personnel* | *(2,726)* | *(2,712)* | *0.5* | *(0.5)* | *(8,121)* | *(8,308)* | *(2.3)* | *4.7* |
| *Other general administrative expenses* | *(1,966)* | *(1,920)* | *2.4* | *1.6* | *(5,775)* | *(6,034)* | *(4.3)* | *4.0* |
| Depreciation and amortisation | (558) | (595) | (6.2) | (7.0) | (1,738) | (1,806) | (3.8) | 1.7 |
| **Net operating income** | **5,831** | **5,703** | **2.2** | **0.2** | **17,106** | **18,229** | **(6.2)** | **1.4** |
| Net loan-loss provisions | (2,499) | (2,205) | 13.3 | 9.8 | (7,112) | (7,550) | (5.8) | 0.5 |
| Impairment losses on other assets | (16) | (29) | (44.0) | (46.8) | (88) | (247) | (64.4) | (63.0) |
| Other income | (376) | (515) | (27.1) | (29.6) | (1,280) | (1,666) | (23.1) | (18.2) |
| **Underlying profit before taxes** | **2,940** | **2,954** | **(0.5)** | **(1.3)** | **8,625** | **8,766** | **(1.6)** | **7.9** |
| Tax on profit | (904) | (970) | (6.7) | (7.6) | (2,684) | (2,649) | 1.3 | 9.5 |
| **Underlying profit from continuing operations** | **2,036** | **1,984** | **2.6** | **1.8** | **5,942** | **6,117** | **(2.9)** | **7.2** |
| Net profit from discontinued operations | (0) | 0 | — | — | 0 | — | — | — |
| **Underlying consolidated profit** | **2,036** | **1,984** | **2.6** | **1.7** | **5,942** | **6,117** | **(2.9)** | **7.2** |
| Minority interests | 341 | 338 | 0.7 | (1.1) | 967 | 1,011 | (4.4) | 1.7 |
| **Underlying attributable profit to the Group** | **1,695** | **1,646** | **3.0** | **2.3** | **4,975** | **5,106** | **(2.6)** | **8.4** |
| Net capital gains and provisions* | — | (368) | (100.0) | (100.0) | (368) | 835 | — | — |
| **Attributable profit to the Group** | **1,695** | **1,278** | **32.6** | **31.8** | **4,606** | **5,941** | **(22.5)** | **(15.1)** |
| | | | | | | | | |
| **Underlying EPS (euros)** | **0.11** | **0.11** | **3.2** | | **0.33** | **0.35** | **(5.9)** | |
| **Underlying diluted EPS (euros)** | **0.11** | **0.11** | **4.1** | | **0.33** | **0.35** | **(5.7)** | |
| | | | | | | | | |
| **EPS (euros)** | **0.11** | **0.08** | **35.1** | | **0.30** | **0.41** | **(25.9)** | |
| **Diluted EPS (euros)** | **0.11** | **0.08** | **36.1** | | **0.30** | **0.41** | **(25.7)** | |
| | | | | | | | | |
| Pro memoria: | | | | | | | | |
| Average total assets | 1,338,607 | 1,331,940 | 0.5 | | 1,335,554 | 1,340,924 | (0.4) | |
| Average stockholders' equity | 88,565 | 88,433 | 0.1 | | 88,235 | 90,861 | (2.9) | |

(*);- In 2Q'16 and 9M'16, capital gains from the disposal of the stake in VISA Europe (€227 million), restructuring costs (-€475 million) and contribution to the Single Resolution Fund (-€120 million). In 9M'15, net result from the reversal of tax liabilities in Brazil (€835 million).

## Preliminary note

The attributable profit quarterly variation and that for the first nine months were impacted by several factors in 2016 and 2015:

- In the second quarter of 2016, one-off for restructuring (-€475 million) and capital gains from the sale of the stake in VISA Europe (+€227 million). Also, change in the scheduled contribution dates to the Single Resolution Fund (-€120 million).
- Profit of €835 million in the second quarter of 2015 from the reversal of tax liabilities in Brazil.

These events are shown separately in order to facilitate analysis of the results.

## Third quarter/second quarter performance

**Third quarter attributable profit** of €1,695 million. Eliminating the non-recurring effects mentioned in the second quarter, the underlying profit was 3% higher. On a currency neutral basis, increase of 2%, due to:

- **Gross income** remained stable due to reduced collection of dividends, as both net interest income and fee income rose 1%. Net interest income continues to be affected by the environment of low interest rates in developed economies and better performance in emerging markets.
- **Costs** fell 0.5% and were under control in all units.
- **Loan-loss provisions** were higher than in the second quarter (+10%), mainly due to Brazil (a single name), SCF (after a second quarter lower than the average because of the sale of portfolios) and the US (Business seasonality in Santander Consumer USA, where the second quarter is usually the lowest of the year).

## Evolution of first nine months' results year-on-year

**First nine months' attributable profit** of €4,606 million, 22% less year-on-year, very impacted by positive non-recurring revenues in 2015 and negative in 2016, and by exchange rates.

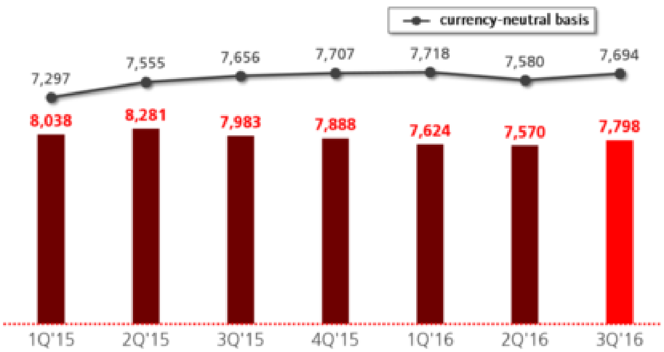
Excluding non-recurring effects, underlying profit was €4,975 million, up 8% on a currency-neutral basis, mainly driven by growth in commercial revenues and stability in loan-loss provisions. The performance by income statement lines on a currency-neutral basis was as follows:

### Revenues

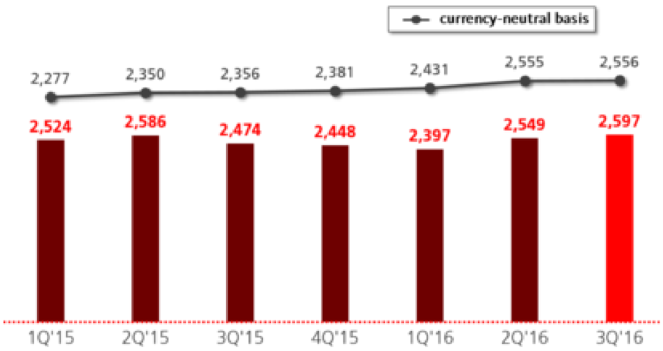
- Our structure of revenues, where net interest income and fee income account for 93% of total revenues (well above the average of our competitors), gives us consistent and recurring growth. Gross income grew 3%, as follows:
  - **Net interest income** rose 2%, due to more lending and deposits, mainly in emerging countries.

    All units' gross income rose except for the UK's which remained almost stable, the US, and Spain's, which fell because of lower volumes and interest rate pressure on loans.
  - **Fee income** grew 8%, a faster pace over the previous year (+5% in the first nine months of 2015), reflecting greater activity and customer loyalty. Income from retail banking (86% of the total) as well as from Global Corporate Banking rose.
  - **Gains on financial transactions** (only 4% of total revenues) were down 18% and other operating income increased 13%, due to higher revenues from the leasing business of Santander Consumer USA.

Net interest income
€ million

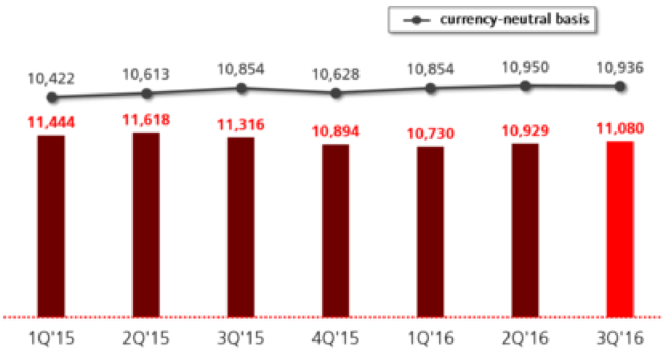



Net fee income
€ million



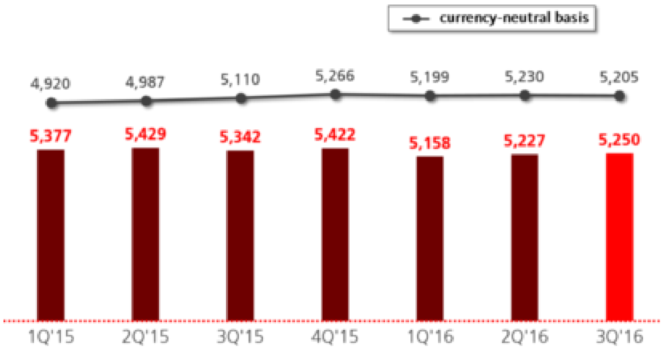
## Gross income

€ million




## Operating expenses

€ million




### Operating expenses

- Operating **expenses** rose 4% because of higher inflation, investments in the commercial transformation and costs related to regulation. In real terms and on a like-for-like basis, costs were 1.0% lower, with Brazil's down (-4%) and Spain's and Portugal's (-3% each).

  We continued to focus on operational excellence in order to continue to be the reference bank in terms of the efficiency ratio, while we continued to improve the customer experience.

  Various measures were taken this year to streamline structures, mainly in the network in Spain and at the Corporate Centre, which should enable us to continue to invest in the commercial transformation (commercial tools, simpler processes, new office models, etc), while we also meet the targets of our efficiency plans.

### Loan-loss provisions

- In risks, good evolution of all credit quality ratios, which were better than in 2015, and stable **provisions** with different evolution by countries:
  - In Europe, significant falls in all euro zone units and Poland, and a smaller rise in the UK (provisions were very low in 2015).
  - Rise in Latin America, against a backdrop of growth in lending, as all main units held or improved their cost of credit, except for Brazil, whose cost of credit rose, due to the environment, but it is below 5%.
  - Lastly, the US' provisions were higher because of those for the Oil & Gas sector in the first quarter and in Santander Consumer USA due to increased retention and portfolio growth.
- The total cost of credit declined from 1.26% in September 2015 to 1.19% a year later, in line with the target announced at the Investor Day.

### Other income and provisions

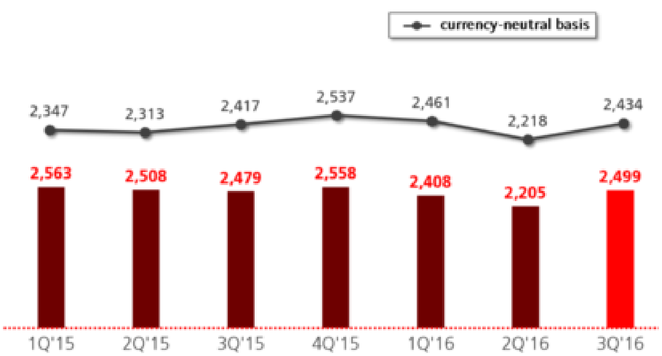
- **Other income and provisions** was €1,368 million negative (€1,913 million in the first nine months of 2015).

### Profit and profitability

- **Pre-tax profit** and the **underlying attributable profit** rose 8%. **Underlying RoTE** of 11.2% and **underlying earnings per share** (EPS) of €0.33 in the first nine months. The total EPS was €0.30.

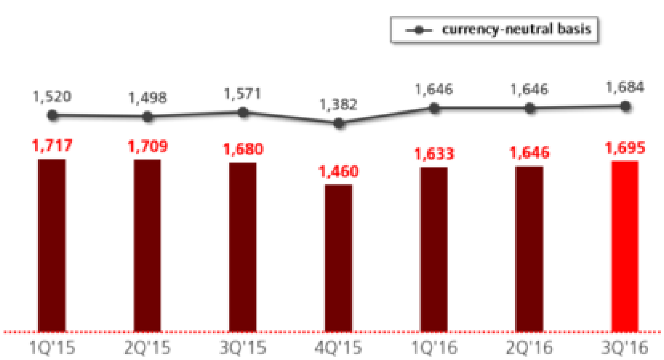
## Loan-loss provisions

€ million




## Underlying attributable profit to the Group

€ million



## Balance sheet

€ million

| Assets | 30.09.16 | 30.09.15 | Variation amount | % | 31.12.15 |
|---|---|---|---|---|---|
| Cash, cash balances at central banks and other demand deposits | 63,717 | 69,713 | (5,996) | (8.6) | 77,751 |
| Financial assets held for trading | 152,814 | 148,984 | 3,830 | 2.6 | 146,346 |
| *Debt securities* | *41,233* | *43,882* | *(2,649)* | *(6.0)* | *43,964* |
| *Equity instruments* | *14,764* | *15,257* | *(493)* | *(3.2)* | *18,225* |
| *Loans and advances to customers* | *9,390* | *8,235* | *1,155* | *14.0* | *6,081* |
| *Loans and advances to central banks and credit institutions* | *3,671* | *1,185* | *2,486* | *209.8* | *1,352* |
| *Derivatives* | *83,756* | *80,425* | *3,331* | *4.1* | *76,724* |
| Financial assets designated at fair value | 45,158 | 52,110 | (6,952) | (13.3) | 45,043 |
| *Loans and advances to customers* | *15,433* | *12,320* | *3,113* | *25.3* | *14,293* |
| *Loans and advances to central banks and credit institutions* | *25,645* | *35,306* | *(9,661)* | *(27.4)* | *26,403* |
| *Other (debt securities and equity instruments)* | *4,080* | *4,484* | *(404)* | *(9.0)* | *4,347* |
| Available-for-sale financial assets | 113,947 | 117,835 | (3,888) | (3.3) | 122,036 |
| *Debt securities* | *109,241* | *112,965* | *(3,724)* | *(3.3)* | *117,187* |
| *Equity instruments* | *4,706* | *4,870* | *(164)* | *(3.4)* | *4,849* |
| Loans and receivables | 828,539 | 818,712 | 9,827 | 1.2 | 836,156 |
| *Debt securities* | *13,396* | *9,788* | *3,608* | *36.9* | *10,907* |
| *Loans and advances to customers* | *748,467* | *756,465* | *(7,998)* | *(1.1)* | *770,474* |
| *Loans and advances to central banks and credit institutions* | *66,676* | *52,460* | *14,216* | *27.1* | *54,775* |
| Held-to-maturity investments | 12,276 | 4,405 | 7,871 | 178.7 | 4,355 |
| Investments in subsidaries, joint ventures and associates | 3,481 | 3,278 | 203 | 6.2 | 3,251 |
| Tangible assets | 25,979 | 24,188 | 1,791 | 7.4 | 25,320 |
| Intangible assets | 28,748 | 29,854 | (1,106) | (3.7) | 29,430 |
| *o/w: goodwill* | *26,148* | *26,777* | *(629)* | *(2.4)* | *26,960* |
| Other assets | 54,879 | 51,349 | 3,530 | 6.9 | 50,572 |
| **Total assets** | **1,329,538** | **1,320,427** | **9,111** | **0.7** | **1,340,260** |

| Liabilities and shareholders' equity | 30.09.16 | 30.09.15 | Variation amount | % | 31.12.15 |
|---|---|---|---|---|---|
| Financial liabilities held for trading | 116,249 | 112,461 | 3,788 | 3.4 | 105,218 |
| *Customer deposits* | *5,943* | *9,693* | *(3,750)* | *(38.7)* | *9,187* |
| *Debt securities issued* | — | — | — | — | — |
| *Deposits by central banks and credit institutions* | *2,393* | *3,798* | *(1,405)* | *(37.0)* | *2,255* |
| *Derivatives* | *85,407* | *80,572* | *4,835* | *6.0* | *76,414* |
| *Other* | *22,506* | *18,397* | *4,109* | *22.3* | *17,362* |
| Financial liabilities designated at fair value | 47,149 | 58,601 | (11,452) | (19.5) | 54,768 |
| *Customer deposits* | *24,465* | *27,094* | *(2,629)* | *(9.7)* | *26,357* |
| *Debt securities issued* | *2,965* | *3,352* | *(387)* | *(11.5)* | *3,373* |
| *Deposits by central banks and credit institutions* | *19,718* | *28,154* | *(8,436)* | *(30.0)* | *25,037* |
| *Other* | *1* | *1* | *0* | *29.5* | *1* |
| Financial liabilities measured at amortized cost | 1,021,138 | 1,009,566 | 11,572 | 1.1 | 1,039,343 |
| *Customer deposits* | *637,031* | *632,467* | *4,564* | *0.7* | *647,598* |
| *Debt securities issued* | *225,709* | *213,486* | *12,223* | *5.7* | *222,787* |
| *Deposits by central banks and credit institutions* | *134,590* | *141,623* | *(7,033)* | *(5.0)* | *148,081* |
| *Other* | *23,808* | *21,990* | *1,818* | *8.3* | *20,877* |
| Liabilities under insurance contracts | 665 | 644 | 21 | 3.2 | 627 |
| Provisions | 14,883 | 13,775 | 1,108 | 8.0 | 14,494 |
| Other liabilities | 28,332 | 26,693 | 1,639 | 6.1 | 27,057 |
| **Total liabilities** | **1,228,416** | **1,221,740** | **6,676** | **0.5** | **1,241,507** |
| Shareholders' equity | 105,221 | 103,307 | 1,914 | 1.9 | 102,402 |
| *Capital stock* | *7,217* | *7,158* | *59* | *0.8* | *7,217* |
| *Reserves* | *94,192* | *90,924* | *3,268* | *3.6* | *90,765* |
| *Attributable profit to the Group* | *4,606* | *5,941* | *(1,335)* | *(22.5)* | *5,966* |
| *Less: dividends* | *(794)* | *(716)* | *(78)* | *10.9* | *(1,546)* |
| Accumulated other comprehensive income | (16,326) | (14,987) | (1,339) | 8.9 | (14,362) |
| Minority interests | 12,227 | 10,367 | 1,860 | 17.9 | 10,713 |
| **Total equity** | **101,122** | **98,687** | **2,435** | **2.5** | **98,753** |
| **Total liabilities and equity** | **1,329,538** | **1,320,427** | **9,111** | **0.7** | **1,340,260** |

NOTE: On November 19, 2015 Circular 5 of October 28 of the National Securities Market Commission was published. This modified Circular 1 of January 30, 2008, on the regular information of issuers with securities traded on regulated markets in their half-yearly financial reports, intermediate management declarations and, where appropriate, quarterly financial reports. This Circular modified the structure and presentation of certain items of financial statements, without such changes being significant. The information drawn up for 2015 has been restated under these criteria so that comparisons can be made.

# Group Balance Sheet

**First nine months highlights**

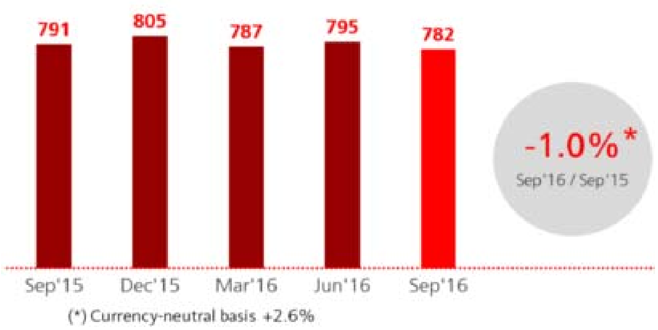
- **Negative impact of exchange rates on customers' balances: -1 p.p. in the quarter and -3/-4 p.p. year-on-year.**
- **In the third quarter and on a currency-neutral basis, lending was stable and deposits increased a little. The Group's net loan-to-deposit ratio was 116% down from 117% in June.**
- **In relation to September 2015 and on a currency-neutral basis:**
  - **Lending rose 3% year-on-year, with rises in the main segments and in eight of the 10 core units.**
  - **Funds increased 5% year-on-year due to demand deposits and mutual funds. Growth in nine of the 10 core units.**

The Group's activity and balance sheet were affected by the evolution of exchange rates: negative impact of 1 p.p. in the third quarter and 3/4 p.p. over the last 12 months on customer loans and funds. The perimeter impact, due to the BPF agreement and Banif's entry, was 2 p.p. year-on-year.

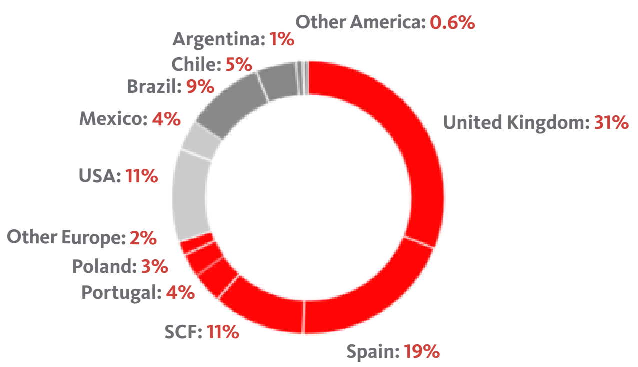
**Gross customer loans (excluding repos)**

- Loans in the **third quarter**, on a currency-neutral basis, were stable, as follows:
  - Growth of 10% in Argentina, 4% in Mexico and 3% at Santander Consumer Finance.
  - Falls of 3% and 2% in Spain and Portugal, respectively, due to the summer seasonal impact and the envitronment of a fall in lending.
  - The changes in the other main markets varied between +1% and -1%. Of note was Brazil, which broke the trend of previous quarters with a rise of 1%.
- **In relation to September 2015**, and on a currency-neutral basis, the Group's total loans rose 3%:
  - Growth in eight of the 10 core countries, particularly in Mexico, Argentina, Chile, Poland, SCF and Portugal (SCF benefiting from agreement with BPF and Portugal from the entry of Banif), and more moderately in the UK and the US.
  - This growth is reflected in the segment of individuals as well as in SMEs and companies, as they benefited from the 1|2|3 strategies and Advance. The effort made to market products and services for SMEs was noted by the magazine Euromoney, which recognised Santander as the Best Bank in the World for SMEs.
  - Declines in Spain (-3%), mainly due to balances in institutions and mortgages, and Brazil (-5%) because of companies and large companies.
  - Lastly, net lending for real estate activity in Spain fell 35% year-on-year.

**Gross customer loans (w/o repos)**
€ billion




**Gross customer loans (w/o repos)**
% / operating areas. September 2016



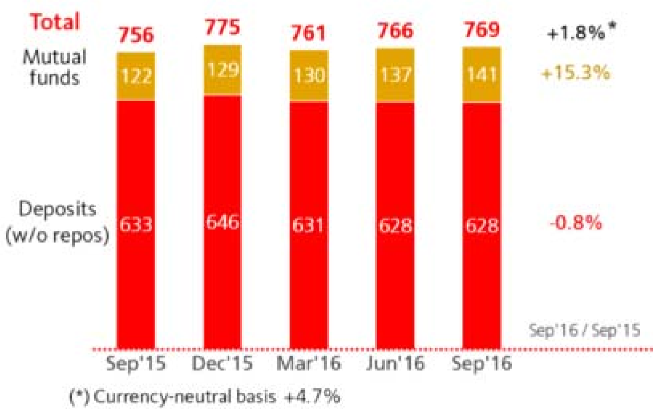
## Customer funds

- Total funds (deposits without repos and mutual funds) were stable in the **third quarter**. On a currency-neutral basis, the increase was 2%.
  - Growth in nine of the 10 core countries, notably Chile (+5%), Argentina (+4%) and Brazil and SCF (+3%).
- **In relation to September 2015**, and on a currency-neutral basis, growth of 5%, as follows:
  - Increases of 50% in Argentina, 24% in Portugal (benefiting from Banif's entry), 9% in Mexico, 8% in Poland, 7% in SCF and Chile and around 5% in the UK and Brazil.
  - Spain is the only country where funds are stable (0.1%), because of the strategy of reducing balances of time deposits. Rise of around €6 billion, however, in demand deposits.
- The general strategy is to grow in demand deposits and mutual funds, with most countries doing so, and reduce time deposits.
- As well as capturing customer deposits, Grupo Santander attaches strategic importance to maintaining a selective issuance policy 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 nine months of 2016:
  - Medium and long-term senior debt issues of €21,885 million, €4,470 million of covered bonds and €1,544 of subordinated debt.
  - €8,388 million of securitizations were placed in the market.
  - €27,792 million of medium and long-term debt matured.
- The net loan-to-deposit ratio at the end of September was 116%, down from 117% in June. The ratio of deposits plus medium and long-term funding to lending was 113%, underscoring a comfortable funding structure.

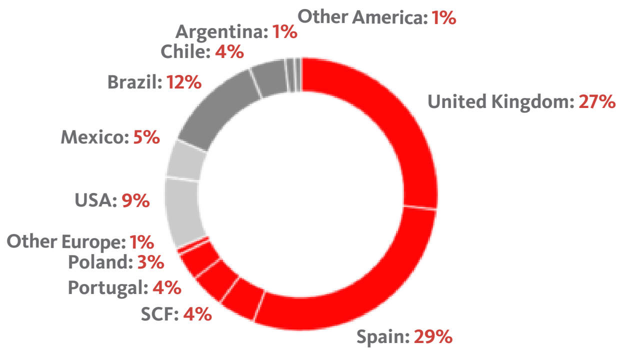
## Other balance sheet items

- Financial assets available for sale amounted to €113,947 million, €2,438 million lower than in the second quarter. Reduction of €3,888 million over the last 12 months due to lower positions in Spain and the US.
- Loans held to maturity amounted to €12,276, and were significantly higher both in the third quarter and in the last twelve months, due to a sovereign bonds portfolio of £6.0 billion in the UK. Its objective is framed within the balance sheet management of the ALCO portfolio, aimed to maintain the unit's financial margin in view of the low interest rates for a long period of time.
- Goodwill was €26,148 million, €629 million lower than in September 2015 and almost all due to the depreciation of sterling and the Brazilian real.
- Lastly, tangible assets amounted to €25,979 million, €1,791 million more than September 2015, due to rises in the US due to assets associated with leasing business.

### Customer funds
€ billion




### Customer funds
% / operating areas. September 2016



# Solvency ratios

**First nine months highlights**

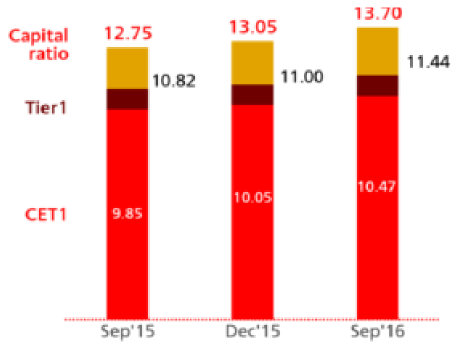
- **The fully loaded CET1 ratio rose 11 b.p. in the third quarter to 10.47% (+42 b.p. between January and September).**
- **The CET1 phase-in is 12.44%, 269 b.p. above the 9.75% required by the European Central Bank (SREP) for 2016 (including the systemic buffer of 0.25%).**
- **The fully loaded leverage ratio is 5.0%. (4.7% in September 2015)**

- The fully loaded common equity tier 1 (CET1) ratio increased 11 b.p. in the third quarter to 10.47%, with an ordinary generation of 16 b.p. from the profit and management of risk weighted assets, to which is added some non-recurring impacts that overall were 5 b.p. negative, mainly due to the perimeter.
- The total fully loaded ratio is 13.70% (+16 p.b. in the quarter).
- This continuous improvement in capital ratios reflects the various measures developed by the Group, including the effort made to improve and deepen a more active capital management culture at all levels. Several drivers were activated or strengthened to do this, including:
  - More teams for managing capital together with continued improvement of the coordination between the corporate centre and local teams.
  - Capital will have a greater relevance in the incentives for 2016.
  - Launch of a training programme with global scope.
  - All countries and business units developed their individual capital plans, focused on having a business that consumes less capital per unit of return in the future.
- In regulatory terms, the CET1 phase-in is 12.44%, 269 b.p. above the 9.75% (SREP) minimum required by the European Central Bank for Grupo Santander on a consolidated basis for 2016 (including the 0.25% buffer for being a globally systemic bank).

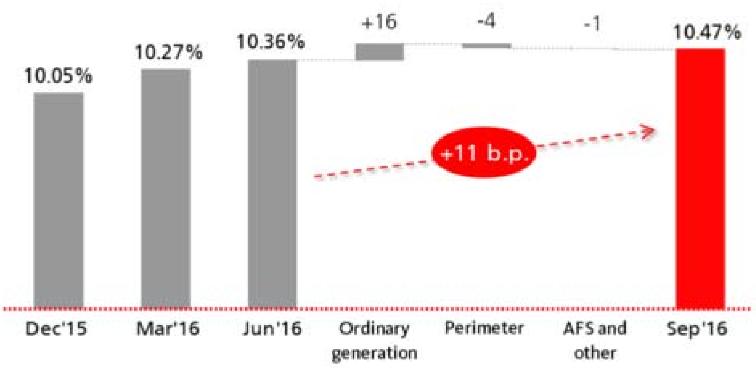
**Eligible capital.** September 2016
€ million

| | Phase-in | Fully loaded |
|---|---|---|
| CET1 | 72,240 | 60,830 |
| Basic capital | 72,240 | 66,463 |
| **Eligible capital** | **84,226** | **79,571** |
| Risk-weighted assets | 580,823 | 580,823 |
| | | |
| **CET1 capital ratio** | **12.44** | **10.47** |
| **T1 capital ratio** | **12.44** | **11.44** |
| **Total capital ratio** | **14.50** | **13.70** |

**Capital ratios. Fully loaded**
%




**CET1 fully-loaded. Performance**
%




Note: on February 3rd 2016, the ECB authorised the use of the Alternative Standardised Approach to calculate the capital charge for operational risk on a consolidated level for Banco Santander (Brasil) S.A.

# Risk Management

## First nine months highlights

- **The Group's NPL ratio continued to improve to 4.15% (-14 b.p. in the third quarter and -35 b.p. year-on-year), thanks to the good performance of portfolios in most countries.**
- **Coverage remained stable at 73% in the quarter and improved 2 percentage points y-o-y.**
- **The cost of credit improved and stands at 1.19%, 7 b.p. less than in September 2015.**
- **Loan-loss provisions were €7,112 million, in line with 2015 on a currency-neutral basis.**

## Credit risk management

- Bad and doubtful loans amounted to €34,646 million at the end of September, 5% lower than in the second quarter and 8% than a year earlier. The Group's NPL ratio was 4.15%, 14 b.p. lower than in the second quarter and 35 b.p. below September 2015.
- Loan-loss allowances stood at €25,171 million, which provided coverage of 73%. It should be remembered that the UK and Spain NPL ratios are affected by the weight of mortgage balances, which require fewer provisions as they have guarantees.
- The improvement in credit quality is reflected in the lower the cost of credit (1.19% in September; 1.26% a year earlier).
- Net NPL entries in the third quarter, excluding the perimeter and exchange rate impacts, amounted to €1,763 million, 21% lower than in the second quarter. Entries for the first nine months were €5,652 million.

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

- **Spain's** NPL ratio was 5.82% at the end of September (-24 b.p. in the quarter). This improvement was due to the continued trend of lower entries in retail portfolios and individuals portfolio sales. Coverage was 48%.

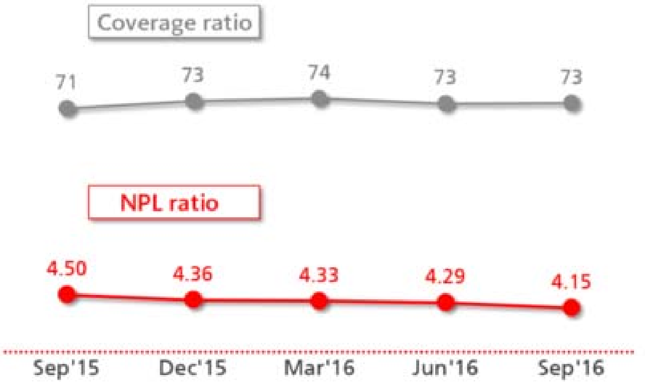
  The real estate unit in Spain ended September with a NPL ratio of 85% and coverage of 65%. The total coverage ratio, including the balance outstanding, was 61% and coverage of assets foreclosed 54%.
- **Santander Consumer Finance's** NPL ratio was 2.86%, (-9 b.p. in the quarter), mainly due to the good performance of Spain, Germany and the Nordic countries. Coverage was 111%.
- **Poland's** NPL ratio improved to 5.71% (-13 b.p. in the quarter), due to the good performance of the portfolio of individuals. Coverage rose to 69% (+3 b.p. over the second quarter).
- **Portugal's** NPL ratio was 9.40%, including Banif's portfolios. The ratio was 106 b.p. lower than in the second quarter, due to the good performance of companies and SMEs, as well as the sale of individual and wholesale portfolios. Coverage was 58%.
- In the **UK**, the NPL ratio was stable at 1.47%. The various portfolios continued to perform well, particularly SMEs. Coverage was 36% (77% of the balance are mortgages).

### Credit risk management*
€ million

| | 30.09.16 | 30.09.15 | Var, % | 31.12.15 |
|---|---|---|---|---|
| Non-performing loans | 34,646 | 37,856 | (8.5) | 37,094 |
| NPL ratio (%) | 4.15 | 4.50 | | 4.36 |
| Loan-loss allowances | 25,171 | 26,918 | (6.5) | 27,121 |
| *Specific* | *16,724* | *18,416* | *(9.2)* | *17,707* |
| *Collective* | *8,447* | *8,502* | *(0.6)* | *9,414* |
| Coverage ratio (%) | 72.7 | 71.1 | | 73.1 |
| Cost of credit (%) ** | 1.19 | 1.26 | | 1.25 |

(*) Excluding country-risk
(**) 12 months net loan-loss provisions / average lending
Note: NPL ratio: Non-performing loans / computable assets

### Grupo Santander. NPL and coverage ratios
%



## Non-performing loans by quarter
€ million

| | 2015 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| Balance at beginning of period | 41,709 | 41,919 | 40,273 | 37,856 | 37,094 | 36,148 | 36,291 |
| Net entries | 2,017 | 1,315 | 2,132 | 2,242 | 1,668 | 2,221 | 1,763 |
| Increase in scope of consolidation | 54 | 1 | — | 50 | 13 | 664 | 21 |
| Exchange rates differences | 853 | (36) | (1,849) | 968 | 72 | 869 | (44) |
| Write-offs | (2,715) | (2,925) | (2,699) | (4,022) | (2,699) | (3,612) | (3,385) |
| **Balance at period-end** | **41,919** | **40,273** | **37,856** | **37,094** | **36,148** | **36,291** | **34,646** |

- **Brazil's** NPL ratio was 6.12% and remained stable in the quarter. Coverage rose to 89% from 85% in the second quarter.
- **Mexico's** NPL ratio was 2.95% (6 b.p. less than the second quarter), largely because of the wholesale portfolio. Coverage ratio was 102%.
- **Chile's** NPL ratio was 5.12% (-16 b.p. in the quarter), due to the improvement in the portfolio of individuals. Coverage was 3 p.p. higher at 58%.
- In the **US**, the NPL ratio remained stable at 2.24% and coverage was 216% (-5 p.p. in the quarter).
  - Santander Bank's NPL ratio was 1.27% (-14 b.p. in the quarter). Positive evolution as a result of more exits in the companies' segment. The coverage ratio was 109%.
  - Santander Consumer USA's NPL ratio was 3.82%, 27 b.p. higher than the previous quarter. Coverage remained high at 323%.

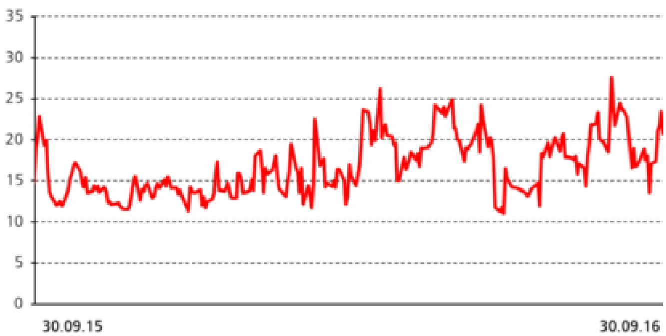
### Structural FX

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

### Market risk

- The risk of trading activity in the third quarter of global corporate banking, measured in daily VaR terms at 99%, fluctuated between €11.9 million and €27.6 million. These figures are low compared to the size of the Group's balance sheet and activity.
- The average VaR increased a little as a result of the rise in exposure and volatility in the markets, mainly in the interest rate risk factor as well as exchange rates in Latin America.
- 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 September was €22.4 million.

## Trading portfolios*. VaR performance
€ million




(*) Activity performance in Global Corporate Banking financial markets

## Trading portfolios*. VaR by region
€ million

| | 2016 | | 2015 |
|---|---|---|---|
| Third quarter | Average | Latest | Average |
| **Total** | **18.4** | **20.7** | **13.9** |
| Europe | 7.9 | 8.4 | 11.6 |
| USA and Asia | 1.1 | 1.0 | 0.8 |
| Latin America | 14.2 | 15.9 | 8.4 |
| Global activities | 0.5 | 0.5 | 1.5 |

(*) Activity performance in Global Corporate Banking financial markets

## Trading portfolios*. VaR by market factor
€ million

| Third quarter | Min | Avg | Max | Last |
|---|---|---|---|---|
| **VaR total** | **11.9** | **18.4** | **27.6** | **20.7** |
| *Diversification effect* | (6.8) | (9.8) | (17.9) | (8.9) |
| Interest rate VaR | 12.4 | 15.7 | 21.0 | 17.2 |
| Equity VaR | 1.5 | 2.4 | 3.3 | 2.7 |
| FX VaR | 4.4 | 6.2 | 9.7 | 6.5 |
| Credit spreads VaR | 2.7 | 3.7 | 5.8 | 3.2 |
| Commodities VaR | 0.0 | 0.1 | 0.2 | 0.1 |

(*) Activity performance in Global Corporate Banking financial markets

# Description of the businesses

Grupo Santander maintained the general criteria applied since the third quarter of 2015 when some changes were made to them and to the composition of some units, in order to make the Group more transparent, facilitate analysis of the business units and enhance the value of the activity developed by the corporation.

The only exception, as in prior years, is the annual adjustment of the perimeter of the Global Customer Relationship Model between Retail Banking and Santander Global Corporate Banking, whose figures from previous periods have been restated to include these adjustments.

The change has no impact on the geographic businesses or on the Group's consolidated figures, which remained unchanged.

The financial statements of each business segment 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 Intermediate Holding Company (IHC) and its subsidiaries Santander Bank, Banco Santander Puerto Rico, Santander Consumer USA, Banco Santander International, Santander Investment Securities, and the Santander branch in New York.

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 unit.

- **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.

In addition to these operating units, which report by geographic area and by businesses, the Group continues to maintain the **Corporate Centre**. This 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 through issues and securitisations.

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 | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Continental Europe** | **1,542** | **(1.7)** | **(1.8)** | **4,717** | **(2.6)** | **(1.6)** |
| o/w: Spain | 574 | (12.4) | (12.4) | 1,935 | (14.7) | (14.7) |
| Santander Consumer Finance | 639 | 6.5 | 6.4 | 1,801 | 8.4 | 10.0 |
| Poland | 181 | (9.1) | (9.8) | 545 | 2.2 | 7.1 |
| Portugal | 145 | 0.5 | 0.5 | 472 | 43.7 | 43.7 |
| **United Kingdom** | **675** | **(5.4)** | **2.2** | **2,107** | **(7.2)** | **2.3** |
| **Latin America** | **2,952** | **10.4** | **4.6** | **8,028** | **(4.3)** | **10.0** |
| o/w: Brazil | 1,873 | 13.0 | 3.5 | 4,963 | (5.5) | 6.7 |
| Mexico | 486 | 3.6 | 6.0 | 1,425 | (0.5) | 17.2 |
| Chile | 368 | 8.3 | 4.7 | 1,028 | (2.0) | 4.5 |
| **USA** | **1,083** | **(2.8)** | **(4.0)** | **3,388** | **(6.5)** | **(6.3)** |
| **Operating areas** | **6,251** | **3.0** | **1.1** | **18,241** | **(4.6)** | **2.7** |
| Corporate Centre | (421) | 15.3 | 15.3 | (1,135) | 26.4 | 26.4 |
| **Total Group** | **5,831** | **2.2** | **0.2** | **17,106** | **(6.2)** | **1.4** |

## Attributable profit to the Group

| € million | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Continental Europe*** | **685** | **(3.8)** | **(3.9)** | **2,104** | **15.3** | **16.8** |
| o/w: Spain* | 270 | (12.5) | (12.5) | 885 | 0.2 | 0.2 |
| Santander Consumer Finance* | 291 | (0.6) | (0.8) | 835 | 18.9 | 21.1 |
| Poland | 69 | (7.4) | (8.1) | 208 | (14.3) | (10.2) |
| Portugal* | 92 | 4.0 | 4.0 | 302 | 67.0 | 67.0 |
| **United Kingdom** | **364** | **(6.8)** | **1.1** | **1,207** | **(19.3)** | **(11.1)** |
| **Latin America** | **917** | **14.2** | **9.2** | **2,424** | **(3.0)** | **13.1** |
| o/w: Brazil | 488 | 13.6 | 4.1 | 1,276 | (3.0) | 9.5 |
| Mexico | 172 | 17.7 | 20.1 | 460 | 1.1 | 19.0 |
| Chile | 129 | 2.3 | (1.3) | 377 | (0.3) | 6.3 |
| **USA** | **141** | **(11.1)** | **(11.6)** | **381** | **(42.3)** | **(42.1)** |
| **Operating areas*** | **2,107** | **2.1** | **1.6** | **6,115** | **(5.6)** | **2.6** |
| Corporate Centre* | (412) | (1.4) | (1.4) | (1,140) | (17.0) | (17.0) |
| **Total Group*** | **1,695** | **3.0** | **2.3** | **4,975** | **(2.6)** | **8.4** |
| Net capital gains and provisions | — | (100.0) | (100.0) | (368) | — | — |
| **Total Group** | **1,695** | **32.6** | **31.8** | **4,606** | **(22.5)** | **(15.1)** |

(*).- Not including net capital gains and provisions

## Gross customer loans w/o repos

| € million | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Continental Europe** | **301,781** | **(0.5)** | **(0.9)** | **301,781** | **4.0** | **3.9** |
| o/w: Spain | 152,944 | (2.8) | (2.8) | 152,944 | (3.3) | (3.3) |
| Santander Consumer Finance | 85,215 | 3.6 | 3.0 | 85,215 | 16.2 | 15.3 |
| Poland | 21,092 | 3.7 | 1.0 | 21,092 | 8.9 | 10.8 |
| Portugal | 29,260 | (2.2) | (2.2) | 29,260 | 20.4 | 20.4 |
| **United Kingdom** | **241,752** | **(4.1)** | **(0.0)** | **241,752** | **(12.7)** | **1.7** |
| **Latin America** | **148,690** | **0.6** | **2.0** | **148,690** | **10.4** | **2.4** |
| o/w: Brazil | 72,376 | 0.4 | 1.3 | 72,376 | 17.4 | (5.1) |
| Mexico | 28,490 | (1.0) | 4.3 | 28,490 | (0.9) | 13.5 |
| Chile | 36,945 | 1.7 | 1.2 | 36,945 | 12.6 | 5.3 |
| **USA** | **86,042** | **(1.6)** | **(1.1)** | **86,042** | **1.4** | **1.0** |
| **Operating areas** | **778,265** | **(1.6)** | **(0.1)** | **778,265** | **(1.1)** | **2.6** |
| **Total Group** | **782,398** | **(1.6)** | **(0.2)** | **782,398** | **(1.0)** | **2.6** |

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

| € million | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Continental Europe** | **319,232** | **2.0** | **1.8** | **319,232** | **3.5** | **3.5** |
| o/w: Spain | 222,002 | 1.5 | 1.5 | 222,002 | (0.1) | (0.1) |
| Santander Consumer Finance | 34,340 | 4.1 | 3.5 | 34,340 | 8.0 | 7.3 |
| Poland | 25,246 | 4.4 | 1.6 | 25,246 | 6.0 | 7.9 |
| Portugal | 31,730 | 1.2 | 1.2 | 31,730 | 24.0 | 24.0 |
| **United Kingdom** | **206,256** | **(2.6)** | **1.5** | **206,256** | **(9.0)** | **6.1** |
| **Latin America** | **175,579** | **0.8** | **2.3** | **175,579** | **15.1** | **7.4** |
| o/w: Brazil | 93,350 | 2.0 | 2.9 | 93,350 | 28.6 | 3.9 |
| Mexico | 34,804 | (5.8) | (0.7) | 34,804 | (4.7) | 9.2 |
| Chile | 32,850 | 5.3 | 4.8 | 32,850 | 14.8 | 7.3 |
| **USA** | **66,824** | **1.1** | **1.6** | **66,824** | **1.4** | **1.0** |
| **Operating areas** | **767,891** | **0.4** | **1.8** | **767,891** | **1.9** | **4.8** |
| **Total Group** | **769,143** | **0.4** | **1.8** | **769,143** | **1.8** | **4.7** |

# Main units of Continental Europe. Spain

### First nine months highlights

- **Ongoing 1|2|3 strategy to boost customer loyalty in the medium and long term and enhance the quality of service.**
- **Strong rise in new consumer credit and new loans to SMEs.**
- **Attributable profit affected by an environment of low interest rates in revenues, which was partially offset by the good evolution of fee income, costs and provisions.**
- ***LaLiga Santander* created, a strategic agreement of sponsorship to drive the commercial network.**

### Commercial activity

- The strategy followed is boosting the number of loyal customers (individuals: +22% and companies: +38%). There are also now more than 100,000 customers with the 1|2|3 SMEs account.
- The 1|2|3 account is behind the higher recommendation; currently one of every four 1|2|3 accounts is the result of a recommendation by a customer.
- Digital customers rose 20% year-on-year (+36% mobile ones), both individuals and companies. We bolstered our global offer with the launch of the new mobile app *Santander Money* Plan and the pre-payment wristband.
- In global corporate banking, we continued to maintain our leadership in structured financing and markets, and kept our first place in IPOs since 2015.
- *LaLiga* and Banco Santander reached an agreement over sponsorship. For Santander, the accord is a big push for the commercial network and underscores the Bank's constant support for sport.

### Business evolution

- New lending was higher, however this is still not reflected in the stock of loans. New lending to individuals rose 17%, with consumer credit surging 106% and mortgages 25%.
- Double-digit growth in new lending to SMEs, with short-term loans weight rising to 75% over long-term ones. Also of note was the 20% growth in international business and in currency activity.
- In funds, the strategy of growth in demand deposits (+5%) and in mutual funds (+11%) continued, while time deposits were down 19%. This lowered the cost of deposits.

### Results

**Third quarter** attributable profit of €270 million, lower than the underlying attributable profit of the second quarter, mainly because of lower revenues from repricing of mortgages, the usual volumes fall in the third quarter and lower income from the ALCO portfolio.

The **first nine months'** underlying attributable profit (excluding the impact of the Single Resolution Fund) was €885 million, in line with the previous year.

- Gross income fell 9% in the current environment of negative or zero interest rates, due to lower net interest income and lower gains on financial transactions (-24%).
- Continued focus on fee income from retail banking (+9%). This strategy absorbed the lower contribution from wholesale banking, which was affected by the situation in the markets.
- Costs declined 3%, yielding the first fruits of the efficiency plan.
- Loan-loss provisions declined 40%, continuing the process of normalising in a more favourable cycle and a substantial improvement in the cost of credit. The NPL ratio was 5.82%, 71 b.p. lower than at the end of 2015.

**Spain.** € million

| | 3Q'16 | / 2Q'16 % | 9M'16 | / 9M'15 % |
|---|---|---|---|---|
| Gross income | 1,398 | (6.1) | 4,429 | (8.5) |
| Net operating income | 574 | (12.4) | 1,935 | (14.7) |
| Underlying attributable profit to the Group | 270 | (12.5) | 885 | 0.2 |
| Attributable profit to the Group | 270 | 29.7 | 785 | (11.1) |
| Loans w/o repos | 152,944 | (2.8) | 152,944 | (3.3) |
| Funds | 222,002 | 1.5 | 222,002 | (0.1) |
| Efficiency ratio (with amortisations) (%) | 59.0 | 2.9 | 56.3 | 3.2 |
| NPL ratio (%) | 5.82 | (0.24) | 5.82 | (0.79) |
| NPL coverage (%) | 47.6 | — | 47.6 | (0.2) |

Contribution to the Group's profit 9M'16

# Main units of Continental Europe. Santander Consumer Finance (changes on a currency-neutral basis)

## First nine months highlights

- Progress in integrating the agreement with Banque PSA Finance (BPF): incorporation of the joint venture of Germany and Austria in the quarter.
- Greater new lending year-on-year in all countries.
- First nine months' attributable profit 21% higher year-on-year at €835 million.

## Commercial activity

- SCF's units developed their activity in an environment of recovery in consumption and new car sales (+8% year-on-year).
- SCF continued to gain market share, backed by a solid business model: highly diversified geographically with critical mass in key products, more efficient than our competitors and a common risk control and recovery system that keeps credit quality high.
- Management focused on: progress in the BPF agreements, increasing auto finance, boosting consumer finance by extending agreements with the main dealers and strengthening digital channels.

## Business evolution

- New lending increased 20% over September 2015 (+9% excluding the joint venture under the agreement with BPF), fuelled by auto finance (+17% without the joint venture agreement). Growth in all countries.
- Customer deposits increased to €34,339 million, setting us apart from our competitors. Wholesale funding in the first nine months amounted to €7,568 million, via senior issues and securitisations. Deposits and medium and long-term issues-securitisations placed in the market covered 72% of net lending at the end of September.

## Results

The **third quarter** underlying attributable profit was €291 million, slightly less than the second quarter due to the seasonal impact of summer and higher provisions than in that period when they were much lower than the average, favoured by the sale of portfolios.

**First nine months'** profit of €835 million, 21% more than the same period of 2015, benefiting from the joint venture with BPF:

- Growth in gross income, mainly due to net interest income (+12% year-on-year).
- Costs increased in line with business and the new incorporations of units under the BPF agreement. The efficiency ratio was 44.1%.
- Loan-loss provisions declined and the cost of credit was significantly lower at 0.49% (0.87% in September 2015), thanks to the good performance of portfolios. The NPL ratio was 2.86% (129 b.p lower than a year earlier) and the coverage ratio was 111% (+4 p.p.).
- Of note was the good evolution of attributable profit, mainly in Spain, the Nordic countries and Italy.

### Santander Consumer Finance. € million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| | 3Q'16 | % | % w/o FX | 9M'16 | % | % w/o FX |
| Gross income | 1,106 | 3.5 | 3.4 | 3,219 | 8.5 | 10.0 |
| Net operating income | 639 | 6.5 | 6.4 | 1,801 | 8.4 | 10.0 |
| Underlying attributable profit to the Group | 291 | (0.6) | (0.8) | 835 | 18.9 | 21.1 |
| Attributable profit to the Group | 291 | 3.3 | 3.2 | 824 | 17.3 | 19.5 |
| Loans w/o repos | 85,215 | 3.6 | 3.0 | 85,215 | 16.2 | 15.3 |
| Funds | 34,340 | 4.1 | 3.5 | 34,340 | 8.0 | 7.3 |
| Efficiency ratio (with amortisations) (%) | 42.2 | (1.6) | | 44.1 | 0.0 | |
| NPL ratio (%) | 2.86 | (0.09) | | 2.86 | (1.29) | |
| NPL coverage (%) | 110.7 | 0.1 | | 110.7 | 3.5 | |

Contribution to the Group's profit 9M'16

## Main units of continental Europe. Poland (changes on a currency-neutral basis)

### First nine months highlights

- **Strong focus on management of spreads, revenues and costs in an environment of low interest rates.**
- **Lending: focus on SMEs and mortgages. Deposits: on current accounts. Strong growth in the SMEs segment and retail loans.**
- **Santander ranks second in credit card issuance and continues to be the market leader in mobile and online banking.**
- **Regulatory changes with the tax on assets introduced in February 2016 impacting the first nine months profit. Excluding this, attributable profit would rise 8%.**

### Commercial activity

- The Bank's main goal is to become the bank of first choice. We continued to be the market leader in mobile and online banking. We rank second in active credit cards and fourth in number of bank accounts in Poland. Digital customers rose 7% in the last twelve months
- The BZWBK24 mobile app, was awarded several times as one of the best international and local apps.

### Business evolution

- Total lending rose 11% year-on-year, well above the market. In the corporate segment increases in: SMEs (+12%), Corporate (+6%) and Global Corporate Banking (+28%). Loans to individuals increased 10% (mortgages: +11%, cash loans: +10% and credit cards: +14%).
- Deposits increased 10% year-on-year, mainly driven by individuals (+9%) and corporate balances (+18%). This evolution maintained our solid funding structure (net loan-to-deposit ratio of 92%).

### Results

The **third quarter** attributable profit of €69 million was 8% lower than the second quarter, mainly due to lower collection of dividends which is seasonally higher in the second quarter.

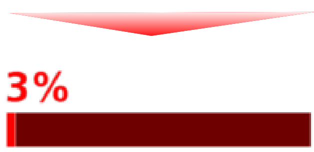
The **first nine months** profit was 10% lower year-on-year at €208 million, due to reduced revenues from financial transactions and the tax on assets (€7 million a month). Excluding the tax on assets, profit would have been 8% higher, due to:

- Very good performance of net interest income (+11%), spurred by growth in volumes. Gross income was 5% higher because of lower gains on financial transactions.
- Costs were 2% higher year-on-year, as the 2% drop in personnel costs was offset by higher general costs and amortisations.
- Provisions fell 7%. Significant improvement in credit quality: the NPL ratio dropped to 5.71% from 7.14% in September 2015 and the cost of credit was 0.76% (0.96% in September 2015).
- Net operating income after provisions rose 11%, which did not feed through to attributable profit due to the tax on assets.

**Poland.** € million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| | 3Q'16 | % | % w/o FX | 9M'16 | % | % w/o FX |
| Gross income | 330 | (4.3) | (5.1) | 985 | 0.1 | 5.0 |
| Net operating income | 181 | (9.1) | (9.8) | 545 | 2.2 | 7.1 |
| Attributable profit to the Group | 69 | (7.4) | (8.1) | 208 | (14.3) | (10.2) |
| Loans w/o repos | 21,092 | 3.7 | 1.0 | 21,092 | 8.9 | 10.8 |
| Funds | 25,246 | 4.4 | 1.6 | 25,246 | 6.0 | 7.9 |
| Efficiency ratio (with amortisations) (%) | 45.2 | 2.9 | | 44.7 | (1.1) | |
| NPL ratio (%) | 5.71 | (0.13) | | 5.71 | (1.43) | |
| NPL coverage (%) | 68.9 | 3.1 | | 68.9 | 5.8 | |

Contribution to the Group's profit 9M'16



## Main units of continental Europe. **Portugal**

### First nine months highlights

- **Continued process of technological and operational integration of Banif's business.**
- **Commercial actions aimed at customer capturing and loyalty.**
- **Attributable profit for the first nine months was 62% higher year-on-year, fuelled by the good performance of the main income statement lines.**

### Commercial activity

- Santander Totta acquired in December 2015 most of the assets and liabilities of Banco Internacional do Funchal (Banif), making it the country's second-largest private sector bank (market shares of 14% in loans and deposits). The technological and operational integration process proceeds on schedule.
- The bank continues to focus on making structural improvements to the commercial model in order to boost efficiency and the quality of customer service, via the CRM platform, alternative channels and streamlining processes. All of this is reflected in gains in market share in loans to individual customers and companies.
- In the middle-income market segment, we continued to support the *1/2/3 World programme*, with significant rises in the number of accounts, credit cards and protection insurance. The goal is to increase the number of customers by 100,000 by the end of the year. More than 27,500 global accounts, 22,500 credit cards and 20,300 insurance policies were achieved in the third quarter.
- All these measures are having a positive impact on the number of loyal customers (+5%), as well as on digital customers (+18%).

### Business evolution

- Lending rose 20% year-on-year to €29,260 million. The incorporation of Banif's balances produced a change in its structure, increasing the weight of the companies' segment to 35%. On a like-for-like basis, excluding the impact of Banif's incorporation, balances were 3% lower, in line with the sector's deleveraging.
- Funds increased 24% to €31,730 million, mainly due to the incorporation of Banif's deposits. On a like-for-like basis, total funds rose 8%, with a very good evolution of deposits that underscored the bank's good positioning in the Portuguese financial system.

### Results

The **third quarter** attributable profit was €92 million, 4% higher than the underlying profit of the second quarter.

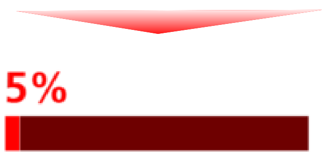
The **first nine months'** profit was €302 million, 67% more year-on-year.

- This growth was mainly due to the good evolution of the income statement at constant perimeter: double-digit rise in net interest income, lower costs and a big reduction in loan-loss provisions.
- Gross income was bolstered by gains on financial transactions from the sale of portfolios and some impact from Banif's entry.
- Including the contribution to the Single Resolution Fund, the first nine months' profit was 62% higher year-on-year at €293 million.

**Portugal.** € million

| | 3Q'16 | / 2Q'16 % | 9M'16 | / 9M'15 % |
|---|---|---|---|---|
| Gross income | 287 | (2.2) | 917 | 31.5 |
| Net operating income | 145 | 0.5 | 472 | 43.7 |
| Underlying attributable profit to the Group | 92 | 4.0 | 302 | 67.0 |
| Attributable profit to the Group | 92 | 15.2 | 293 | 62.3 |
| | | | | |
| Loans w/o repos | 29,260 | (2.2) | 29,260 | 20.4 |
| Funds | 31,730 | 1.2 | 31,730 | 24.0 |
| | | | | |
| Efficiency ratio (with amortisations) (%) | 49.6 | (1.4) | 48.6 | (4.4) |
| NPL ratio (%) | 9.40 | (1.06) | 9.40 | 0.54 |
| NPL coverage (%) | 57.8 | (4.1) | 57.8 | 1.6 |

Contribution to the Group's profit 9M'16



# United Kingdom (changes in sterling)

### First nine months highlights

- **Solid business performance, delivering operational and digital excellence and good credit quality, despite uncertainty in the operating environment.**
- **Business flows in both retail and corporates remain solid, with growth in corporate lending despite the competitive market and some slowdown in SME activity.**
- **1|2|3 World customers continued to grow, transforming retail customer loyalty, activity levels and experience.**
- **Digitalisation and product simplification continued to support operational efficiency.**
- **Attributable profit impacted by the introduction of the 8% bank corporation tax surcharge.**

### Commercial activity

- *1|2|3 World* customers increased by 440,000 to 5.1 million since the end of 2015. Retail current account balances were up by £11.3bn, and continue to show good growth.
- Loyal corporate and SME customers increased by more than 27,000 since September 2015, driven by new platforms and full service offering in the corporate business.
- Digital customers increased to 4.5 million, 18% up since year end, underpinned by continuous improvement to our digital proposition. In August 2016, Santander UK expanded its mobile payment capabilities to include *Android Pay* and launched an online mortgage application process, which can take as little as 30 minutes.
- Santander UK is focused on maintaining a strong balance sheet. At the end of September 2016, the CRD IV end point Common Equity Tier 1 capital ratio was 11.1% and the leverage ratio at 4.0%, with steady capital generation, offset by recent rates volatility impact on the accounting position of the defined benefit pension schemes.

### Business performance

- Customer lending increased 2% compared to September 2015, largely due to lending to companies (+8%), mortgages (+1%) and consumer credit (+1%). New gross mortgage lending was £19,500 million and included £3,100 million to first time buyers.
- Good growth in customer deposits excluding repos (+6% versus September 2015) was driven by 1|2|3 current account inflows, more than offsetting lower demand for savings products.

### Results

Attributable profit in the **third quarter** was £311 million and £967 million in the **first nine months** of the year, down 11%, adversely impacted by the 8% bank corporation tax surcharge. Profit before tax was broadly flat in the period.

- Net interest income was broadly flat year-on-year with a decline in banking NIM, partially offset by increased lending volumes and retail liability margin improvement. Banking NIM declined to 1.75%, from 1.80% in the third quarter of 2015, driven by continued SVR attrition, and asset margin and competitive pressures.
- Net fees increased 3% compared to the same period of 2015 and 9% in the quarter, with higher 1|2|3 fees in Retail Banking and international and digital payment fees in Commercial Banking, partially offset by regulatory impacts on cards and investment income.
- Operating expenses were broadly flat as efficiency improvements absorbed investments in business growth, Banking Reform costs, and the continued enhancements to our digital channels.
- Credit quality remained strong in all loan portfolios, supported by conservative risk criteria and the low rate environment. The NPL ratio improved to 1.47% in the first nine months of the year, from 1.51% in the same period of 2015. Mortgage LTVs remained low and the book remains well diversified geographically.

**United Kingdom.** € million

| | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Gross income | 1,377 | (8.2) | (0.7) | 4,391 | (8.2) | 1.3 |
| Net operating income | 675 | (5.4) | 2.2 | 2,107 | (7.2) | 2.3 |
| Attributable profit to the Group | 364 | (6.8) | 1.1 | 1,207 | (19.3) | (11.1) |
| Loans w/o repos | 241,752 | (4.1) | (0.0) | 241,752 | (12.7) | 1.7 |
| Funds | 206,256 | (2.6) | 1.5 | 206,256 | (9.0) | 6.1 |
| Efficiency ratio (with amortisations) (%) | 51.1 | (1.4) | | 52.0 | (0.5) | |
| NPL ratio (%) | 1.47 | — | | 1.47 | (0.04) | |
| NPL coverage (%) | 36.0 | (0.5) | | 36.0 | (3.6) | |

Contribution to the Group's profit 9M'16

## Main units of Latin America. **Brazil** (changes on a currency-neutral basis)

### First nine months highlights

- **Continued innovative offers to strengthen the digital strategy.**
- **Profit performed well: third quarter attributable profit of €488 million (+4%) and €1,276 in the first nine months (+9%).**
- **Positive trend of gross income, mainly in fee income, driven by growth in customers and greater transactions and loyalty.**
- **Costs discipline reflected in improved effeciency ratio for the third straight quarter.**
- **Risk management resulted in a better trend of the NPL ratio than the sector's.**

### Commercial activity

We continued to advance on various strategic fronts, including:

- For the first time in the Bank's history, Santander Brazil joined the group of companies seen as the best to work for, according to the Great Place to Work ranking, underscoring a very engaged team.
- *Conta Super* for different segments, in order to improve the customer experience. The offer complements other products and aims to attract new customers.
- The *Santander Conecta Getnet* account was launched for the self-employed, offering the advantages of a point-of-sale terminal with low cost and the benefits of a Santander account.
- Santander Brazil had more than 4.4 million customers with the biometrics system at the end of September and in the last month more than 75% of transactions were conducted via digital channels. The number of loyal customers rose 13% year-on-year and digital ones 42%.
- The new commercial model *+negocios* was launched for the consumer finance segment, which offers greater agility, simplifies processes, raises productivity and strengthens our digital positioning, transforming the customer experience.

### Business evolution

- The trend in lending improved in the third quarter (+1%). Funds rose 3%.
- Lending fell 5% year-on-year (+6% to individuals; +8% mortgages). Loans to SMEs were 3% lower and to firms and big companies 16%, harder hit by the environment.
- Funds grew 4%, with good performance of customer deposits.

### Results

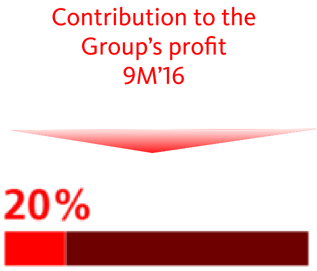
**Third quarter** attributable profit of €488 million, 4% more than the second quarter. Of note was the rise in net interest income and fee income. Costs remained under control, but increased in the quarter because of the new salary agreement (one month impact).

The **first nine months'** attributable profit was €1,276 million, 9% more year-on-year:

- Gross income rose 6%, with a good trend in fee income (+15%). Of note was that from cards, current accounts and insurance. Net interest income was up 2%, driven by higher spreads and markets.
- Costs increased 5%, four percentage points below the inflation rate, reflecting the effort and discipline to control them.
- Provisions rose 11% (same rate as in June) within a still weak macroeconomic environment.
- Good performance of credit quality ratios: the cost of credit remained below 5% (4.87%, up 16 b.p. in the third quarter) and the NPL ratio was 6.12% (+1 b.p. in the third quarter).

**Brazil.** € million

| | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Gross income | 3,050 | 12.8 | 3.4 | 8,133 | (5.9) | 6.2 |
| Net operating income | 1,873 | 13.0 | 3.5 | 4,963 | (5.5) | 6.7 |
| Attributable profit to the Group | 488 | 13.6 | 4.1 | 1,276 | (3.0) | 9.5 |
| Loans w/o repos | 72,376 | 0.4 | 1.3 | 72,376 | 17.4 | (5.1) |
| Funds | 93,350 | 2.0 | 2.9 | 93,350 | 28.6 | 3.9 |
| Efficiency ratio (with amortisations) (%) | 38.6 | (0.1) | | 39.0 | (0.3) | |
| NPL ratio (%) | 6.12 | 0.01 | | 6.12 | 0.82 | |
| NPL coverage (%) | 89.3 | 4.0 | | 89.3 | (6.7) | |



## Main units of Latin America. **Mexico** (changes on a currency-neutral basis)

### First nine months highlights

- **The commercial strategy continued to be reflected in the growth in lending (+13%), with a positive trend in all segments.**
- **Commercial focus on *Santander Plus*, attracting customers, loyalty, transactions, portability and digital channels.**
- **Year-on-year growth in attributable profit (+19%) with excellent performance of net interest income (+15%).**

### Commercial activity

Several commercial initiatives were carried out in the second quarter, such as:

- New benefits were incorporated to the *Santander Plus* programme, which was launched during the second quarter. More than 700,000 customers were registered, half of which are new.
- We continued to foster the use of digital channels via the *Santander Plus offer* and through the improvements made in *SuperMóvil*. The *Campaña Inversión Digital* was launched, with exclusive contracting via *SuperNet*. At the end of September there were more than 1.1 million digital customers (+55% year-on-year).
- We remained focused on the *Santander Aeroméxico* card offer, launched in February (over 300,000 cards at the end of September).
- Focus on companies and institutions was transactional loyalty, particularly in attracting hotel clients and commercial chains. Continuous support is also provided for the agribusiness sector, with offers tailored to the production cycle and the streamlining of the product offer in SMEs.
- Time deposit offer with monthly payment of interest and a very competitive interest rate.
- These measures produced a 19% rise year-on-year in loyal customers.

### Business evolution

- All these measures are reflected in an 13% increase year-on-year in lending: SMEs (+11%), mortgages (+8%), companies and institutions (+21%), consumer credit (+11%) and credit cards (+11%).
- Funds rose 9% and their composition continued to improve (+21% current accounts of individuals).

### Results

The **third quarter** attributable profit was 20% higher than in the second quarter, due to net interest income, gains on financial transactions, costs and provisions.

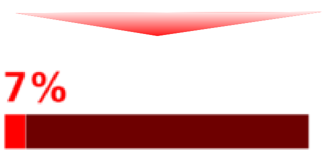
The **first nine months'** attributable profit was 19% higher year-on-year at €460 million.

- Gross income increased 13% (+15% net interest income), spurred by growth in loans and demand deposits. Fee income rose 4%. Of note that from investment companies, transaction banking and insurance.
- Costs grew 8% because of new commercial projects to increase customer attraction and loyalty. The efficiency ratio improved by 2.0 p.p. to 40.0%.
- Loan-loss provisions increased 12%, as a result of greater lending. The cost of credit improved to 2.86% and the NPL ratio dropped 59 b.p. from September 2015 to 2.95%. Coverage was 102%.

**Mexico.** € million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| | 3Q'16 | % | % w/o FX | 9M'16 | % | % w/o FX |
| Gross income | 796 | 1.3 | 3.7 | 2,375 | (3.7) | 13.4 |
| Net operating income | 486 | 3.6 | 6.0 | 1,425 | (0.5) | 17.2 |
| Attributable profit to the Group | 172 | 17.7 | 20.1 | 460 | 1.1 | 19.0 |
| Loans w/o repos | 28,490 | (1.0) | 4.3 | 28,490 | (0.9) | 13.5 |
| Funds | 34,804 | (5.8) | (0.7) | 34,804 | (4.7) | 9.2 |
| Efficiency ratio (with amortisations) (%) | 39.0 | (1.4) | | 40.0 | (2.0) | |
| NPL ratio (%) | 2.95 | (0.06) | | 2.95 | (0.59) | |
| NPL coverage (%) | 101.9 | (0.4) | | 101.9 | 8.9 | |

Contribution to the Group's profit 9M'16



## Main units of Latin America. Chile (changes on a currency-neutral basis)

**First nine months highlights**

- **Continued focus on the quality of customer attention and on boosting the number of loyal customers.**
- **The commercial transformation is reflected in greater activity in the target segments of loans and funds.**
- **First nine months' attributable profit 6% higher year-on-year at €377 million.**

### Commercial activity

Santander is the leading private sector bank in Chile in terms of assets and customers, with a clear retail focus (individuals and SMEs). The Group continues its strategy of offering long-term profitability in a scenario of lower spreads and higher regulation.

- The bank aims to become the country's most valued bank by improving the quality of customer attention, transforming the retail banking segment (with 32 branches in the new network model), especially in business with medium-high income customers.
- The progress in improving customer satisfaction closed the gap in the quality of service with competitors (Santander is ranked third among competitors). This was achieved by simplifying internal processes, adjusting them to a digital and multi channel environment, and a more customer-focused strategy.
- These measures are boosting the number of loyal customers (+4% year-on-year). Of note was the 13% rise in SMEs and 9% in high income. There are now 953,000 digital customers (+6% year-on-year).

### Business evolution

- Lending rose 5% over September 2015 (+19% to high income customers and +10% to SMEs). Mortgages increased 17%.
- Deposits grew 3% (+4% demand deposits and -2% time deposits).
- Santander is more dynamic than the market, gaining share in consumer credit, mortgages and demand deposits.

### Results

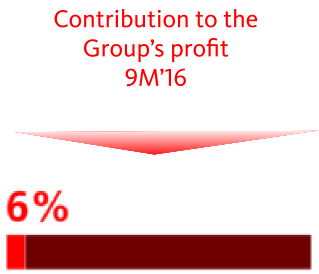
The **third quarter** profit of €129 million was 1% lower than the second quarter, mainly due to higher loan-loss provisions and a higher tax charge, offset by revenue growth and cost control.

The **first nine months'** profit was 6% higher year-on-year at €377 million, due to:

- Gross income up 4%. Net interest income rose 6%, fuelled by greater lending to target segments and management of the cost of funds. Fee income remained flat, although that related to means of payment and transactions rose significantly.
- Costs rose 3% because of the year-on-year inflation indexation of contracts, rentals and salaries. There were also more investments in technological developments. The efficiency ratio remained at 41%.
- Loan-loss provisions fell 1% on the back of a sustained improvement in the portfolio of loans to individuals. All credit quality indicators improved: the cost of credit was 1.55%, the NPL ratio 5.12% and coverage 58%.

**Chile.** € million

| | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Gross income | 616 | 6.9 | 3.2 | 1,749 | (2.4) | 4.0 |
| Net operating income | 368 | 8.3 | 4.7 | 1,028 | (2.0) | 4.5 |
| Attributable profit to the Group | 129 | 2.3 | (1.3) | 377 | (0.3) | 6.3 |
| Loans w/o repos | 36,945 | 1.7 | 1.2 | 36,945 | 12.6 | 5.3 |
| Funds | 32,850 | 5.3 | 4.8 | 32,850 | 14.8 | 7.3 |
| Efficiency ratio (with amortisations) (%) | 40.3 | (0.8) | | 41.2 | (0.3) | |
| NPL ratio (%) | 5.12 | (0.16) | | 5.12 | (0.48) | |
| NPL coverage (%) | 58.1 | 2.6 | | 58.1 | 5.3 | |



## Other Latin American units. Argentina (changes on a currency-neutral basis)

### First nine months highlights

- **Expansion plan and improvements in internal processes continue, with focus on *Santander Select* and *Pymes Advance*.**
- **The bank's position in Argentina was strengthened with the purchase of the retail portfolio and branch network of Citibank in October.**
- **Attributable profit 48% higher year-on-year thanks to good performance of net interest income and fee income.**

### Commercial activity and business evolution

Santander continued to focus on implementing the multi channel projects, Select and Pymes Advance, in order to increase market share in the main products, enhance the quality of service and strengthen its leadership position.

- Improvements in internal processes with the installation of the *+CHE* commercial management system in the branch network, which enables more appropriate products and services to be offered, at the best moment and via the most adequate channel.
- The *Santander Río Mobile* app now has over 503,000 customer users (22% of active customers). Digital customers increased 21% in the last twelve months.
- Lending rose 41% in 12 months, notably in consumer products. A new line of UVI mortgages indexed to inflation was launched last quarter. A total of 132 operations were approved, underscoring the interest in this new proposal.
- Deposits increased 44% year-on-year (demand: +62%, time: +21% and dollar deposits: +139%).
- An agreement was reached with Citibank in October to buy its portfolio of retail customers and branch network in Argentina. The agreement is still subject to approval by the relevant authorities.

### Results

**Third quarter** attributable profit of €99 million, 23% more than the second quarter, spurred by net interest income and fee income.

**First nine months'** profit of €250 million, 48% higher year-on-year.

- The commercial strategy is reflected in a 40% increase in gross income, due to a 20% rise in net interest income, 37% in fee income and also significant gains in financial operations.
- Costs were up 39% because of the expansion of the branch network and the transformation and technology projects. Net operating income rose 42%.
- Loan-loss provisions increased less than lending, lowering the cost of credit. Credit quality was high (NPL ratio of 1.40% an d coverage of 156%).

## Other Latin American units. Peru (changes on a currency-neutral basis)

### First nine months highlights

- **Activity remained strong, both deposits and loans.**
- **Attributable profit was 26% higher year-on-year at €27 million.**

### Commercial activity and business evolution

- The strategy continued to focus on the corporate segment, the country's largest companies and the Group's global customers.
- Santander's lending grew (+17% year-on-year) at a faster pace than the market.
- Deposits increased 9%, complemented by stable growth in medium-term funding.

### Results

- Third quarter attributable profit of €11 million and €27 million (+26%) for the first nine months.
- Gross income rose 6%, fuelled by net interest income (+9%) and fee income (+36%) which offset the lower trading gains affected by exchange rate volatility. Costs rose less than gross income (+3%), which improved the efficiency ratio by 0.8 p.p. over September 2015 to 30.4%.
- Loan-loss provisions increased 76%. Credit quality remained excellent (NPL ratio of 0.37% and very high coverage).

## Other Latin American units. **Uruguay** (changes on a currency-neutral basis)

### First nine months highlights

- **Deposits rose 7% and loans remained at almost the same levels as a year ago.**
- **The first nine months' attributable profit rose 25% year-on-year (+10% without the perimeter effect).**

### Commercial activity

The Group continued to be the country's leading private sector bank, with a strategy of growth in retail banking, enhancing efficiency and the quality of service.

- Santander remained focused on improving customer satisfaction and increasing customer loyalty. The implementation of *Celestium*, a new CRM for individual customers and SMEs was completed.
- As part of the process of digitalisation and modernising channels, significant progress was made in the Santander App, with new functionalities such as touch ID, enabling the Bank to position itself as a leader in technology terms, not only in Uruguay but throughout the region. A new payments app was made available to customers, which deepens the strategy for greater transactions via digital channels.
- Further advances in the growth strategy in digital channels, with around 118,000 customers at the end of September (+50% in the last twelve months).

### Business evolution

- Deposits rose 7%, maintaining the liability structure (90% are demand deposits).
- Lending remained almost stable (-1%).

### Results

Profit was 22% lower in the **third quarter** than in the second because of higher tax pressure due to the appreciation of the peso against the dollar, which also resulted in lower gains on financial transactions.

Attributable profit for the **first nine months** was €59 million. Excluding the perimeter effect, attributable profit was 10% higher year-on-year at €49 million, and pre-tax profit was 31% higher, driven by net interest income and fee income (+11% combined).

- Credit quality remained excellent, with a NPL ratio of around 1.99%, albeit higher than in September 2015 because of the bad loan entry of a global corporate banking client. Coverage was 132%.
- The efficiency ratio continued to improve to 51.6%, 4.2 p.p. better than in September 2015.

## Other Latin American units. **Colombia**

The operations in Colombia include Banco Santander de Negocios Colombia, Santander Banca de Inversión Colombia, Premier Credit and Universia Colombia. They focus on:

- Growing the business with Latin American companies, multinationals, international desk, and large and medium-sized local companies, providing solutions in treasury, risk coverage, foreign trade, financing of working capital and confirming.
- Developing investment banking and capital markets products, supporting the country's infrastructure plan.
- Premier Credit centred on increasing its volume of operations via signing commercial agreements with networks of dealerships. It also launched the project that will enable Banco Santander de Negocios Colombia to finance loans originated by Premier Credit.
- Universia accelerated its growth strategy, designing a work plan together with the bank to generate synergies in costs, services and revenues.

The various companies of Banco Santander in Colombia generated net operating income of €4 million in the first nine months.

# United States (changes in dollars)

## First nine months highlights

- **Continued investment to improve commercial activity and advance in complying with regulatory requirements.**
- **Santander Bank continues to focus on improving the customer experience and changing the business mix.**
- **Santander Consumer USA is maintaining its strategy of expanding the auto finance platform, improving funding sources and maintaining a solid capital position.**
- **First nine months attributable profit was 42% lower year-on-year, due to lower net interest income as a result of changing the business mix at Santander Consumer USA, higher costs associated with regulatory requirements, investments in technology and higher provisions.**

## Strategy

- Santander in the United States includes the Intermediate Holding Company (IHC) and its subsidiaries Santander Bank, Banco Santander Puerto Rico, Santander Consumer USA, Banco Santander International, Santander Investment Securities, and the Santander branch in New York.
- Santander US continued to focus on several strategic priorities aimed at improving its positioning and diversification, including:
  - Creation of the Intermediate Holding Company (IHC) to consolidate supervision of all operations in the US.
  - Setting up a local executive team, with wide experience in managing financial institutions in the US.
  - Improve the customer experience and brand recognition.
  - Improve the profitability of Santander Bank and maintain high levels in Santander Consumer USA.
  - Optimize the auto finance business of Santander Consumer USA.
  - Continue the multiannual project to comply with regulatory requirements.

## Business evolution

- Santander Bank continued to deepen its relationships with retail customers and companies. Demand deposits rose 4%, comparing well with the market.
- Santander Consumer USA continued to focus on auto finance (+1% year-on-year in the stock).

## Results

The **third quarter** attributable profit was $157 million and $425 million in the **first nine months** (-42% year-on-year).

- Gross income fell 1%, mainly due to net interest income (portfolio shift to higher quality assets in Santander Consumer USA) and lower gains on financial transactions. Good performance in fees (+6%).
- Costs rose 6% due to higher regulatory requirements, investments in technology and improving the servicing platform at Santander Consumer USA.
- Loan-loss provisions were 9% higher year-on-year, due to a greater level of retention of loans at Santander Consumer USA and the provisions made by Santander Bank for Oil & Gas (in the first quarter).

### Estados Unidos. € million

| | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Gross income | 1,867 | (1.1) | (2.3) | 5,723 | (1.7) | (1.4) |
| Net operating income | 1,083 | (2.8) | (4.0) | 3,388 | (6.5) | (6.3) |
| Attributable profit to the Group | 141 | (11.1) | (11.6) | 381 | (42.3) | (42.1) |
| Loans w/o repos | 86,042 | (1.6) | (1.1) | 86,042 | 1.4 | 1.0 |
| Funds | 66,824 | 1.1 | 1.6 | 66,824 | 1.4 | 1.0 |
| Efficiency ratio (with amortisations) (%) | 42.0 | 1.0 | | 40.8 | 3.0 | |
| NPL ratio (%) | 2.24 | — | | 2.24 | 0.04 | |
| NPL coverage (%) | 216.2 | (4.4) | | 216.2 | (2.1) | |

Contribution to the Group's profit 9M'16

6%

# Corporate Centre

## First nine months highlights

- **Its objective is to improve efficiency and contribute value-added to the operating units. It also carries out functions related to financial management and capital.**
- **Reduction of the Corporate Centre's weight in the Group.**
- **Costs fell 19% after streamlining measures in the second quarter.**

## Strategy and functions

The Corporate Centre contributes value to the Group in several ways:

- It makes the Group's governance more solid, through control frameworks and global supervision, and the taking of strategic decisions.
- It makes the Group's units more efficient, fostering the exchange of the best practices in management of costs and economies of scale. This enables us to be among the most efficient banks.
- By sharing the best commercial practices, launching global commercial initiatives and spurring digitalization, the corporate centre contributes to the Group's revenue growth.

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

- **Functions carried out by the Financial Management area:**
  - Structural management of liquidity risk associated with funding the Group's recurring activity, equity 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 funding sources (issues and others), maintaining an appropriate risk profile (volumes, maturities and costs). The price at which these operations are carried out with other Group units is the market rate (euribor or swap) plus the premium which, in the concept of liquidity, the Group bears for the immobilisation of funds during the life of the operation.
  - Active management of interest rate risk to soften the impact of interest rate changes on net interest income, conducted via derivatives of high credit quality, very liquid and low capital consumption.
  - Strategic management of the exposure to exchange rates on equity and dynamic in the countervalue of results in euros for the next 12 months of the units. Net investments in equity are currently covered by €21,005 million (mainly Brazil, UK, Mexico, Chile, US, Poland and Norway) with various instruments (spot, fx or forwards).
- **Total management of capital and reserves: assigning capital to each of the units**.
  - Lastly, and marginally, the Corporate Centre reflects the stakes of a financial nature that the Group has under its policy of optimizing investments.

## Results

Underlying loss of €1,140 million in the first nine months compared to one of €1,375 million in the same period of 2015, mainly due to lower costs and provisions:

- Gross income declined mainly due to lower gains on financial transactions (cost of hedging).
- Costs were 19% lower than in the first nine months of 2015, as a result of optimization and rationalization measures taken at the Corporate Centre in the second quarter.
- Other income and provisions: lower provisions and taxes year-on-year.

### Corporate Centre. € million

| | 3Q'16 | 2Q'16 | % Var. | 9M'16 | 9M'15 | % Var. |
|---|---|---|---|---|---|---|
| Gross income | (316) | (244) | 29.4 | (784) | (463) | 69.3 |
| Net operating income | (421) | (365) | 15.3 | (1,135) | (898) | 26.4 |
| Underlying attributable profit to the Group | (412) | (418) | (1.4) | (1,140) | (1,375) | (17.0) |
| Attributable profit to the Group | (412) | (666) | (38.2) | (1,389) | (540) | 157.4 |

# Retail Banking (changes on a currency-neutral basis)

## First nine months highlights

- **We continued to transform our commercial banking model into one that is increasingly more Simple, Personal and Fair.**
- **Focused on three main priorities: customer loyalty and satisfaction, digital transformation and operational excellence.**
- **The Group had 14.8 million loyal customers at the end of September and 20.2 million digital customers.**
- **The magazine Euromoney chose Santander as the Best Bank in the World for SMEs.**
- **Underlying attributable profit of €4,830 million.**

## Commercial activity

Retail banking continued to advance at a good pace in the Group's commercial transformation, which is focused on three main priorities:

- Continuous improvement in **customer loyalty and satisfaction**. Developments in the third quarter included:
  - Consolidation of the value proposals for individual customers such as *Santander Plus* and the alliance with Aeroméxico which has already attained more than 300,000 cards in Mexico; or *Superpuntos* in Chile, which offers significant advantages for customers.
  - The 1|2|3 strategy in Spain, Portugal and the UK continued to produce a brisk opening of new accounts. In Spain, the 1|2|3 mini account was successfully consolidated, complementing the offer for families.
  - Plans for SMEs continued to be rolled out – *Breakthrow* in the UK, *Firmowe Evoluce* in Poland, *Avançar* in Brazil, *Advance* in Chile, Spain, Argentina and Portugal, among others – and earned recognition from Euromoney as the Best Bank in the World for SMEs.
- Drive in **digital transformation and multi channels** to make a simple bank for customers.
  - Santander Mexico already has more than one million digital customers, thanks to *SuperMóvil*.
  - In Brazil more than four million customers already access our channels via biometric identification. Also noteworthy was the launch of the new commercial model *+negócios* for the consumer finance segment.
  - In Spain *Santander Personal* was launched as a specialised and personalised attention channel. We also launched the wristband for contactless payments and designed a new app for the food industry.
  - The magazine International Global Finance again chose Santander Río as the best digital bank in Argentina. It was also recognised as the best bank by SMS and having the best designed website of a bank in Latin America.
  - Lastly, further progress was made in transforming branches, installing new multi service ATMs and developing *CRMs "NEOs"*. Brazil inaugurated a new branch model and *CRM Portal CERTO transactional*; Portugal launched specialised spaces for companies; Poland has a new multi channel CRM in the contact centre and Santander Río completed the installing of its new *CRM+CHE* in all its branches.
- We continued to improve **customer satisfaction and experience**, with new, simpler and efficient processes and omnichannel, developed with Agile methodology. These measures improved Santander's position in customer satisfaction ranking. The Group is already among the top 3 in seven countries.

## Results

Underlying Attributable profit was €1,636 million in the third quarter, in line with the second quarter. The first nine months' underlying profit was €4,830 million, 3% lower year-on-year because the 4% combined growth in net interest income and fee income was eroded by a 62% fall in gains on financial transactions and higher costs (+6%).

**Retail Banking.** € million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| | 3Q'16 | % | % w/o FX | 9M'16 | % | % w/o FX |
| Gross income | 9,870 | 2.0 | 0.6 | 29,095 | (5.0) | 2.3 |
| Net operating income | 5,267 | 2.8 | 1.1 | 15,447 | (7.4) | (0.6) |
| Underlying attributable profit to the Group | 1,636 | (0.3) | (0.4) | 4,830 | (10.4) | (3.1) |
| Attributable profit to the Group | 1,636 | 7.6 | 7.5 | 4,710 | (12.6) | (5.5) |
| Loans w/o repos | 678,414 | (1.3) | 0.3 | 678,414 | (0.9) | 3.5 |
| Funds | 707,065 | 0.4 | 1.8 | 707,065 | 2.5 | 5.7 |

# Santander Global Corporate Banking (SGCB) (changes on a currency-neutral basis)

## First nine months highlights

- **Reference positions in cash management, export finance, syndicated corporate loans, capital markets, and structured financing in Europe and Latin America.**
- **Gross income increased 16% and costs remained flat, following the efficiency measures taken in some countries.**
- **Pre-tax profit was 23% higher and attributable profit rose 20% year-on-year to €1,502 million.**

## Commercial activity and business evolution

Of note in the third quarter were the following:

- **Cash management:** positive evolution in all business lines, mainly in capturing funds in Latin American markets, as well as an increase in transactions in our core markets. Various mandates materialised in the third quarter that confirmed our leadership in local markets and at the regional level in Europe and Latin America.
- **Export finance:** growth trend remained unchanged, consolidating Santander in leadership positions in Latin America and Europe, and increasing its presence and importance in new markets.
- **Trade and working capital solutions:** Santander is strengthening its capacities and product range in receivables business in order to be the reference bank in this type of operations.
- **Syndicated corporate loans:** We continue to be the reference in Europe and Latin America, with first level participations in significant transactions. Of note in the third quarter was Santander's participation in loans made to Henkel in the US ($3.6 bn), Acciona's refinancing (€2.2 bn) and the syndicated loan for Danone ($13.1 bn).
- In **capital markets**: Santander continued to participate in the main operations. Of note were those made in US dollars for Brazilian issuers (Petrobras, Marfrig, Cosan, General Shopping, Suzano and Vale), Argentinian ones (BCRA, YPF, Arcor, Córdoba province, Buenos Aires province and Clisa) and Chilean (Transelec). In Europe, Santander continued to support financial issuers as well as corporate ones (BP, Cellnex, EDP, Ferrovial and Iberdrola).
- In **structured financing:** we are the clear leaders in Latin America and Spain. Of note was Santander's participation leading the financing for the acquisition by Global Infrastructure Partners of 20% of Gas Natural (€3.8 bn), as well as the advice and financing of the consortium comprising Vinci, ADP and Astaldi for the construction of a new international terminal at Santiago de Chile airport ($850 million).
- In **markets:** positive evolution of revenues from sales business, particularly in the corporate segment, with strong growth in Brazil, Chile, UK and US. Good year-on-year contribution from management of books, in a complex environment, notably Spain, UK, Poland, Brazil, Mexico and US.

## Results

Results were spurred by the strength and diversification of customer revenues. Until September, the area generated 13% of the gross income of the Group's operating areas and 24% of attributable profit.

- Gross income grew 16% year-on-year. Revenue growth in markets was 30%, with a good performance in sales and management of books, 4% in global transaction banking within an environment of contained spreads and low interest rates, and 4% in financing solutions and advisory.
- Costs were flat as a result of the efficiency plans put into place, particularly in Spain and the US, and loan-loss provisions increased, due to those made in the US because of the situation in the Oil & Gas sector in the first quarter, in Brazil and in the UK, where there was a release of provisions in 2015.

### Santander Global Corporate Banking. € million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| | 3Q'16 | % | % w/o FX | 9M'16 | % | % w/o FX |
| Gross income | 1,514 | 1.7 | (0.3) | 4,405 | 7.3 | 16.4 |
| Net operating income | 1,026 | 3.7 | 0.8 | 2,933 | 16.8 | 27.9 |
| Attributable profit to the Group | 544 | 7.9 | 6.0 | 1,502 | 9.7 | 19.8 |
| | | | | | | |
| Loans w/o repos | 95,026 | (3.2) | (2.2) | 95,026 | 0.1 | (1.2) |
| Funds | 60,692 | 0.4 | 1.2 | 60,692 | (4.1) | (4.3) |

# Corporate Governance

**Changes to the Board's regulations**

- The board, at its meeting on June 28, agreed to make some changes to its regulations, in line with the changed by-laws approved at the AGM on March 18, 2016 in order, among other things, to adapt them to the European Banking Authority's Guidelines on Remuneration Policies and adjust them to Spanish Corporation Law and the recommendations of the new code of good governance of listed companies.
- The changes to the board's regulations were registered by public deed granted on July 1, 2016 and inscribed in Cantabria's Mercantile Registry on July 11, 2016. Subsequently, in accordance with article 529 of the Corporation Law, a new consolidated text of the board's regulations was sent to the National Securities Market Commission (CNMV).

  Both documents are on the corporate website (www.santander.com).

**Changes to the composition of the board and its committees**

- Banco Santander's board agreed on September 27, 2016, at the proposal of the appointments committee and after obtaining the corresponding regulatory authorizations, to appoint Ms. Homaira Akbari as an independent director in place of Mr. Ángel Jado Becerro de Bengoa, who resigned from the board and the committees of which he was a member.
- The appointment of Ms. Akbari will be submitted for ratification to the next general meeting of shareholders.
- Ms. Akbari has extensive business experience in France and the United States and wide expertise in *Big Data* and *Internet of Things*. She is a director of various companies linked to new technologies and will join Santander's technology and innovation committee.
- As a result of her incorporation, Banco Santander's board is more diversified in terms of nationality, represented sectors and gender. The bank has six female directors, 40% of the total and one of the highest percentages of the international banking sector. The board has a total of 15 members, the majority of whom (8) are independent.

# Corporate social responsibility

Grupo Santander continued to develop new initiatives under its commitment to corporate social responsibility. The main ones in the third quarter were:

**Presence in sustainable indices and investors**

Banco Santander was again included in the latest Dow Jones Sustainability Index (DJSI), one of the world's leading references in sustainability and very well regarded by investors and analysts. It measures the three main dimensions of companies in sustainability: economic, environmental and social.

With a score of 92 out of 100, eight more tan in 2015, Banco Santander is ranked sixth out of close to 200 banks in the world that can make up the DJSI (only 27 of which are in this year's index). Moreover, it is the first global bank and the leader in Europe.

Some of Santander's aspects most highlighted by the DJSI are its corporate social and environmental policies, the quality of service, attracting and retaining talent, programmes to support society, commitment to the environment, risk management and opportunities in the sphere of climate change.

**Sustainability policies**

Following the approval in December of the updating of the sustainability policies, the Bank continued to improve its internal processes for approving, analyzing and reporting sensitive operations, in line with the new requirements in the policies. Specific working groups have been created in each of the countries where the Group operates and advanced training will be given in the fourth quarter to risk and business teams.

**Social investment**

**Support for higher education**

Ana Botín, the chairman of Banco Santander, participated in the presentation of the 2015 report of the Fundación Conocimiento y Desarrollo (CyD) on the contribution of Spanish universities to the wellbeing of citizens and long-term economic growth.

She discussed the challenges facing universities, such as improving their funding, giving them greater autonomy and linking financing to the progress made in their plans, goals and results. She added that the digital transformation had to be tackled decisively, as new technologies are a great opportunity for innovating in education.

Under the strategy to foster new technologies in universities, Santander Brazil launched an app for students that offers them different contents such as publication of places for work experience, job vacancies, study scholarships and news about the academic world.

**Investment in the community**

In Spain and during the first half of 2016, 324 of the Group's professionals gave more tan 400 courses in colleges, universities, public institutions and charities, using financial education programmes promoted by the bank together with social organisations. These volunteers promoted a culture of savings and responsible consumption, management of budgets, and helped to improve knowledge of credit, debits, investment, spending, current and savings accounts, etc.

In Chile, 240 employees took part in a volunteer programme that supported the rebuilding of several villages in poor areas in the north of the country, as well as installing pumps for drinking water in camps with families at risk of social exclusion.

# The Santander share

## Shareholder remuneration

- Shareholders received in August the first dividend in cash charged to 2016's earnings of €0.055 per share, 10% more than that paid in the same month of last year.
- As regards the second dividend for 2016, which is scheduled to be paid in October-November, the Bank agreed to apply the Santander Dividendo Elección (scrip dividend) programme. In accordance with this programme, every shareholder has received a right of free assignment of new shares for each share they own. These rights give the shareholder three options: sell them to the Bank at a fixed price (€0.045 per right), sell them on the stock market between October 18 and November 1 at the quoted price, or receive new shares in the proportion of one new share for every 87 rights (in the last two cases without withholding tax*).
- In order to tend to those shareholders who choose the third option, a capital increase for a maximum of €82,956,853.5 (representing 165,913,707 shares) will be carried out. The number of new shares to be finally issued and, thus, the amount of the capital increase will depend on the number of shareholders who opt to sell their rights to the Bank at a fixed price.

## Performance of the Santander share

- The stock markets reflected in the first part of the year the doubts over the evolution of the Chinese economy and its global impact, the evolution of raw materials, the uncertainty over the financial sector's solvency, central banks' interest rate policies and stimulus measures and, above all, the decision of the UK to leave the European Union as a result of the referendum on June 23. Its impact and possible consequences intensified the uncertainty and volatility during the third quarter.
- The Santander share price ended September at €3.947, 15.1% higher than at the end of June and a better performance than the main indices: the Ibex-35, Spain's benchmark index, rose 7.5% in that period, the DJ Stoxx Banks 11.7% and the MSCI World Banks 8.9%. As we went to press, the Santander share was €4.492, up 13.8% so far in October. In 2016 the variance was -1.4% (TSR: +3.5%).

## Capitalisation and trading

- At the end of September, Santander was the second largest bank in the euro zone by market capitalization and the 19th among the world's financial institutions (with €56,973 million). The share's weighting in the DJ Stoxx 50 was 1.7%, 7.3% in the DJ Stoxx Banks and 12.6% in the Ibex-35.
- A total of 21,418 million Santander shares were traded in the first nine months of 2016 with an effective value of €84,256 million, the highest amount among the EuroStoxx stocks, and a liquidity ratio of 148%. The number of shares traded daily was 111.0 million (€437 million).

## Shareholder base

- The total number of shareholders at the end of September was 3,920,700, of which 3,713,650 were held by Europeans (81.25% of the capital stock) and 190,926 by those from the Americas (18.44%). Excluding the Group's board, which holds 1.21% of the capital, retail shareholders own 45.57% and institutional ones 53.22%.

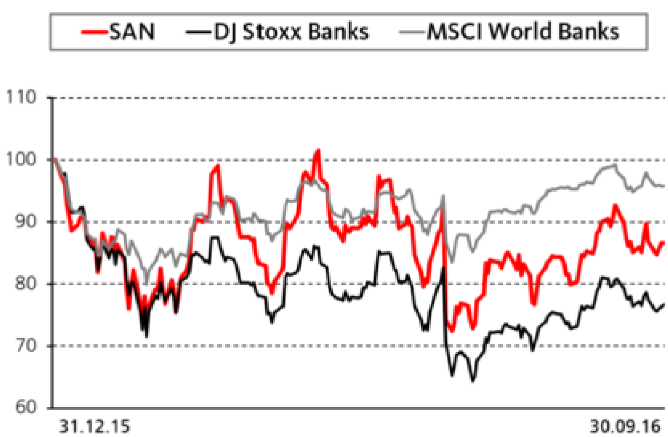
(*) The options, periods and procedures indicated could present particular circumstances for shareholders with Santander shares in the foreign stock markets where the Bank is listed. Also, the tax system of the various options could depend on shareholders' personal circumstances

### The Santander share. September 2016

| | |
|---|---|
| **Shareholders and trading data** | |
| Shareholders (number) | 3,920,700 |
| Shares (number) | 14,434,492,579 |
| Average daily turnover (no. of shares) | 110,973,351 |
| Share liquidity (%) (Number of shares traded during the year / number of shares) | 148 |
| **Price movements during the year** | |
| Highest | 4.685 |
| Lowest | 3.150 |
| Last (30.09.16) | 3.947 |
| Market capitalisation (millions) (30.09.16) | 56,973 |
| **Stock market indicators** | |
| Price / Tangible book value (X) | 0.94 |
| P/E ratio (X) | 9.02 |
| Yield* (%) | 5.23 |

(*).-The last four dividends paid / 9M'16 average share price

### Comparative performance of share prices



# Financial information

# APPENDIX

## Quarterly income statement

€ million

| | 2015 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q |
| **Net interest income** | **8,038** | **8,281** | **7,983** | **7,888** | **7,624** | **7,570** | **7,798** |
| Net fee income | 2,524 | 2,586 | 2,474 | 2,448 | 2,397 | 2,549 | 2,597 |
| Gains (losses) on financial transactions | 695 | 372 | 634 | 684 | 504 | 366 | 440 |
| Other operating income | 186 | 379 | 225 | (126) | 204 | 445 | 245 |
| Dividends | 33 | 239 | 75 | 107 | 44 | 209 | 37 |
| Income from equity-accounted method | 99 | 101 | 93 | 82 | 83 | 112 | 119 |
| Other operating income/expenses | 53 | 39 | 57 | (315) | 78 | 124 | 90 |
| **Gross income** | **11,444** | **11,618** | **11,316** | **10,894** | **10,730** | **10,929** | **11,080** |
| Operating expenses | (5,377) | (5,429) | (5,342) | (5,422) | (5,158) | (5,227) | (5,250) |
| General administrative expenses | (4,785) | (4,826) | (4,731) | (4,810) | (4,572) | (4,632) | (4,692) |
| *Personnel* | *(2,755)* | *(2,836)* | *(2,717)* | *(2,799)* | *(2,683)* | *(2,712)* | *(2,726)* |
| *Other general administrative expenses* | *(2,030)* | *(1,989)* | *(2,015)* | *(2,011)* | *(1,889)* | *(1,920)* | *(1,966)* |
| Depreciation and amortisation | (592) | (603) | (611) | (612) | (586) | (595) | (558) |
| **Net operating income** | **6,067** | **6,189** | **5,974** | **5,472** | **5,572** | **5,703** | **5,831** |
| Net loan-loss provisions | (2,563) | (2,508) | (2,479) | (2,558) | (2,408) | (2,205) | (2,499) |
| Impairment losses on other assets | (60) | (78) | (110) | (215) | (44) | (29) | (16) |
| Other income | (454) | (605) | (606) | (526) | (389) | (515) | (376) |
| **Underlying profit before taxes** | **2,990** | **2,998** | **2,778** | **2,173** | **2,732** | **2,954** | **2,940** |
| Tax on profit | (922) | (939) | (787) | (471) | (810) | (970) | (904) |
| **Underlying profit from continuing operations** | **2,067** | **2,059** | **1,991** | **1,702** | **1,922** | **1,984** | **2,036** |
| Net profit from discontinued operations | 0 | 0 | (0) | — | — | 0 | (0) |
| **Underlying consolidated profit** | **2,067** | **2,059** | **1,991** | **1,702** | **1,922** | **1,984** | **2,036** |
| Minority interests | 350 | 350 | 311 | 242 | 288 | 338 | 341 |
| **Underlying attributable profit to the Group** | **1,717** | **1,709** | **1,680** | **1,460** | **1,633** | **1,646** | **1,695** |
| Net capital gains and provisions* | — | 835 | — | (1,435) | — | (368) | — |
| **Attributable profit to the Group** | **1,717** | **2,544** | **1,680** | **25** | **1,633** | **1,278** | **1,695** |
| | | | | | | | |
| **Underlying EPS (euros)** | **0.12** | **0.12** | **0.11** | **0.10** | **0.11** | **0.11** | **0.11** |
| **Underlying diluted EPS (euros)** | **0.12** | **0.12** | **0.11** | **0.10** | **0.11** | **0.11** | **0.11** |
| | | | | | | | |
| **EPS (euros)** | **0.12** | **0.18** | **0.11** | **(0.01)** | **0.11** | **0.08** | **0.11** |
| **Diluted EPS (euros)** | **0.12** | **0.17** | **0.11** | **(0.01)** | **0.11** | **0.08** | **0.11** |

(*).- Including

- In 2Q'16, capital gains from the disposal of the stake in Visa Europe (€227 million), restructuring costs (-€475 million) and change in the schedule contribution dates to the Single Resolution Fund (-€120 million).
- In 4Q'15, Banif's badwill in Portugal (€283 million), provisions related to cover possible claims of PPI in UK (-€600 million), impairment of intangible assets (-€683 million) and goodwill and other assets (-€435 million)
- In 2Q'15, net result of the reversal of tax liabilities in Brazil (€835 million).

## Net fee income. Consolidated

€ million

| | 3Q'16 | 2Q'16 | Var. % | 9M'16 | 9M'15 | Var. % |
|---|---|---|---|---|---|---|
| Fees from services | 1,627 | 1,550 | 5.0 | 4,625 | 4,580 | 1.0 |
| Mutual & pension funds | 195 | 190 | 2.7 | 566 | 658 | (14.0) |
| Securities and custody | 214 | 226 | (5.1) | 664 | 688 | (3.4) |
| Insurance | 561 | 584 | (3.9) | 1,687 | 1,659 | 1.7 |
| **Net fee income** | **2,597** | **2,549** | **1.9** | **7,543** | **7,584** | **(0.5)** |

## Operating expenses. Consolidated

€ million

| | 3Q'16 | 2Q'16 | Var. % | 9M'16 | 9M'15 | Var. % |
|---|---|---|---|---|---|---|
| Personnel expenses | 2,726 | 2,712 | 0.5 | 8,121 | 8,308 | (2.3) |
| General expenses | 1,966 | 1,920 | 2.4 | 5,775 | 6,034 | (4.3) |
| Information technology | 282 | 261 | 8.2 | 832 | 823 | 1.1 |
| Communications | 123 | 125 | (2.0) | 377 | 380 | (0.7) |
| Advertising | 182 | 157 | 16.0 | 486 | 500 | (2.7) |
| Buildings and premises | 441 | 430 | 2.3 | 1,308 | 1,369 | (4.5) |
| Printed and office material | 35 | 34 | 0.6 | 103 | 120 | (14.3) |
| Taxes (other than profit tax) | 118 | 112 | 5.0 | 350 | 393 | (11.0) |
| Other expenses | 785 | 799 | (1.8) | 2,318 | 2,449 | (5.3) |
| **Personnel and general expenses** | **4,692** | **4,632** | **1.3** | **13,896** | **14,342** | **(3.1)** |
| Depreciation and amortisation | 558 | 595 | (6.2) | 1,738 | 1,806 | (3.8) |
| **Total operating expenses** | **5,250** | **5,227** | **0.4** | **15,634** | **16,149** | **(3.2)** |

## Operating means. Consolidated

| | Employees | | | Branches | | |
|---|---|---|---|---|---|---|
| | 30.09.16 | 30.09.15 | Var. | 30.09.16 | 30.09.15 | Var. |
| **Continental Europe** | **57,284** | **56,704** | **580** | **4,964** | **5,424** | **(460)** |
| o/w: Spain | 23,182 | 24,231 | (1,049) | 2,993 | 3,487 | (494) |
| Santander Consumer Finance | 14,828 | 14,138 | 690 | 573 | 592 | (19) |
| Poland | 11,781 | 11,626 | 155 | 658 | 752 | (94) |
| Portugal | 6,393 | 5,423 | 970 | 727 | 575 | 152 |
| **United Kingdom** | **25,840** | **26,154** | **(314)** | **844** | **882** | **(38)** |
| **Latin America** | **87,250** | **88,893** | **(1,643)** | **5,817** | **5,812** | **5** |
| o/w: Brazil | 47,516 | 48,955 | (1,439) | 3,408 | 3,436 | (28) |
| Mexico | 17,467 | 17,704 | (237) | 1,387 | 1,354 | 33 |
| Chile | 12,208 | 12,334 | (126) | 465 | 476 | (11) |
| **USA** | **17,569** | **17,592** | **(23)** | **766** | **783** | **(17)** |
| **Operating areas** | **187,943** | **189,343** | **(1,400)** | **12,391** | **12,901** | **(510)** |
| Corporate Centre | 1,732 | 2,161 | (429) | | | |
| **Total Group** | **189,675** | **191,504** | **(1,829)** | **12,391** | **12,901** | **(510)** |

## Net loan-loss provisions. Consolidated

€ million

| | 3Q'16 | 2Q'16 | Var. % | 9M'16 | 9M'15 | Var. % |
|---|---|---|---|---|---|---|
| Non-performing loans | 2,812 | 2,598 | 8.3 | 8,181 | 8,680 | (5.8) |
| Country-risk | 3 | 0 | — | 0 | 21 | (98.3) |
| Recovery of written-off assets | (317) | (393) | (19.4) | (1,069) | (1,151) | (7.1) |
| **Total** | **2,499** | **2,205** | **13.3** | **7,112** | **7,550** | **(5.8)** |

## Customer loans. Consolidated

€ million

| | 30.09.16 | 30.09.15 | Variation amount | % | 31.12.15 |
|---|---|---|---|---|---|
| Spanish Public sector | 15,126 | 15,207 | (81) | (0.5) | 13,993 |
| Other residents | 148,108 | 152,196 | (4,087) | (2.7) | 153,863 |
| Commercial bills | 8,401 | 8,228 | 173 | 2.1 | 9,037 |
| Secured loans | 89,024 | 93,404 | (4,380) | (4.7) | 92,478 |
| Other loans | 50,684 | 50,564 | 120 | 0.2 | 52,348 |
| Non-resident sector | 634,657 | 635,840 | (1,182) | (0.2) | 649,509 |
| Secured loans | 382,243 | 398,110 | (15,867) | (4.0) | 409,136 |
| Other loans | 252,414 | 237,730 | 14,684 | 6.2 | 240,373 |
| **Gross customer loans** | **797,892** | **803,243** | **(5,351)** | **(0.7)** | **817,366** |
| Loan-loss allowances | 24,602 | 26,224 | (1,622) | (6.2) | 26,517 |
| **Net customer loans** | **773,290** | **777,020** | **(3,729)** | **(0.5)** | **790,848** |
| Pro memoria: Doubtful loans | 33,592 | 36,864 | (3,272) | (8.9) | 36,133 |
| Public sector | 119 | 190 | (71) | (37.2) | 145 |
| Other residents | 13,545 | 17,130 | (3,585) | (20.9) | 16,301 |
| Non-resident sector | 19,928 | 19,544 | 384 | 2.0 | 19,686 |

## Managed and marketed customer funds. Consolidated

€ million

| | 30.09.16 | 30.09.15 | Variation amount | % | 31.12.15 |
|---|---|---|---|---|---|
| Resident public sector | 9,169 | 8,886 | 283 | 3.2 | 11,737 |
| Other residents | 159,926 | 164,067 | (4,141) | (2.5) | 157,611 |
| Demand deposits | 114,298 | 105,730 | 8,567 | 8.1 | 108,410 |
| Time deposits | 44,052 | 56,134 | (12,082) | (21.5) | 47,297 |
| Other | 1,577 | 2,203 | (626) | (28.4) | 1,904 |
| Non-resident sector | 498,344 | 496,302 | 2,043 | 0.4 | 513,795 |
| Demand deposits | 311,098 | 302,251 | 8,846 | 2.9 | 313,175 |
| Time deposits | 133,058 | 139,295 | (6,237) | (4.5) | 146,317 |
| Other | 54,189 | 54,755 | (566) | (1.0) | 54,303 |
| **Customer deposits** | **667,439** | **669,255** | **(1,816)** | **(0.3)** | **683,142** |
| Debt securities issued | 228,674 | 216,838 | 11,836 | 5.5 | 226,160 |
| **On-balance-sheet customer funds** | **896,113** | **886,093** | **10,020** | **1.1** | **909,302** |
| ***o/w: subordinated debt*** | ***19,726*** | ***19,600*** | ***126*** | ***0.6*** | ***21,151*** |
| Mutual funds | 141,053 | 122,365 | 18,688 | 15.3 | 129,077 |
| Pension funds | 11,034 | 11,220 | (187) | (1.7) | 11,376 |
| Managed portfolios | 26,962 | 25,828 | 1,133 | 4.4 | 25,808 |
| **Other managed and marketed customer funds** | **179,049** | **159,414** | **19,635** | **12.3** | **166,260** |
| **Managed and marketed customer funds** | **1,075,162** | **1,045,507** | **29,655** | **2.8** | **1,075,563** |

## Eligible capital (fully loaded)

€ million

| | 30.09.16 | 30.09.15 | Variation amount | % | 31.12.15 |
|---|---|---|---|---|---|
| Capital stock and reserves | 101,623 | 98,328 | 3,296 | 3.4 | 98,193 |
| Attributable profit | 4,606 | 5,941 | (1,335) | (22.5) | 5,966 |
| Dividends | (1,893) | (1,725) | (168) | 9.8 | (2,268) |
| Other retained earnings | (17,886) | (16,305) | (1,582) | 9.7 | (15,448) |
| Minority interests | 7,106 | 5,375 | 1,731 | 32.2 | 6,148 |
| Goodwill and intangible assets | (27,640) | (28,515) | 876 | (3.1) | (28,254) |
| Treasury stock and other deductions | (5,086) | (5,522) | 435 | (7.9) | (5,633) |
| **Core CET1** | **60,830** | **57,577** | **3,253** | **5.6** | **58,705** |
| Preferred shares and other eligible T1 | 5,633 | 5,619 | 14 | 0.2 | 5,504 |
| **Tier 1** | **66,463** | **63,196** | **3,267** | **5.2** | **64,209** |
| Generic funds and eligible T2 instruments | 13,108 | 11,322 | 1,786 | 15.8 | 11,996 |
| **Eligible capital** | **79,571** | **74,519** | **5,053** | **6.8** | **76,205** |
| Risk-weighted assets | 580,823 | 584,322 | (3,499) | (0.6) | 583,893 |
| | | | | | |
| **CET1 capital ratio** | **10.47** | **9.85** | **0.62** | | **10.05** |
| **T1 capital ratio** | **11.44** | **10.82** | **0.62** | | **11.00** |
| **Total capital ratio** | **13.70** | **12.75** | **0.95** | | **13.05** |

## Continental Europe

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **2,038** | **0.9** | **0.8** | **6,104** | **0.9** | **2.0** |
| Net fee income | 895 | 1.4 | 1.3 | 2,655 | 3.1 | 3.8 |
| Gains (losses) on financial transactions | 166 | 53.7 | 53.4 | 581 | (28.8) | (28.4) |
| Other operating income* | 128 | (52.3) | (52.1) | 498 | 13.4 | 13.6 |
| **Gross income** | **3,227** | **(1.5)** | **(1.7)** | **9,838** | **(0.4)** | **0.5** |
| Operating expenses | (1,685) | (1.5) | (1.6) | (5,121) | 1.7 | 2.4 |
| General administrative expenses | (1,578) | (1.6) | (1.8) | (4,797) | 2.4 | 3.2 |
| *Personnel* | *(806)* | *(2.8)* | *(2.9)* | *(2,461)* | *2.1* | *2.9* |
| *Other general administrative expenses* | *(772)* | *(0.4)* | *(0.5)* | *(2,337)* | *2.8* | *3.5* |
| Depreciation and amortisation | (107) | 1.5 | 1.4 | (324) | (8.5) | (7.9) |
| **Net operating income** | **1,542** | **(1.7)** | **(1.8)** | **4,717** | **(2.6)** | **(1.6)** |
| Net loan-loss provisions | (354) | 26.5 | 26.4 | (1,071) | (34.8) | (34.4) |
| Other income | (112) | (40.3) | (40.4) | (414) | (10.4) | (10.3) |
| **Underlying profit before taxes** | **1,075** | **(2.2)** | **(2.3)** | **3,231** | **18.1** | **19.7** |
| Tax on profit | (292) | (5.0) | (5.1) | (880) | 23.9 | 25.3 |
| **Underlying profit from continuing operations** | **783** | **(1.2)** | **(1.3)** | **2,352** | **16.0** | **17.7** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Underlying consolidated profit** | **783** | **(1.2)** | **(1.3)** | **2,352** | **16.0** | **17.7** |
| Minority interests | 98 | 22.3 | 21.9 | 248 | 22.9 | 26.0 |
| **Underlying attributable profit to the Group** | **685** | **(3.8)** | **(3.9)** | **2,104** | **15.3** | **16.8** |
| Net capital gains and provisions** | — | (100.0) | (100.0) | (120) | — | — |
| **Attributable profit to the Group** | **685** | **15.7** | **15.6** | **1,984** | **8.7** | **10.2** |
| **Balance sheet** | | | | | | |
| Customer loans *** | 294,084 | 0.1 | (0.3) | 294,084 | 5.5 | 5.4 |
| Financial assets held for trading (w/o loans) | 67,464 | 6.6 | 6.6 | 67,464 | 16.5 | 16.5 |
| Available-for-sale financial assets | 55,726 | 1.7 | 1.3 | 55,726 | (5.8) | (5.7) |
| Central banks and credit institutions *** | 72,756 | 4.2 | 4.2 | 72,756 | (12.1) | (12.2) |
| Tangible and intangible assets | 11,521 | (2.3) | (2.4) | 11,521 | 3.1 | 3.1 |
| Other assets | 43,711 | 5.4 | 5.2 | 43,711 | 9.7 | 9.7 |
| **Total assets/liabilities & shareholders' equity** | **545,261** | **1.9** | **1.7** | **545,261** | **3.0** | **2.9** |
| Customer deposits *** | 268,800 | 1.7 | 1.4 | 268,800 | 2.2 | 2.3 |
| Debt securities issued *** | 53,038 | 1.9 | 1.6 | 53,038 | 11.8 | 11.3 |
| Liabilities under insurance contracts | 664 | 3.3 | 3.3 | 664 | 3.1 | 3.1 |
| Central banks and credit institutions *** | 120,284 | 3.6 | 3.4 | 120,284 | (3.8) | (4.0) |
| Other liabilities | 69,415 | 1.4 | 1.3 | 69,415 | 13.5 | 13.6 |
| Stockholders' equity **** | 33,061 | (0.9) | (1.2) | 33,061 | 2.4 | 2.3 |
| **Other managed and marketed customer funds** | **71,681** | **2.1** | **2.0** | **71,681** | **5.4** | **5.5** |
| Mutual and pension funds | 63,812 | 2.2 | 2.1 | 63,812 | 7.3 | 7.4 |
| Managed portfolios | 7,869 | 1.4 | 1.5 | 7,869 | (8.0) | (8.1) |
| **Managed and marketed customer funds** | **393,518** | **1.8** | **1.5** | **393,518** | **4.0** | **4.0** |
| **Ratios (%) and operating means** | | | | | | |
| Underlying RoTE | 8.30 | (0.47) | | 8.58 | 0.50 | |
| Efficiency ratio (with amortisations) | 52.2 | 0.1 | | 52.1 | 1.1 | |
| NPL ratio | 6.43 | (0.41) | | 6.43 | (1.46) | |
| NPL coverage | 61.3 | — | | 61.3 | 0.9 | |
| Number of employees | 57,284 | 0.5 | | 57,284 | 1.0 | |
| Number of branches | 4,964 | (2.9) | | 4,964 | (8.5) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Contribution to the Single Resolution Fund due to change in the scheduled contributiion dates
(***).- Including all on-balance sheet balances for this item
(****).- Capital + reserves + profit + other accumulated results

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)


### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Underlying attributable profit

€ million (currency-neutral basis)

## Spain

€ million

| Income statement | 3Q'16 | % / 2Q'16 | 9M'16 | % / 9M'15 |
|---|---|---|---|---|
| **Net interest income** | **728** | **(7.0)** | **2,331** | **(12.1)** |
| Net fee income | 456 | 1.7 | 1,330 | 4.8 |
| Gains (losses) on financial transactions | 149 | 129.0 | 439 | (24.3) |
| Other operating income* | 64 | (66.9) | 330 | (3.8) |
| **Gross income** | **1,398** | **(6.1)** | **4,429** | **(8.5)** |
| Operating expenses | (824) | (1.2) | (2,495) | (3.1) |
| General administrative expenses | (791) | (1.0) | (2,390) | (1.2) |
| *Personnel* | *(401)* | *(2.2)* | *(1,225)* | *(2.4)* |
| *Other general administrative expenses* | *(390)* | *0.2* | *(1,166)* | *0.1* |
| Depreciation and amortisation | (33) | (5.8) | (104) | (32.3) |
| **Net operating income** | **574** | **(12.4)** | **1,935** | **(14.7)** |
| Net loan-loss provisions | (140) | 9.0 | (500) | (40.1) |
| Other income | (51) | (38.0) | (170) | (2.1) |
| **Underlying profit before taxes** | **382** | **(13.8)** | **1,264** | **0.5** |
| Tax on profit | (108) | (17.1) | (364) | 1.5 |
| **Underlying profit from continuing operations** | **274** | **(12.4)** | **900** | **0.0** |
| Net profit from discontinued operations | — | — | — | — |
| **Underlying consolidated profit** | **274** | **(12.4)** | **900** | **0.0** |
| Minority interests | 5 | (9.4) | 15 | (9.4) |
| **Underlying attributable profit to the Group** | **270** | **(12.5)** | **885** | **0.2** |
| Net capital gains and provisions** | — | (100.0) | (100) | — |
| **Attributable profit to the Group** | **270** | **29.7** | **785** | **(11.1)** |

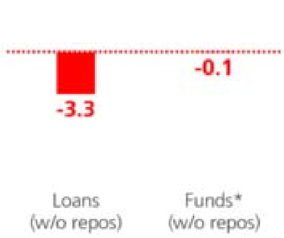
| Balance sheet | | | | |
|---|---|---|---|---|
| Customer loans *** | 153,370 | (2.0) | 153,370 | (1.8) |
| Financial assets held for trading (w/o loans) | 64,890 | 7.6 | 64,890 | 18.1 |
| Available-for-sale financial assets | 39,143 | 0.2 | 39,143 | (11.7) |
| Central banks and credit institutions *** | 55,109 | 8.7 | 55,109 | (13.4) |
| Tangible and intangible assets | 2,623 | (3.4) | 2,623 | (9.1) |
| Other assets | 18,221 | 9.9 | 18,221 | 6.6 |
| **Total assets/liabilities & shareholders' equity** | **333,355** | **2.3** | **333,355** | **(1.7)** |
| Customer deposits *** | 176,272 | 0.9 | 176,272 | (3.0) |
| Debt securities issued *** | 20,340 | (3.1) | 20,340 | (15.0) |
| Liabilities under insurance contracts | 541 | (0.5) | 541 | 1.6 |
| Central banks and credit institutions *** | 65,438 | 11.0 | 65,438 | (6.7) |
| Other liabilities | 57,352 | 0.9 | 57,352 | 14.4 |
| Stockholders' equity **** | 13,412 | (2.3) | 13,412 | 6.1 |
| **Other managed and marketed customer funds** | **64,894** | **2.1** | **64,894** | **9.0** |
| Mutual and pension funds | 58,204 | 2.1 | 58,204 | 8.9 |
| Managed portfolios | 6,690 | 2.2 | 6,690 | 9.9 |
| **Managed and marketed customer funds** | **261,506** | **0.8** | **261,506** | **(1.4)** |

| Ratios (%) and operating means | | | | |
|---|---|---|---|---|
| Underlying RoTE | 7.84 | (1.35) | 8.83 | (1.23) |
| Efficiency ratio (with amortisations) | 59.0 | 2.9 | 56.3 | 3.2 |
| NPL ratio | 5.82 | (0.24) | 5.82 | (0.79) |
| NPL coverage | 47.6 | — | 47.6 | (0.2) |
| Number of employees | 23,182 | (0.5) | 23,182 | (4.3) |
| Number of branches | 2,993 | (4.0) | 2,993 | (14.2) |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Contribution to the Single Resolution Fund due to change in the scheduled contributiion dates
(***).- Including all on-balance sheet balances for this item
(****).- Capital + reserves + profit + other accumulated results

### Activity performance

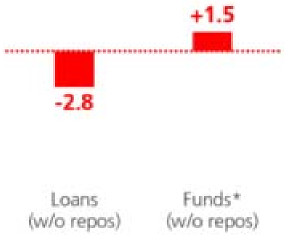
y-o-y % (Sep'16 / Sep'15)




(*) Customer deposits + mutual funds

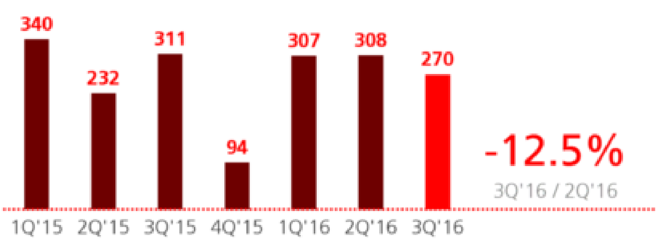
### Activity performance

q-o-q % (Sep'16 / Jun'16)




### Underlying attributable profit

€ million



## Santander Consumer Finance

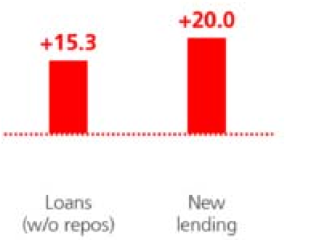
€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **880** | **5.7** | **5.5** | **2,524** | **10.1** | **11.9** |
| Net fee income | 219 | (4.2) | (4.2) | 678 | 2.9 | 3.4 |
| Gains (losses) on financial transactions | (6) | 33.0 | 32.9 | (12) | 120.7 | 120.5 |
| Other operating income* | 13 | 13.5 | 14.0 | 30 | 29.5 | 28.8 |
| **Gross income** | **1,106** | **3.5** | **3.4** | **3,219** | **8.5** | **10.0** |
| Operating expenses | (467) | (0.3) | (0.4) | (1,418) | 8.6 | 10.0 |
| General administrative expenses | (422) | (0.9) | (1.0) | (1,282) | 8.7 | 10.1 |
| *Personnel* | *(201)* | *0.3* | *0.2* | *(604)* | *9.0* | *10.7* |
| *Other general administrative expenses* | *(220)* | *(2.0)* | *(2.1)* | *(678)* | *8.3* | *9.7* |
| Depreciation and amortisation | (45) | 5.9 | 6.0 | (136) | 7.6 | 8.3 |
| **Net operating income** | **639** | **6.5** | **6.4** | **1,801** | **8.4** | **10.0** |
| Net loan-loss provisions | (116) | 65.3 | 65.4 | (300) | (31.8) | (30.9) |
| Other income | (36) | (14.0) | (14.1) | (115) | 13.0 | 13.3 |
| **Underlying profit before taxes** | **487** | **(0.2)** | **(0.3)** | **1,385** | **23.8** | **25.8** |
| Tax on profit | (142) | (6.9) | (7.0) | (411) | 30.6 | 32.5 |
| **Underlying profit from continuing operations** | **346** | **2.8** | **2.7** | **974** | **21.1** | **23.1** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Underlying consolidated profit** | **346** | **2.8** | **2.7** | **974** | **21.1** | **23.1** |
| Minority interests | 55 | 26.3 | 26.2 | 139 | 36.0 | 37.0 |
| **Underlying attributable profit to the Group** | **291** | **(0.6)** | **(0.8)** | **835** | **18.9** | **21.1** |
| Net capital gains and provisions** | — | (100.0) | (100.0) | (11) | — | — |
| **Attributable profit to the Group** | **291** | **3.3** | **3.2** | **824** | **17.3** | **19.5** |
| **Balance sheet** | | | | | | |
| Customer loans *** | 82,525 | 3.7 | 3.1 | 82,525 | 17.8 | 16.9 |
| Financial assets held for trading (w/o loans) | 32 | 4.3 | 1.7 | 32 | (64.0) | (65.1) |
| Available-for-sale financial assets | 3,930 | 11.5 | 10.0 | 3,930 | 36.6 | 34.9 |
| Central banks and credit institutions *** | 2,221 | 8.6 | 7.4 | 2,221 | 30.9 | 28.2 |
| Tangible and intangible assets | 658 | (2.5) | (2.8) | 658 | (12.1) | (12.4) |
| Other assets | 7,265 | 2.1 | 1.7 | 7,265 | 15.4 | 14.7 |
| **Total assets/liabilities & shareholders' equity** | **96,632** | **3.9** | **3.3** | **96,632** | **18.2** | **17.2** |
| Customer deposits *** | 34,339 | 4.1 | 3.5 | 34,339 | 8.0 | 7.3 |
| Debt securities issued *** | 27,275 | 7.4 | 6.8 | 27,275 | 33.3 | 32.0 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions *** | 21,908 | (1.8) | (2.4) | 21,908 | 34.7 | 33.2 |
| Other liabilities | 5,569 | 10.1 | 9.8 | 5,569 | 12.9 | 12.5 |
| Stockholders' equity **** | 7,542 | 4.3 | 3.4 | 7,542 | (9.5) | (10.2) |
| **Other managed and marketed customer funds** | **7** | **2.7** | **2.7** | **7** | **2.0** | **2.0** |
| Mutual and pension funds | 7 | 2.7 | 2.7 | 7 | 2.0 | 2.0 |
| Managed portfolios | — | — | — | — | — | — |
| **Managed and marketed customer funds** | **61,621** | **5.5** | **4.9** | **61,621** | **17.9** | **17.0** |
| **Ratios (%) and operating means** | | | | | | |
| Underlying RoTE | 16.43 | (0.01) | | 15.19 | 2.46 | |
| Efficiency ratio (with amortisations) | 42.2 | (1.6) | | 44.1 | 0.0 | |
| NPL ratio | 2.86 | (0.09) | | 2.86 | (1.29) | |
| NPL coverage | 110.7 | 0.1 | | 110.7 | 3.5 | |
| Number of employees | 14,828 | 0.5 | | 14,828 | 4.9 | |
| Number of branches | 573 | (1.0) | | 573 | (3.2) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Contribution to the Single Resolution Fund due to change in the scheduled contributiion dates
(***).- Including all on-balance sheet balances for this item
(****).- Capital + reserves + profit + other accumulated results

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)

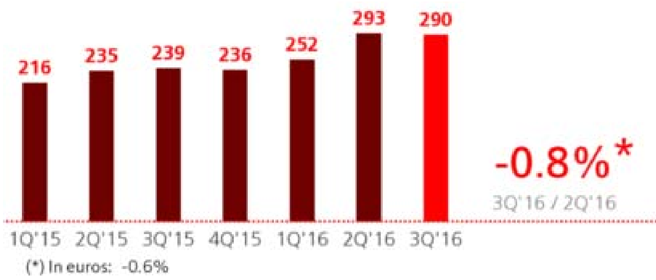



### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Underlying attributable profit

€ million (currency-neutral basis)



## Poland

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **215** | **7.1** | **6.3** | **612** | **5.6** | **10.7** |
| Net fee income | 106 | 9.0 | 8.2 | 299 | (4.6) | 0.0 |
| Gains (losses) on financial transactions | 14 | (51.7) | (52.3) | 69 | (23.2) | (19.5) |
| Other operating income* | (5) | — | — | 6 | 162.7 | 175.4 |
| **Gross income** | **330** | **(4.3)** | **(5.1)** | **985** | **0.1** | **5.0** |
| Operating expenses | (149) | 2.2 | 1.4 | (440) | (2.3) | 2.4 |
| General administrative expenses | (134) | 1.6 | 0.8 | (397) | (4.8) | (0.1) |
| *Personnel* | *(77)* | *2.2* | *1.4* | *(227)* | *(6.6)* | *(2.0)* |
| *Other general administrative expenses* | *(57)* | *0.8* | *0.0* | *(170)* | *(2.3)* | *2.5* |
| Depreciation and amortisation | (15) | 7.4 | 6.6 | (43) | 27.7 | 33.9 |
| **Net operating income** | **181** | **(9.1)** | **(9.8)** | **545** | **2.2** | **7.1** |
| Net loan-loss provisions | (43) | 25.0 | 24.2 | (110) | (11.2) | (6.9) |
| Other income | (6) | (79.6) | (80.0) | (57) | — | — |
| Profit before taxes | **132** | **(2.7)** | **(3.4)** | **378** | **(7.6)** | **(3.2)** |
| Tax on profit | (32) | 14.4 | 13.6 | (83) | 7.9 | 13.1 |
| **Profit from continuing operations** | **100** | **(7.1)** | **(7.8)** | **296** | **(11.2)** | **(6.9)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **100** | **(7.1)** | **(7.8)** | **296** | **(11.2)** | **(6.9)** |
| Minority interests | 31 | (6.4) | (7.1) | 87 | (2.7) | 2.0 |
| **Attributable profit to the Group** | **69** | **(7.4)** | **(8.1)** | **208** | **(14.3)** | **(10.2)** |

| Balance sheet | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Customer loans ** | 20,226 | 3.6 | 0.9 | 20,226 | 9.5 | 11.4 |
| Financial assets held for trading (w/o loans) | 691 | (32.7) | (34.5) | 691 | (33.0) | (31.9) |
| Available-for-sale financial assets | 5,216 | 10.7 | 7.7 | 5,216 | (5.2) | (3.5) |
| Central banks and credit institutions ** | 877 | (25.6) | (27.5) | 877 | (19.2) | (17.8) |
| Tangible and intangible assets | 246 | 2.9 | 0.2 | 246 | 7.2 | 9.1 |
| Other assets | 1,733 | 1.9 | (0.8) | 1,733 | (6.5) | (4.9) |
| **Total assets/liabilities & shareholders' equity** | **28,987** | **2.1** | **(0.6)** | **28,987** | **2.9** | **4.7** |
| Customer deposits ** | 22,000 | 4.1 | 1.3 | 22,000 | 7.8 | 9.7 |
| Debt securities issued ** | 505 | (4.3) | (6.8) | 505 | 1.0 | 2.7 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions ** | 782 | (26.1) | (28.1) | 782 | (44.0) | (43.0) |
| Other liabilities | 3,271 | (2.7) | (5.3) | 3,271 | (5.9) | (4.3) |
| Stockholders' equity *** | 2,428 | 5.7 | 2.9 | 2,428 | 1.7 | 3.5 |
| **Other managed and marketed customer funds** | **3,351** | **6.5** | **3.7** | **3,351** | **(7.1)** | **(5.5)** |
| Mutual and pension funds | 3,245 | 6.5 | 3.7 | 3,245 | (7.3) | (5.7) |
| Managed portfolios | 106 | 6.5 | 3.7 | 106 | (0.9) | 0.8 |
| **Managed and marketed customer funds** | **25,857** | **4.2** | **1.5** | **25,857** | **5.5** | **7.3** |

| Ratios (%) and operating means | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| RoTE | 11.96 | (1.07) | | 11.90 | (2.11) | |
| Efficiency ratio (with amortisations) | 45.2 | 2.9 | | 44.7 | (1.1) | |
| NPL ratio | 5.71 | (0.13) | | 5.71 | (1.43) | |
| NPL coverage | 68.9 | 3.1 | | 68.9 | 5.8 | |
| Number of employees | 11,781 | 3.9 | | 11,781 | 1.3 | |
| Number of branches | 658 | (1.2) | | 658 | (12.5) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

### Activity performance

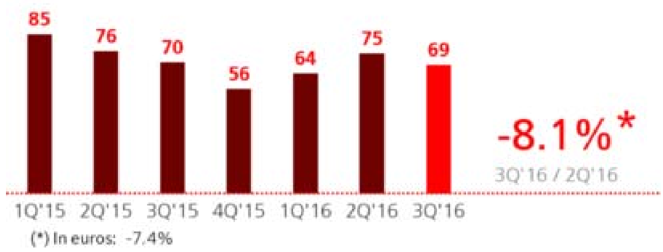
y-o-y % (Sep'16 / Sep'15 ccy.-neutral)


### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Attributable profit

€ million (currency-neutral basis)



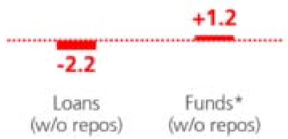
## Portugal
€ million

| Income statement | 3Q'16 | % / 2Q'16 | 9M'16 | % / 9M'15 |
|---|---|---|---|---|
| **Net interest income** | **180** | **(4.0)** | **551** | **32.1** |
| Net fee income | 80 | 7.6 | 245 | 21.3 |
| Gains (losses) on financial transactions | 4 | (74.8) | 73 | 77.3 |
| Other operating income* | 23 | 43.1 | 49 | 28.5 |
| **Gross income** | **287** | **(2.2)** | **917** | **31.5** |
| Operating expenses | (142) | (4.9) | (445) | 20.6 |
| General administrative expenses | (133) | (5.3) | (418) | 22.0 |
| *Personnel* | *(80)* | *(8.7)* | *(256)* | *18.5* |
| *Other general administrative expenses* | *(52)* | *0.3* | *(162)* | *28.0* |
| Depreciation and amortisation | (9) | 1.1 | (28) | 3.1 |
| **Net operating income** | **145** | **0.5** | **472** | **43.7** |
| Net loan-loss provisions | (16) | 150.9 | (44) | (33.8) |
| Other income | (5) | (74.7) | (29) | 35.7 |
| **Underlying profit before taxes** | **124** | **6.2** | **399** | **65.9** |
| Tax on profit | (31) | 13.3 | (95) | 60.2 |
| **Underlying profit from continuing operations** | **93** | **4.1** | **304** | **67.8** |
| Net profit from discontinued operations | — | — | — | — |
| **Underlying consolidated profit** | **93** | **4.1** | **304** | **67.8** |
| Minority interests | 1 | 9.1 | 2 | 620.1 |
| **Underlying attributable profit to the Group** | **92** | **4.0** | **302** | **67.0** |
| Net capital gains and provisions** | — | (100.0) | (9) | — |
| **Attributable profit to the Group** | **92** | **15.2** | **293** | **62.3** |
| | | | | |
| **Balance sheet** | | | | |
| Customer loans *** | 27,595 | (1.1) | 27,595 | 19.8 |
| Financial assets held for trading (w/o loans) | 1,718 | (2.6) | 1,718 | (4.6) |
| Available-for-sale financial assets | 5,868 | (1.4) | 5,868 | 2.3 |
| Central banks and credit institutions *** | 2,104 | (7.2) | 2,104 | 22.7 |
| Tangible and intangible assets | 696 | (1.7) | 696 | (0.1) |
| Other assets | 8,456 | 1.8 | 8,456 | 32.5 |
| **Total assets/liabilities & shareholders' equity** | **46,436** | **(1.0)** | **46,436** | **18.0** |
| Customer deposits *** | 30,374 | 1.4 | 30,374 | 26.1 |
| Debt securities issued *** | 4,221 | (6.0) | 4,221 | 64.5 |
| Liabilities under insurance contracts | 39 | (10.6) | 39 | 78.1 |
| Central banks and credit institutions *** | 7,415 | (9.2) | 7,415 | (21.0) |
| Other liabilities | 1,054 | (0.9) | 1,054 | 14.5 |
| Stockholders' equity **** | 3,333 | 5.5 | 3,333 | 40.3 |
| **Other managed and marketed customer funds** | **2,655** | **(1.2)** | **2,655** | **(5.2)** |
| Mutual and pension funds | 2,256 | (1.2) | 2,256 | (5.8) |
| Managed portfolios | 400 | (1.0) | 400 | (1.6) |
| **Managed and marketed customer funds** | **37,251** | **0.3** | **37,251** | **26.5** |
| | | | | |
| **Ratios (%) and operating means** | | | | |
| Underlying RoTE | 11.32 | (0.87) | 13.46 | 3.31 |
| Efficiency ratio (with amortisations) | 49.6 | (1.4) | 48.6 | (4.4) |
| NPL ratio | 9.40 | (1.06) | 9.40 | 0.54 |
| NPL coverage | 57.8 | (4.1) | 57.8 | 1.6 |
| Number of employees | 6,393 | (1.1) | 6,393 | 17.9 |
| Number of branches | 727 | (1.0) | 727 | 26.4 |

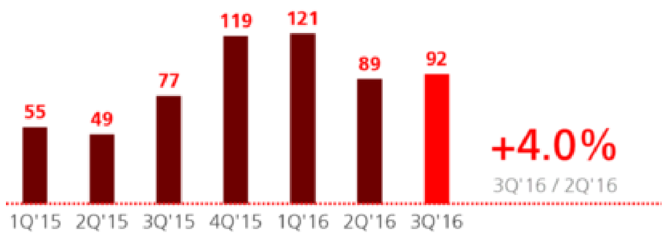
(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Contribution to the Single Resolution Fund due to change in the scheduled contributiion dates
(***).- Including all on-balance sheet balances for this item
(****).- Capital + reserves + profit + other accumulated results

### Activity performance
y-o-y % (Sep'16 / Sep'15)


### Activity performance
q-o-q % (Sep'16 / Jun'16)




### Underlying attributable profit
€ million



## United Kingdom

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **1,043** | **(8.1)** | **(0.6)** | **3,333** | **(9.7)** | **(0.4)** |
| Net fee income | 259 | 0.7 | 8.5 | 797 | (6.4) | 3.2 |
| Gains (losses) on financial transactions | 64 | (32.5) | (26.0) | 228 | 12.7 | 24.3 |
| Other operating income* | 11 | (12.2) | (4.9) | 34 | (7.9) | 1.5 |
| **Gross income** | **1,377** | **(8.2)** | **(0.7)** | **4,391** | **(8.2)** | **1.3** |
| Operating expenses | (703) | (10.8) | (3.3) | (2,284) | (9.0) | 0.3 |
| General administrative expenses | (630) | (10.6) | (3.1) | (2,052) | (9.5) | (0.2) |
| *Personnel* | *(346)* | *(3.5)* | *4.2* | *(1,075)* | *(10.8)* | *(1.6)* |
| *Other general administrative expenses* | *(284)* | *(18.0)* | *(10.6)* | *(977)* | *(8.0)* | *1.4* |
| Depreciation and amortisation | (73) | (12.3) | (5.0) | (231) | (4.9) | 4.8 |
| **Net operating income** | **675** | **(5.4)** | **2.2** | **2,107** | **(7.2)** | **2.3** |
| Net loan-loss provisions | (44) | (34.7) | (29.6) | (119) | 37.6 | 51.7 |
| Other income | (85) | 19.1 | 26.9 | (215) | (8.7) | 0.6 |
| **Profit before taxes** | **545** | **(5.0)** | **2.9** | **1,773** | **(9.0)** | **0.3** |
| Tax on profit | (175) | 1.3 | 9.2 | (540) | 26.9 | 39.9 |
| **Profit from continuing operations** | **370** | **(7.7)** | **0.2** | **1,233** | **(19.0)** | **(10.7)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **370** | **(7.7)** | **0.2** | **1,233** | **(19.0)** | **(10.7)** |
| Minority interests | 7 | (39.6) | (33.0) | 27 | (1.9) | 8.1 |
| **Attributable profit to the Group** | **364** | **(6.8)** | **1.1** | **1,207** | **(19.3)** | **(11.1)** |

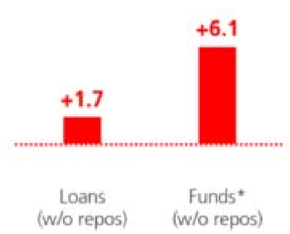
| Balance sheet | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Customer loans ** | 250,294 | (3.7) | 0.3 | 250,294 | (11.9) | 2.8 |
| Financial assets held for trading (w/o loans) | 36,246 | (10.9) | (7.1) | 36,246 | (10.3) | 4.6 |
| Available-for-sale financial assets | 12,125 | 1.9 | 6.1 | 12,125 | (6.3) | 9.2 |
| Central banks and credit institutions ** | 16,769 | (2.2) | 1.9 | 16,769 | 16.3 | 35.6 |
| Tangible and intangible assets | 2,536 | (4.2) | (0.2) | 2,536 | (16.7) | (2.8) |
| Other assets | 35,795 | 19.4 | 24.4 | 35,795 | 25.5 | 46.4 |
| **Total assets/liabilities & shareholders' equity** | **353,764** | **(2.3)** | **1.8** | **353,764** | **(7.7)** | **7.6** |
| Customer deposits ** | 203,785 | (3.9) | 0.1 | 203,785 | (10.3) | 4.6 |
| Debt securities issued ** | 73,204 | 0.9 | 5.1 | 73,204 | (3.9) | 12.1 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions ** | 22,411 | 6.5 | 11.0 | 22,411 | (9.9) | 5.1 |
| Other liabilities | 39,048 | (4.5) | (0.5) | 39,048 | 1.4 | 18.3 |
| Stockholders' equity *** | 15,315 | (1.5) | 2.6 | 15,315 | (7.7) | 7.6 |
| **Other managed and marketed customer funds** | **8,544** | **2.1** | **6.4** | **8,544** | **(8.9)** | **6.2** |
| Mutual and pension funds | 8,426 | 2.2 | 6.5 | 8,426 | (8.8) | 6.3 |
| Managed portfolios | 117 | (1.5) | 2.6 | 117 | (15.1) | (1.1) |
| **Managed and marketed customer funds** | **285,533** | **(2.6)** | **1.5** | **285,533** | **(8.7)** | **6.4** |

| Ratios (%) and operating means | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| RoTE | 10.01 | 0.43 | | 9.95 | (2.26) | |
| Efficiency ratio (with amortisations) | 51.1 | (1.4) | | 52.0 | (0.5) | |
| NPL ratio | 1.47 | — | | 1.47 | (0.04) | |
| NPL coverage | 36.0 | (0.5) | | 36.0 | (3.6) | |
| Number of employees | 25,840 | (0.7) | | 25,840 | (1.2) | |
| Number of branches | 844 | (0.7) | | 844 | (4.3) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

### Activity performance

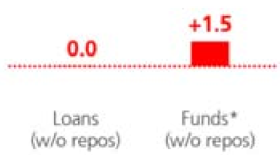
y-o-y % (Sep'16 / Sep'15 ccy.-neutral)




(*) Customer deposits + mutual funds

### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)




### Attributable profit

€ million (currency-neutral basis)


(*) In euros: -6.8%

## Latin America

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **3,456** | **10.0** | **4.3** | **9,640** | **(8.1)** | **5.8** |
| Net fee income | 1,181 | 5.4 | (0.1) | 3,263 | (3.1) | 14.0 |
| Gains (losses) on financial transactions | 297 | 33.9 | 29.5 | 660 | 44.4 | 71.4 |
| Other operating income* | (9) | — | — | 9 | (81.6) | (82.5) |
| **Gross income** | **4,925** | **9.3** | **3.7** | **13,572** | **(5.5)** | **9.3** |
| Operating expenses | (1,974) | 7.6 | 2.3 | (5,544) | (7.1) | 8.4 |
| General administrative expenses | (1,796) | 7.8 | 2.6 | (5,047) | (7.4) | 8.2 |
| *Personnel* | *(991)* | *5.6* | *0.4* | *(2,797)* | *(6.1)* | *9.4* |
| *Other general administrative expenses* | *(805)* | *10.6* | *5.4* | *(2,249)* | *(9.0)* | *6.8* |
| Depreciation and amortisation | (178) | 5.5 | (0.1) | (497) | (4.5) | 10.6 |
| **Net operating income** | **2,952** | **10.4** | **4.6** | **8,028** | **(4.3)** | **10.0** |
| Net loan-loss provisions | (1,329) | 15.7 | 9.4 | (3,582) | (2.6) | 11.0 |
| Other income | (133) | (38.7) | (46.7) | (538) | (27.2) | (17.6) |
| **Profit before taxes** | **1,490** | **14.0** | **8.8** | **3,908** | **(1.7)** | **14.4** |
| Tax on profit | (407) | 15.6 | 9.5 | (1,028) | 3.0 | 21.4 |
| **Profit from continuing operations** | **1,083** | **13.4** | **8.5** | **2,879** | **(3.3)** | **12.1** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **1,083** | **13.4** | **8.5** | **2,879** | **(3.3)** | **12.1** |
| Minority interests | 166 | 8.7 | 4.9 | 456 | (4.5) | 7.2 |
| **Attributable profit to the Group** | **917** | **14.2** | **9.2** | **2,424** | **(3.0)** | **13.1** |

| Balance sheet | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Customer loans ** | 142,414 | 0.4 | 1.7 | 142,414 | 9.9 | 2.2 |
| Financial assets held for trading (w/o loans) | 32,081 | (15.7) | (13.6) | 32,081 | (13.7) | (16.8) |
| Available-for-sale financial assets | 29,696 | 3.1 | 4.7 | 29,696 | 25.2 | 12.3 |
| Central banks and credit institutions ** | 49,542 | (0.7) | 0.7 | 49,542 | 34.7 | 17.7 |
| Tangible and intangible assets | 3,839 | (0.8) | 0.5 | 3,839 | 12.4 | 3.9 |
| Other assets | 36,665 | (1.2) | (0.0) | 36,665 | 8.9 | (0.8) |
| **Total assets/liabilities & shareholders' equity** | **294,236** | **(1.8)** | **(0.3)** | **294,236** | **11.3** | **2.5** |
| Customer deposits ** | 133,436 | (1.1) | 0.2 | 133,436 | 13.0 | 5.7 |
| Debt securities issued ** | 44,278 | (1.9) | (0.8) | 44,278 | 16.4 | 1.1 |
| Liabilities under insurance contracts | 1 | (17.6) | (16.9) | 1 | 12.5 | (9.1) |
| Central banks and credit institutions ** | 39,642 | (6.4) | (4.7) | 39,642 | (6.8) | (15.4) |
| Other liabilities | 52,985 | (1.6) | 0.5 | 52,985 | 15.5 | 8.4 |
| Stockholders' equity *** | 23,892 | 2.1 | 3.6 | 23,892 | 20.1 | 11.8 |
| **Other managed and marketed customer funds** | **79,125** | **3.1** | **4.6** | **79,125** | **27.6** | **12.3** |
| Mutual and pension funds | 72,890 | 3.0 | 4.5 | 72,890 | 26.6 | 11.7 |
| Managed portfolios | 6,235 | 4.6 | 4.9 | 6,235 | 39.5 | 19.4 |
| **Managed and marketed customer funds** | **256,840** | **0.0** | **1.3** | **256,840** | **17.8** | **6.8** |

| Ratios (%) and operating means | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| RoTE | 16.14 | 1.03 | | 15.29 | (0.29) | |
| Efficiency ratio (with amortisations) | 40.1 | (0.6) | | 40.8 | (0.7) | |
| NPL ratio | 4.94 | (0.04) | | 4.94 | 0.29 | |
| NPL coverage | 84.5 | 3.1 | | 84.5 | (0.9) | |
| Number of employees | 87,250 | (1.4) | | 87,250 | (1.8) | |
| Number of branches | 5,817 | (0.6) | | 5,817 | 0.1 | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)

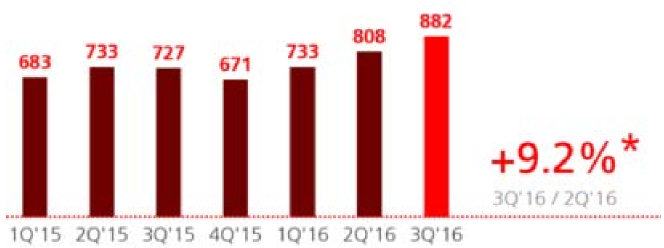

(*) Customer deposits + mutual funds

### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Attributable profit

€ million (currency-neutral basis)




(*) In euros: +14.2%

## Brazil

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **2,123** | **13.0** | **3.5** | **5,794** | **(9.7)** | **1.9** |
| Net fee income | 776 | 10.2 | 0.8 | 2,053 | 2.1 | 15.2 |
| Gains (losses) on financial transactions | 153 | 58.2 | 46.7 | 252 | 163.3 | 197.1 |
| Other operating income* | (2) | — | — | 34 | (71.5) | (67.8) |
| **Gross income** | **3,050** | **12.8** | **3.4** | **8,133** | **(5.9)** | **6.2** |
| Operating expenses | (1,177) | 12.6 | 3.1 | (3,170) | (6.6) | 5.4 |
| General administrative expenses | (1,061) | 12.6 | 3.1 | (2,860) | (6.6) | 5.4 |
| *Personnel* | *(593)* | *13.4* | *3.9* | *(1,590)* | *(4.8)* | *7.4* |
| *Other general administrative expenses* | *(467)* | *11.6* | *2.2* | *(1,270)* | *(8.7)* | *3.0* |
| Depreciation and amortisation | (117) | 12.3 | 2.9 | (310) | (6.1) | 6.0 |
| **Net operating income** | **1,873** | **13.0** | **3.5** | **4,963** | **(5.5)** | **6.7** |
| Net loan-loss provisions | (951) | 26.4 | 16.9 | (2,424) | (1.7) | 10.9 |
| Other income | (134) | (30.8) | (40.0) | (504) | (30.7) | (21.8) |
| **Profit before taxes** | **788** | **10.7** | **1.3** | **2,036** | **(1.0)** | **11.7** |
| Tax on profit | (244) | 5.6 | (3.8) | (612) | 5.0 | 18.5 |
| **Profit from continuing operations** | **544** | **13.2** | **3.7** | **1,424** | **(3.4)** | **9.0** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **544** | **13.2** | **3.7** | **1,424** | **(3.4)** | **9.0** |
| Minority interests | 56 | 9.8 | 0.4 | 148 | (7.1) | 4.8 |
| **Attributable profit to the Group** | **488** | **13.6** | **4.1** | **1,276** | **(3.0)** | **9.5** |

| Balance sheet | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Customer loans ** | 68,140 | 0.2 | 1.0 | 68,140 | 17.0 | (5.4) |
| Financial assets held for trading (w/o loans) | 16,274 | (16.4) | (15.7) | 16,274 | 9.7 | (11.4) |
| Available-for-sale financial assets | 17,885 | 1.1 | 2.0 | 17,885 | 18.6 | (4.2) |
| Central banks and credit institutions ** | 36,532 | 0.5 | 1.3 | 36,532 | 42.8 | 15.4 |
| Tangible and intangible assets | 2,587 | (2.3) | (1.4) | 2,587 | 21.5 | (1.8) |
| Other assets | 22,506 | 2.9 | 3.8 | 22,506 | 17.7 | (4.9) |
| **Total assets/liabilities & shareholders' equity** | **163,925** | **(1.3)** | **(0.4)** | **163,925** | **21.4** | **(1.9)** |
| Customer deposits ** | 68,970 | 0.4 | 1.3 | 68,970 | 25.8 | 1.6 |
| Debt securities issued ** | 29,685 | (4.9) | (4.0) | 29,685 | 18.6 | (4.2) |
| Liabilities under insurance contracts | 1 | (17.6) | (16.9) | 1 | 12.5 | (9.1) |
| Central banks and credit institutions ** | 20,658 | (6.7) | (5.9) | 20,658 | (11.1) | (28.2) |
| Other liabilities | 29,748 | 0.4 | 1.3 | 29,748 | 36.5 | 10.3 |
| Stockholders' equity *** | 14,863 | 3.0 | 3.9 | 14,863 | 47.7 | 19.4 |
| **Other managed and marketed customer funds** | **56,698** | **1.4** | **2.3** | **56,698** | **35.8** | **9.7** |
| Mutual and pension funds | 52,955 | 1.1 | 2.0 | 52,955 | 35.3 | 9.4 |
| Managed portfolios | 3,743 | 6.3 | 7.2 | 3,743 | 42.6 | 15.3 |
| **Managed and marketed customer funds** | **155,353** | **(0.3)** | **0.6** | **155,353** | **27.7** | **3.2** |

| Ratios (%) and operating means | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| RoTE | 13.93 | 0.06 | | 13.80 | (0.74) | |
| Efficiency ratio (with amortisations) | 38.6 | (0.1) | | 39.0 | (0.3) | |
| NPL ratio | 6.12 | 0.01 | | 6.12 | 0.82 | |
| NPL coverage | 89.3 | 4.0 | | 89.3 | (6.7) | |
| Number of employees | 47,516 | (1.8) | | 47,516 | (2.9) | |
| Number of branches | 3,408 | (1.0) | | 3,408 | (0.8) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)

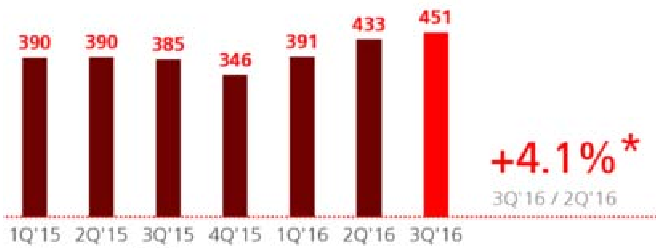

(*) Customer deposits + mutual funds

### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Attributable profit

€ million (currency-neutral basis)




(*) In euros: +13.6%

## Mexico

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **598** | **3.3** | **5.6** | **1,770** | **(2.6)** | **14.7** |
| Net fee income | 169 | (10.8) | (8.5) | 532 | (11.5) | 4.2 |
| Gains (losses) on financial transactions | 38 | 66.8 | 68.6 | 96 | (6.3) | 10.3 |
| Other operating income* | (9) | 63.2 | 64.7 | (23) | (57.2) | (49.5) |
| **Gross income** | **796** | **1.3** | **3.7** | **2,375** | **(3.7)** | **13.4** |
| Operating expenses | (311) | (2.1) | 0.3 | (950) | (8.2) | 8.1 |
| General administrative expenses | (287) | (0.6) | 1.8 | (868) | (8.4) | 7.9 |
| *Personnel* | *(139)* | *(12.9)* | *(10.5)* | *(450)* | *(10.6)* | *5.3* |
| *Other general administrative expenses* | *(148)* | *14.5* | *16.8* | *(418)* | *(5.8)* | *11.0* |
| Depreciation and amortisation | (24) | (17.3) | (14.9) | (82) | (6.8) | 9.7 |
| **Net operating income** | **486** | **3.6** | **6.0** | **1,425** | **(0.5)** | **17.2** |
| Net loan-loss provisions | (194) | (9.3) | (6.9) | (629) | (5.0) | 11.9 |
| Other income | (5) | (59.8) | (57.7) | (22) | — | — |
| **Profit before taxes** | **288** | **18.0** | **20.3** | **774** | **(0.2)** | **17.5** |
| Tax on profit | (65) | 24.7 | 27.0 | (172) | 1.9 | 20.0 |
| **Profit from continuing operations** | **223** | **16.1** | **18.5** | **602** | **(0.8)** | **16.8** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **223** | **16.1** | **18.5** | **602** | **(0.8)** | **16.8** |
| Minority interests | 51 | 11.2 | 13.5 | 142 | (6.5) | 10.1 |
| **Attributable profit to the Group** | **172** | **17.7** | **20.1** | **460** | **1.1** | **19.0** |

| Balance sheet | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| Customer loans ** | 27,757 | (1.6) | 3.6 | 27,757 | (1.6) | 12.8 |
| Financial assets held for trading (w/o loans) | 12,749 | (15.7) | (11.2) | 12,749 | (30.9) | (20.8) |
| Available-for-sale financial assets | 6,595 | (2.1) | 3.1 | 6,595 | 33.5 | 53.0 |
| Central banks and credit institutions ** | 8,485 | 4.7 | 10.3 | 8,485 | 25.5 | 43.8 |
| Tangible and intangible assets | 359 | (1.6) | 3.7 | 359 | (1.2) | 13.2 |
| Other assets | 5,708 | (6.1) | (1.1) | 5,708 | (14.8) | (2.4) |
| **Total assets/liabilities & shareholders' equity** | **61,653** | **(4.6)** | **0.5** | **61,653** | **(5.7)** | **8.0** |
| Customer deposits ** | 25,982 | (5.5) | (0.5) | 25,982 | (2.1) | 12.1 |
| Debt securities issued ** | 5,229 | (3.3) | 1.8 | 5,229 | 0.0 | 14.6 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions ** | 9,820 | (3.3) | 1.8 | 9,820 | (16.7) | (4.6) |
| Other liabilities | 16,571 | (4.5) | 0.7 | 16,571 | (1.4) | 13.0 |
| Stockholders' equity *** | 4,052 | (3.9) | 1.2 | 4,052 | (19.7) | (8.0) |
| **Other managed and marketed customer funds** | **10,937** | **(3.7)** | **1.4** | **10,937** | **(6.0)** | **7.7** |
| Mutual and pension funds | 10,937 | (3.7) | 1.4 | 10,937 | (6.0) | 7.7 |
| Managed portfolios | — | — | — | — | — | — |
| **Managed and marketed customer funds** | **42,147** | **(4.8)** | **0.3** | **42,147** | **(2.9)** | **11.3** |

| Ratios (%) and operating means | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| RoTE | 17.19 | 2.97 | | 14.78 | 2.04 | |
| Efficiency ratio (with amortisations) | 39.0 | (1.4) | | 40.0 | (2.0) | |
| NPL ratio | 2.95 | (0.06) | | 2.95 | (0.59) | |
| NPL coverage | 101.9 | (0.4) | | 101.9 | 8.9 | |
| Number of employees | 17,467 | (1.3) | | 17,467 | (1.3) | |
| Number of branches | 1,387 | (0.1) | | 1,387 | 2.4 | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

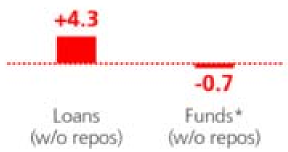
### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)


(*) Customer deposits + mutual funds

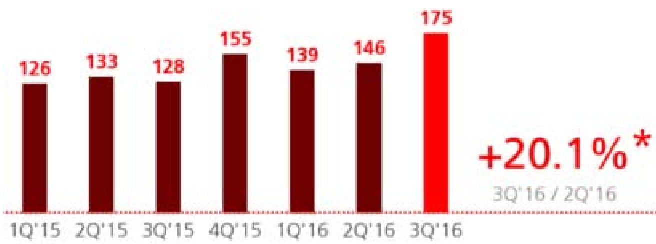
### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)




### Attributable profit

€ million (currency-neutral basis)




(*) In euros: +17.7%

## Chile

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **472** | **5.0** | **1.4** | **1,342** | **(1.0)** | **5.5** |
| Net fee income | 89 | 4.7 | 1.0 | 261 | (5.2) | 1.1 |
| Gains (losses) on financial transactions | 53 | 26.8 | 22.8 | 143 | (5.1) | 1.1 |
| Other operating income* | 2 | 288.6 | 281.6 | 3 | (73.5) | (71.8) |
| **Gross income** | **616** | **6.9** | **3.2** | **1,749** | **(2.4)** | **4.0** |
| Operating expenses | (249) | 4.8 | 1.1 | (721) | (3.0) | 3.4 |
| General administrative expenses | (225) | 4.5 | 0.8 | (657) | (4.4) | 1.8 |
| *Personnel* | *(142)* | *2.0* | *(1.6)* | *(409)* | *(1.4)* | *5.1* |
| *Other general administrative expenses* | *(83)* | *8.9* | *5.1* | *(247)* | *(9.0)* | *(3.0)* |
| Depreciation and amortisation | (23) | 8.2 | 4.5 | (64) | 14.5 | 22.0 |
| **Net operating income** | **368** | **8.3** | **4.7** | **1,028** | **(2.0)** | **4.5** |
| Net loan-loss provisions | (146) | 14.2 | 10.6 | (382) | (6.8) | (0.7) |
| Other income | 6 | — | — | 7 | — | — |
| **Profit before taxes** | **228** | **8.0** | **4.3** | **653** | **2.4** | **9.2** |
| Tax on profit | (42) | 35.7 | 31.6 | (113) | 17.0 | 24.7 |
| **Profit from continuing operations** | **187** | **3.3** | **(0.4)** | **540** | **(0.2)** | **6.4** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **187** | **3.3** | **(0.4)** | **540** | **(0.2)** | **6.4** |
| Minority interests | 58 | 5.5 | 1.8 | 164 | 0.1 | 6.7 |
| **Attributable profit to the Group** | **129** | **2.3** | **(1.3)** | **377** | **(0.3)** | **6.3** |
| **Balance sheet** | | | | | | |
| Customer loans ** | 35,883 | 1.6 | 1.1 | 35,883 | 12.6 | 5.2 |
| Financial assets held for trading (w/o loans) | 2,876 | (10.6) | (11.0) | 2,876 | (21.5) | (26.6) |
| Available-for-sale financial assets | 3,901 | 19.2 | 18.7 | 3,901 | 59.3 | 48.9 |
| Central banks and credit institutions ** | 3,382 | (2.5) | (2.9) | 3,382 | (2.8) | (9.1) |
| Tangible and intangible assets | 375 | 0.7 | 0.2 | 375 | 9.5 | 2.4 |
| Other assets | 3,522 | (19.7) | (20.1) | 3,522 | (4.0) | (10.3) |
| **Total assets/liabilities & shareholders' equity** | **49,939** | **(0.2)** | **(0.6)** | **49,939** | **9.8** | **2.6** |
| Customer deposits ** | 25,460 | (0.7) | (1.1) | 25,460 | 9.7 | 2.5 |
| Debt securities issued ** | 9,165 | 8.9 | 8.4 | 9,165 | 19.3 | 11.5 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions ** | 6,783 | (7.1) | (7.5) | 6,783 | 15.4 | 7.8 |
| Other liabilities | 5,394 | (5.3) | (5.7) | 5,394 | (7.7) | (13.7) |
| Stockholders' equity *** | 3,137 | 5.0 | 4.6 | 3,137 | 9.7 | 2.5 |
| **Other managed and marketed customer funds** | **9,941** | **23.6** | **23.0** | **9,941** | **36.0** | **27.1** |
| Mutual and pension funds | 7,449 | 32.9 | 32.4 | 7,449 | 36.4 | 27.5 |
| Managed portfolios | 2,492 | 2.1 | 1.6 | 2,492 | 35.1 | 26.2 |
| **Managed and marketed customer funds** | **44,565** | **5.9** | **5.4** | **44,565** | **16.7** | **9.0** |
| **Ratios (%) and operating means** | | | | | | |
| RoTE | 17.30 | (0.45) | | 17.17 | 0.06 | |
| Efficiency ratio (with amortisations) | 40.3 | (0.8) | | 41.2 | (0.3) | |
| NPL ratio | 5.12 | (0.16) | | 5.12 | (0.48) | |
| NPL coverage | 58.1 | 2.6 | | 58.1 | 5.3 | |
| Number of employees | 12,208 | (0.8) | | 12,208 | (1.0) | |
| Number of branches | 465 | (0.9) | | 465 | (2.3) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)

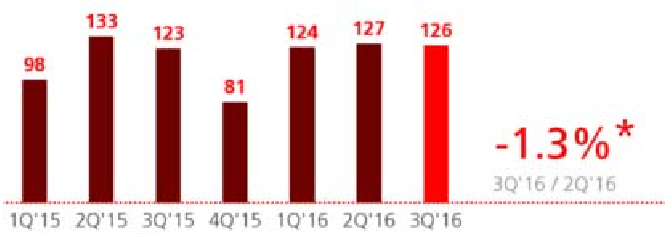

(*) Customer deposits + mutual funds

### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Attributable profit

€ million (currency-neutral basis)




(*) In euros: +2.3%

## United States

€ million

| | | / 2Q'16 | | | / 9M'15 | |
|---|---|---|---|---|---|---|
| **Income statement** | **3Q'16** | **%** | **% w/o FX** | **9M'16** | **%** | **% w/o FX** |
| **Net interest income** | **1,456** | **(0.5)** | **(1.6)** | **4,466** | **(2.1)** | **(1.9)** |
| Net fee income | 268 | (8.5) | (9.5) | 844 | 5.6 | 5.9 |
| Gains (losses) on financial transactions | 10 | 32.6 | 28.5 | 38 | (80.3) | (80.3) |
| Other operating income* | 133 | 6.0 | 4.9 | 375 | 41.5 | 41.9 |
| **Gross income** | **1,867** | **(1.1)** | **(2.3)** | **5,723** | **(1.7)** | **(1.4)** |
| Operating expenses | (784) | 1.2 | 0.1 | (2,335) | 6.2 | 6.5 |
| General administrative expenses | (706) | 1.3 | 0.1 | (2,105) | 4.9 | 5.1 |
| *Personnel* | *(406)* | *1.7* | *0.5* | *(1,222)* | *8.1* | *8.4* |
| *Other general administrative expenses* | *(299)* | *0.8* | *(0.3)* | *(884)* | *0.8* | *1.0* |
| Depreciation and amortisation | (78) | 0.8 | (0.3) | (229) | 20.3 | 20.6 |
| **Net operating income** | **1,083** | **(2.8)** | **(4.0)** | **3,388** | **(6.5)** | **(6.3)** |
| Net loan-loss provisions | (776) | 10.3 | 8.7 | (2,342) | 9.2 | 9.5 |
| Other income | (3) | (79.9) | (80.9) | (82) | (15.4) | (15.2) |
| **Profit before taxes** | **304** | **(23.3)** | **(23.9)** | **965** | **(30.2)** | **(30.0)** |
| Tax on profit | (91) | (36.6) | (37.0) | (338) | (23.9) | (23.7) |
| **Profit from continuing operations** | **213** | **(15.8)** | **(16.4)** | **627** | **(33.1)** | **(33.0)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **213** | **(15.8)** | **(16.4)** | **627** | **(33.1)** | **(33.0)** |
| Minority interests | 72 | (23.7) | (24.4) | 246 | (11.5) | (11.3) |
| **Attributable profit to the Group** | **141** | **(11.1)** | **(11.6)** | **381** | **(42.3)** | **(42.1)** |

| **Balance sheet** | | | | | | |
|---|---|---|---|---|---|---|
| Customer loans ** | 82,007 | (1.4) | (0.8) | 82,007 | 1.5 | 1.1 |
| Financial assets held for trading (w/o loans) | 2,630 | 0.5 | 1.0 | 2,630 | 110.7 | 109.9 |
| Available-for-sale financial assets | 14,415 | (18.5) | (18.1) | 14,415 | (21.8) | (22.1) |
| Central banks and credit institutions ** | 1,652 | 6.0 | 6.5 | 1,652 | 35.1 | 34.6 |
| Tangible and intangible assets | 10,102 | 1.0 | 1.6 | 10,102 | 17.7 | 17.2 |
| Other assets | 18,960 | (6.1) | (5.6) | 18,960 | 25.2 | 24.7 |
| **Total assets/liabilities & shareholders' equity** | **129,768** | **(4.0)** | **(3.5)** | **129,768** | **3.5** | **3.1** |
| Customer deposits ** | 60,166 | 1.3 | 1.9 | 60,166 | 2.0 | 1.6 |
| Debt securities issued ** | 24,588 | (5.2) | (4.7) | 24,588 | 9.6 | 9.1 |
| Liabilities under insurance contracts | — | — | — | — | — | — |
| Central banks and credit institutions ** | 22,268 | (16.7) | (16.3) | 22,268 | (11.4) | (11.8) |
| Other liabilities | 8,974 | (4.4) | (3.9) | 8,974 | 18.5 | 18.1 |
| Stockholders' equity *** | 13,772 | 0.0 | 0.6 | 13,772 | 21.7 | 21.3 |
| **Other managed and marketed customer funds** | **19,699** | **2.5** | **3.1** | **19,699** | **(1.4)** | **(1.8)** |
| Mutual and pension funds | 6,958 | (0.3) | 0.2 | 6,958 | (4.9) | (5.3) |
| Managed portfolios | 12,740 | 4.1 | 4.7 | 12,740 | 0.6 | 0.2 |
| **Managed and marketed customer funds******** | **85,435** | **1.5** | **2.0** | **85,435** | **2.4** | **2.0** |

| **Ratios (%) and operating means** | | | | | | |
|---|---|---|---|---|---|---|
| RoTE | 4.36 | (0.65) | | 4.07 | (4.41) | |
| Efficiency ratio (with amortisations) | 42.0 | 1.0 | | 40.8 | 3.0 | |
| NPL ratio | 2.24 | — | | 2.24 | 0.04 | |
| NPL coverage | 216.2 | (4.4) | | 216.2 | (2.1) | |
| Number of employees | 17,569 | (1.7) | | 17,569 | (0.1) | |
| Number of branches | 766 | (1.0) | | 766 | (2.2) | |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results
(****).- Excluding debt securities issued of Santander Consumer USA

### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)

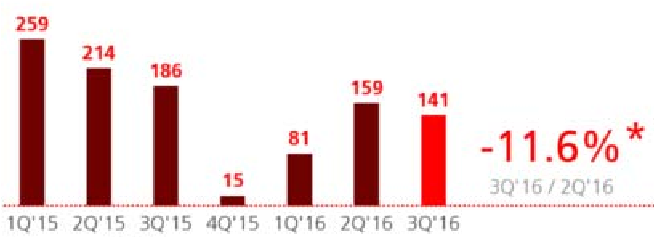

(*) Customer deposits + mutual funds

### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)


### Attributable profit

€ million (currency-neutral basis)




(*) In euros: -11.1%

## Corporate Centre

€ million

| Income statement | 3Q'16 | 2Q'16 | % | 9M'16 | 9M'15 | % |
|---|---|---|---|---|---|---|
| **Net interest income** | **(194)** | **(187)** | **3.8** | **(550)** | **(491)** | **12.1** |
| Net fee income | (7) | (5) | 35.1 | (17) | (8) | 124.6 |
| Gains (losses) on financial transactions | (97) | (67) | 45.8 | (196) | 34 | — |
| Other operating income | (18) | 15 | — | (21) | 1 | — |
| Dividends | 1 | 27 | (94.9) | 31 | 63 | (51.7) |
| Income from equity-accounted method | (20) | (5) | 297.7 | (42) | (37) | 13.7 |
| Other operating income/expenses | 1 | (8) | — | (10) | (25) | (60.3) |
| **Gross income** | **(316)** | **(244)** | **29.4** | **(784)** | **(463)** | **69.3** |
| Operating expenses | (104) | (120) | (13.4) | (351) | (435) | (19.3) |
| **Net operating income** | **(421)** | **(365)** | **15.3** | **(1,135)** | **(898)** | **26.4** |
| Net loan-loss provisions | 5 | (5) | — | 1 | 0 | 442.1 |
| Other income | (59) | (55) | 7.5 | (118) | (378) | (68.7) |
| **Underlying profit before taxes** | **(474)** | **(424)** | **11.9** | **(1,252)** | **(1,275)** | **(1.9)** |
| Tax on profit | 61 | 6 | 939.9 | 102 | (72) | — |
| **Underlying profit from continuing operations** | **(414)** | **(418)** | **(1.1)** | **(1,149)** | **(1,347)** | **(14.7)** |
| Net profit from discontinued operations | (0) | 0 | — | 0 | — | — |
| **Underlying consolidated profit** | **(414)** | **(418)** | **(0.9)** | **(1,149)** | **(1,347)** | **(14.7)** |
| Minority interests | (2) | (0) | 509.0 | (9) | 28 | — |
| **Underlying attributable profit to the Group** | **(412)** | **(418)** | **(1.4)** | **(1,140)** | **(1,375)** | **(17.0)** |
| Net capital gains and provisions* | — | (248) | (100.0) | (248) | 835 | — |
| **Attributable profit to the Group** | **(412)** | **(666)** | **(38.2)** | **(1,389)** | **(540)** | **157.4** |
| **Balance sheet** | | | | | | |
| Financial assets held for trading (w/o loans) | 1,332 | 1,992 | (33.1) | 1,332 | 2,810 | (52.6) |
| Available-for-sale financial assets | 1,986 | 3,163 | (37.2) | 1,986 | 3,585 | (44.6) |
| Goodwill | 26,143 | 26,536 | (1.5) | 26,143 | 26,777 | (2.4) |
| Capital assigned to Group areas | 79,945 | 82,167 | (2.7) | 79,945 | 77,606 | 3.0 |
| Other assets | 25,041 | 26,085 | (4.0) | 25,041 | 35,827 | (30.1) |
| **Total assets/liabilities & shareholders' equity** | **134,447** | **139,944** | **(3.9)** | **134,447** | **146,605** | **(8.3)** |
| Customer deposits** | 1,252 | 1,061 | 18.0 | 1,252 | 2,015 | (37.9) |
| Debt securities issued** | 33,566 | 35,292 | (4.9) | 33,566 | 32,779 | 2.4 |
| Other liabilities | 16,830 | 18,880 | (10.9) | 16,830 | 25,977 | (35.2) |
| Stockholders' equity *** | 82,800 | 84,710 | (2.3) | 82,800 | 85,833 | (3.5) |
| **Other managed and marketed customer funds** | **—** | **—** | **—** | **—** | **—** | **—** |
| Mutual and pension funds | — | — | — | — | — | — |
| Managed portfolios | — | — | — | — | — | — |
| **Managed and marketed customer funds** | **34,818** | **36,353** | **(4.2)** | **34,818** | **34,794** | **0.1** |
| **Operating means** | | | | | | |
| Number of employees | 1,732 | 1,757 | (1.4) | 1,732 | 2,161 | (19.9) |

(*).- In 2Q'16 and 9M'16 restructuring costs and capital gains from the disposal of the stake in Visa Europe. In 9M'15 net result of the reversal of tax liabilities in Brazil
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

## Retail Banking

€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **7,284** | **1.7** | **0.3** | **21,598** | **(4.2)** | **3.1** |
| Net fee income | 2,252 | 3.8 | 1.9 | 6,466 | 0.1 | 8.9 |
| Gains (losses) on financial transactions | 128 | 66.7 | 76.3 | 384 | (63.8) | (61.8) |
| Other operating income* | 206 | (23.0) | (23.5) | 647 | 15.6 | 16.7 |
| **Gross income** | **9,870** | **2.0** | **0.6** | **29,095** | **(5.0)** | **2.3** |
| Operating expenses | (4,604) | 1.1 | 0.1 | (13,648) | (2.1) | 5.7 |
| **Net operating income** | **5,267** | **2.8** | **1.1** | **15,447** | **(7.4)** | **(0.6)** |
| Net loan-loss provisions | (2,278) | 16.5 | 13.2 | (6,394) | (8.1) | (1.9) |
| Other income | (315) | (27.2) | (30.4) | (1,163) | (12.2) | (4.2) |
| **Underlying profit before taxes** | **2,674** | **(2.2)** | **(2.5)** | **7,889** | **(6.1)** | **1.1** |
| Tax on profit | (750) | (5.2) | (5.7) | (2,213) | 4.5 | 12.0 |
| **Underlying profit from continuing operations** | **1,924** | **(0.9)** | **(1.2)** | **5,676** | **(9.7)** | **(2.7)** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Underlying consolidated profit** | **1,924** | **(0.9)** | **(1.2)** | **5,676** | **(9.7)** | **(2.7)** |
| Minority interests | 289 | (4.4) | (5.7) | 846 | (5.5) | 0.1 |
| **Underlying attributable profit to the Group** | **1,636** | **(0.3)** | **(0.4)** | **4,830** | **(10.4)** | **(3.1)** |
| Net capital gains and provisions** | — | (100.0) | (100.0) | (120) | — | — |
| **Attributable profit to the Group** | **1,636** | **7.6** | **7.5** | **4,710** | **(12.6)** | **(5.5)** |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Contribution to the Single Resolution Fund due to change in the scheduled contributiion dates

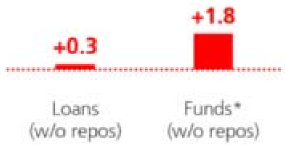
### Activity performance

y-o-y % (Sep'16 / Sep'15 ccy.-neutral)


(*) Customer deposits + mutual funds

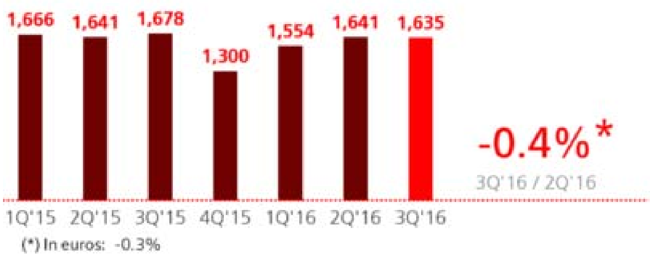
### Activity performance

q-o-q % (Sep'16 / Jun'16 ccy.-neutral)




### Underlying attributable profit

€ million (currency-neutral basis)



## Global Corporate Banking

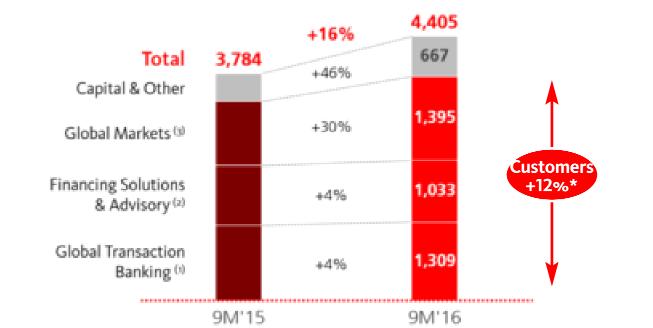
€ million

| Income statement | 3Q'16 | / 2Q'16 % | / 2Q'16 % w/o FX | 9M'16 | / 9M'15 % | / 9M'15 % w/o FX |
|---|---|---|---|---|---|---|
| **Net interest income** | **722** | **18.8** | **16.5** | **1,980** | **(12.8)** | **(4.2)** |
| Net fee income | 351 | (8.8) | (10.1) | 1,093 | (3.6) | 3.7 |
| Gains (losses) on financial transactions | 410 | 14.9 | 11.8 | 1,122 | 131.9 | 151.9 |
| Other operating income* | 31 | (77.7) | (77.9) | 211 | (2.6) | (3.9) |
| **Gross income** | **1,514** | **1.7** | **(0.3)** | **4,405** | **7.3** | **16.4** |
| Operating expenses | (488) | (2.5) | (2.5) | (1,473) | (7.6) | (1.2) |
| **Net operating income** | **1,026** | **3.7** | **0.8** | **2,933** | **16.8** | **27.9** |
| Net loan-loss provisions | (187) | (3.7) | (10.4) | (604) | 44.4 | 57.7 |
| Other income | (6) | (81.6) | (81.2) | (39) | (16.4) | (18.7) |
| **Profit before taxes** | **833** | **9.3** | **7.2** | **2,289** | **11.9** | **22.9** |
| Tax on profit | (243) | 10.4 | 8.4 | (662) | 14.1 | 26.4 |
| **Profit from continuing operations** | **590** | **8.8** | **6.7** | **1,627** | **11.0** | **21.5** |
| Net profit from discontinued operations | — | — | — | — | — | — |
| **Consolidated profit** | **590** | **8.8** | **6.7** | **1,627** | **11.0** | **21.5** |
| Minority interests | 46 | 21.8 | 16.4 | 125 | 30.6 | 46.3 |
| **Attributable profit to the Group** | **544** | **7.9** | **6.0** | **1,502** | **9.7** | **19.8** |

(*).- Including dividends, income from equity-accounted method and other operating income/expenses

### Gross income. Breakdown

€ million (currency-neutral basis)




(*) In euros: gross income: +2%; customers : +2%

### Attributable profit

€ million (currency-neutral basis)


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

(2) **Financing Solutions & Advisory:** 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), and asset & based finance.

(3) **Global Markets:** 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.

# Glossary - Definitions

## PROFITABILITY AND EFFICIENCY

- **RoE:** Return on Equity: Group's attributable profit / average of: capital + reserves + retained profit + valuation adjustments (excluding minority interests)
- **Underlying RoE:** Return on equity: Group's underlying profit / average of: capital + reserves + retained profit + valuation adjustments (excluding minority interests)
- **RoTE:** Return on tangible equity: Group's attributable profit / average of: capital + reserves + retained profit + valuation adjustments (excluding minority interests) - goodwill - intangible assets
- **Underlying RoTE:** Return on tangible equity: Group's underlying profit / average of: capital + reserves + retained profit + valuation adjustments (excluding minority interests) - goodwill - intangible assets
- **RoA:** Return on assets: consolidated profit / average total assets
- **Underlying RoA:** Return on assets: underlying consolidated profit / average total assets
- **RoRWA:** Return on risk-weighted assets: consolidated profit / average risk-weighted assets
- **Underlying RoRWA:** Return on risk-weighted assets: underlying consolidated profit / average risk-weighted assets
- **Efficiency (with amortisations):** Operating expenses / gross income. Operating expenses defined as general administrative expenses + amortisations

## CREDIT RISK

- **NPL ratio:** Loans to customers and non-performing contingent liabilities (excluding country-risk) / total lending. Lending defined as total loans to customers and contingent liabilities (excluding country-risk)
- **NPL coverage ratio:** Provisions to cover losses due to impairment of customer loans and contingent liabilities (excluding country-risk) / total loans to customers and non-performing contingent liabilities (excluding country-risk)
- **Cost of credit:** 12 month loan-loss provisions / 12 month average lending

## CAPITALISATION

- **Tangible net asset value per share (euro) – TNAV:** Tangible stockholders' equity / number of shares (excluding treasury shares). Tangible stockholders' equity calculated as shareholders equity + valuation adjustments (excluding minority interests) - goodwill - intangible assets

Notes: 1) The averages included in the RoE, RoTE RoA and RoRWA denominators are calculated on the basis of 10 months from the previous December to the following September in the case of the 9M, and 4 months from June to September in the case of the third quarter.

2) The risk-weighted assets included in the RoRWA denominator, are calculated according to the criteria defined in the CRR (Capital Requirements Regulation).

**Important information**

Banco Santander, S.A. ("Santander") cautions that this report contains forward-looking statements. Forward-looking statements contained in this report, specifically those on page 8, include, without limitation, statements concerning our future business development and economic performance. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, governmental, political and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; (5) transaction, commercial and operating factors; and (6) changes in the financial position or credit worthiness of our customers, obligors and counterparties. The risk factors that we have indicated and will indicate in our past and future filings and reports, including those with the Spanish Securities Commission ("CNMV") and the Securities and Exchange Commission of the United States of America (the "SEC") could adversely affect our business and financial performance and should be considered in evaluating any forward-looking statements contained herein. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time. These statements are only predictions and are not guarantees of future performance, results, actions or events. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Statements as to historical performance, share price or financial accretion are not intended to mean that future performance, share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this report should be construed as a profit forecast.

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