



QUARTERLY SHAREHOLDER REPORT
APRIL-JUNE
2016

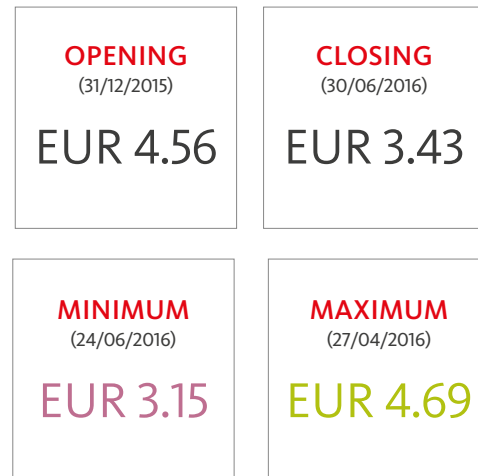
“We continue to deliver on our commitments and reaffirm guidance of an increase in earnings and total dividend per share in 2016, despite worse than expected economic conditions.”

ANA BOTÍN, GROUP EXECUTIVE CHAIRMAN OF BANCO SANTANDER

SHARE ACTIVITY

The Santander share closed at EUR 3.43 per share at the end of the first half of 2016.

› **Key share price information**



› **Key factors shaping share price performance**

Market performance in the first half was marked by high volatility caused by factors such as uncertainties over the performance of the Chinese economy and the global impact of these uncertainties, commodity price performance, in addition to concerns over the solvency of the financial sector, interest rates policies and the stimulus measures applied by different central banks. The vote in favour of the UK's departure from the European Union in the referendum held in the last week of June has caused a great deal of tension.

At the date of publication of this report, 22 July, the Santander share was trading at 3.88 euros, marking a rise of 13.1% in the month and a decline of 14.9% in the year, compared to the DJ Stoxx Banks and MSCI World Banks indices (-26.8% and -8.3%, respectively).

Analyst's opinion

EUR 4.48

SAN target price

84.2%

of analysts have a buy or hold recommendation on the share

Source: Bloomberg at 30 June.

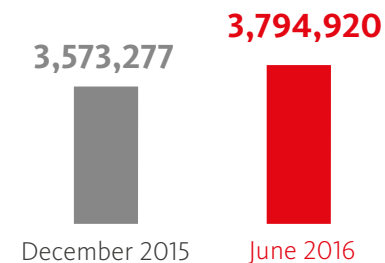
› **International ranking by market capitalisation**

At 22 July 2016, Santander was the number **1 bank in the euro area** by market cap, with EUR 55,977 million.

SHAREHOLDER BASE

Banco Santander has 3.8 million shareholders, located mainly across Europe and the Americas.

› **Number of shareholders**

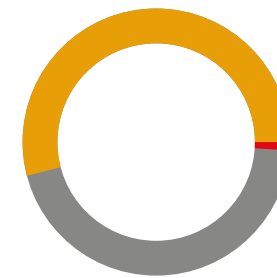


+ 221,643

more shareholders in the six month period

› **Capital stock ownership**

30 June 2016



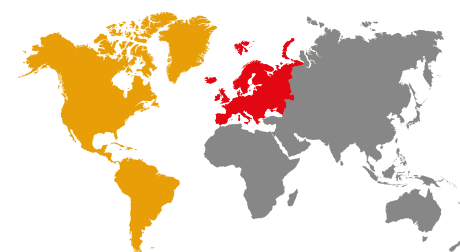
Institutional investors
53.39%

The board of directors
1.26%

Individuals
45.35%

› **Geographical distribution of share capital**

30 June 2016



Europe
82.59%

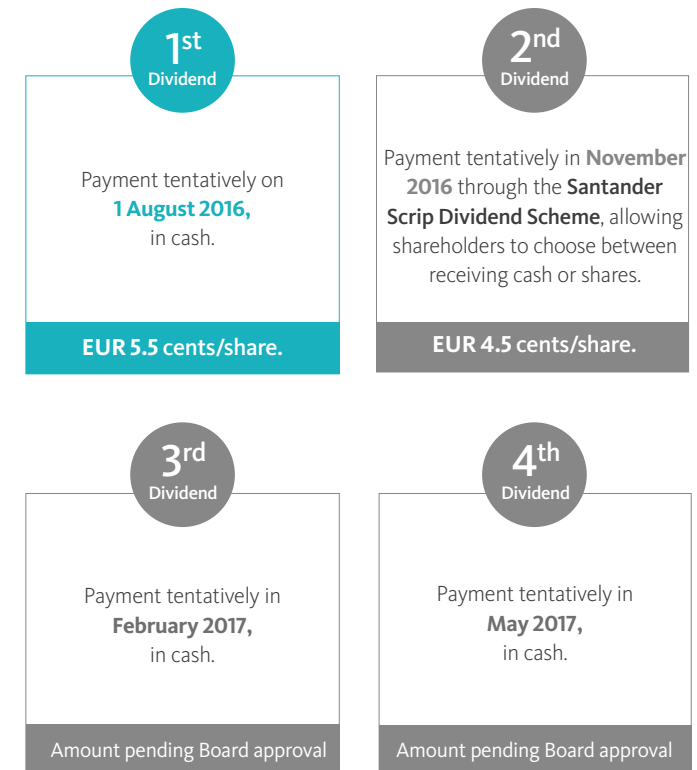
Americas
17.12%

Rest of the world
0.29%

DIVIDENDS

Total shareholder remuneration charged to 2016 is expected to reach EUR 21 cents per share. This amount would be paid through four dividends, three in cash (a total of EUR 16.5 cents per share) and one through the Santander Scrip Dividend Scheme (EUR 4.5 cents per share).

› **Tentative dividend payment dates:**



Estimated total remuneration:

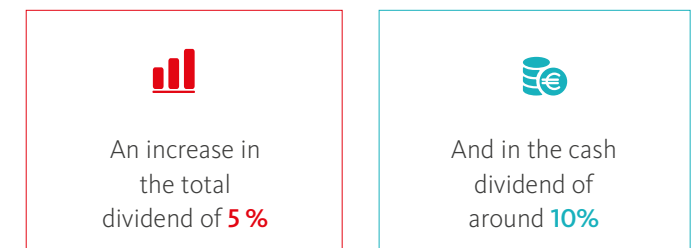
EUR 21 cents/share

Dividend yield:

5.03%*

*Last two dividends plus two announced / average share price in the first half of 2016.

› **This remuneration would imply:**



RESULTS

Attributable profit for the first half of 2016 was 2,911 million euros, 32% less than in the same period of 2015. Stripping out non-recurring results posted in both periods, underlying profit to 30 June is 3,280 million euros, a 9% increase on the year ago-figure (on a currency-neutral basis) due to:

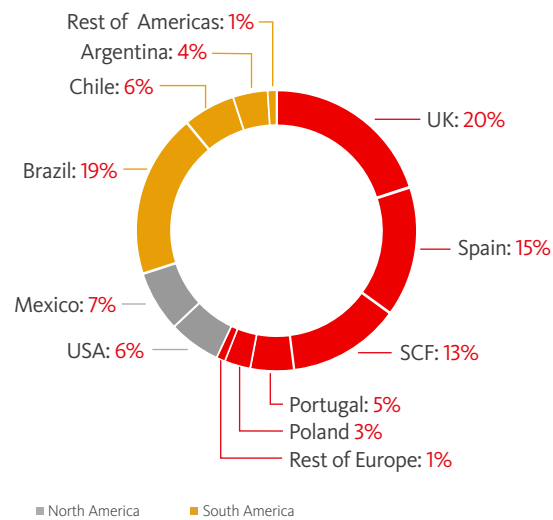
Solid commercial revenues, driven by NII and fees.

Virtually stable expenses, adjusted for inflation and no change to the scope of consolidation.

Slight increase in provisions after declining in the quarter.

Business segments. 1H'16 underlying attributable profit

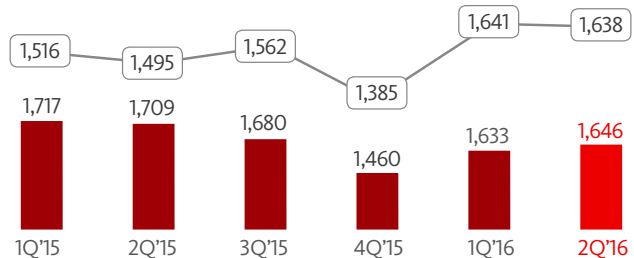
Good earnings diversification between Europe and Americas.



Percentage excluding the Corporate Centre and the Real Estate Activity in Spain.

Underlying attributable profit to the Group

Million euros — Currency-neutral basis



Note: excluding non-recurring net capital gains and provisions 2Q'15, 4Q'15 and 2Q'16.

Income statement

Million euros	Variations		
	1H'16	1H'15	(%) excluding % exchange rate
NII	15,194	16,319	(6.9)
Gross income	21,660	23,062	(6.1)
Net operating income	11,275	12,256	(8.0)
Underlying profit before taxes*	5,685	5,988	(5.1)
Underlying attributable profit to the Group*	3,280	3,426	(4.3)
Attributable profit to the Group	2,911	4,261	(31.7)

* Excluding non-recurring capital gains and provisions.

BALANCE SHEET

Total funds managed and marketed at 30 June 2016 amounted to 1,517,386 million euros, of which 1,342,906 million related to assets on the balance sheet and the rest mutual funds, pension funds and managed portfolios.

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

On a currency-neutral basis:

Lending was up 4% year-on-year with increases in the main segments and in 8 of the 10 main units.

Funds rose 4% year-on-year due to demand deposits. Increase in 9 of the 10 main units.

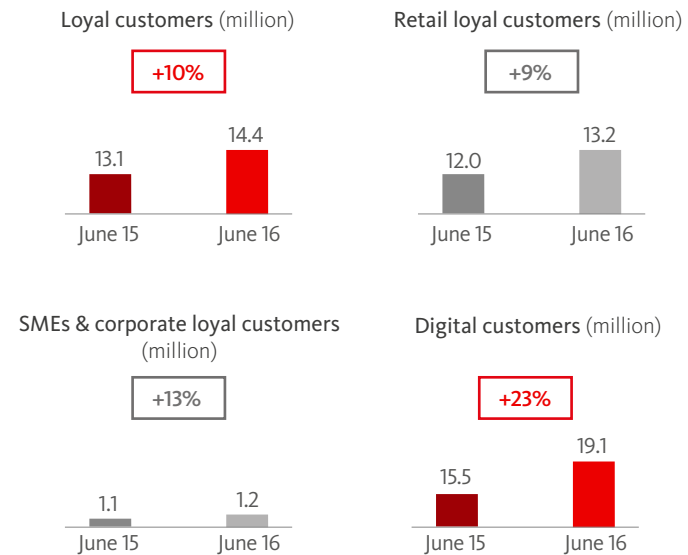


	% over operating areas. June 2016	
	% LENDING	% FUNDS
UK	32%	28%
SPAIN	20%	28%
SCF	10%	4%
PORTUGAL	4%	4%
POLAND	2%	3%
REST OF EUROPE	2%	1%
USA	11%	9%
MEXICO	4%	5%
BRAZIL	9%	12%
CHILE	5%	4%
ARGENTINA	1%	1%
REST OF AMERICAS	0.5%	1%

Balance sheet

Million euros	June'16	June'15	Variation
Total assets	1,342,906	1,339,376	0.3
Net customer loans	783,457	799,233	(2.0)
Customer deposits	671,903	687,918	(2.3)
Managed and marketed customer funds	1,077,369	1,082,946	(0.5)
Equity	100,346	101,952	(1.6)
Total managed and marketed funds	1,517,386	1,514,136	0.2

Activity



NEWS

Banco Santander reiterates its business and financial targets for 2016

The objectives announced at the 2015 Investor Day are unchanged. These include: capital generation, EPS growth, increase in tangible capital per share and dividend growth.

Banco Santander will be holding a Group Strategy Update on 30 September in London

The event will consist of plenary meetings with senior management.

Santander named Best Bank in the World for SMEs by Euromoney

Euromoney highlighted Santander's global and market specific support for small and medium-sized enterprises (SMEs).

Santander launches contactless wristband in collaboration with MasterCard

Wristband now available to Banco Santander customers and allows them to pay at all establishments which accept contactless payment.

Santander InnoVentures announces investment in digital identity verification firm Socure

New York-based provider of real-time digital identity verification solutions becomes Santander InnoVentures' ninth portfolio investment.

Santander Spain increases its offer of mixed funds with two new product ranges:

Santander Evolución and Santander Generación.

Ana Botín: "Society wants us to come to agreements so that, through education, we can build a better and fairer future for everyone"

The Executive Chairman of Banco Santander issued this statement during her presentation at the Universia Annual General Meeting.

Keep up to date with the Group at www.santander.com

CONTACT



Santander Shareholder Relations

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*Lines are open Monday to Friday from 8.00 a.m. to 7.00 p.m. and on Saturdays from 8.30 a.m. to 1.30 p.m. From 1 July to 30 September there will be no service on Saturdays.

Holders of CREST Depository Interests (CDIs)

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