2016

Financial report

January - June

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)	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Total assets	**1,342,906**	1,324,200	1.4	**1,342,906**	1,339,376	0.3	1,340,260
Net customer loans	**783,457**	773,452	1.3	**783,457**	799,233	(2.0)	790,848
Customer deposits	**671,903**	670,626	0.2	**671,903**	687,918	(2.3)	683,142
Managed and marketed customer funds	**1,077,369**	1,057,964	1.8	**1,077,369**	1,082,946	(0.5)	1,075,563
Total equity	**100,346**	98,781	1.6	**100,346**	101,952	(1.6)	98,753
Total managed and marketed funds	**1,517,386**	1,489,950	1.8	**1,517,386**	1,514,136	0.2	1,506,520

Underlying income statement* (€ Million)	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
Net interest income	**7,570**	7,624	(0.7)	**15,194**	16,319	(6.9)	32,189
Gross income	**10,929**	10,730	1.9	**21,660**	23,062	(6.1)	45,272
Net operating income	**5,703**	5,572	2.3	**11,275**	12,256	(8.0)	23,702
Underlying profit before taxes	**2,954**	2,732	8.1	**5,685**	5,988	(5.1)	10,939
Underlying attributable profit to the Group	**1,646**	1,633	0.8	**3,280**	3,426	(4.3)	6,566

Changes on a currency-neutral basis: Quarterly: Net interest income: -1.8%; Gross income: +0.8%; Net operating income: +1.1%; Attributable profit: -0.2%
Year-on-year: Net interest income: +3.0%; Gross income: +3.6%; Net operating income: +2.2%; Attributable profit: +8.9%

Underlying EPS, profitability and efficiency* (%)	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
EPS (euro)	**0.11**	0.11	0.8	**0.22**	0.24	(8.4)	0.45
RoE	**7.45**	7.46		**7.45**	7.51		7.23
RoTE	**11.09**	11.13		**11.10**	11.46		10.99
RoA	**0.60**	0.58		**0.59**	0.61		0.58
RoRWA	**1.37**	1.33		**1.35**	1.36		1.30
Efficiency ratio (with amortisations)	**47.8**	48.1		**47.9**	46.9		47.6

Solvency and NPL ratios (%)	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
CET1 fully-loaded	**10.36**	10.27		**10.36**	9.83		10.05
CET1 phase-in	**12.32**	12.36		**12.32**	12.38		12.55
NPL ratio	**4.29**	4.33		**4.29**	4.64		4.36
Coverage ratio	**72.5**	74.0		**72.5**	70.1		73.1

Market capitalisation and shares	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Shares (millions)	**14,434**	14,434	—	**14,434**	14,317	0.8	14,434
Share price (euros)	**3.429**	3.874	(11.5)	**3.429**	6.264	(45.3)	4.558
Market capitalisation (€ million)	**49,496**	55,919	(11.5)	**49,496**	89,679	(44.8)	65,792
Tangible book value (euro)	**4.13**	4.07		**4.13**	4.18		4.07
Price / Tangible book value (X)	**0.83**	0.95		**0.83**	1.50		1.12
P/E ratio (X)	**7.93**	8.99		**7.93**	13.27		10.23

Other data	Jun'16	Mar'16	%	Jun'16	Jun'15	%	2015
Number of shareholders	**3,794,920**	3,682,927	3.0	**3,794,920**	3,203,349	18.5	3,573,277
Number of employees	**191,138**	194,519	(1.7)	**191,138**	190,262	0.5	193,863
Number of branches	**12,589**	12,962	(2.9)	**12,589**	12,910	(2.5)	13,030

Information on total profit**	2Q'16	1Q'16	%	1H'16	1H'15	%	2015
Attributable profit to the Group	**1,278**	1,633	(21.8)	**2,911**	4,261	(31.7)	5,966
EPS (euro)	**0.08**	0.11	(22.9)	**0.19**	0.30	(35.6)	0.40
RoE	**7.03**	7.46		**7.03**	8.42		6.57
RoTE	**10.47**	11.13		**10.48**	12.86		9.99
RoA	**0.57**	0.58		**0.56**	0.68		0.54
RoRWA	**1.32**	1.33		**1.29**	1.51		1.20
P/E ratio (X)	**8.99**	8.99		**8.99**	10.58		11.30

(*).- Excluding non-recurring net capital gains and provisions (2Q'16 and 1H'16: -€368 million; 1H'15: €835 million; 2015: -€600 million)
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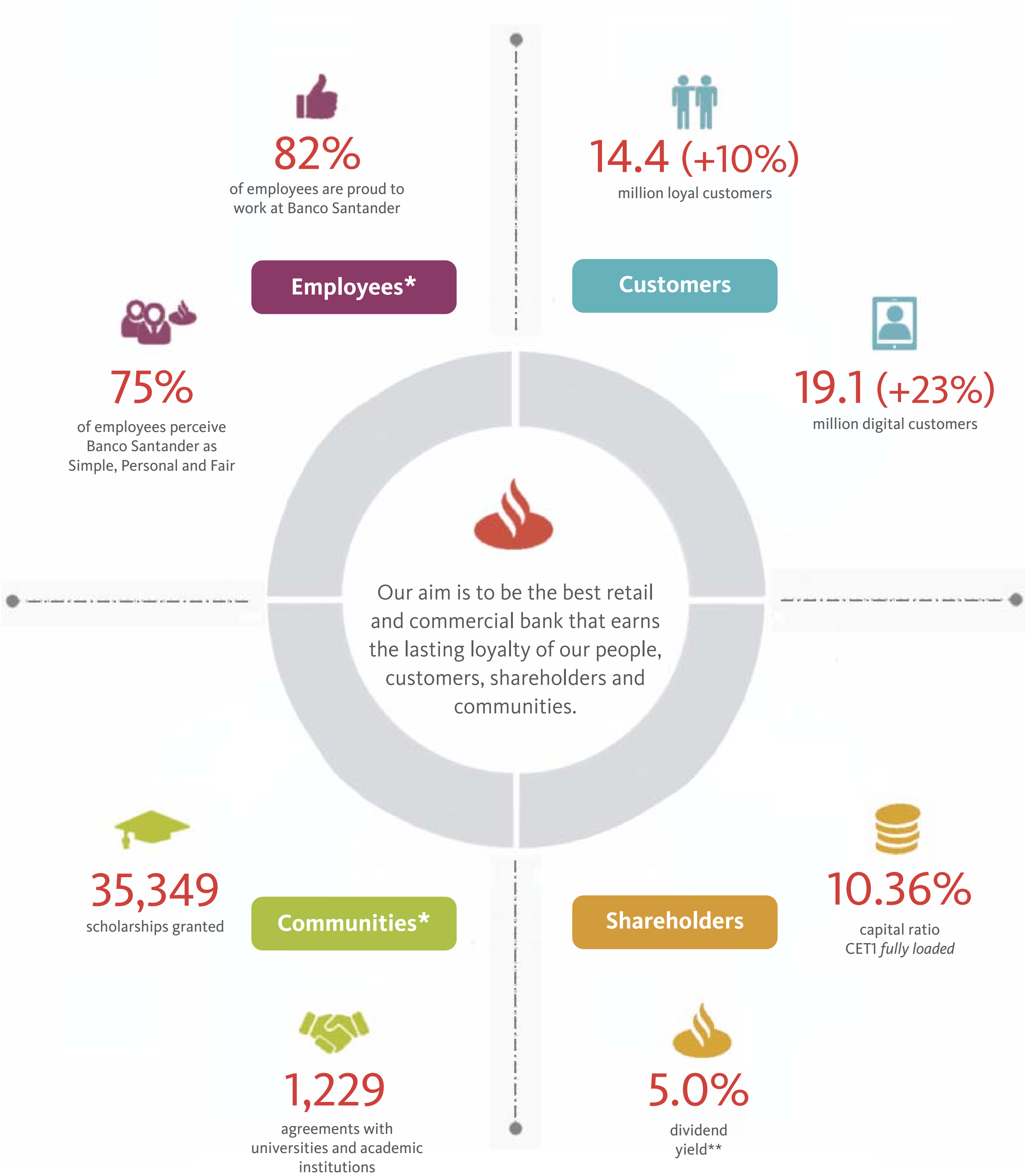
Note: The financial information in this report was approved by the Board of Directors at its meeting on July, 25 2016, following a favourable report from the Audit Committee on July, 20 2016.

Helping people and businesses prosper



(*) 2015 data
(**) (The last four dividends paid) / 1H'16 average share price

Simple | Personal | Fair

→ Employees

- Human Resources continued to progress in adapting its strategy to the Group's new culture in order to drive the Bank's transformation and make customers the focal point.
- In order to create a better working environment, *Be Healthy* (global programme of health and wellbeing) and *Santander Way Recognition* (recognition platform) were launched in the second quarter, and progress is being made in *Flexiworking*.
- Among other measures, corporate behaviour patterns are being incorporated to the various processes for managing people (selection, evaluation, training and remuneration), for which a communication campaign was conducted for executives and their teams.

→ Customers

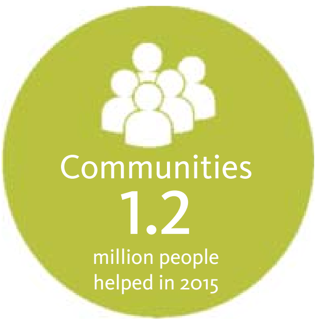
- Of note in improving customer loyalty was the good pace of opening new 1|2|3 accounts in Spain as well as in Portugal and the United Kingdom; and consolidation of the differentiated offer in Brazil and Mexico.
- Significant advances continued to be made in NEO CRM commercial tools with the new CRM in Poland and Argentina and improved tools in Uruguay.
- We continued to increase capacities within the digital transformation. Of note in the second quarter was the mobile payment in Spain and enhancements in apps in Chile and Poland.
- In order to keep on improving the satisfaction and experience of our customers, new, simpler and more efficient processes are being installed.

→ Shareholders

- Annual Report: email sent to shareholders with the direct link to the online Report and a survey to shareholders for them to assess it, in order to know their opinion and be able to improve the Report.
- Social networks strengthened: communication of the online quarterly report in social networks. Of note was the excellent reception at Linkedin (142,000 visits, 42% of followers).
- *Becas Capacitas*: launch of scholarship programme for university students who are shareholders or families of shareholders with disabilities.

→ Communities

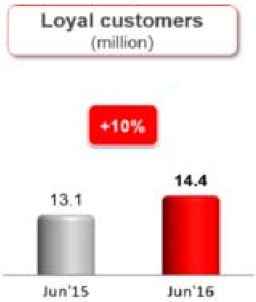
- Santander and the Latin American Union of Universities signed an agreement to support the academic programmes and research projects of this network formed by the universities of Buenos Aires, Sao Paulo, Mexico's UNAM, Madrid's Complutense and the University of Barcelona.
- Universia Spain held its shareholders' meeting, attended by the rectors of almost all Spanish universities and representatives of the main Latin American universities.
- The Santander prizes for innovation and entrepreneurship among university students were awarded in Mexico and Puerto Rico, with a record number of projects presented. The fourth edition of the researcher excellence prize in Chile was launched.

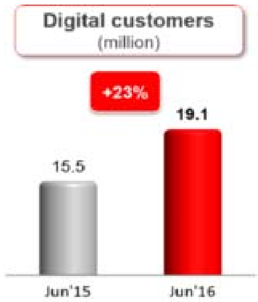


FIRST HALF HIGHLIGHTS

→ 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 10% over the last 12 months (individuals: +9% and companies: +13%).
- The number of **digital customers** rose by 3.6 million (+23% since June 2015), reflecting the strength of the multi-channel strategy.



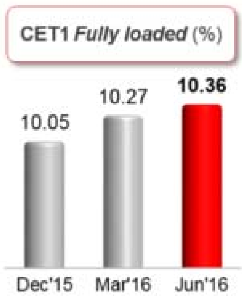


→ Underlying profit growth with good performance of commercial revenues and provisions

- **Second quarter attributable profit of €1,278 million,** affected by non-recurring items and the contribution to the Single Resolution Fund. **Excluding this, profit was €1,646 million, in line with the first quarter.**
- Without these impacts and on a currency-neutral basis, the **first half underlying profit was €3,280 million**, 9% more year-on-year, due to:
  - Solid commercial revenues, driven by net interest income and fee income.
  - Costs almost stable in real terms and on a like-for-like basis.
  - Small rise in provisions, after falling in the first quarter.
- Including them, the **first half attributable profit was €2,911 million**, 32% less than the first half of 2015.

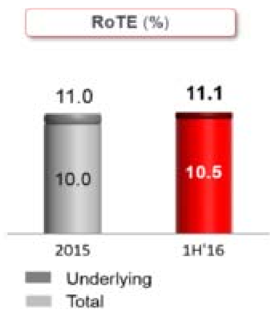
→ Solid capital ratios and appropriate for the business model, balance sheet structure and risk profile

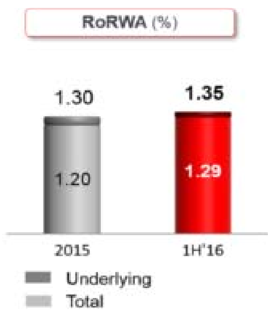
- **Fully-loaded CET1 ratio** of 10.36%. Rise of 9 b.p. in the second quarter (+31 b.p. in the last 6 months), due to profit generation and management of risk-weighted assets (+12 p.p.), coupled with some non-recurring impacts, which accounted for 3 b.p. negative.
- **Total capital ratio** of 13.54% and **fully-loaded leverage ratio** of 4.9%.
- **Tangible net asset value per share** of €4.13 (+€0.06 in the quarter).



→ Return, earnings per share and dividend per share. Creating shareholder value

- **Underlying RoTE of 11.1%**, in line with 2015.
- **Underlying RoRWA of 1.35%**, better than at the end of 2015.
- Earnings per share (EPS) in the first half of 2016 were €0.19, and **underlying EPS** €0.22.
- The first two interim **dividends** charged to 2016's earnings have been approved. We aim to increase the total dividend by 5% and by around 10% in cash.

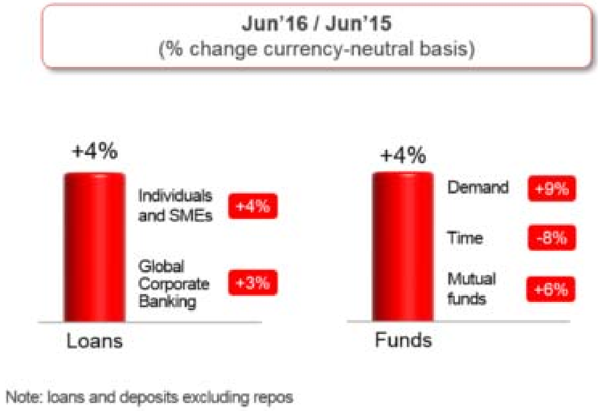




FIRST HALF HIGHLIGHTS

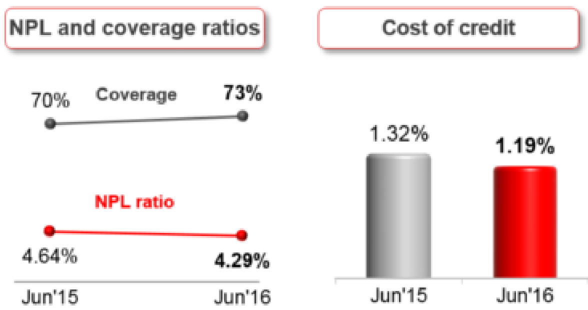
→ In a complex environment, we continued to expand our activity, mainly in emerging countries

- Impact of exchange rates: marginal in the second quarter; -6/-7 p.p. in 12 months.
- On a currency-neutral basis:
  - **Lending** rose 4% year-on-year and increased in all the main segments and in eight of the 10 core units.
  - **Funds** increased 4% year-on-year due to demand deposits. Growth in nine of the 10 core units.
- Solid funding structure and liquidity. **Net loan-to-deposit ratio** of 117%.



→ Improvement in all credit quality ratios

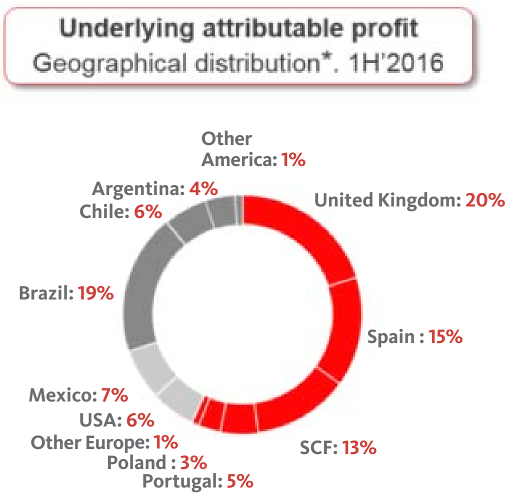
- **Non-performing loans** down 10% year-on-year (-7% on a currency-neutral basis).
- **NPL ratio** of 4.29% on a continued downward trend. Of note in the quarter Spain, SCF, Poland and Chile.
- **Coverage ratio** was 73% (+3 p.p. since June 2015).
- **Cost of credit** of 1.19%, 13 b.p. lower than in June 2015. Excluding Santander Consumer USA, 0.84% (-18 b.p.).



→ Business areas: (more detail on pages 19-34 and in the appendix)

- **Continental Europe:** first half attributable profit of €1,299 million, 10% more than the same period of 2015, impacted by the change in the scheduled contribution dates to the Single Resolution Fund. Excluding this impact, profit was €1,419 million (+20%), underpinned by stable revenues, controlled costs and lower provisions. The second quarter profit was 1% higher than the first.
- **United Kingdom:** first half attributable profit of £656 million, affected by the rise in the corporation tax surcharge. Excluding this, pre-tax profit was stable.
- **Latin America:** very negative impact of exchange rates in the last 12 months (-21 p.p.). Excluding this, the first half attributable profit was 9% higher year-on-year at €1,506 million, due to higher gross income (net interest income: +7%; fee income: +14%). The second quarter profit was 10% higher than the first quarter, also because of higher commercial revenues.
- **United States:** first half attributable profit of $268 million, 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 for oil and gas in line with the sector.

  The second quarter profit was double that of the first quarter, mainly due to lower provisions.



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

Customers

Our competitive advantage is having more critical mass in each of our 9+1 core markets (including Santander Consumer Finance in Europe), where we serve 122 million customers. This is what enables us to generate revenues consistently, quarter after quarter, and via the economic cycle.

We have gained the trust of our customers 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 will be to win the loyalty of our customers and foster greater use of our digital banking services.

→ Loyal customers: 14.4 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 engage 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 loyal customers increased to 14.4 million in the second 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 June and 13% in companies.
- We continued to transform our offices in order to offer a more personalised service and simpler and more intuitive processes.

Individuals
13.2
million

SMEs and companies
1.2
million

→ Digital customers: 19.1 million

- Digitalisation 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 more than 3.5 million to 19.1 million at the end of June (+23%).
- The main units are Brazil (more than 5 million digital clients) and the UK (over 4 million). Also of note is Mexico (+45%).
- Mobile banking users surged 54% in the last 12 months, reflecting the success of our focus on developing strategies to foster the use of our digital services and products.

Online banking users
15.1
million

Mobile banking users
8.4
million

General background

Grupo Santander conducted its business during the second quarter in a challenging economic environment and one with highly volatile markets

Banking activity continued to be affected by interest rates still at historic lows in most developed economies, tougher competition in some markets, mainly for lending, and a more demanding regulatory environment.

- **United States**: GDP growth slowed in the first quarter, with forecasts of around 2% for the whole year. Despite this, the labour market maintained sustained growth in job creation, which lowered the unemployment rate to a level regarded as full employment. After raising interest rates in December 2015, the Federal Reserve kept them stable because of the concerns raised by the slower pace of GDP growth as well as international uncertainty.

- **United Kingdom**: output rose 0.4% in the first quarter (2% year-on-year), lower than in the fourth quarter of 2015, in the face of the uncertainty over the referendum whether to stay in the EU. After the referendum, the economy continued to slow down and it is very likely the Bank of England will take measures to support growth. Inflation was 0.3% in May and on an upward path because of sterling's depreciation. The jobless rate was 5%.

- The **eurozone** began the year with higher growth of 0.5% in the first quarter (1.7% year-on-year). Indicators show growth continuing in the second quarter, although at a slower pace than in the first quarter, which benefited from one-off factors. Inflation remains low, and was positive in June (0.1%). Following the measures announced in March, the ECB is now concentrating on implementing them (TLTRO II and the purchase of corporate bonds began in June). The monetary authority remains open to taking new measures if necessary.

  - **Germany:** GDP grew 0.7% quarter-on-quarter in the first quarter, spurred by the continued push from domestic demand and, in the quarter itself, from investment and construction thanks to the good weather at the start of the year.

  - **Spain:** GDP growth was surprisingly positive in the firstt half at still more than 3%. It could slow down in the second half, although for the whole year the average is expected to be close to 3%.

  - **Portugal:** output rose 0.2% in the first quarter, indicating a slower than expected recovery. Doubts on the financial system and budgetary problems limited growth

- **Poland**: the slower growth in the first quarter (3% year-on-year) was temporary, as the economic fundamentals remain strong. Interest rates were unchanged in the quarter (1.5% benchmark rate).

- **Brazil**: first quarter growth (0.1%) was better than expected, moderating the year-on-year fall. Positive contribution from external demand, thanks to exports, while domestic demand remains weak. The central bank held the Selic rate at 14.25%, and indicated it will keep rates high in order to control inflation, which began to come down (8.8% in June). The real appreciated 12% against the dollar in the second quarter (15% against the euro).

- **Mexico**: the economy gathered pace (2.6%) in the first quarter (2.4% in the fourth quarter), backed by the strong consumption and investment in private construction. Inflation remains at below 3%. The central bank raised its benchmark rate by 50 b.p. in June to 4.25%, after the 50 b.p. increase in February, in order to combat market volatility and the peso's depreciation (down 7% against the dollar in the quarter and 5% against the euro).

- **Chile**: growth in output accelerated to 2% year-on-year in the first quarter (1.3% in the fourth quarter of 2015), thanks to external demand's positive contribution and the return to positive rates of investment. Inflation eased to 4.2% in May and expectations remained anchored at around 3% for the year. The central bank held its benchmark rate at 3.5% after December's rise. The peso appreciated 1% against the dollar in the second quarter and 4% against the euro.

Exchange rates: 1 euro / currency parity

	Average (income statement)		Period-end (balance sheet)		
	1H'16	**1H'15**	**30.06.16**	**31.12.15**	**30.06.15**
US$	1.116	1.115	1.110	1.089	1.119
Pound sterling	0.778	0.732	0.827	0.734	0.711
Brazilian real	4.118	3.303	3.590	4.312	3.470
New Mexican peso	20.151	16.875	20.635	18.915	17.533
Chilean peso	768.760	692.314	736.795	773.772	714.798
Argentine peso	15.968	9.831	16.612	14.140	10.168
Polish zloty	4.367	4.139	4.436	4.264	4.191

Grupo Santander results

First half highlights

- The good trend in underlying profit remained unchanged, although the second quarter and first half profits were affected by non-recurring impacts, both in 2015 and 2016.
- The first half underlying attributable profit of €3,280 million was 9% higher (on a currency-neutral basis) than the same period of 2015. This was due to:
  - Solid commercial revenues, backed by net interest income and fee income.
  - Costs controlled 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 1.32% in June 2015 to 1.19% a year later, thanks to an improvement in the quality of portfolios.
- The efficiency ratio was 47.9%, slightly above 2015, and continues to be among the best of our competitors.
- Underlying RoTE at 11.1%, in line with that at the end of 2015 (11.0%).

Income statement

€ Million

	2Q'16	1Q'16	Variation %	Variation % w/o FX	1H'16	1H'15	Variation %	Variation % w/o FX
Net interest income	**7,570**	**7,624**	**(0.7)**	**(1.8)**	**15,194**	**16,319**	**(6.9)**	**3.0**
Net fee income	2,549	2,397	6.3	5.0	4,946	5,110	(3.2)	7.7
Gains (losses) on financial transactions	366	504	(27.5)	(27.0)	870	1,068	(18.5)	(12.3)
Other operating income	445	204	117.5	118.9	649	565	14.8	15.6
Dividends	209	44	377.0	377.9	253	273	(7.4)	(4.6)
Income from equity-accounted method	112	83	35.2	33.2	195	200	(2.4)	14.7
Other operating income/expenses	124	78	59.2	64.4	201	93	117.5	59.2
Gross income	**10,929**	**10,730**	**1.9**	**0.8**	**21,660**	**23,062**	**(6.1)**	**3.6**
Operating expenses	(5,227)	(5,158)	1.3	0.6	(10,384)	(10,806)	(3.9)	5.2
General administrative expenses	(4,632)	(4,572)	1.3	0.6	(9,204)	(9,611)	(4.2)	5.1
Personnel	*(2,712)*	*(2,683)*	*1.1*	*0.4*	*(5,395)*	*(5,591)*	*(3.5)*	*5.2*
Other general administrative expenses	*(1,920)*	*(1,889)*	*1.6*	*0.8*	*(3,809)*	*(4,020)*	*(5.2)*	*5.1*
Depreciation and amortisation	(595)	(586)	1.5	0.9	(1,181)	(1,196)	(1.2)	6.1
Net operating income	**5,703**	**5,572**	**2.3**	**1.1**	**11,275**	**12,256**	**(8.0)**	**2.2**
Net loan-loss provisions	(2,205)	(2,408)	(8.4)	(9.9)	(4,613)	(5,071)	(9.0)	0.2
Impairment losses on other assets	(29)	(44)	(34.7)	(36.2)	(72)	(138)	(47.5)	(46.1)
Other income	(515)	(389)	32.5	29.2	(905)	(1,059)	(14.6)	(5.8)
Underlying profit before taxes	**2,954**	**2,732**	**8.1**	**7.3**	**5,685**	**5,988**	**(5.1)**	**6.5**
Tax on profit	(970)	(810)	19.7	19.2	(1,780)	(1,862)	(4.4)	5.9
Underlying profit from continuing operations	**1,984**	**1,922**	**3.3**	**2.4**	**3,906**	**4,126**	**(5.3)**	**6.8**
Net profit from discontinued operations	0	—	—	—	0	0	—	—
Underlying consolidated profit	**1,984**	**1,922**	**3.3**	**2.4**	**3,906**	**4,126**	**(5.3)**	**6.8**
Minority interests	338	288	17.3	17.0	626	700	(10.5)	(2.9)
Underlying attributable profit to the Group	**1,646**	**1,633**	**0.8**	**(0.2)**	**3,280**	**3,426**	**(4.3)**	**8.9**
Net capital gains and provisions*	(368)	—	—	—	(368)	835	—	—
Attributable profit to the Group	**1,278**	**1,633**	**(21.8)**	**(22.6)**	**2,911**	**4,261**	**(31.7)**	**(24.3)**
Underlying EPS (euros)	**0.11**	**0.11**	**0.8**		**0.22**	**0.24**	**(8.4)**	
Underlying diluted EPS (euros)	**0.11**	**0.11**	**1.0**		**0.22**	**0.24**	**(8.5)**	
EPS (euros)	**0.08**	**0.11**	**(22.9)**		**0.19**	**0.30**	**(35.6)**	
Diluted EPS (euros)	**0.08**	**0.11**	**(22.8)**		**0.19**	**0.30**	**(35.7)**	
Pro memoria:								
Average total assets	1,331,940	1,335,115	(0.2)		1,334,860	1,343,637	(0.7)	
Average stockholders' equity	88,433	87,571	1.0		88,100	91,303	(3.5)	

(*);- In 2Q'16 and 1H'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 1H'15, net result from the reversal of tax liabilities in Brazil (€835 million).

Preliminary note

The second quarter attributable profit was impacted by several factors that totalled €368 million negative net of taxes, including:

- One-offs for restructuring (-€475 million) and capital gains from the sale of the stake in VISA Europe (+€227 million).
- Change in the scheduled contribution dates to the Single Resolution Fund (-€120 million).

On the other hand, 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.

Second quarter / first quarter performance

Second quarter attributable profit of €1,278 million. Eliminating the non-recurring effects, the underlying profit was €1,646 million, 1% more than the first quarter. Almost the same, on a currency-neutral basis, due to:

- **Gross income** up 1%. Of note the rise (+5%) in fee income for the fifth quarter running. Net interest income was affected by low interest rates in developed economies and slower business in some countries.
- **Costs** practically stable (+1%), controlled in all units.
- **Loan-loss provisions** were lower than in the first quarter. Of note were the falls in Brazil, US, Portugal, Spain and SCF.

Evolution of results year-on-year

The first half **attributable profit** was 32% lower at €2,911 million, as a result of positive non-recurring revenues in 2015 and negative in 2016.

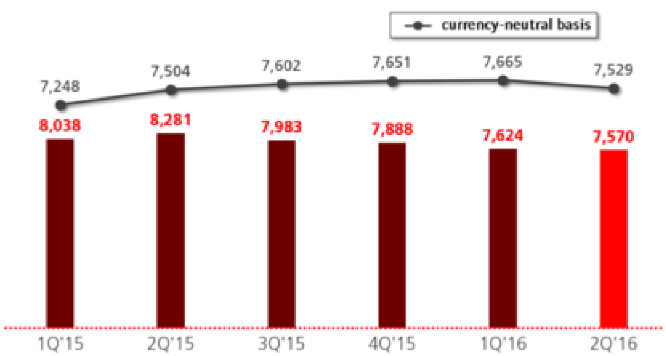
Excluding these effects, underlying profit was €3,280 million, up 9% on a currency-neutral basis, mainly driven by growth in commercial revenues and stability in loan-loss provisions. The performance by income statement lines on a currency-neutral basis was as follows:

Gross income

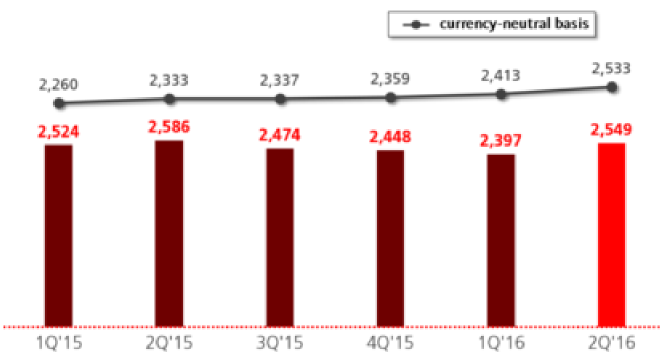
- Our structure of revenues, where net interest income and fee income account for 93% of total revenues (well above the average of our competitors), gives us consistent and recurring growth. Gross income grew 4%, as follows:
  - **Net interest income** rose 3%, due to more lending and deposits.

    All units' gross income rose except for the UK's which remained stable and Spain's, which fell because of lower volumes and interest rate pressure on loans.
  - **Fee income** grew 8% (+7% in the first quarter and +4% in the first half of 2015), reflecting greater activity and customer loyalty. Eight of the 10 main units increased at a faster pace since the middle of 2015. Income from Retail Banking (85% of the total) as well as from Global Corporate Banking rose.
  - **Gains on financial transactions** (only 4% of total revenues) were down 12% and other operating income increased 16% (seasonal impact of dividends in the second quarter and higher revenues from leasing).

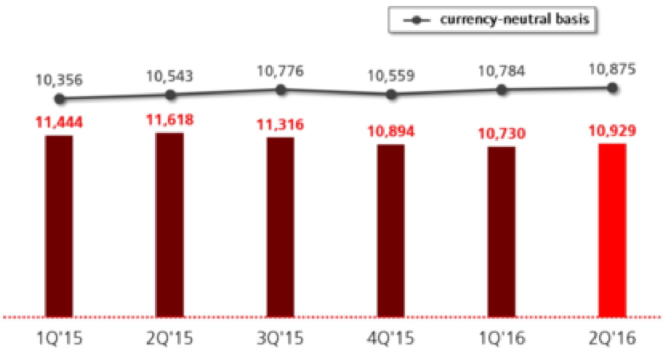
Net interest income
€ Million



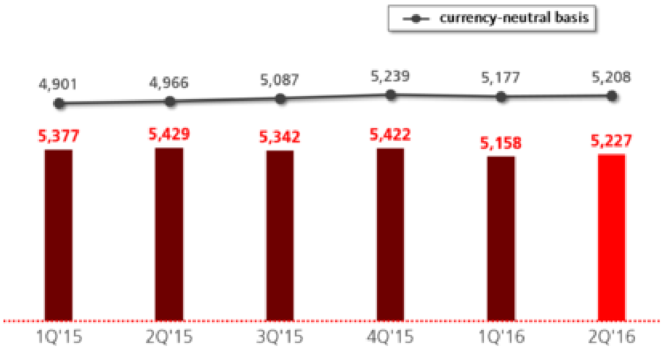
Net fee income
€ Million



Gross income
€ Million



Operating expenses
€ Million



Operating expenses

- **Operating expenses** rose 5% because of higher inflation, investments in the commercial transformation and costs related to regulation. In real terms and on a like-for-like basis, growth was only 0.4%, with Spain's down 2% and Brazil's 4%.

  We continued to focus on operational excellence and cost-cutting in order to continue to be the references in terms of the efficiency ratio.

  Various measures were taken in the second quarter 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 our efficiency plans.

Loan-loss provisions

- The cost of credit continued to improve. **Loan-loss provisions** were flat year-on-year and fell in the first and second quarters, reflecting the selective growth strategy and appropriate risk management.
  - Significant falls in Spain, UK, Portugal, Poland and Santander Consumer Finance and increases in Brazil and US, although lower in the latter two countries for the second quarter running.
  - The cost of credit continued to improve quarter after quarter, falling from 1.32% in June 2015 to 1.19% a year later. Almost all units improved, particularly Spain, Portugal and UK. Brazil's remained stable at below 5%.

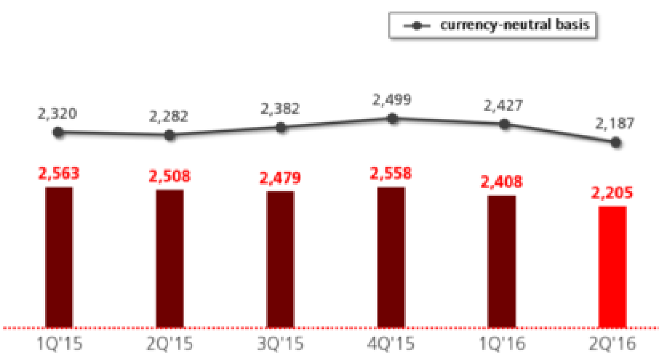
Other income and provisions

- **Other income and provisions** was €977 million negative (€1,197 million in the first half of 2015).

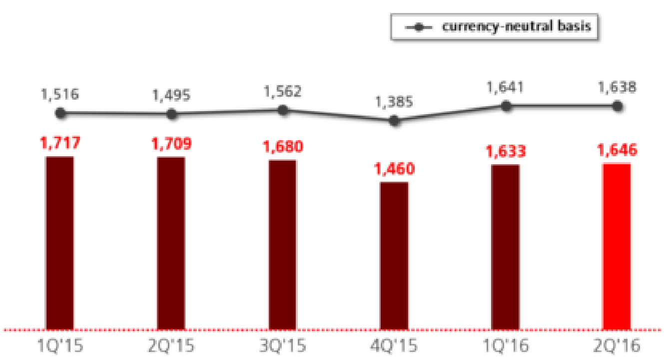
Profit and profitability

- **Underlying pre-tax profit** rose 7%, spurred by commercial revenues, as previously stated.
- The tax charge was still 31% and minority interest fell, because of Santander Consumer USA and the Corporate Centre.
- **Underlying profit** was €3,280 million, which was equivalent to an underlying RoTE of 11.1%.
- **Underlying earnings per share (EPS)** were €0.22 and total EPS €0.19 .

Loan-loss provisions
€ Million



Underlying attributable profit to the Group
€ Million



Balance sheet

€ Million

Assets	30.06.16	30.06.15	Variation amount	%	31.12.15
Cash, cash balances at central banks and other demand deposits	65,368	68,967	(3,599)	(5.2)	77,751
Financial assets held for trading	157,497	150,221	7,276	4.8	146,346
Debt securities	*45,077*	*51,152*	*(6,075)*	*(11.9)*	*43,964*
Equity instruments	*14,237*	*18,272*	*(4,035)*	*(22.1)*	*18,225*
Loans and advances to customers	*8,747*	*5,789*	*2,958*	*51.1*	*6,081*
Loans and advances to central banks and credit institutions	*2,161*	*2,451*	*(290)*	*(11.8)*	*1,352*
Derivatives	*87,275*	*72,557*	*14,718*	*20.3*	*76,724*
Financial assets designated at fair value	42,846	37,245	5,601	15.0	45,043
Loans and advances to customers	*13,928*	*11,307*	*2,621*	*23.2*	*14,293*
Loans and advances to central banks and credit institutions	*24,810*	*21,086*	*3,724*	*17.7*	*26,403*
Other (debt securities and equity instruments)	*4,108*	*4,852*	*(744)*	*(15.3)*	*4,347*
Available-for-sale financial assets	116,385	129,035	(12,650)	(9.8)	122,036
Debt securities	*111,672*	*123,988*	*(12,316)*	*(9.9)*	*117,187*
Equity instruments	*4,713*	*5,047*	*(334)*	*(6.6)*	*4,849*
Loans and receivables	842,878	844,907	(2,029)	(0.2)	836,156
Debt securities	*13,672*	*6,846*	*6,826*	*99.7*	*10,907*
Loans and advances to customers	*760,781*	*782,137*	*(21,356)*	*(2.7)*	*770,474*
Loans and advances to central banks and credit institutions	*68,425*	*55,924*	*12,501*	*22.4*	*54,775*
Held-to-maturity investments	4,820	—	4,820	—	4,355
Investments in subsidaries, joint ventures and associates	3,411	3,559	(148)	(4.2)	3,251
Tangible assets	26,314	24,054	2,260	9.4	25,320
Intangible assets	29,146	31,652	(2,506)	(7.9)	29,430
o/w: goodwill	*26,541*	*28,594*	*(2,053)*	*(7.2)*	*26,960*
Other assets	54,241	49,736	4,505	9.1	50,572
Total assets	**1,342,906**	**1,339,376**	**3,530**	**0.3**	**1,340,260**

Liabilities and shareholders' equity	30.06.16	30.06.15	Variation amount	%	31.12.15
Financial liabilities held for trading	118,582	107,888	10,694	9.9	105,218
Customer deposits	*8,755*	*7,635*	*1,120*	*14.7*	*9,187*
Debt securities issued	—	—	—	—	—
Deposits by central banks and credit institutions	*960*	*6,226*	*(5,266)*	*(84.6)*	*2,255*
Derivatives	*87,254*	*73,750*	*13,504*	*18.3*	*76,414*
Other	*21,613*	*20,277*	*1,336*	*6.6*	*17,362*
Financial liabilities designated at fair value	48,548	55,364	(6,816)	(12.3)	54,768
Customer deposits	*25,425*	*31,756*	*(6,331)*	*(19.9)*	*26,357*
Debt securities issued	*2,995*	*4,024*	*(1,029)*	*(25.6)*	*3,373*
Deposits by central banks and credit institutions	*20,127*	*19,583*	*544*	*2.8*	*25,037*
Other	*1*	*1*	—	—	*1*
Financial liabilities measured at amortized cost	1,031,650	1,029,054	2,596	0.3	1,039,343
Customer deposits	*637,723*	*648,526*	*(10,803)*	*(1.7)*	*647,598*
Debt securities issued	*227,991*	*216,244*	*11,747*	*5.4*	*222,787*
Deposits by central banks and credit institutions	*138,366*	*138,891*	*(525)*	*(0.4)*	*148,081*
Other	*27,570*	*25,393*	*2,177*	*8.6*	*20,877*
Liabilities under insurance contracts	644	648	(4)	(0.6)	627
Provisions	15,174	15,470	(296)	(1.9)	14,494
Other liabilities	27,962	29,000	(1,038)	(3.6)	27,057
Total liabilities	**1,242,560**	**1,237,424**	**5,136**	**0.4**	**1,241,507**
Shareholders' equity	103,637	101,904	1,733	1.7	102,402
Capital stock	*7,217*	*7,158*	*59*	*0.8*	*7,217*
Reserves	*94,303*	*91,201*	*3,102*	*3.4*	*90,765*
Attributable profit to the Group	*2,911*	*4,261*	*(1,350)*	*(31.7)*	*5,966*
Less: dividends	*(794)*	*(716)*	*(78)*	*10.9*	*(1,546)*
Accumulated other comprehensive income	(15,027)	(10,407)	(4,620)	44.4	(14,362)
Minority interests	11,736	10,455	1,281	12.3	10,713
Total equity	**100,346**	**101,952**	**(1,606)**	**(1.6)**	**98,753**
Total liabilities and equity	**1,342,906**	**1,339,376**	**3,530**	**0.3**	**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 half highlights

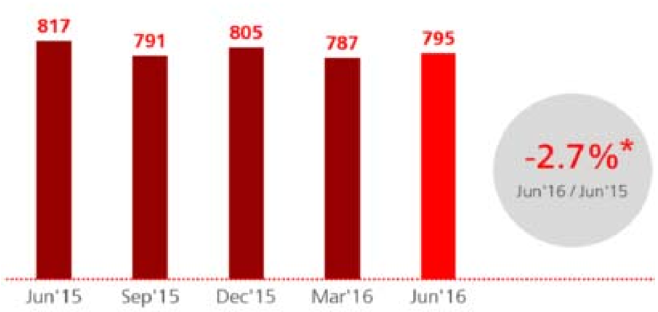
- **Impact of exchange rates on customer balances: -6 / -7 p.p. year-on-year.**
- **On a currency-neutral basis, continued trend in the quarter of moderate growth in loans and deposits. The Group's net loan-to-deposit ratio remained at 117%.**
- **In relation to June 2015 and on a currency-neutral basis:**
  - **Lending rose 4% year-on-year, with rises in the main segments and in 8 of the 10 core units.**
  - **Funds increased 4% year-on-year due to demand diposits. Growth in 9 of the 10 main units.**

The Group's activity and balance sheet were affected by the evolution of exchange rates: negative impact of 7 p.p. over the last 12 months on loans and 6 p.p. on customer funds. The perimeter impact was marginal at around 1%.

Gross customer loans (excluding repos)

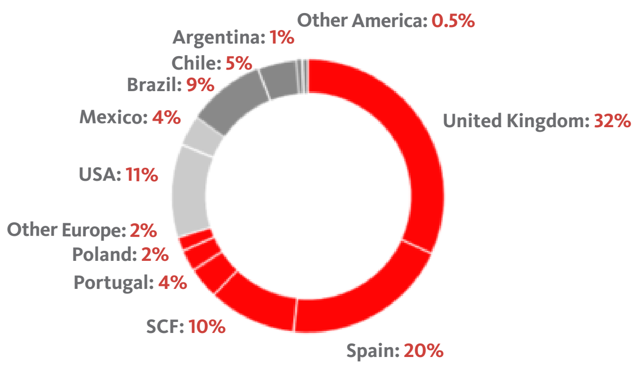
- Loans rose 1% in the **second quarter** on a currency-neutral basis, as follows:
  - Growth of 11% in Argentina, 5% in Mexico, 4% in Santander Consumer Finance and Poland and 2% in Chile. Spain's rose 1% due to companies.
  - Slight fall in Brazil's (-2%), due to a more selective increase within a market than has slowed and the impact of the real's appreciation on the dollar balances of big companies.
  - The changes are of little significance in the other main markets.
- **In relation to June 2015,** and on a currency-neutral basis, the Group's loans rose 4%:
  - Growth in eight of the 10 core countries, particularly in Latin America (except for Brazil), Poland, SCF and Portugal (the latter two benefiting from the agreement with PSA in case of SCF and the entry of Banif in Portugal's case), and more moderately in the US and UK.
  - 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 magazine Euromoney recognised the efforts made in marketing products and services for SMEs by awarding Santander its prize as Best Bank in the World for SMEs.
  - Lending in Spain, where deleveraging continues, although moderately, declined mainly due to balances in institutions and mortgages.
  - Lastly, net lending for real estate activity in Spain fell 27% year-on-year.

Gross customer loans (w/o repos)
€ billion



(*) Currency-neutral basis +3.9%

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



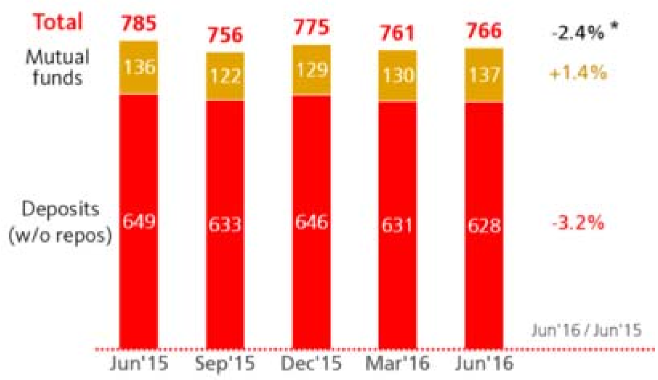
Customer funds

- Total funds (deposits without repos and mutual funds) rose 1% in the **second quarter.** On a currency-neutral basis, the increase was 0.3%.
  - Rises of 5% in Mexico, 3% in Poland and 2% in the UK and Chile. In the rest of countries, growth varied between +1% and -2%.
- **In relation to June 2015,** and on a currency-neutral basis, growth of 4%, as follows:
  - Increases of more than 10% in Mexico and Portugal, 8% in Chile, 7% in Poland, and 6% in Brazil and the UK. Unchanged in the US in the last twelve months.
  - Spain is the only country where funds declined, because of the strategy of reducing balances of time deposits. On the other hand, demand deposits rose aroun €2.800 million.
- The general strategy is to grow in demand deposits, 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 half of 2016:
  - Medium and long-term senior debt issues of €15,654 million and €3,657 million of covered bonds were issued,
  - €6,696 million of securitizations were placed in the market.
  - €18,576 million of medium and long-term debt matured.
- The net loan-to-deposit ratio at the end of June was 117%. The ratio of deposits plus medium and long-term funding to lending was 111%, underscoring a comfortable funding structure.

Other balance sheet items

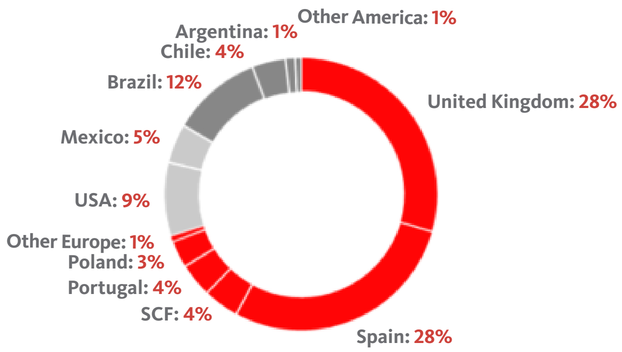
- Financial assets available for sale amounted to €116,385 million, €12,650 million lower than in June 2015 due to lower debt positions in Spain, Brazil and UK (the latter two notably affected by exchange rates).
- Goodwill was €26,541 million, €2,053 million lower than in June 2015 and almost all due to the depreciation of sterling, the Brazilian real and the Polish zloty against the euro.
- Lastly, tangible assets amounted to €26,314 million, €2,260 million more than June 2015, due to rises in the UK and US (the latter from assets associated with leasing business).

Customer funds
€ billion



(*) Currency-neutral basis +3.8%

Customer funds
% / operating areas. June 2016



Solvency ratios

First half highlights

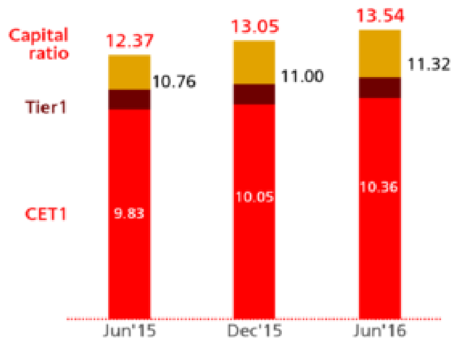
- **The fully loaded CET1 rose 9 b.p. in the second quarter to 10.36% (+31 b.p. in the last six months).**
- **The phased-in CET1 was 12.32%, 257 b.p. above the 9.75% required by the European Central Bank (SREP) for 2016 (including 0.25% of systemic buffer).**
- **The fully loaded leverage ratio is 4.9%.**

- The fully-loaded common equity tier 1 (CET1) ratio of 10.36%, with organic generation of 12 b.p. in the second quarter due to profit generation and management of risk-weighted assets, coupled with some non-recurring impacts, accounted for a fall of 3 b.p.
- The total capital ratio was 13.54% (+31 b.p. in the second quarter), partly due to the impact of the T2 issue carried out by the parent bank in April for €1,500 million (demand above €3,100 million and more than 200 orders placed).
- From a qualitative standpoint, the Group has solid and appropriate ratios for its business model, balance sheet structure and Grupo Santander's risk profile.
- In regulatory terms, the CET1 phase-in is 12.32%, 257 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% as it is a globally systemic bank).

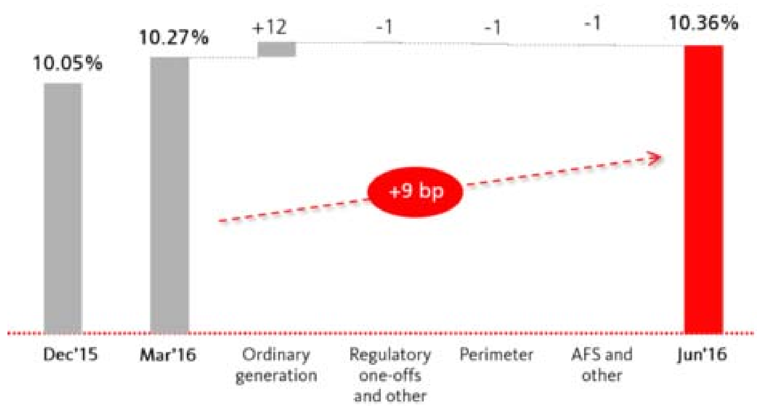
Eligible capital. June 2016
€ Million

	Phase-in	Fully loaded
CET1	72,188	60,721
Basic capital	72,188	66,327
Eligible capital	**84,180**	**79,371**
Risk-weighted assets	586,020	586,020
CET1 capital ratio	**12.32**	**10.36**
T1 capital ratio	**12.32**	**11.32**
BIS ratio	**14.36**	**13.54**

Capital ratios. Fully loaded
%



CET1 fully-loaded. Performance
%



Risk Management

First half highlights

- **The Group's NPL ratio was 4.29% (-4 b.p. in the second quarter and -35 b.p. in 12 months).**
- **All units except for Brazil, Portugal and the US improved on a year-on-year basis, particularly Spain and Santander Consumer Finance.**
- **Coverage (73%) was 1 p.p. lower than in the first quarter and 3 p.p. higher than in the second quarter of 2015.**
- **The cost of credit continued to fall to 1.19% (13 b.p. lower than the 1.32% in June 2015).**

Credit risk management

- Non-performing loans amounted to €36,291 million at the end of June, stable in the quarter and 10% lower year-on-year. The Group's NPL ratio was 4.29%, 4 b.p. lower than in the first quarter and 35 b.p. below June 2015.
- Loan-loss provisions stood at €26,317 million, which provided coverage of 73%. It should be remembered that Spain and the UK 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 cost of credit (1.19% in June; 1.32% in June 2015).
- Net NPL entries amounted to €3,889 million, incorporating in the quarter the impact of the adjustments made in Banif's portfolio in Portugal and in some cases in Spain and Brazil. The underlying trend remained unchanged.

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

- **Spain's**, NPL ratio was 6.06% at the end of June (-30 b.p. in the quarter). This improvement was due to the continued trend of lower NPL entries in most portfolios. Coverage was 48%.

  The real estate unit in Spain ended June with a NPL ratio of 82% and coverage of 65%. The total coverage ratio, including the balance outstanding, was 58% and coverage of assets foreclosed 54%.
- **Santander Consumer Finance's** NPL ratio was 2.95% . This was 33 b.p. below that in the first quarter, mainly due to the incorporation of the PSA Belgium portfolio with a very low NPL ratio, pro-active management of the portfolio and the good performance of units. Coverage was 111%.
- **Poland's** NPL ratio improved to 5.84% (-9 b.p. in the quarter), due to higher lending and maintaining the portfolio's profile. The coverage ratio was stable at 66%.
- **Portugal's** NPL ratio was 10.46% (+1.91% in the quarter), following the adjustments made to the portfolio acquired from Banif. The coverage ratio was 62%.
- In the **Reino UK** the NPL ratio was 1.47% (-2 b.p. in the quarter). The various portfolios continued to perform well, both of individuals and SMEs. The coverage ratio was 37% (77% of the balance sheet are mortgages).

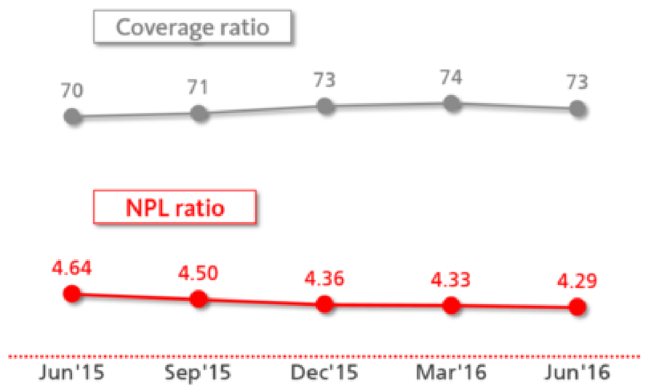
Credit risk management*
€ Million

	30.06.16	30.06.15	Var, %	31.12.15
Non-performing loans	36,291	40,273	(9.9)	37,094
NPL ratio (%)	4.29	4.64		4.36
Loan-loss allowances	26,317	28,233	(6.8)	27,121
Specific	*17,667*	*19,444*	*(9.1)*	*17,707*
Collective	*8,650*	*8,790*	*(1.6)*	*9,414*
Coverage ratio (%)	72.5	70.1		73.1
Cost of credit (%) **	1.19	1.32		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
Balance at beginning of period	41,709	41,919	40,273	37,856	37,094	36,148
Net entries	2,017	1,315	2,132	2,242	1,668	2,221
Increase in scope of consolidation	54	1	—	50	13	664
Exchange rates differences	853	(36)	(1,849)	968	72	869
Write-offs	(2,715)	(2,925)	(2,699)	(4,022)	(2,699)	(3,612)
Balance at period-end	**41,919**	**40,273**	**37,856**	**37,094**	**36,148**	**36,291**

- **Brazil's** NPL ratio was 6.11% (+18 b.p. in the quarter), due to the macroeconomic impact on the portfolio of companies. Good performance of the portfolio of individuals. The coverage ratio was 85%.
- **Mexico's** NPL ratio was 3.01% (-5 b.p. over the first quarter). The coverage ratio was 102%.
- **Chile's** NPL ratio was 5.28% (-17 b.p. in the quarter). The fall was due to the good performance of the portfolios of individuals and SMEs. Coverage remained at 55%.
- In the **US**, the NPL ratio was 2.24% (+5 b.p. over the first quarter) and the coverage ratio was 221%.
  - Santander Bank's NPL ratio was 1.41% (-6 b.p. in the quarter). Positive evolution of portfolios from containment of NPL entries and more exits in the company segment. The coverage ratio was 96%.
  - Santander Consumer USA's NPL ratio was 27 b.p. higher at 3.55%. Coverage was 357%.

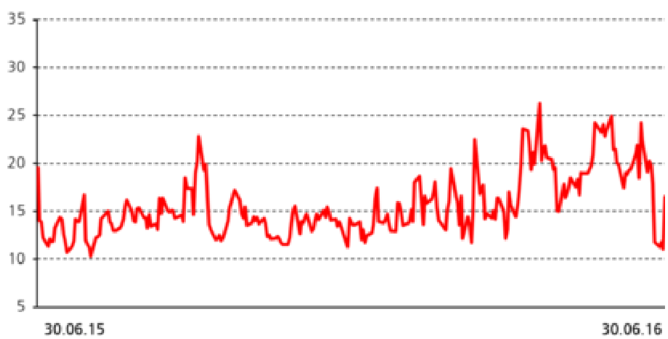
Structural FX

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

Market risk

- The risk of trading activity in the second quarter of global corporate banking, measured in daily VaR terms at 99%, fluctuated between €11.1 million and €26.2 million. These figures are low compared to the size of the Group's balance sheet and activity.
- The average VaR increased a little in the second quarter 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 June was €16.5 million.

Trading portfolios*. VaR performance
€ Million



(*) Activity performance in Global Corporate Banking financial markets

Trading portfolios*. VaR by region
€ Million

	2016		2015
Second quarter	Average	Latest	Average
Total	**19.4**	**16.6**	**19.8**
Europe	9.2	11.0	13.1
USA and Asia	1.0	1.4	1.0
Latin America	14.2	11.4	13.3
Global activities	0.4	0.3	2.1

(*) Activity performance in Global Corporate Banking financial markets

Trading portfolios*. VaR by market factor
€ Million

Second quarter	Min	Avg	Max	Last
VaR total	**11.1**	**19.4**	**26.2**	**16.6**
Diversification effect	*(5.5)*	*(10.2)*	*(19.5)*	*(12.5)*
Interest rate VaR	10.4	16.1	23.1	17.8
Equity VaR	1.3	1.9	2.9	1.8
FX VaR	4.3	6.3	13.0	5.4
Credit spreads VaR	3.0	5.3	7.0	3.9
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 holding (SHUSA) and the businesses of Santander Bank, Santander Consumer USA, Banco Santander Puerto Rico, the specialised unit of Banco Santander International and the New York branch.

Global businesses. The activity of the operating units is distributed by the type of business: retail banking, Santander Global Corporate Banking and Spain Real Estate 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 area of **Corporate Centre.** This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's Assets and Liabilities Committee, as well as management of liquidity and of shareholders' equity 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	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Continental Europe	**1,568**	**(2.5)**	**(2.6)**	**3,175**	**(3.1)**	**(1.9)**
o/w: Spain	655	(7.3)	(7.3)	1,361	(12.8)	(12.8)
Santander Consumer Finance	600	6.7	6.3	1,162	7.0	9.0
Poland	199	19.7	20.0	365	(1.9)	3.5
Portugal	144	(21.4)	(21.4)	327	44.4	44.4
United Kingdom	**713**	**(0.9)**	**1.2**	**1,433**	**(5.1)**	**0.9**
Latin America	**2,673**	**11.2**	**6.4**	**5,076**	**(11.3)**	**9.6**
o/w: Brazil	1,657	15.6	6.7	3,091	(15.3)	5.6
Mexico	469	(0.3)	2.5	939	(2.6)	16.3
Chile	339	5.7	4.7	661	(3.6)	7.0
USA	**1,114**	**(6.4)**	**(4.0)**	**2,305**	**(5.6)**	**(5.5)**
Operating areas	**6,068**	**2.5**	**1.3**	**11,989**	**(7.5)**	**2.2**
Corporate Centre	(365)	4.5	4.5	(714)	2.2	2.2
Total Group	**5,703**	**2.3**	**1.1**	**11,275**	**(8.0)**	**2.2**

Attributable profit to the Group

€ Million	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Continental Europe*	**712**	**0.8**	**0.7**	**1,419**	**18.2**	**20.2**
o/w: Spain*	308	0.3	0.3	616	7.6	7.6
Santander Consumer Finance*	293	16.6	16.2	544	18.1	20.9
Poland	75	16.2	16.5	139	(18.3)	(13.8)
Portugal*	89	(26.6)	(26.6)	210	101.4	101.4
United Kingdom	**390**	**(13.9)**	**(11.9)**	**843**	**(17.1)**	**(11.8)**
Latin America	**803**	**14.2**	**10.2**	**1,506**	**(12.2)**	**9.0**
o/w: Brazil	429	19.7	10.7	788	(15.2)	5.7
Mexico	146	2.2	4.9	289	(7.7)	10.2
Chile	126	3.6	2.6	248	(2.1)	8.7
USA	**159**	**94.0**	**97.7**	**240**	**(49.3)**	**(49.2)**
Operating areas*	**2,064**	**6.1**	**5.3**	**4,008**	**(9.0)**	**0.4**
Corporate Centre*	(418)	34.2	34.2	(729)	(25.6)	(25.6)
Total Group*	**1,646**	**0.8**	**(0.2)**	**3,280**	**(4.3)**	**8.9**
Net capital gains and provisions	(368)	—	—	(368)	—	—
Total Group	**1,278**	**(21.8)**	**(22.6)**	**2,911**	**(31.7)**	**(24.3)**

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

Gross customer loans w/o repos

€ Million	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Continental Europe	**303,425**	**1.0**	**1.2**	**303,425**	**3.6**	**4.2**
o/w: Spain	157,337	0.8	0.8	157,337	(2.5)	(2.5)
Santander Consumer Finance	82,272	4.0	4.0	82,272	13.0	14.3
Poland	20,342	(0.6)	3.6	20,342	5.8	12.0
Portugal	29,918	(0.3)	(0.3)	29,918	23.1	23.1
United Kingdom	**251,977**	**(3.7)**	**0.5**	**251,977**	**(11.2)**	**3.2**
Latin America	**147,770**	**8.3**	**1.3**	**147,770**	**(2.0)**	**5.6**
o/w: Brazil	72,096	12.9	(1.6)	72,096	(5.0)	(1.7)
Mexico	28,790	0.1	5.4	28,790	(1.7)	15.6
Chile	36,337	5.9	2.2	36,337	4.7	7.9
USA	**87,467**	**3.0**	**0.5**	**87,467**	**4.4**	**3.6**
Operating areas	**790,639**	**0.9**	**0.9**	**790,639**	**(2.5)**	**4.1**
Total Group	**795,182**	**1.0**	**1.1**	**795,182**	**(2.7)**	**3.9**

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

€ Million	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Continental Europe	**312,850**	**(0.9)**	**(0.6)**	**312,850**	**0.2**	**0.7**
o/w: Spain	218,687	(0.7)	(0.7)	218,687	(3.7)	(3.7)
Santander Consumer Finance	32,983	(0.6)	(0.6)	32,983	3.7	4.6
Poland	24,182	(1.2)	2.9	24,182	1.1	7.0
Portugal	31,353	2.5	2.5	31,353	23.7	23.7
United Kingdom	**211,699**	**(2.1)**	**2.2**	**211,699**	**(9.1)**	**5.6**
Latin America	**174,157**	**8.2**	**1.1**	**174,157**	**1.3**	**10.1**
o/w: Brazil	91,507	13.8	(0.7)	91,507	2.4	5.9
Mexico	36,939	(0.8)	4.5	36,939	(3.2)	13.9
Chile	31,207	5.1	1.5	31,207	4.5	7.8
USA	**66,113**	**0.2**	**(2.3)**	**66,113**	**1.0**	**0.2**
Operating areas	**764,819**	**0.8**	**0.4**	**764,819**	**(2.3)**	**4.0**
Total Group	**765,880**	**0.7**	**0.3**	**765,880**	**(2.4)**	**3.8**

Main units of Continental Europe. Spain

First half highlights

- **The number of 1|2|3 customers continued to grow, improving the risk profile and favouring new lending and loyalty.**
- **Strong rise in new loans to the main segments and higher stock in SMEs and companies.**
- **The first half attributable profit rose due to control of costs and the lower cost of credit. Stable commercial revenues in the second quarter with higher fee income.**

Commercial activity

- The 1|2|3 strategy is producing good results (more than 1.2 million customers), improving their profile and impacting on new business and loyalty, as well as gaining market share in payroll cheques, number of pensions and card transaction volumes.
- The number of 1|2|3 SMEs accounts reached almost 100,000, spurring new loans to SMEs and companies, growth in international business and commercial financing.
- In global corporate banking, we continued to maintain our leadership in structured financing and markets.
- The efforts to improve the quality of service are reflected in the enhanced customer satisfaction compared to the first half of 2015. A factor at play here were the measures taken in digital and traditional channels.
- Digital clients increased 20% in the last 12 months to 2.7 million, thanks to the continuous improvement in our digital offer. Of note were the new app functionalities of our mobile banking: pre-approved loans in three clicks, mobile-mobile transfers, management of cards (PIN consultation, instant financing) and approval of foreign trade lines.

Business evolution

- Lending continued to recover in the second quarter: new loans to SMEs (+18%) and individuals (+25%) spurred by growth in consumer credit and mortgages.
- Lending was 2% lower year-on-year, due to lower balances with public institutions and mortgages, as new loans have still not offset amortizations. On the other hand, the stock in SMEs and companies is increasing, and the balance of Global Corporate Banking stabilized.
- In funds, the strategy of growth in demand deposits (+2%) and in mutual funds (+3%) continued, while time deposits were down 21%. This lowered the cost of deposits.

Results

Excluding the contribution to the Single Resolution Fund in order to have a like-for-like comparison, the second quarter attributable profit was almost unchanged from the first quarter, backed by fee income and lower provisions that offset the reduced gains on financial transactions and net interest income.

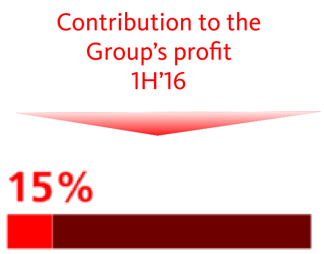
The first half attributable profit excluding the Single Resolution Fund was 8% higher year-on-year at €616 million, due to control of costs and the lower cost of credit. Of note:

- Gross income fell 7% because of much lower gains on financial transactions, the continuous weakening of interest rates and the pressure on spreads on loans. Fee income, on the other hand, increased 2% (+7% from retail banking).
- Costs declined 2%, a fall compatible with investments in regulatory requirements and to improve our digital channels.
- Loan-loss provisions declined 43%, due to the enhanced credit quality and a more favourable economic environment. The cost of credit improved by 39 b.p. to 0.45% and the NPL ratio dropped to 6.06% from 6.91% in June 2015.

Including the contribution to the Single Resolution Fund, the first half attributable profit was 10% lower at €515 million.

Spain. € Million

	2Q'16	/ 1Q'16 %	1H'16	/ 1H'15 %
Gross income	1,489	(3.5)	3,032	(7.3)
Net operating income	655	(7.3)	1,361	(12.8)
Underlying attributable profit to the Group	308	0.3	616	7.6
Attributable profit to the Group	208	(32.3)	515	(9.9)
Loans w/o repos	157,337	0.8	157,337	(2.5)
Funds	218,687	(0.7)	218,687	(3.7)
Efficiency ratio (with amortisations) (%)	56.0	1.8	55.1	2.8
NPL ratio (%)	6.06	(0.30)	6.06	(0.85)
NPL coverage (%)	47.6	(2.6)	47.6	0.8



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

First half highlights

- Integrating the agreement with Banque PSA Finance (BPF) progressed well: the joint-ventures of Italy and Holland were incorporated during the first quarter and Belgium in the second.
- Greater new lending year-on-year in most countries.
- The first half attributable profit was 21% higher year-on-year at €544 million.

Commercial activity

- SCF's units in Europe developed their activity in an environment of recovery in consumption and car sales (+10% y-o-y).
- SCF continued to gain market share, underpinned 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 PSA agreements, increasing auto finance, boosting consumer finance by extending agreements with the main dealers and strengthening digital channels.

Business evolution

- New lending increased 24% over June 2015 (+13% excluding BPF), fuelled by auto finance (+23% without BPF). Direct credit and consumer durable loans rose 6%, with growth in all units.
- Customer deposits increased to €32,981 million, setting us apart from our competitors. Wholesale funding in the first half amounted to €4,723 million, via senior issues and securitisations. Deposits and medium and long-term issues-securitisations placed in the market covered 70% of net lending.

Results

The second quarter underlying attributable profit over the first quarter was 16% higher due to increased net interest income and lower costs and provisions.

The first half attributable profit of €544 million was 21% more than the same period of 2015, due to:

- Growth in gross income, mainly due to net interest income (+12% y-o-y).
- Costs increased in line with business and the new incorporations. The efficiency ratio was 45%.
- Loan-loss provisions declined and the cost of credit improved significantly to 0.55% from 0.91% in June 2015, thanks to the exceptional performance of portfolios. The NPL ratio was 2.95% (130 b.p lower than a year earlier) and the coverage ratio was 111% (+6 p.p.).
- Of note was the higher underlying profit year-on-year of Spain, Nordic countries and Italy.
- Including the contribution to the Single Resolution Fund, the first half attributable profit was 18% higher at €533 million.

Santander Consumer Finance. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	1,068	2.2	1.8	2,113	8.4	10.4
Net operating income	600	6.7	6.3	1,162	7.0	9.0
Underlying attributable profit to the Group	293	16.6	16.2	544	18.1	20.9
Attributable profit to the Group	282	12.2	11.7	533	15.7	18.4
Loans w/o repos	82,272	4.0	4.0	82,272	13.0	14.3
Funds	32,983	(0.6)	(0.6)	32,983	3.7	4.6
Efficiency ratio (with amortisations) (%)	43.8	(2.4)		45.0	0.7	
NPL ratio (%)	2.95	(0.33)		2.95	(1.30)	
NPL coverage (%)	110.6	(1.3)		110.6	5.7	

Contribution to the Group's profit 1H'16

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

First half highlights

- **Double-digit growth year-on-year in business. Focus in lending on SMEs and mortgages and in deposits on current accounts.**
- **Santander continues to be the market leader in cards, mobile and online banking.**
- **Main focus on management of revenues and costs in an environment of low interest rates.**
- **Regulatory changes with the tax on assets introduced in February 2016 impacting the first half results. Excluding this, attributable profit would have been 2% higher.**

Commercial activity

- The Bank´s main goal is to become the bank of first choice. We continued to be the market leader in cards, mobile and online banking, marketing various products and initiatives. The *BZWBK 24* Mobile channel is regarded as the best in Poland and the third in Europe, according to the 2016 Global Mobile Banking Functionality Benchmark report published by the consultancy Forrester Research.
- Sales in remote channels increased by 24% year-o-year, the number of transactions on digital channels doubled (over 3 million in the second quarter) as did the sales of digital current accounts.
- The number of mobile customers increased by 35% year-on-year to 769,000 and digital customers reached almost 2 million.

Business evolution

- Net loans rose 12% year-on-year, backed by the SMEs segment (+12%), Global Corporate Banking (+17%), mortgages (+9%), and cash loans (+10%).
- Deposits increased 11% year-on-year, mainly driven by individuals and corporate balances, with demand and time deposits also growing +17% and +3%, respectively. This evolution maintained our solid funding structure (net loan-to-deposit ratio of 92%).

Results

The second quarter attributable profit of €75 million was 17% higher than the first quarter, backed by commercial revenues and greater collection of dividends, which occurs seasonally in the second quarter.

The first half profit was 14% lower year-on-year at €139 million, due to reduced revenues from the sale of ALCO portfolios and the tax on assets (€7 million a month). Excluding the tax on assets, profit would have been 2% higher, due to:

- Very good performance of net interest income (+9%), spurred by growth in volumes. Gross income was only 2% higher because of lower gains on financial transactions.
- Costs were virtually unchanged and provisions fell 16%. Significant improvement in credit quality: the NPL ratio dropped to 5.84% from 7.07% in June 2015 and the cost of credit was 0.75% (1.00% in June 2015).
- Our bank in Poland continues to show, according to the latest available figures, better quality results than those of its competitors, driven by the success of the commercial strategy and increased productivity.

Poland. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	**%**	**% w/o FX**	**1H'16**	**%**	**% w/o FX**
Gross income	345	10.9	11.1	656	(3.0)	2.3
Net operating income	199	19.7	20.0	365	(1.9)	3.5
Attributable profit to the Group	75	16.2	16.5	139	(18.3)	(13.8)
Loans w/o repos	20,342	(0.6)	3.6	20,342	5.8	12.0
Funds	24,182	(1.2)	2.9	24,182	1.1	7.0
Efficiency ratio (with amortisations) (%)	42.3	(4.3)		44.4	(0.6)	
NPL ratio (%)	5.84	(0.09)		5.84	(1.23)	
NPL coverage (%)	65.8	(1.2)		65.8	2.3	

Contribution to the Group's profit 1H'16

3%

Main units of continental Europe. **Portugal**

First half highlights

- **Focus on technological and operational integration of Banif's business.**
- **Commercial actions aimed at customer capturing and loyalty.**
- **Attributable profit doubled year-on-year, with all P&L items performing well.**

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 around 14% in loans and deposits).
- Priority in the first half given to Banif's technological and operational integration. The strategy continued to focus on customer capturing and loyalty via segmented offers of better quality service and multi channel support, reflected in market share gains in new loans to individuals 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.
- Management of net interest income and control of NPLs continued to be the drivers for benefiting from the improvement in the economic cycle and further developing business with companies and households.

Business evolution

- Lending rose 23% to €29,918 million. The incorporation of Banif's balances resulted in 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 2% lower, in line with sector deleveraging.
- Funds increased 24% to €31,353 million, mainly due to the incorporation of Banif's deposits. On a like-for-like basis, total funds rose 6%, undercoring the bank's good position in the Portuguese financial system.
- The business evolution is also producing market share gains in the stock of loans and deposits.

Results

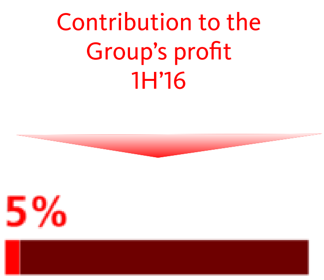
The second quarter underlying attributable profit was €89 million, 27% lower than the first quarter when income from management of portfolios was higher and there were some non-recurring components in fee income.

The first half underlying profit was €210 million, double that in the same period of 2015.

- The increase was mainly due to the good performance of the P&L at constant perimeter: double digit rise in net interest income, flat costs and sharply reduced provisions.
- Gross income was bolstered by higher gains on financial transactions from the sale of portfolios and certain perimeter impact from Banif's incorporation.
- Including the contribution to the Single Resolution Fund, the first half profit was 93% higher year-on-year at €201 million.

Portugal. € Million

	2Q'16	/ 1Q'16 %	1H'16	/ 1H'15 %
Gross income	293	(13.0)	630	33.6
Net operating income	144	(21.4)	327	44.4
Underlying attributable profit to the Group	89	(26.6)	210	101.4
Attributable profit to the Group	80	(33.7)	201	93.2
Loans w/o repos	29,918	(0.3)	29,918	23.1
Funds	31,353	2.5	31,353	23.7
Efficiency ratio (with amortisations) (%)	50.9	5.3	48.1	(3.9)
NPL ratio (%)	10.46	1.91	10.46	1.66
NPL coverage (%)	61.9	(25.8)	61.9	7.7



United Kingdom (changes in sterling)

First half highlights

- **Solid business performance, delivery of operational and digital excellence and good credit quality, in a challenging environment.**
- **Business flows in both retail and corporates remain solid, with growth in corporate lending despite a competitive market and some slowdown in activity.**
- **The 1|2|3 World customers continued to grow, transforming customer loyalty, activity levels and risk profile.**
- **Digitalisation and product simplification continued to underpin operational efficiency.**
- **Attributable profit impacted by the introduction of the 8% bank corporation surcharge in 2016.**

Commercial activity

- *1|2|3 World* increased by 276,000 to 4.9 million since the end of 2015. Retail current account balances were up by £7.8bn, maintaining an average inflow of £1bn per month since the end of 2012.
- Loyal corporate and SME customers increased by more than 25,000 since June 2015, enabled by new platforms and full service offering in the corporate business.
- Digital customers increased to 4.3 million, 10% up since year end, underpinned by continuous improvement to our digital proposition. In June 2016, Santander UK became the first UK bank to introduce Voice banking technology, enhancing our *SmartBank* mobile app. The *Investment Hub* was launched in June 2016, offering a new digital platform for clients to manage their investments online.
- Santander UK is focused on maintaining a strong balance sheet. At the end of June 2016, the CRD IV end point Common Equity Tier 1 capital ratio was 11.2% and the leverage ratio at 3.9%, adversely impacted by market volatility and rates in the last few weeks of June.

Business evolution

- Customer lending increased 3% compared to June 2015, largely due to lending to companies (+11%) in a competitive market, mortgages (+2%) and consumer credit (+2%). New gross mortgage lending was £12,700 million, up 7 % year-on-year, and included £2,000 million to first time buyers.
- Strong growth in customer deposits excluding repos (+6% versus June 2015) was driven by 1|2|3 current account inflows, more than offsetting lower demand for savings products.

Results

Second quarter attributable profit of £307 million. First half attributable profit of £656 million, £ 88 million lower than the same period of 2015, negatively impacted by the bank corporation tax surcharge. Profit before tax remained flat in the period:

- Net interest income remained broadly flat year-on-year (-0.2%) due to higher asset volumes but with a decline in banking NIM to 1.78%, from 1.85% in the second quarter of 2015 (1.80% in the fourth quarter of 2015), was driven by continued SVR attrition, asset margin pressures and increased competition.
- Net fees were broadly flat with regulatory impacts on cards and lower investment income offset by growth in 1|2|3 fees and international and digital payments in Commercial Banking.
- Operating expenses were broadly flat year-on-year as efficiency improvements absorbed investments in business growth, banking reform costs, and the continued enhancements to our digital channels. Excluding banking reform, costs down 2%.
- Credit quality remained robust in all loan portfolios, supported by conservative risk criteria. The NPL ratio improved to 1.47% in the first half of 2016, from 1.61% in the same period of 2015. Low risk mortgage book: low LTVs, low loan-to-income multiples and diversified geographically.

United Kingdom. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	1,501	(0.8)	1.3	3,014	(5.1)	0.9
Net operating income	713	(0.9)	1.2	1,433	(5.1)	0.9
Attributable profit to the Group	390	(13.9)	(11.9)	843	(17.1)	(11.8)
Loans w/o repos	251,977	(3.7)	0.5	251,977	(11.2)	3.2
Funds	211,699	(2.1)	2.2	211,699	(9.1)	5.6
Efficiency ratio (with amortisations) (%)	52.5	0.0		52.5	(0.0)	
NPL ratio (%)	1.47	(0.02)		1.47	(0.14)	
NPL coverage (%)	36.5	—		36.5	(3.8)	

Contribution to the Group's profit 1H'16

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

First half highlights

- New services and more digital transactions increased customer loyalty and experience.
- Attributable profit of €429 million in the second quarter, 11% more than the first quarter, and €788 million in the first half (+6% year-on-year).
- Positive trend of gross income, mainly in fee income from greater transactions, and control of costs, which increased at below the inflation rate.
- Loan-loss provisions under control, the lowest of the last four quarters. Cost of credit at 4.71%.

Commercial activity

We continued to advance on various strategic fronts, including:

- Launch of *Santander Select Servicios Internacionales*, which strengthens our positioning as the only international bank in Brazil with scale and presence in all segments.
- In line with the digital strategy, we speeded up the registry of clients with biometrics, surpassing 2.4 million in June, and we continued to grow in transactions in digital channels (73% of total transactions in the first half).
- Greater focus on management of funds, backed by the advantage provided by our wide range of products and strong retail presence.
- More simplification with the new incentives tool *CERTO* and with the *Single Click*, strengthening the commercial model.
- Launch of *Olé Consignado*, which combines the experience of Banco Bonsucesso and Santander, to enhance our positioning in the market of payroll loans.
- Strengthening and repositioning the *Agro* segment, with an increased team and different customer attention models for producers.
- We are the bank that invests the most in renewable energy in Brazil (market share of more than 40% in some sectors).

Business evolution

- In a weaker economic environment, lending declined 2% in year-on-year terms. Lending to individuals rose 6%, with payroll loans and mortgages performing well, while SMEs and companies were 2% lower and large companies dropped 8%, all of them impacted by the environment.
- Funds increased 6%, with *letras financeiras* and mutual funds performing well.

Results

Second quarter attributable profit of €429 million, 11% more than the first quarter, fuelled by gross income, control of costs and lower loan-loss provisions.

First half attributable profit was 6% higher year-on-year at €788 million. Of note:

- Gross income rose 6%, with net interest income up 3% and fee income 15%, particularalry from cards, maintenance of accounts and insurance.
- Costs increased 6%, below the inflation rate (8.8% in June). Personnel and general costs rose by only 1% in the second quarter, underscoring the continuous effort to improve efficiency and productivity.
- Loan-loss provisions were 11% higher, within a weaker macroeconomic environment. Their year-on-year growth was lower after two quarters of declines. The cost of credit was virtually unchanged at 4.71% (4.45% in June 2015).

Brazil. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	2,703	13.5	4.7	5,083	(15.1)	5.9
Net operating income	1,657	15.6	6.7	3,091	(15.3)	5.6
Attributable profit to the Group	429	19.7	10.7	788	(15.2)	5.7
Loans w/o repos	72,096	12.9	(1.6)	72,096	(5.0)	(1.7)
Funds	91,507	13.8	(0.7)	91,507	2.4	5.9
Efficiency ratio (with amortisations) (%)	38.7	(1.1)		39.2	0.2	
NPL ratio (%)	6.11	0.18		6.11	0.98	
NPL coverage (%)	85.3	1.6		85.3	(10.6)	

Contribution to the Group's profit 1H'16

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

First half highlights

- **The *Santander Plus+* programme was launched to attract new clients and improve loyalty, retention and digitalisation.**
- **Commercial focus on the most profitable segments (Select, SMEs, companies), the use of digital banking and the quality of service.**
- **The commercial strategy continues to be reflected in growth in loans (+16%) but at a more selective pace in a slowing market.**
- **Year-on-year growth in attributable profit (+10%), with excellent performance of net interest income (+15%).**

Commercial activity

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

- *Santander Plus+* was launched in May in order to offer an innovative programme of benefits for those affiliated to it. It consists of bonuses for direct debits and credits, remuneration for current accounts and bonuses in commercial alliances. More than 200,000 customers joined the programme so far.
- We strengthened the offer of the *Santander Aeroméxico* card, launched in February (165,000 cards at the end of June).
- The multi channel strategy continued (256 ATMs installed in the second quarter, mobile banking initiatives and online banking measures) and strategic alliances developed with correspondent banks, enabling our services to be offered via 18,146 shops.
- More than one million digital clients at the end of June (+45% year-on-year).
- In mortgages,we continued to consolidate business through competitive commercial actions and strengthening alliances with home developers. Measures for SMEs that simplify the range of products and more campaigns to promote growth in this segment.
- Focus in companies and institutions on loyalty, particularly on attracting customers through our commercial offer.

Business evolution

- All these measures are reflected in a 16% increase year-on-year in lending: SMEs (+10%), mortgages (+10%), companies (+21%), consumer credit (+15%) and credit cards (+13%), underscoring a growth in loans that was faster than the market's.
- Funds increased 14%, with demand deposits growing at 24%.

Results

Attributable profit was 5% higher than in the first quarter, due to fee income, costs and loan-loss provisions.

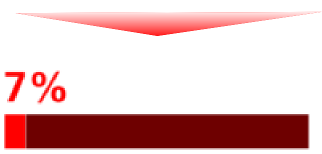
The first half attributable profit was 10% higher year-on-year at €289 million, as follows:

- Gross income increased 13% (+15% net interest income), spurred by growth in loans and demand deposits and a rise in interest rates. Fee income rose 6%, notably that from mutual and pension funds, insurance and transaction banking.
- Costs grew 8% because of new commercial projects to increase customer attraction and loyalty. The efficiency ratio improved by 1.8 p.p. to 40.5%.
- The cost of credit rose 7 b.p. to 2.96% and credit quality ratios improved notably.

Mexico. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	786	(0.8)	2.0	1,578	(5.6)	12.7
Net operating income	469	(0.3)	2.5	939	(2.6)	16.3
Attributable profit to the Group	146	2.2	4.9	289	(7.7)	10.2
Loans w/o repos	28,790	0.1	5.4	28,790	(1.7)	15.6
Funds	36,939	(0.8)	4.5	36,939	(3.2)	13.9
Efficiency ratio (with amortisations) (%)	40.4	(0.3)		40.5	(1.8)	
NPL ratio (%)	3.01	(0.05)		3.01	(0.80)	
NPL coverage (%)	102.3	4.8		102.3	14.8	

Contribution to the Group's profit 1H'16



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

First half 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.**
- **Attributable profit 9% higher year-on-year at €248 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 greater regulations:

- The bank aims to become the country's most valued bank by improving the quality of customer attention, transforming the retail banking segment (with 29 branches in the new network model), especially in business with medium-high income clients (the Select model already covers 61% of them) and SMEs.
- The progress in improving customer satisfaction closed the gap in the quality of service with competitors. This was achieved by simplifying internal processes, adjusting them to a digital and multi channel environment.
- These measures are boosting the number of loyal customers (+4% year-on-year).
- The number of digital customers surpassed 940,000 in June (+7% year-on-year).

Business evolution

- Lending rose 8% over June 2015 (+21% to high income customers and +11% to SMEs). Mortgages increased 17%.
- Deposits grew 10% year-on-year (+8% demand deposits).

Results

The second quarter attributable profit of €126 million was 3% higher than the first quarter, mainly due to net interest income (+6%) and stable costs, which more than offset the 16% rise in loan-loss provisions. The latter was due to provisions in the first quarter that were below the quarterly average, due to the impact of the Chilean peso's appreciation against the dollar on foreign currency loans.

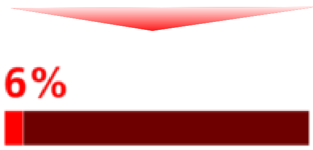
The first half attributable profit was 9% higher year-on-year at €248 million, due to:

- Gross income up 6%. Net interest income rose 8%, fuelled by greater lending to target segments and management of the cost of funds. Fee income increased 5% (mainly that from means of payment and transactions).
- Costs rose 5% because of the year-on-year inflation indexation of contracts, rentals and salaries. There were also more investments in technology.
- Loan-loss provisions increased 2% on the back of a sustained improvement in the portfolio of loans to individuals. All credit quality indicators improved: the cost of credit was 1.59%, the NPL ratio 5.28% and coverage 55%.

Chile. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	577	3.7	2.7	1,133	(4.5)	6.0
Net operating income	339	5.7	4.7	661	(3.6)	7.0
Attributable profit to the Group	126	3.6	2.6	248	(2.1)	8.7
Loans w/o repos	36,337	5.9	2.2	36,337	4.7	7.9
Funds	31,207	5.1	1.5	31,207	4.5	7.8
Efficiency ratio (with amortisations) (%)	41.1	(1.1)		41.7	(0.5)	
NPL ratio (%)	5.28	(0.17)		5.28	(0.45)	
NPL coverage (%)	55.5	0.9		55.5	3.9	

Contribution to the Group's profit 1H'16



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

First half highlights

- **Expansion plan continues and focus on Santander Select and Pymes Advance.**
- **Attributable profit was 41% higher year-on-year thanks to good performance of net interest income and fee income.**
- **Costs increased because of opening new branches and transformation projects.**

Commercial activity and business evolution

Santander continued to focus on implementing the multi-channel projects, *Select* and *Pymes Advance,* in order to gain market share in the main products, improve the quality of customer attention and be more efficient in the use of resources.

- The *Select* proposal was renewed with the launch of *Global Value*, the unique value offer that joins the *Santander Río Select* team with 12 Group countries, guaranteeing the same level of excellence in attention to these clients throughout the world.
- The *Santander Río Mobile* app now has over 420,000 customer users (20% of active customers).
- The expansion and transformation plan continued. The number of totally transformed branches is 198 and 4 new ones were opened in the first six months.
- Lending rose 46% in 12 months. Of note was the growth in consumer products. A new mortgage loan line indexed via housing units to the consumer price index was launched.
- Deposits increased 50% year-on-year (time: +43%, demand: +55% and US dollar deposits: +273%).

Results

Second quarter attributable profit of €83 million, 26% more than the first quarter, spurred by all revenue lines and control of costs.

First half attributable profit was 41% higher year-on-year at €150 million.

- The commercial strategy is reflected in a 38% increase in gross income, 13% in net interest income and 38% in fee income. There were also significant gains on financial transactions.
- Costs were up 40% because of the larger branch network and transformation and technology projects. Net operating income was 36% higher.
- Loan-loss provisions increased in line with lending, and the cost of credit declined 21 b.p. to 1.96%. Credit quality was still high (NPL ratio of 1.38% and coverage of 166%).

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

First half highlights

- **Activity remained strong, both deposits and loans.**
- **Attributable profit of €17 million (+23% year-on-year).**

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.
- The specialized auto finance unit worked closely with all brands in the country.
- Lending rose 20% year-on-year and deposits 12%, complemented by stable growth in medium-term funding.

Results

- The second quarter attributable profit was 38% higher than the first quarter at €10 million, thanks to the good performance of fee income and lower costs.
- The first half profit rose 23% to €17 million. Gross income grew 5%, spurred by net interest income (+14%) and fee income (+37%), offsetting the fall in gains on financial transactions, which were hit by exchange rate volatility in the second quarter. Costs increased 4% and the efficiency ratio was 31%.
- Loan-loss provisions fell 54%. Good performance of credit quality (NPL ratio of 0.39% and very high coverage ratio).

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

First half highlights

- **Double-digit growth in loans and deposits.**
- **First half attributable profit rose 57% year-on-year (+34% without the perimeter effect), spurred by revenue growth.**

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. *Celestium*, a CRM with a comprehensive view of the customer profile, was installed which provides information on customers' relationship with the bank, the channels they use and the offer of potential products for each of them. For SMEs, *Celestium* includes analysis of the share-of-wallet and the range of products segmented according to the size of the SMEs.
- The new *Creditel* app was launched, as part of the digitalization process and modernization of channels. The Global Value infrastructure came into effect, developed at global level to accompany *Select* clients throughout the world.
- The number of digital customers rose 50% year-on-year to almost 109,000.
- The perimeter effect relates to the acquisition in July 2015 of Créditos de la Casa, Uruguay's fourth largest financing company, which operates throughout the country.

Business evolution

- Lending grew 16% year-on-year (+13% without the perimeter effect), with consumer credit up 14% and loans to SMEs 13%.
- Deposits increased 24% (demand: +19%).

Results

Profit was 7% lower in the second quarter than in the first because of reduced gains on financial transactions due to the peso's appreciation against US dolar and higher provisions.

The first half attributable profit was €42 million. Excluding the perimeter effect, profit was 34% higher year-on-year at €36 million, fuelled by the rise in net interest income and fee income and costs growing at 9%.

- Credit quality remained excellent, with a NPL ratio of 1.97%, albeit higher than in June 2015 because of the bad loan entry of a Global Corporate Banking client. Coverage was 140%.
- The efficiency ratio continued to improve to 51%, 7 p.p. better than in June 2015.

Other Latin American units. Colombia

- Banco Santander de Negocios Colombia continued to focus on investment banking and capital markets products and support the country's infrastructure plan, as well as transaction banking, treasury and risk coverage, foreign trade finance and working capital products, such as confirming, financed in local currency.
- Premier Credit, an origination platform and servicing of auto finance loans, was bought in January 2016. Since then, it has focused on obtaining a larger volume of operations by signing commercial agreements with networks of dealers. A project is ongoing to give Banco Santander de Negocios Colombia the capacity to finance loans originated by Premier Credit.
- The bank reached the breakeven between revenues and costs in the first quarter of 2016. The first half net operating income was €2 million.

United States (changes in dollars)

First half 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.**
- **The first half attributable profit was 49% lower year-on-year, due to increased costs associated with regulatory requirements and higher provisions.**

Strategy

- Santander in the United States includes the Santander Holdings, 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 an Intermediate Holding Company (IHC) to consolidate supervision of all operations in the US.
  - Creation of a local executive team, with wide experience in managing financial institutions in the US.
  - Improving the profitability of Santander Bank NA.
  - Optimizing the auto finance business of Santander Consumer USA.
  - A multiannual project to comply with regulatory requirements. The results of the Comprehensive Capital Analysis and Review (CCAR) published by the Federal Reserve showed that SHUSA's capital ratios were well above the regulatory minimums in the adverse scenarios (with only one bank with a higher CET1 in the most adverse scenario). The Fed, however, raised objections to the proposed capital plan from a qualitative standpoint.

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 with stock growth of 6% year-on-year.

Results

The second quarter attributable profit was $178 million, double that in the first quarter. This was largely due to lower loan-loss provisions at Santander Bank and Santander Consumer USA.

The first half profit was $268 million, 49% less than in the same period of 2015:

- Gross income remained stable. Net interest income was in line with 2015, fee income was up 8% and gains on financial transactions ($141 million negative) fell from the higher levels in the first half of 2015 because of portfolio sales at Santander Consumer USA.
- Costs increased 9% due to higher expenses related to regulatory requirements and investments in technology.
- Loan-loss provisions were 12% 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 (mainly in the first quarter of 2016).

Estados Unidos. € Million

		/ 1Q'16			/ 1H'15	
	2Q'16	%	% w/o FX	1H'16	%	% w/o FX
Gross income	1,888	(4.0)	(1.6)	3,856	(0.3)	(0.2)
Net operating income	1,114	(6.4)	(4.0)	2,305	(5.6)	(5.5)
Attributable profit to the Group	159	94.0	97.7	240	(49.3)	(49.2)
Loans w/o repos	87,467	3.0	0.5	87,467	4.4	3.6
Funds	66,113	0.2	(2.3)	66,113	1.0	0.2
Efficiency ratio (with amortisations) (%)	41.0	1.5		40.2	3.4	
NPL ratio (%)	2.24	0.05		2.24	0.04	
NPL coverage (%)	220.6	(0.5)		220.6	(3.6)	

Contribution to the Group's profit 1H'16

Corporate Centre

First half 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.**
- **Significant progress in the commitment to reduce the Corporate Centre's weight in the Group.**
- **Costs fell 16% after streamlining measures.**

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 €21,109 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

Loss of €729 million in the first half compared to one of €980 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), as net interest income was stable.
- Costs were 16% lower than in the first half of 2015, in line with streamlining the Corporate Centre's structures. Processes were optimised and digitalised and functions and posts restructured in order to be more efficient and productive.
- Other income and provisions: lower provisions and taxes year-on-year.

Corporate Centre. € Million

	2Q'16	1Q'16	% Var.	1H'16	1H'15	% Var.
Gross income	(244)	(223)	9.5	(468)	(407)	15.1
Net operating income	(365)	(349)	4.5	(714)	(699)	2.2
Underlying attributable profit to the Group	(418)	(311)	34.2	(729)	(980)	(25.6)
Attributable profit to the Group	(666)	(311)	114.0	(977)	(145)	574.2

Retail Banking (changes on a currency-neutral basis)

First half highlights

- **We continued to transform our commercial banking model into one that is increasingly more Simple, Personal and Fair, putting the customer as the centre of our activity.**
- **Focused on three main priorities: customer loyalty and satisfaction, digital transformation and operational excellence.**
- **In July Santander was awarded Euromoney's prize as Best Bank in the World for SMEs.**
- **The Group had 14.4 million loyal customers (1.2 million of companies) at the end of June and 19.1 million digital clients. Of note was the drive to develop digital channels.**
- **Attributable profit of €3,195 million, 3% less than in the second quarter of 2015.**

Commercial activity

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

- The improvement in **customer loyalty** included contributions, among others, from:
  - The launch of *Santander Plus+* in Mexico, an innovative programme of benefits for those affiliated to it, and the alliance with Aeroméxico with more than 165,000 cards. Brazil launched *Olé Consignado*, to broaden the scope in the market of payroll loans.
  - The **1|2|3 strategy** in Spain, Portugal and the UK continued to produce the brisk opening of new accounts. In Spain, the 1|2|3 mini account was successfully opened, complementing the offer for families.
  - *Santander Select Global Value* was launched throughout the Group, which complements the local offer with non-financial services and makes available to customers a homogeneous and exclusive service in all the countries of our network.
  - In the segment for companies, Poland launched *Business Evolution* and the global proposal *Santander Trade Network,* a comprehensive service to help the internationalisation of companies. As a result of the effort made in this segment, the magazine Euromoney recognised Santander as the Best Bank in the World for SMEs. In *Network Banking*, Santander was recognised as the Best International Provider of Solutions in the UK's Business Moneyfacts prizes and by the magazine Global Finance as the Best Trade Finance Providers in Mexico, Argentina and Chile.
  - Lastly, further progress was made in transforming branches, installing new ATMs and developing CRMs NEOs, which were implemented in Poland and Argentina and expanded in Uruguay to include SMEs. Santander Bank USA was awarded the Celent 2016 Model Bank prize for the NEOs tool and its capacity to open an account in a Tablet and PC.
- As part of the **digital transformation**, we continued to develop biometrics, notably in Brazil. Other improvements and launches included mobile telephone payment in shops via the *Santander Wallet* in Spain, the incorporation of notifications and capacity of credit sales in Chile and the implementation in Poland of *Kredit online* (loans for non-clients). Features were also incorporated for cardless cash withdrawals in Argentina and Spain.

  Santander UK launched *Investment Hub,* a new digital investment platform and the *SmartBank* application introduced mobile telephone banking by voice recognition.
- As part of our striving to continuously improve **customer satisfaction and experience,** we are working on operational excellence with new, simpler, more efficient and omnichannel processes, developed with Agile methodology. These efforts are reflected in our improvement in customer satisfaction rankings, in which seven of the Group's countries are already among the top 3.

Results

Underlying profit was €1,641 million in the second quarter, 5% higher than in the first quarter. The first half profit was €3,195 million, 3% lower year-on-year due to the good evolution of net interest income and fee income, which together was up 5%, but offset by lower gains on financial transactions (-61%) and higher costs (+7%).

Retail Banking. € Million

	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Gross income	9,673	1.3	0.4	19,225	(6.4)	3.0
Net operating income	5,121	1.2	0.3	10,180	(9.2)	(0.2)
Underlying attributable profit to the Group	1,641	5.6	5.3	3,195	(11.8)	(3.4)
Attributable profit to the Group	1,521	(2.2)	(2.4)	3,075	(15.1)	(7.0)
Loans w/o repos	687,027	0.4	0.7	687,027	(2.6)	4.5
Funds	704,220	1.3	1.0	704,220	(1.6)	4.9

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

First half highlights

- **Reference positions in export finance, corporate loans and project finance, among others, in Europe and Latin America.**
- **Revenues increased 14% and costs remained flat, following the efficiency measures taken in some countries and investments made in 2015 in others.**
- **Pre-tax profit was 16% higher and attributable profit rose 13% year-on-year to €958 million.**

Commercial activity and business evolution

Of note in the second quarter the main facts by businesses were the following:

- **Trade finance:** Strong progress in export finance in supporting our clients in new markets and successful development of project finance. Increasing demand for confirming products and receivable purchase programmes for which Santander is successfully improving its product offer.
- **Cash management:** Positive customer funds evolution, especially in Latin American markets in contrast with European markets affected by low interest rates. We won several mandates in the second quarter, which strengthen our leadership position in Latin America and Europe.
- **Syndicated corporate loans:** We continue to be the reference in Europe and Latin America. Significant contributions from Argentina, UK and US in the first half. Of note was our role in Brazil during the months when the capital market was closed.
- In the **debt capital markets:** Santander continued to participate in the main operations. Of note was the placement of Argentina's $16.5 billion sovereign bond, the largest of an emerging country, which had the biggest ever order book for an issuer of this category ($67.8 billion). Also noteworthy was Santander's active participation in the re-opening of the markets for Brazilian issuers, leading operations for Petrobras, Mafrig and Vale, among others.
- **Project finance:** Santander is the clear leader in Latin America and Spain and continues to drive the transformation of the market in order to adapt it to the new regulatory reality and funding with operations that are less capital intensive.
- In **markets**: positive evolution of revenues from sales business, particularly in the corporate segment, with strong growth in Brazil, US and Poland, Greater year-on-year contribution from management of books, in a complex environment, notably Brazil, Mexico, UK and US.

Results

Results were spurred by the strength and diversification of customer revenues. Gross income increased 4% in the second quarter over the first quarter, helping to push up attributable profit by 8%.

The area accounted for 13% of the revenues of the Group's operating areas and 23% of attributable profit in the first half.

- Gross income grew 14% year-on-year, with that from global transaction banking up 6% in an environment of containment of spreads and low interest rates, and 3% in financing solutions and advisory. Growth of 27% in revenues from markets, with a good performance in sales as well as in management of books.
- Costs were almost flat following the investments made in 2015 in high potential markets. Of note was the drop in costs in Spain and the US as a result of efficiency plans.
- Loan-loss provisions increased, partly due to those made in the US because of the situation in the oil and gas sector. They also rose in UK because of provisions released in 2015, and in Brazil.

Santander Global Corporate Banking. € Million

	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Gross income	1,489	6.2	4.2	2,892	1.9	13.5
Net operating income	989	7.8	5.0	1,906	7.3	21.7
Attributable profit to the Group	504	11.2	8.3	958	0.9	13.1
Loans w/o repos	98,180	5.0	2.7	98,180	(0.7)	3.4
Funds	60,451	(4.9)	(6.4)	60,451	(9.3)	(5.0)

Corporate Governance

By-laws and Regulations for General Meetings of Shareholders

- Once the changes to the by-laws agreed by the general meeting of shareholders on March 18, 2016 were authorised by the Bank of Spain, the notarial deed was recorded in the Mercantile Registry of Cantabria on May 25, 2016.

- The changes to the Regulations for General Meetings of Shareholders agreed at the same meeting on March 18, 2016 , which complement the changes made to the by-laws, were also notarised and recorded in the Mercantile Registry on May 25, 2016. In accordance with article 513 of the Law on Corporations, a new consolidated text of the Regulations was sent to the National Securities Market Commission for publication, following the recording of the notarial deed in the Mercantile Registry.

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

Appointments – organisational changes

- The Bank's board on April 26, at the proposal of the appointments committee, agreed to appoint Ms. Belén Romana García chairman of the auditing committee, in place of Mr. Juan Miguel Villar Mir, who will remain a member of this committee. Ms Romana is a financial expert given her training and experience in accounting, auditing and rusk management matters.

- The supervisory board of Bank Zachodni appointed Mr. Michal Gajewski chief executive officer in place of Mr. Mateusz Morawiecki, who left the Bank last November to join the new Polish government, as Deputy Prime Minister and Development Minister. The appointment of the new CEO, who will take up his post when his current work obligations are over, is subject to the approval of Poland's Financial Supervision Authority.

International advisory board

- Banco Santander's new international advisory board, which comprises senior executives not associated with the Group and who are experts in strategy, IT and innovation, held its first meeting on April 26 in Boston, Massachusetts, United States, where it discussed digitalization and customers' expectations of change in their relationship with banks.

  The purpose of the international advisory board is to provide the Group with strategic advice, focusing, in particular, on innovation, digital transformation, cyber security and new technologies. It also contributes its view on a wide range of issues, such as trends in the capital markets, corporate governance and talent, brand and reputation, regulatory matters and compliance, and customer-focused global financial services. The board will meet at least twice a year.

  The international advisory board is chaired by Mr. Larry Summers, a former US Treasury Secretary and emeritus president of Harvard University, and has seven additional members: Ms. Sheila C. Bair, former chairman of the FDIC (Federal Deposit Insurance Corporation), former member of the board of Banco Santander and current president of Washington College; Mr. Mike Rhodin, senior vice president at IBM Watson; Ms. Marjorie Scardino, former CEO of Pearson and member of the board of Twitter; Mr. Francisco D'Souza, CEO of Cognizant and member of the board of General Electric; Mr. James Whitehurst, CEO of Red Hat; Mr. George Kurtz, CEO and co-founder of CrowdStrike; and Mr. Charles Phillips, CEO of Infor and former president of Oracle.

Corporate social responsibility

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

Support for higher education

- Ana Botín, chairman, presided over Universia's 16th annual general meeting at which she reaffirmed Banco Santander's commitment to higher education as the best way to attain its main mission: contributing to the progress of people, companies and society as a whole. She told the rectors of Universia's 79 partner universities of the need to have an education system based on equality of opportunity, diversity, renewed governance, flexibility and digitalization.

- In her speech, Ana Botín recalled the achievements of the last year thanks to the relationship between universities and Banco Santander, including more than 35,000 scholarships, 3,700 of which were granted to enable Spanish university students to study abroad and 4,100 for Latin Americans to travel to Spain. Other programmes, such as the Santander internship scholarships in SMEs, have benefited 22,500 students, 40% of whom were hired by their company.

- The Spanish Association of Social Responsibility Executives (DIRSE) joined the Santander Network of Social Responsibility Chairs, whose objective is to foster training, innovation, research and exchange of ideas that spur social responsibility teaching activities. Under the framework of this cooperation, DIRSE will participate among others in developing and disseminating the Network's activities, as well as forming part of the jury of the CSR Santander Prizes that promote the generation and transfer of knowledge from universities.

Investment in the community

- The VIII Convening of social projects, for which Santander's employees in Spain propose projects developed by NGOs in the spheres of children's education, social exclusion, health, disability and international cooperation. The 11 winning projects, chosen by a vote among employees, are being financed by contributions from professionals who took part in the *Euros from your payroll* programme, matched by the Bank. The total amount of contributions amounted to €436,000.

- During the We are Santander Week, in which all the Group's employees participated, the third collection of food was held, giving staff the opportunity to show their spirit of solidarity and contribute to improving the lives of the most needy. A total of 51,854 kg of basic foodstuffs was delivered to the NGOs that participated in the programme.

The environment and climate change

- Banco Santander is maintaining its firm commitment to preserving the environment, promoting initiatives that protect it and which mitigate the impact of climate change. The following are some examples:

  - Santander UK together with Foresight Solar Fund Limited, one of the six large renewable energy funds in the UK, created the first hybrid financing structure in the UK for a renewable energy fund. This financing combines a long-term institutional tranche and a medium-term commercial loan for the renewable energy fund Foresight Solar Fund Limited.

  - Santander Brazil sponsored a seminar on agricultural businesses and renewable energy organised by the Secretary of State of the Environment of Goiás. The meeting brought together the Bank's executives, specialists, businessmen, producers and authorities, and helped to reaffirm the Bank's position as one of the largest investors in sustainable energy and practices in the Brazilian agricultural sector.

Financing policies in sensitive sectors

- The financing policies in sensitive sectors, applicable to the whole Group, were profoundly reviewed and updated during 2015, and approved by the board at its meeting on December 22. A multifunctional team led by the compliance and conduct area and with the participation of risks, sustainability, business and legal advice, analysed the best international practices. The main aspects demanded by investors, analysts and NGOs were examined and the best practices of international banks taken into account.

  Since its approval, the Group has implemented the new policies intensely, affecting corporate as well as local teams, in order to integrate these new requirements into the Bank's risk analysis processes.

The Santander share

Shareholder remuneration

- Shareholders received in May the fourth dividend in cash charged to 2015's earnings of €0.05 per share.
- The total remuneration per shareholder for 2015 was €0.20 per share.
- The board approved payment as of August 1 of the first interim dividend charged to 2016's earnings of €0.055 per share in cash, 10% more than in August 2015.
- At the same time, it was agreed to apply the Santander Dividendo Elección programme (scrip dividend) at the dates when the second dividend is traditionally paid.

Performance of the Santander share

- The markets were very volatile during the first half, due to several factors such as doubts on the evolution of the Chinese economy and the global impact, the evolution of raw material prices, uncertainty over the financial sector's solvency, the policy of interest rates and central bank stimulus measures. Brexit in the last week of June unnerved the markets.
- The Santander share price ended June at €3.429, 24.8% lower than at the end of 2015. The Ibex-35, Spain's benchmark index, was down 14.5%, the DJ Stoxx Banks 31.3% and the MSCI World Banks 12.0%.
- At the close of this report, the Santander share was €3.878, up 13.1% in July.

Capitalisation and trading

- At the close of July 22, Santander was the largest bank in the euro zone by market capitalization and the 18th in the world (€55,977 million).
- The share's weighting in the DJ Stoxx 50 was 1.5%, 7.1% in the DJ Stoxx Banks and 12.0% in the Ibex-35.
- A total of 16,261 million Santander shares were traded in the first half of 2016 with an effective value of €64,718 million, the highest among the EuroStoxx stocks, and a liquidity ratio of 113%. The number of shares traded daily was 128.0 million (€510 million).

Shareholder base

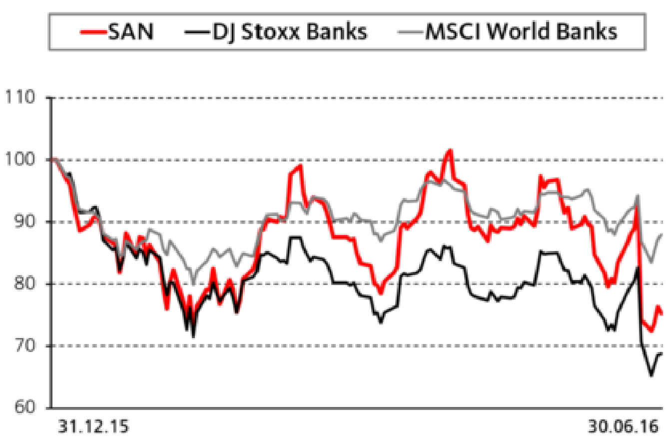
- The total number of shareholders at the end of June was 3,794,920, of which 3,583,491 were held by Europeans (82.6% of the capital stock) and 195,233 by those from the Americas (17.1%).
- Excluding the Group's board, which holds 1.26% of the capital, retail shareholders own 45.35% and institutional ones 53.39%.

The Santander share. June 2016

Shareholders and trading data	
Shareholders (number)	3,794,920
Shares (number)	14,434,492,579
Average daily turnover (no. of shares)	128,042,800
Share liquidity (%) (Number of shares traded during the year / number of shares)	113
Price movements during the year	
Highest	4.685
Lowest	3.150
Last (30.06.16)	3.429
Market capitalisation (millions) (30.06.16)	49,496
Stock market indicators	
Price / Tangible book value (X)	0.83
P/E ratio (X)	7.93
Yield* (%)	5.03

(*).-Last four remuneration paid / 1H'16 average share price

Comparative performance of share prices



Financial information

APPENDIX

Quarterly income statement

€ Million

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

(*).- 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

	2Q'16	1Q'16	Var. %	1H'16	1H'15	Var. %
Fees from services	1,550	1,449	7.0	2,998	3,056	(1.9)
Mutual & pension funds	190	182	4.2	372	439	(15.4)
Securities and custody	226	224	0.5	450	493	(8.7)
Insurance	584	542	7.7	1,126	1,122	0.3
Net fee income	**2,549**	**2,397**	**6.3**	**4,946**	**5,110**	**(3.2)**

Operating expenses. Consolidated

€ Million

	2Q'16	1Q'16	Var. %	1H'16	1H'15	Var. %
Personnel expenses	2,712	2,683	1.1	5,395	5,591	(3.5)
General expenses	1,920	1,889	1.6	3,809	4,020	(5.2)
Information technology	261	289	(9.7)	550	561	(2.0)
Communications	125	130	(3.6)	255	250	1.9
Advertising	157	146	7.5	304	330	(7.9)
Buildings and premises	430	437	(1.5)	867	936	(7.3)
Printed and office material	34	34	0.6	69	81	(15.1)
Taxes (other than profit tax)	112	119	(5.8)	232	263	(12.0)
Other expenses	799	733	9.0	1,533	1,599	(4.1)
Personnel and general expenses	**4,632**	**4,572**	**1.3**	**9,204**	**9,611**	**(4.2)**
Depreciation and amortisation	595	586	1.5	1,181	1,196	(1.2)
Total operating expenses	**5,227**	**5,158**	**1.3**	**10,384**	**10,806**	**(3.9)**

Operating means. Consolidated

	Employees			Branches		
	30.06.16	30.06.15	Var.	30.06.16	30.06.15	Var.
Continental Europe	**57,003**	**57,113**	**(110)**	**5,113**	**5,444**	**(331)**
o/w: Spain	23,309	24,322	(1,013)	3,119	3,490	(371)
Santander Consumer Finance	14,747	14,209	538	579	592	(13)
Poland	11,334	11,805	(471)	666	770	(104)
Portugal	6,466	5,433	1,033	734	576	158
United Kingdom	**26,010**	**26,354**	**(344)**	**850**	**901**	**(51)**
Latin America	**88,497**	**87,358**	**1,139**	**5,852**	**5,782**	**70**
o/w: Brazil	48,366	48,645	(279)	3,441	3,436	5
Mexico	17,703	17,339	364	1,389	1,356	33
Chile	12,307	12,309	(2)	469	479	(10)
USA	**17,871**	**17,253**	**618**	**774**	**783**	**(9)**
Operating areas	**189,381**	**188,078**	**1,303**	**12,589**	**12,910**	**(321)**
Corporate Centre	1,757	2,184	(427)			
Total Group	**191,138**	**190,262**	**876**	**12,589**	**12,910**	**(321)**

Net loan-loss provisions. Consolidated

€ Million

	2Q'16	1Q'16	Var. %	1H'16	1H'15	Var. %
Non-performing loans	2,598	2,771	(6.2)	5,369	5,833	(8.0)
Country-risk	0	(3)	—	(3)	18	—
Recovery of written-off assets	(393)	(360)	9.3	(753)	(780)	(3.5)
Total	**2,205**	**2,408**	**(8.4)**	**4,613**	**5,071**	**(9.0)**

Customer loans. Consolidated

€ Million

	30.06.16	30.06.15	Variation amount	%	31.12.15
Spanish Public sector	16,556	16,034	522	3.3	13,993
Other residents	150,854	155,774	(4,920)	(3.2)	153,863
Commercial bills	8,587	8,471	116	1.4	9,037
Secured loans	89,542	93,731	(4,189)	(4.5)	92,478
Other loans	52,725	53,571	(847)	(1.6)	52,348
Non-resident sector	641,759	654,899	(13,140)	(2.0)	649,509
Secured loans	379,530	410,797	(31,267)	(7.6)	409,136
Other loans	262,229	244,102	18,127	7.4	240,373
Gross customer loans	**809,170**	**826,707**	**(17,537)**	**(2.1)**	**817,366**
Loan-loss allowances	25,713	27,474	(1,761)	(6.4)	26,517
Net customer loans	**783,457**	**799,233**	**(15,776)**	**(2.0)**	**790,848**
Pro memoria: Doubtful loans	35,204	39,154	(3,950)	(10.1)	36,133
Public sector	109	173	(64)	(36.9)	145
Other residents	14,580	18,167	(3,587)	(19.7)	16,301
Non-resident sector	20,515	20,814	(299)	(1.4)	19,686

Managed and marketed customer funds. Consolidated

€ Million

	30.06.16	30.06.15	Variation amount	%	31.12.15
Resident public sector	8,342	8,526	(184)	(2.2)	11,737
Other residents	158,608	164,045	(5,438)	(3.3)	157,611
Demand deposits	111,492	102,770	8,722	8.5	108,410
Time deposits	44,712	58,925	(14,213)	(24.1)	47,297
Other	2,403	2,350	53	2.2	1,904
Non-resident sector	504,953	515,346	(10,393)	(2.0)	513,795
Demand deposits	310,074	309,849	226	0.1	313,175
Time deposits	135,992	149,958	(13,967)	(9.3)	146,317
Other	58,887	55,539	3,348	6.0	54,303
Customer deposits	**671,903**	**687,918**	**(16,015)**	**(2.3)**	**683,142**
Debt securities issued	230,986	220,268	10,718	4.9	226,160
On-balance-sheet customer funds	**902,889**	**908,186**	**(5,297)**	**(0.6)**	**909,302**
o/w: subordinated debt	***22,717***	***19,833***	***2,884***	***14.5***	***21,151***
Mutual funds	137,428	135,582	1,846	1.4	129,077
Pension funds	10,979	11,503	(524)	(4.6)	11,376
Managed portfolios	26,073	27,675	(1,602)	(5.8)	25,808
Other managed and marketed customer funds	**174,480**	**174,760**	**(280)**	**(0.2)**	**166,260**
Managed and marketed customer funds	**1,077,369**	**1,082,946**	**(5,577)**	**(0.5)**	**1,075,563**

Eligible capital (fully loaded)

€ Million

	30.06.16	30.06.15	Variation amount	%	31.12.15
Capital stock and reserves	101,710	98,462	3,248	3.3	98,193
Attributable profit	2,911	4,261	(1,350)	(31.7)	5,966
Dividends	(1,262)	(1,150)	(112)	9.8	(2,268)
Other retained earnings	(16,603)	(10,817)	(5,786)	53.5	(15,448)
Minority interests	6,976	5,019	1,957	39.0	6,148
Goodwill and intangible assets	(27,976)	(30,280)	2,304	(7.6)	(28,254)
Treasury stock and other deductions	(5,036)	(5,683)	647	(11.4)	(5,633)
Core CET1	**60,721**	**59,813**	**907**	**1.5**	**58,705**
Preferred shares and other eligible T1	5,606	5,690	(84)	(1.5)	5,504
Tier 1	**66,327**	**65,503**	**823**	**1.3**	**64,209**
Generic funds and eligible T2 instruments	13,045	9,749	3,295	33.8	11,996
Eligible capital	**79,371**	**75,253**	**4,119**	**5.5**	**76,205**
Risk-weighted assets	586,020	608,564	(22,544)	(3.7)	583,893
CET1 capital ratio	**10.36**	**9.83**	**0.53**		**10.05**
T1 capital ratio	**11.32**	**10.76**	**0.56**		**11.00**
BIS ratio	**13.54**	**12.37**	**1.17**		**13.05**

Continental Europe

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**2,019**	**(1.3)**	**(1.5)**	**4,066**	**0.1**	**1.4**
Net fee income	883	0.6	0.6	1,760	2.3	3.2
Gains (losses) on financial transactions	108	(64.8)	(64.7)	415	(16.1)	(15.5)
Other operating income*	268	161.1	161.4	370	6.1	6.3
Gross income	**3,278**	**(1.7)**	**(1.7)**	**6,611**	**(0.2)**	**0.8**
Operating expenses	(1,710)	(0.9)	(0.9)	(3,436)	2.6	3.6
General administrative expenses	(1,605)	(0.6)	(0.6)	(3,219)	3.3	4.2
Personnel	*(829)*	*0.5*	*0.5*	*(1,655)*	*2.1*	*3.1*
Other general administrative expenses	*(775)*	*(1.8)*	*(1.8)*	*(1,565)*	*4.5*	*5.4*
Depreciation and amortisation	(106)	(4.7)	(4.8)	(217)	(6.0)	(5.2)
Net operating income	**1,568**	**(2.5)**	**(2.6)**	**3,175**	**(3.1)**	**(1.9)**
Net loan-loss provisions	(280)	(35.9)	(36.0)	(717)	(37.6)	(37.1)
Other income	(188)	64.4	64.6	(302)	(7.0)	(6.8)
Underlying profit before taxes	**1,100**	**4.1**	**3.9**	**2,156**	**19.5**	**21.5**
Tax on profit	(307)	9.2	9.0	(588)	25.7	27.4
Underlying profit from continuing operations	**793**	**2.2**	**2.1**	**1,568**	**17.3**	**19.4**
Net profit from discontinued operations	—	—	—	—	(100.0)	(100.0)
Underlying consolidated profit	**793**	**2.2**	**2.1**	**1,568**	**17.3**	**19.4**
Minority interests	80	16.2	16.3	150	9.2	12.5
Underlying attributable profit to the Group	**712**	**0.8**	**0.7**	**1,419**	**18.2**	**20.2**
Net capital gains and provisions**	(120)	—	—	(120)	—	—
Attributable profit to the Group	**592**	**(16.2)**	**(16.3)**	**1,299**	**8.2**	**10.0**

Balance sheet						
Customer loans ***	293,891	1.4	1.7	293,891	4.7	5.4
Financial assets held for trading (w/o loans)	63,275	(2.7)	(2.6)	63,275	3.9	4.1
Available-for-sale financial assets	54,818	(4.8)	(4.5)	54,818	(10.2)	(9.7)
Central banks and credit institutions ***	69,798	(11.6)	(11.7)	69,798	15.4	15.6
Tangible and intangible assets	11,798	0.2	(0.1)	11,798	5.7	5.8
Other assets	41,475	2.3	2.4	41,475	23.0	23.5
Total assets/liabilities & shareholders' equity	**535,055**	**(1.6)**	**(1.4)**	**535,055**	**5.4**	**5.8**
Customer deposits ***	264,410	(0.9)	(0.6)	264,410	0.2	0.7
Debt securities issued ***	52,056	2.5	2.5	52,056	8.6	9.2
Liabilities under insurance contracts	643	(1.9)	(1.9)	643	(0.7)	(0.7)
Central banks and credit institutions ***	116,157	(7.4)	(7.6)	116,157	14.4	14.7
Other liabilities	68,434	3.9	4.2	68,434	9.0	9.4
Stockholders' equity ****	33,355	(1.6)	(1.4)	33,355	7.6	8.3
Other managed and marketed customer funds	**70,180**	**(0.4)**	**(0.3)**	**70,180**	**(1.7)**	**(1.5)**
Mutual and pension funds	62,423	0.3	0.5	62,423	0.0	0.3
Managed portfolios	7,757	(5.7)	(5.9)	7,757	(13.9)	(13.9)
Managed and marketed customer funds	**386,647**	**(0.4)**	**(0.1)**	**386,647**	**0.9**	**1.4**

Ratios (%) and operating means						
Underlying RoTE	8.77	0.12		8.73	0.64	
Efficiency ratio (with amortisations)	52.2	0.4		52.0	1.4	
NPL ratio	6.84	(0.24)		6.84	(1.31)	
NPL coverage	61.3	(4.1)		61.3	2.4	
Number of employees	57,003	(1.9)		57,003	(0.2)	
Number of branches	5,113	(6.8)		5,113	(6.1)	

(*).- 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 % (Jun'16 / Jun'15 w/o FX)

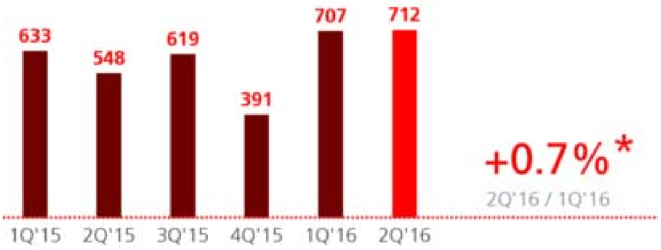
(*) Customer deposits + mutual funds

Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)

Underlying attributable profit

€ Million (currency-neutral basis)



(*) In euros: +0.8%

Spain

€ Million

Income statement	2Q'16	% / 1Q'16	1H'16	% / 1H'15
Net interest income	**783**	**(4.5)**	**1,602**	**(11.6)**
Net fee income	449	5.9	873	2.2
Gains (losses) on financial transactions	65	(71.0)	289	(14.1)
Other operating income*	192	154.9	267	0.1
Gross income	**1,489**	**(3.5)**	**3,032**	**(7.3)**
Operating expenses	(834)	(0.3)	(1,671)	(2.4)
General administrative expenses	(799)	(0.2)	(1,600)	(0.9)
Personnel	*(410)*	*(1.2)*	*(824)*	*(1.9)*
Other general administrative expenses	*(389)*	*0.8*	*(775)*	*0.2*
Depreciation and amortisation	(35)	(1.7)	(71)	(27.1)
Net operating income	**655**	**(7.3)**	**1,361**	**(12.8)**
Net loan-loss provisions	(129)	(44.3)	(360)	(42.9)
Other income	(82)	121.3	(119)	3.3
Underlying profit before taxes	**444**	**1.2**	**882**	**8.3**
Tax on profit	(130)	3.1	(256)	10.7
Underlying profit from continuing operations	**314**	**0.4**	**626**	**7.3**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**314**	**0.4**	**626**	**7.3**
Minority interests	5	8.8	10	(5.4)
Underlying attributable profit to the Group	**308**	**0.3**	**616**	**7.6**
Net capital gains and provisions**	(100)	—	(100)	—
Attributable profit to the Group	**208**	**(32.3)**	**515**	**(9.9)**

Balance sheet	2Q'16	% / 1Q'16	1H'16	% / 1H'15
Customer loans ***	156,467	1.0	156,467	(1.2)
Financial assets held for trading (w/o loans)	60,310	(3.1)	60,310	4.8
Available-for-sale financial assets	39,074	(4.1)	39,074	(16.2)
Central banks and credit institutions ***	50,676	(13.8)	50,676	16.3
Tangible and intangible assets	2,714	3.0	2,714	(6.5)
Other assets	16,575	6.6	16,575	44.1
Total assets/liabilities & shareholders' equity	**325,816**	**(2.7)**	**325,816**	**1.6**
Customer deposits ***	174,784	(0.7)	174,784	(5.2)
Debt securities issued ***	20,994	(9.1)	20,994	(21.5)
Liabilities under insurance contracts	544	0.4	544	(1.3)
Central banks and credit institutions ***	58,952	(12.5)	58,952	31.0
Other liabilities	56,814	4.2	56,814	9.0
Stockholders' equity ****	13,728	3.5	13,728	16.0
Other managed and marketed customer funds	**63,529**	**0.5**	**63,529**	**2.1**
Mutual and pension funds	56,986	0.6	56,986	1.7
Managed portfolios	6,543	(0.8)	6,543	6.1
Managed and marketed customer funds	**259,308**	**(1.2)**	**259,308**	**(5.1)**

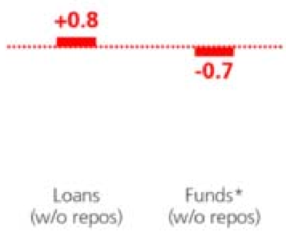
Ratios (%) and operating means	2Q'16	% / 1Q'16	1H'16	% / 1H'15
Underlying RoTE	9.19	(0.28)	9.33	(0.74)
Efficiency ratio (with amortisations)	56.0	1.8	55.1	2.8
NPL ratio	6.06	(0.30)	6.06	(0.85)
NPL coverage	47.6	(2.6)	47.6	0.8
Number of employees	23,309	(3.7)	23,309	(4.2)
Number of branches	3,119	(9.1)	3,119	(10.6)

(*).- 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

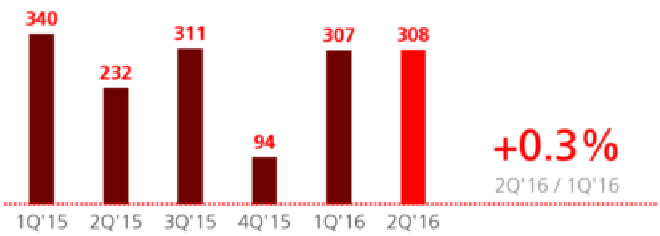
Activity performance
y-o-y % (Jun'16 / Jun'15)

(*) Customer deposits + mutual funds

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



Underlying attributable profit
€ Million



Santander Consumer Finance

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**833**	**2.7**	**2.3**	**1,644**	**9.3**	**11.7**
Net fee income	228	(0.8)	(0.9)	459	5.2	5.9
Gains (losses) on financial transactions	(5)	269.2	278.5	(6)	(30.2)	(30.9)
Other operating income*	11	101.4	102.7	17	(10.6)	(10.9)
Gross income	**1,068**	**2.2**	**1.8**	**2,113**	**8.4**	**10.4**
Operating expenses	(468)	(3.1)	(3.4)	(951)	10.1	12.0
General administrative expenses	(425)	(2.2)	(2.5)	(861)	10.0	12.0
Personnel	*(201)*	*(0.2)*	*(0.5)*	*(402)*	*6.0*	*7.9*
Other general administrative expenses	*(225)*	*(4.0)*	*(4.3)*	*(458)*	*13.9*	*15.9*
Depreciation and amortisation	(43)	(11.3)	(11.6)	(91)	11.1	12.1
Net operating income	**600**	**6.7**	**6.3**	**1,162**	**7.0**	**9.0**
Net loan-loss provisions	(70)	(38.5)	(38.9)	(184)	(38.3)	(37.1)
Other income	(41)	7.4	7.4	(80)	37.7	38.5
Underlying profit before taxes	**488**	**19.2**	**18.8**	**898**	**23.0**	**25.6**
Tax on profit	(152)	30.3	29.8	(269)	30.2	32.6
Underlying profit from continuing operations	**336**	**14.8**	**14.4**	**629**	**20.2**	**22.9**
Net profit from discontinued operations	—	—	—	—	(100.0)	(100.0)
Underlying consolidated profit	**336**	**14.8**	**14.4**	**629**	**20.2**	**22.9**
Minority interests	43	3.8	3.9	85	35.6	37.0
Underlying attributable profit to the Group	**293**	**16.6**	**16.2**	**544**	**18.1**	**20.9**
Net capital gains and provisions**	(11)	—	—	(11)	—	—
Attributable profit to the Group	**282**	**12.2**	**11.7**	**533**	**15.7**	**18.4**
Balance sheet						
Customer loans ***	79,592	4.4	4.4	79,592	14.4	15.7
Financial assets held for trading (w/o loans)	31	(9.6)	(10.6)	31	(47.7)	(46.2)
Available-for-sale financial assets	3,524	(2.8)	(2.5)	3,524	91.4	97.1
Central banks and credit institutions ***	2,046	(4.5)	(4.9)	2,046	(49.8)	(49.4)
Tangible and intangible assets	675	0.4	0.4	675	(12.0)	(11.7)
Other assets	7,117	8.8	8.8	7,117	17.4	18.6
Total assets/liabilities & shareholders' equity	**92,985**	**4.2**	**4.2**	**92,985**	**12.9**	**14.1**
Customer deposits ***	32,981	(0.6)	(0.6)	32,981	3.7	4.6
Debt securities issued ***	25,399	13.2	13.1	25,399	40.2	42.0
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions ***	22,312	7.8	7.7	22,312	8.5	9.8
Other liabilities	5,059	9.0	9.1	5,059	24.9	25.7
Stockholders' equity ****	7,233	(12.6)	(12.5)	7,233	(7.3)	(6.1)
Other managed and marketed customer funds	**7**	**0.3**	**0.3**	**7**	**(0.3)**	**(0.3)**
Mutual and pension funds	7	0.3	0.3	7	(0.3)	(0.3)
Managed portfolios	—	—	—	—	—	—
Managed and marketed customer funds	**58,388**	**4.9**	**4.9**	**58,388**	**16.9**	**18.1**
Ratios (%) and operating means						
Underlying RoTE	16.43	3.60		14.68	1.91	
Efficiency ratio (with amortisations)	43.8	(2.4)		45.0	0.7	
NPL ratio	2.95	(0.33)		2.95	(1.30)	
NPL coverage	110.6	(1.3)		110.6	5.7	
Number of employees	14,747	0.5		14,747	3.8	
Number of branches	579	(0.9)		579	(2.2)	

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(***).- Including all on-balance sheet balances for this item
(****).- Capital + reserves + profit + other accumulated results

Activity performance

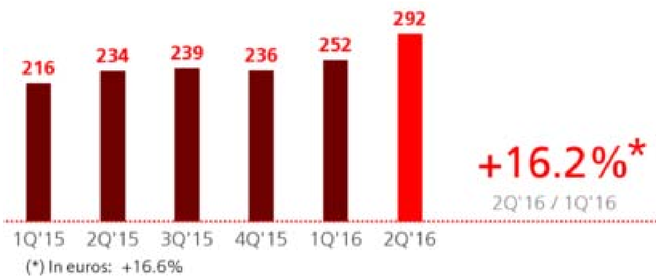
y-o-y % (Jun'16 / Jun'15 w/o FX)

Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)

Underlying attributable profit

€ Million (currency-neutral basis)



Poland

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**200**	**1.9**	**2.1**	**397**	**3.7**	**9.4**
Net fee income	97	1.4	1.7	193	(8.0)	(3.0)
Gains (losses) on financial transactions	30	19.9	20.1	55	(24.4)	(20.2)
Other operating income*	17	—	—	11	(0.8)	4.6
Gross income	**345**	**10.9**	**11.1**	**656**	**(3.0)**	**2.3**
Operating expenses	(146)	0.7	0.9	(291)	(4.3)	0.9
General administrative expenses	(132)	0.5	0.7	(263)	(6.5)	(1.3)
Personnel	*(75)*	*1.6*	*1.8*	*(150)*	*(8.5)*	*(3.4)*
Other general administrative expenses	*(56)*	*(1.0)*	*(0.8)*	*(114)*	*(3.7)*	*1.7*
Depreciation and amortisation	(14)	2.9	3.1	(28)	21.5	28.3
Net operating income	**199**	**19.7**	**20.0**	**365**	**(1.9)**	**3.5**
Net loan-loss provisions	(34)	3.5	3.7	(67)	(20.6)	(16.2)
Other income	(29)	30.2	30.5	(51)	—	—
Profit before taxes	**136**	**22.5**	**22.7**	**246**	**(13.3)**	**(8.5)**
Tax on profit	(28)	22.6	22.8	(51)	0.8	6.4
Profit from continuing operations	**108**	**22.4**	**22.7**	**196**	**(16.3)**	**(11.7)**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**108**	**22.4**	**22.7**	**196**	**(16.3)**	**(11.7)**
Minority interests	33	39.3	39.5	57	(11.0)	(6.1)
Attributable profit to the Group	**75**	**16.2**	**16.5**	**139**	**(18.3)**	**(13.8)**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	19,524	(0.5)	3.7	19,524	6.5	12.8
Financial assets held for trading (w/o loans)	1,026	19.6	24.6	1,026	(9.4)	(4.1)
Available-for-sale financial assets	4,713	(14.5)	(10.9)	4,713	(16.5)	(11.7)
Central banks and credit institutions **	1,179	63.8	70.7	1,179	(2.3)	3.4
Tangible and intangible assets	239	(5.3)	(1.4)	239	1.8	7.8
Other assets	1,701	7.1	11.6	1,701	0.2	6.0
Total assets/liabilities & shareholders' equity	**28,382**	**(0.6)**	**3.6**	**28,382**	**0.5**	**6.4**
Customer deposits **	21,136	(0.9)	3.3	21,136	4.7	10.9
Debt securities issued **	528	(3.5)	0.6	528	17.3	24.2
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions **	1,059	58.2	64.8	1,059	(36.2)	(32.4)
Other liabilities	3,361	(1.9)	2.2	3,361	(6.4)	(0.9)
Stockholders' equity ***	2,298	(10.8)	(7.1)	2,298	(2.9)	2.8
Other managed and marketed customer funds	**3,146**	**(3.2)**	**0.9**	**3,146**	**(19.9)**	**(15.2)**
Mutual and pension funds	3,047	(3.5)	0.5	3,047	(19.1)	(14.4)
Managed portfolios	99	9.0	13.5	99	(38.7)	(35.1)
Managed and marketed customer funds	**24,810**	**(1.3)**	**2.9**	**24,810**	**1.0**	**6.9**

Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	13.03	2.32		11.91	(2.86)	
Efficiency ratio (with amortisations)	42.3	(4.3)		44.4	(0.6)	
NPL ratio	5.84	(0.09)		5.84	(1.23)	
NPL coverage	65.8	(1.2)		65.8	2.3	
Number of employees	11,334	(0.5)		11,334	(4.0)	
Number of branches	666	(4.9)		666	(13.5)	

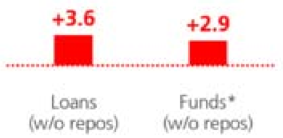
(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

Activity performance

y-o-y % (Jun'16 / Jun'15 w/o FX)

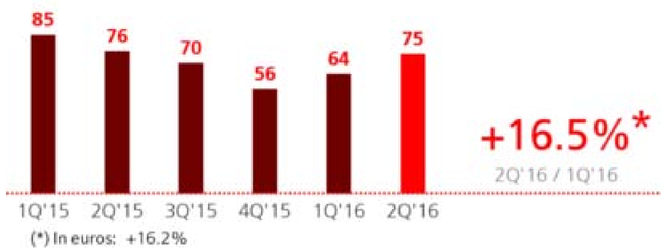
Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)



Attributable profit

€ Million (currency-neutral basis)



Portugal

€ Million

Income statement	2Q'16	% / 1Q'16	1H'16	% / 1H'15
Net interest income	**188**	**2.8**	**370**	**30.9**
Net fee income	74	(17.8)	165	21.5
Gains (losses) on financial transactions	15	(71.5)	69	175.4
Other operating income*	16	56.0	26	(7.6)
Gross income	**293**	**(13.0)**	**630**	**33.6**
Operating expenses	(149)	(2.9)	(303)	23.6
General administrative expenses	(140)	(3.2)	(285)	25.4
Personnel	*(88)*	*0.4*	*(175)*	*22.0*
Other general administrative expenses	*(52)*	*(8.8)*	*(110)*	*31.1*
Depreciation and amortisation	(9)	2.4	(18)	1.3
Net operating income	**144**	**(21.4)**	**327**	**44.4**
Net loan-loss provisions	(6)	(72.4)	(29)	(33.3)
Other income	(21)	826.8	(23)	(47.3)
Underlying profit before taxes	**116**	**(26.4)**	**275**	**97.8**
Tax on profit	(27)	(26.1)	(64)	83.4
Underlying profit from continuing operations	**89**	**(26.5)**	**211**	**102.7**
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	**89**	**(26.5)**	**211**	**102.7**
Minority interests	1	(19.0)	1	—
Underlying attributable profit to the Group	**89**	**(26.6)**	**210**	**101.4**
Net capital gains and provisions**	(9)	—	(9)	—
Attributable profit to the Group	**80**	**(33.7)**	**201**	**93.2**

Balance sheet				
Customer loans ***	27,889	0.8	27,889	20.7
Financial assets held for trading (w/o loans)	1,763	0.1	1,763	(15.1)
Available-for-sale financial assets	5,951	(3.4)	5,951	4.2
Central banks and credit institutions ***	2,268	(13.9)	2,268	29.4
Tangible and intangible assets	708	0.9	708	2.1
Other assets	8,305	(5.0)	8,305	36.5
Total assets/liabilities & shareholders' equity	**46,883**	**(1.6)**	**46,883**	**18.9**
Customer deposits ***	29,964	2.8	29,964	25.9
Debt securities issued ***	4,488	(4.5)	4,488	72.1
Liabilities under insurance contracts	44	(3.7)	44	79.6
Central banks and credit institutions ***	8,164	(15.3)	8,164	(16.6)
Other liabilities	1,063	(10.2)	1,063	9.4
Stockholders' equity ****	3,160	7.9	3,160	42.3
Other managed and marketed customer funds	**2,686**	**(2.1)**	**2,686**	**(6.6)**
Mutual and pension funds	2,283	(2.7)	2,283	(7.4)
Managed portfolios	403	1.0	403	(1.8)
Managed and marketed customer funds	**37,138**	**1.5**	**37,138**	**26.8**

Ratios (%) and operating means				
Underlying RoTE	12.19	(5.02)	14.68	5.97
Efficiency ratio (with amortisations)	50.9	5.3	48.1	(3.9)
NPL ratio	10.46	1.91	10.46	1.66
NPL coverage	61.9	(25.8)	61.9	7.7
Number of employees	6,466	(1.7)	6,466	19.0
Number of branches	734	(2.4)	734	27.4

(*).- 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 % (Jun'16 / Jun'15)

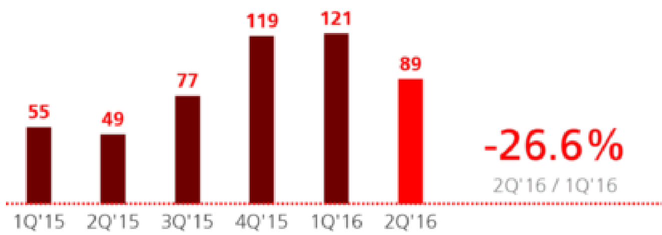
(*) Customer deposits + mutual funds

Activity performance

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

Underlying attributable profit

€ Million



United Kingdom

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**1,136**	**(1.6)**	**0.5**	**2,290**	**(6.2)**	**(0.2)**
Net fee income	258	(8.0)	(6.0)	538	(7.0)	(1.1)
Gains (losses) on financial transactions	95	40.5	43.0	163	13.7	20.9
Other operating income*	12	11.1	13.3	23	68.6	79.4
Gross income	**1,501**	**(0.8)**	**1.3**	**3,014**	**(5.1)**	**0.9**
Operating expenses	(788)	(0.8)	1.3	(1,581)	(5.1)	0.9
General administrative expenses	(705)	(1.8)	0.3	(1,422)	(5.6)	0.4
Personnel	*(358)*	*(3.4)*	*(1.4)*	*(729)*	*(10.4)*	*(4.7)*
Other general administrative expenses	*(346)*	*(0.0)*	*2.1*	*(693)*	*0.0*	*6.4*
Depreciation and amortisation	(83)	8.9	11.1	(159)	(0.4)	6.0
Net operating income	**713**	**(0.9)**	**1.2**	**1,433**	**(5.1)**	**0.9**
Net loan-loss provisions	(68)	944.5	956.5	(74)	(20.6)	(15.6)
Other income	(71)	21.4	23.7	(130)	22.6	30.4
Profit before taxes	**574**	**(12.3)**	**(10.3)**	**1,228**	**(6.3)**	**(0.3)**
Tax on profit	(173)	(9.9)	(8.0)	(365)	32.0	40.4
Profit from continuing operations	**401**	**(13.3)**	**(11.3)**	**863**	**(16.5)**	**(11.2)**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**401**	**(13.3)**	**(11.3)**	**863**	**(16.5)**	**(11.2)**
Minority interests	11	16.1	18.4	20	15.8	23.2
Attributable profit to the Group	**390**	**(13.9)**	**(11.9)**	**843**	**(17.1)**	**(11.8)**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	259,852	(2.9)	1.4	259,852	(9.7)	4.9
Financial assets held for trading (w/o loans)	40,661	12.5	17.4	40,661	(1.7)	14.2
Available-for-sale financial assets	11,901	0.8	5.3	11,901	(6.9)	8.1
Central banks and credit institutions **	17,147	(0.4)	4.0	17,147	1.8	18.2
Tangible and intangible assets	2,646	(5.1)	(0.9)	2,646	(16.7)	(3.2)
Other assets	29,976	3.5	8.1	29,976	8.7	26.3
Total assets/liabilities & shareholders' equity	**362,184**	**(0.6)**	**3.7**	**362,184**	**(7.0)**	**8.0**
Customer deposits **	212,152	(2.4)	1.9	212,152	(7.9)	7.1
Debt securities issued **	72,556	(5.3)	(1.1)	72,556	(6.9)	8.2
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions **	21,040	38.3	44.4	21,040	(20.1)	(7.2)
Other liabilities	40,880	10.0	14.8	40,880	3.8	20.6
Stockholders' equity ***	15,556	(14.8)	(11.1)	15,556	(1.5)	14.5
Other managed and marketed customer funds	**8,365**	**(4.8)**	**(0.6)**	**8,365**	**(22.6)**	**(10.1)**
Mutual and pension funds	8,246	(4.8)	(0.6)	8,246	(22.5)	(10.0)
Managed portfolios	119	(3.8)	0.5	119	(26.7)	(14.8)
Managed and marketed customer funds	**293,073**	**(3.2)**	**1.1**	**293,073**	**(8.1)**	**6.8**

Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	9.58	(0.57)		9.95	(2.74)	
Efficiency ratio (with amortisations)	52.5	0.0		52.5	(0.0)	
NPL ratio	1.47	(0.02)		1.47	(0.14)	
NPL coverage	36.5	—		36.5	(3.8)	
Number of employees	26,010	(0.3)		26,010	(1.3)	
Number of branches	850	(0.5)		850	(5.7)	

(*).- 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 % (Jun'16 / Jun'15 w/o FX)

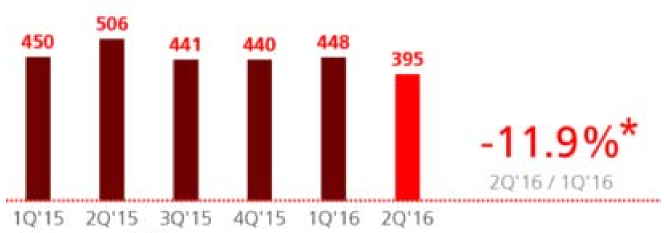
(*) Customer deposits + mutual funds

Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)

Attributable profit

€ Million (currency-neutral basis)



(*) In euros: -13.9%

Latin America

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**3,140**	**3.2**	**(1.4)**	**6,184**	**(13.6)**	**6.8**
Net fee income	1,121	16.6	11.7	2,082	(9.0)	14.5
Gains (losses) on financial transactions	222	56.6	57.4	363	9.7	35.1
Other operating income*	25	—	—	18	(30.3)	(23.6)
Gross income	**4,507**	**8.9**	**4.3**	**8,647**	**(11.8)**	**9.5**
Operating expenses	(1,834)	5.7	1.4	(3,570)	(12.4)	9.3
General administrative expenses	(1,666)	5.1	1.0	(3,251)	(12.4)	9.3
Personnel	*(938)*	*8.0*	*3.7*	*(1,806)*	*(10.6)*	*11.2*
Other general administrative expenses	*(728)*	*1.6*	*(2.4)*	*(1,444)*	*(14.5)*	*7.1*
Depreciation and amortisation	(168)	11.3	6.5	(320)	(12.2)	9.1
Net operating income	**2,673**	**11.2**	**6.4**	**5,076**	**(11.3)**	**9.6**
Net loan-loss provisions	(1,149)	4.0	(1.2)	(2,253)	(7.5)	13.6
Other income	(217)	14.7	6.5	(405)	(14.9)	6.7
Profit before taxes	**1,308**	**17.8**	**14.0**	**2,418**	**(14.0)**	**6.5**
Tax on profit	(352)	30.8	26.6	(621)	(19.8)	0.7
Profit from continuing operations	**955**	**13.6**	**9.9**	**1,796**	**(11.8)**	**8.6**
Net profit from discontinued operations	0	—	—	0	—	—
Consolidated profit	**955**	**13.6**	**9.9**	**1,796**	**(11.8)**	**8.7**
Minority interests	152	10.9	8.8	290	(9.5)	7.0
Attributable profit to the Group	**803**	**14.2**	**10.2**	**1,506**	**(12.2)**	**9.0**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	141,873	7.6	0.8	141,873	(2.2)	5.5
Financial assets held for trading (w/o loans)	38,044	5.2	1.0	38,044	10.0	20.7
Available-for-sale financial assets	28,815	6.6	(1.5)	28,815	(16.9)	(11.3)
Central banks and credit institutions **	49,887	27.7	16.2	49,887	39.3	47.9
Tangible and intangible assets	3,869	9.0	(0.6)	3,869	(4.6)	5.0
Other assets	37,107	5.4	(2.7)	37,107	22.5	33.6
Total assets/liabilities & shareholders' equity	**299,596**	**9.8**	**2.4**	**299,596**	**5.3**	**13.6**
Customer deposits **	134,898	7.6	0.7	134,898	1.1	10.2
Debt securities issued **	45,148	14.8	4.5	45,148	3.6	9.0
Liabilities under insurance contracts	1	10.3	(3.8)	1	1.1	4.6
Central banks and credit institutions **	42,333	1.1	(5.4)	42,333	1.4	7.9
Other liabilities	53,825	20.0	13.2	53,825	24.0	34.6
Stockholders' equity ***	23,391	9.2	1.2	23,391	4.6	13.7
Other managed and marketed customer funds	**76,722**	**12.5**	**2.3**	**76,722**	**7.2**	**14.0**
Mutual and pension funds	70,759	11.8	1.7	70,759	6.7	13.8
Managed portfolios	5,964	21.3	10.1	5,964	13.2	16.9
Managed and marketed customer funds	**256,768**	**10.3**	**1.8**	**256,768**	**3.3**	**11.1**

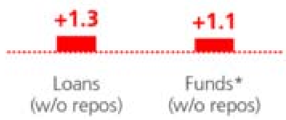
Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	15.11	0.80		14.75	(0.96)	
Efficiency ratio (with amortisations)	40.7	(1.2)		41.3	(0.3)	
NPL ratio	4.98	0.10		4.98	0.24	
NPL coverage	81.4	1.7		81.4	(3.0)	
Number of employees	88,497	(1.8)		88,497	1.3	
Number of branches	5,852	0.1		5,852	1.2	

(*).- 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

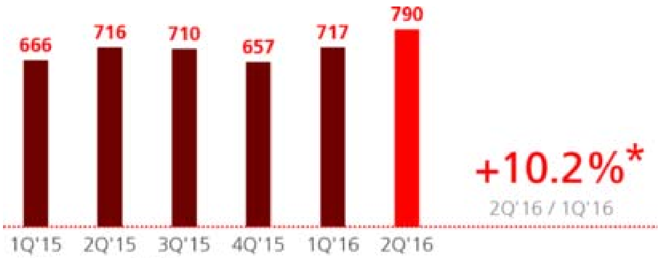
Activity performance
y-o-y % (Jun'16 / Jun'15 w/o FX)

(*) Customer deposits + mutual funds

Activity performance
q-o-q % (Jun'16 / Mar'16 w/o FX)



Attributable profit
€ Million (currency-neutral basis)



(*) In euros: +14.2%

Brazil
€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**1,878**	**4.8**	**(3.7)**	**3,671**	**(17.3)**	**3.1**
Net fee income	704	23.0	13.8	1,277	(8.1)	14.5
Gains (losses) on financial transactions	97	—	—	99	10.2	37.5
Other operating income*	23	80.4	68.8	36	(45.2)	(31.7)
Gross income	**2,703**	**13.5**	**4.7**	**5,083**	**(15.1)**	**5.9**
Operating expenses	(1,046)	10.4	1.7	(1,993)	(14.7)	6.3
General administrative expenses	(942)	9.9	1.2	(1,799)	(14.4)	6.7
Personnel	*(523)*	*10.8*	*2.0*	*(996)*	*(13.1)*	*8.4*
Other general administrative expenses	*(418)*	*8.9*	*0.2*	*(803)*	*(16.1)*	*4.6*
Depreciation and amortisation	(104)	15.3	6.4	(194)	(17.3)	3.1
Net operating income	**1,657**	**15.6**	**6.7**	**3,091**	**(15.3)**	**5.6**
Net loan-loss provisions	(753)	4.5	(3.9)	(1,473)	(11.0)	11.0
Other income	(193)	8.8	0.2	(370)	(21.6)	(2.3)
Profit before taxes	**711**	**32.6**	**23.0**	**1,248**	**(18.1)**	**2.1**
Tax on profit	(231)	68.5	57.4	(368)	(23.8)	(5.0)
Profit from continuing operations	**481**	**20.3**	**11.2**	**880**	**(15.4)**	**5.4**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**481**	**20.3**	**11.2**	**880**	**(15.4)**	**5.4**
Minority interests	51	25.6	16.3	92	(17.2)	3.2
Attributable profit to the Group	**429**	**19.7**	**10.7**	**788**	**(15.2)**	**5.7**
Balance sheet						
Customer loans **	68,034	12.5	(1.9)	68,034	(5.6)	(2.4)
Financial assets held for trading (w/o loans)	19,478	24.7	8.7	19,478	23.1	27.4
Available-for-sale financial assets	17,685	10.0	(4.1)	17,685	(32.1)	(29.8)
Central banks and credit institutions **	36,362	33.8	16.6	36,362	38.1	42.9
Tangible and intangible assets	2,647	11.8	(2.5)	2,647	(0.9)	2.5
Other assets	21,869	7.2	(6.5)	21,869	40.6	45.5
Total assets/liabilities & shareholders' equity	**166,074**	**16.9**	**1.9**	**166,074**	**4.8**	**8.4**
Customer deposits **	68,672	15.0	0.2	68,672	2.2	5.7
Debt securities issued **	31,200	17.9	2.8	31,200	7.1	10.8
Liabilities under insurance contracts	1	10.3	(3.8)	1	1.1	4.6
Central banks and credit institutions **	22,141	3.1	(10.1)	22,141	(14.5)	(11.5)
Other liabilities	29,631	32.5	15.5	29,631	25.6	29.9
Stockholders' equity ***	14,428	19.6	4.3	14,428	13.8	17.8
Other managed and marketed customer funds	**55,908**	**15.0**	**0.3**	**55,908**	**12.1**	**16.0**
Mutual and pension funds	52,385	14.7	(0.0)	52,385	12.4	16.3
Managed portfolios	3,522	20.1	4.7	3,522	7.9	11.6
Managed and marketed customer funds	**155,780**	**15.5**	**0.7**	**155,780**	**6.5**	**10.2**
Ratios (%) and operating means						
RoTE	13.87	0.36		13.71	(1.17)	
Efficiency ratio (with amortisations)	38.7	(1.1)		39.2	0.2	
NPL ratio	6.11	0.18		6.11	0.98	
NPL coverage	85.3	1.6		85.3	(10.6)	
Number of employees	48,366	(2.5)		48,366	(0.6)	
Number of branches	3,441	0.1		3,441	0.1	

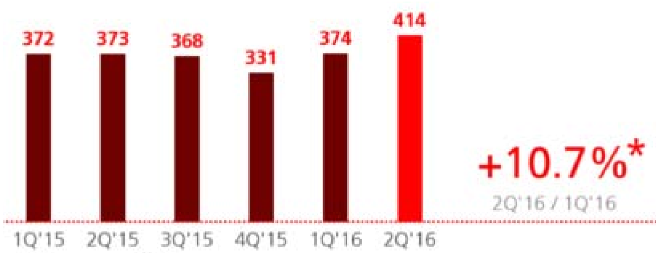
(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

Activity performance
y-o-y % (Jun'16 / Jun'15 w/o FX)

(*) Customer deposits + mutual funds

Activity performance
q-o-q % (Jun'16 / Mar'16 w/o FX)

Attributable profit
€ Million (currency-neutral basis)



(*) In euros: +19.7%

Mexico

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**579**	**(2.6)**	**0.1**	**1,173**	**(3.7)**	**15.0**
Net fee income	190	9.4	12.3	363	(10.9)	6.4
Gains (losses) on financial transactions	23	(32.5)	(30.2)	57	(24.7)	(10.1)
Other operating income*	(5)	(43.3)	(41.2)	(15)	(48.5)	(38.5)
Gross income	**786**	**(0.8)**	**2.0**	**1,578**	**(5.6)**	**12.7**
Operating expenses	(317)	(1.5)	1.2	(639)	(9.7)	7.8
General administrative expenses	(289)	(1.4)	1.4	(581)	(10.1)	7.3
Personnel	*(159)*	*4.3*	*7.1*	*(311)*	*(8.7)*	*9.1*
Other general administrative expenses	*(130)*	*(7.6)*	*(4.9)*	*(270)*	*(11.7)*	*5.4*
Depreciation and amortisation	(29)	(3.2)	(0.5)	(58)	(5.9)	12.4
Net operating income	**469**	**(0.3)**	**2.5**	**939**	**(2.6)**	**16.3**
Net loan-loss provisions	(214)	(3.5)	(0.8)	(435)	0.0	19.5
Other income	(11)	84.8	88.7	(18)	—	—
Profit before taxes	**244**	**0.5**	**3.3**	**486**	**(9.1)**	**8.6**
Tax on profit	(52)	(6.0)	(3.3)	(107)	(11.4)	5.9
Profit from continuing operations	**192**	**2.4**	**5.2**	**379**	**(8.4)**	**9.4**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**192**	**2.4**	**5.2**	**379**	**(8.4)**	**9.4**
Minority interests	46	3.3	6.1	91	(10.6)	6.8
Attributable profit to the Group	**146**	**2.2**	**4.9**	**289**	**(7.7)**	**10.2**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	28,215	(1.7)	3.5	28,215	(1.4)	16.1
Financial assets held for trading (w/o loans)	15,128	(13.6)	(9.0)	15,128	(1.7)	15.7
Available-for-sale financial assets	6,739	19.7	26.0	6,739	69.1	99.0
Central banks and credit institutions **	8,102	30.8	37.8	8,102	51.8	78.6
Tangible and intangible assets	364	(4.1)	1.0	364	(20.9)	(6.9)
Other assets	6,080	(15.8)	(11.3)	6,080	(19.2)	(5.0)
Total assets/liabilities & shareholders' equity	**64,628**	**(1.5)**	**3.7**	**64,628**	**5.4**	**24.1**
Customer deposits **	27,497	(2.5)	2.7	27,497	(4.3)	12.6
Debt securities issued **	5,410	(0.8)	4.5	5,410	(8.3)	7.9
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions **	10,159	(11.8)	(7.1)	10,159	19.9	41.1
Other liabilities	17,345	9.6	15.5	17,345	30.1	53.1
Stockholders' equity ***	4,218	(9.0)	(4.1)	4,218	(13.2)	2.1
Other managed and marketed customer funds	**11,359**	**(2.3)**	**2.9**	**11,359**	**(9.5)**	**6.5**
Mutual and pension funds	11,359	(2.3)	2.9	11,359	(9.5)	6.5
Managed portfolios	—	—	—	—	—	—
Managed and marketed customer funds	**44,266**	**(2.3)**	**2.9**	**44,266**	**(6.2)**	**10.4**

Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	14.22	1.27		13.61	0.34	
Efficiency ratio (with amortisations)	40.4	(0.3)		40.5	(1.8)	
NPL ratio	3.01	(0.05)		3.01	(0.80)	
NPL coverage	102.3	4.8		102.3	14.8	
Number of employees	17,703	(0.9)		17,703	2.1	
Number of branches	1,389	0.2		1,389	2.4	

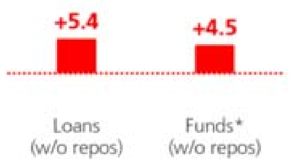
(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

Activity performance

y-o-y % (Jun'16 / Jun'15 w/o FX)

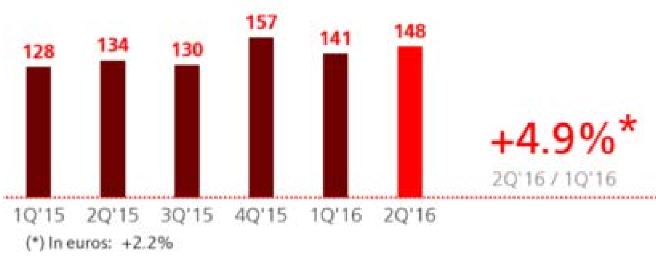
Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)



Attributable profit

€ Million (currency-neutral basis)



Chile

€ Million

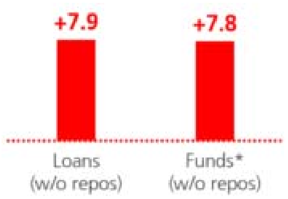
Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**449**	**6.7**	**5.7**	**870**	**(2.8)**	**7.9**
Net fee income	85	(3.1)	(4.0)	172	(5.4)	5.0
Gains (losses) on financial transactions	42	(12.4)	(13.4)	90	(10.4)	(0.5)
Other operating income*	1	—	—	0	(97.0)	(96.7)
Gross income	**577**	**3.7**	**2.7**	**1,133**	**(4.5)**	**6.0**
Operating expenses	(237)	1.0	(0.0)	(472)	(5.7)	4.7
General administrative expenses	(216)	0.1	(0.9)	(431)	(6.9)	3.4
Personnel	*(139)*	*9.0*	*8.0*	*(267)*	*(3.5)*	*7.1*
Other general administrative expenses	*(76)*	*(12.9)*	*(13.8)*	*(164)*	*(11.8)*	*(2.1)*
Depreciation and amortisation	(21)	10.5	9.5	(41)	8.7	20.7
Net operating income	**339**	**5.7**	**4.7**	**661**	**(3.6)**	**7.0**
Net loan-loss provisions	(127)	16.7	15.7	(237)	(8.2)	2.0
Other income	(1)	—	—	1	(71.8)	(68.6)
Profit before taxes	**211**	**(0.9)**	**(1.9)**	**425**	**(1.4)**	**9.4**
Tax on profit	(31)	(23.1)	(24.0)	(71)	(0.6)	10.4
Profit from continuing operations	**181**	**4.3**	**3.3**	**354**	**(1.6)**	**9.2**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**181**	**4.3**	**3.3**	**354**	**(1.6)**	**9.2**
Minority interests	55	5.8	4.8	106	(0.5)	10.5
Attributable profit to the Group	**126**	**3.6**	**2.6**	**248**	**(2.1)**	**8.7**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	35,322	5.9	2.3	35,322	4.7	7.9
Financial assets held for trading (w/o loans)	3,217	15.2	11.2	3,217	10.2	13.6
Available-for-sale financial assets	3,273	(7.7)	(10.9)	3,273	15.6	19.2
Central banks and credit institutions **	3,469	(1.0)	(4.3)	3,469	27.9	31.9
Tangible and intangible assets	373	5.3	1.7	373	0.4	3.5
Other assets	4,387	31.3	26.8	4,387	11.6	15.0
Total assets/liabilities & shareholders' equity	**50,041**	**6.7**	**3.1**	**50,041**	**7.6**	**10.9**
Customer deposits **	25,636	3.9	0.3	25,636	5.9	9.2
Debt securities issued **	8,419	15.6	11.7	8,419	(0.5)	2.5
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions **	7,305	16.2	12.2	7,305	25.9	29.8
Other liabilities	5,693	3.2	(0.4)	5,693	11.0	14.4
Stockholders' equity ***	2,988	(4.3)	(7.6)	2,988	3.1	6.3
Other managed and marketed customer funds	**8,044**	**13.9**	**10.0**	**8,044**	**3.2**	**6.4**
Mutual and pension funds	5,603	10.3	6.5	5,603	(3.2)	(0.2)
Managed portfolios	2,441	23.0	18.8	2,441	21.7	25.4
Managed and marketed customer funds	**42,099**	**7.9**	**4.2**	**42,099**	**4.1**	**7.3**

Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	17.75	1.32		17.19	0.25	
Efficiency ratio (with amortisations)	41.1	(1.1)		41.7	(0.5)	
NPL ratio	5.28	(0.17)		5.28	(0.45)	
NPL coverage	55.5	0.9		55.5	3.9	
Number of employees	12,307	(1.3)		12,307	(0.0)	
Number of branches	469	(0.4)		469	(2.1)	

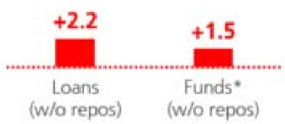
(*).- Including dividends, income from equity-accounted method and other operating income/expenses
(**).- Including all on-balance sheet balances for this item
(***).- Capital + reserves + profit + other accumulated results

Activity performance
y-o-y % (Jun'16 / Jun'15 w/o FX)

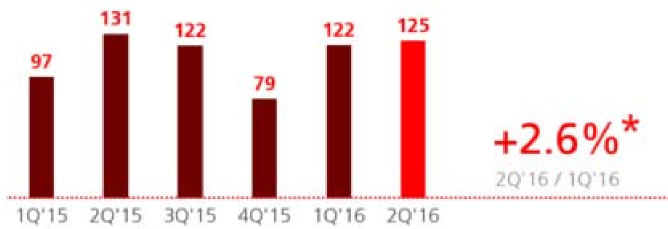


(*) Customer deposits + mutual funds

Activity performance
q-o-q % (Jun'16 / Mar'16 w/o FX)



Attributable profit
€ Million (currency-neutral basis)



(*) In euros: +3.6%

United States

€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**1,462**	**(5.6)**	**(3.1)**	**3,010**	**(0.1)**	**0.0**
Net fee income	293	3.5	6.0	576	8.1	8.2
Gains (losses) on financial transactions	8	(63.2)	(61.5)	28	(81.8)	(81.8)
Other operating income*	126	8.3	10.8	242	43.5	43.6
Gross income	**1,888**	**(4.0)**	**(1.6)**	**3,856**	**(0.3)**	**(0.2)**
Operating expenses	(774)	(0.4)	2.1	(1,551)	8.8	8.9
General administrative expenses	(697)	(0.9)	1.6	(1,400)	7.8	7.9
Personnel	*(400)*	*(3.8)*	*(1.4)*	*(815)*	*9.9*	*10.0*
Other general administrative expenses	*(297)*	*3.4*	*5.9*	*(584)*	*5.0*	*5.0*
Depreciation and amortisation	(77)	4.4	6.9	(151)	19.8	19.9
Net operating income	**1,114**	**(6.4)**	**(4.0)**	**2,305**	**(5.6)**	**(5.5)**
Net loan-loss provisions	(704)	(18.2)	(16.0)	(1,565)	12.3	12.4
Other income	(13)	(79.5)	(78.0)	(79)	31.7	31.9
Profit before taxes	**397**	**50.4**	**53.5**	**661**	**(33.2)**	**(33.1)**
Tax on profit	(143)	38.6	41.6	(247)	(21.7)	(21.7)
Profit from continuing operations	**253**	**57.9**	**61.1**	**414**	**(38.6)**	**(38.5)**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**253**	**57.9**	**61.1**	**414**	**(38.6)**	**(38.5)**
Minority interests	95	20.5	23.2	174	(13.2)	(13.1)
Attributable profit to the Group	**159**	**94.0**	**97.7**	**240**	**(49.3)**	**(49.2)**

Balance sheet	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Customer loans **	83,144	2.9	0.3	83,144	4.4	3.6
Financial assets held for trading (w/o loans)	2,617	10.6	7.8	2,617	56.2	55.0
Available-for-sale financial assets	17,688	(3.0)	(5.4)	17,688	5.4	4.6
Central banks and credit institutions **	1,559	1.9	(0.6)	1,559	21.8	20.8
Tangible and intangible assets	10,000	8.1	5.4	10,000	26.6	25.6
Other assets	20,196	(14.6)	(16.7)	20,196	46.6	45.5
Total assets/liabilities & shareholders' equity	**135,205**	**(0.5)**	**(3.0)**	**135,205**	**11.7**	**10.8**
Customer deposits **	59,382	(0.2)	(2.7)	59,382	2.1	1.4
Debt securities issued **	25,933	15.7	12.8	25,933	18.9	18.0
Liabilities under insurance contracts	—	—	—	—	—	—
Central banks and credit institutions **	26,738	(16.5)	(18.6)	26,738	23.9	22.9
Other liabilities	9,384	7.6	4.9	9,384	11.8	10.9
Stockholders' equity ***	13,767	4.5	1.9	13,767	23.6	22.7
Other managed and marketed customer funds	**19,212**	**5.0**	**2.4**	**19,212**	**(8.3)**	**(9.0)**
Mutual and pension funds	6,979	2.4	(0.1)	6,979	(9.4)	(10.1)
Managed portfolios	12,233	6.6	3.9	12,233	(7.6)	(8.3)
Managed and marketed customer funds** **	**84,192**	**2.3**	**(0.2)**	**84,192**	**1.3**	**0.6**

Ratios (%) and operating means	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
RoTE	5.01	2.31		3.91	(5.20)	
Efficiency ratio (with amortisations)	41.0	1.5		40.2	3.4	
NPL ratio	2.24	0.05		2.24	0.04	
NPL coverage	220.6	(0.5)		220.6	(3.6)	
Number of employees	17,871	(2.0)		17,871	3.6	
Number of branches	774	0.1		774	(1.1)	

(*).- 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
(****).- Excluding debt securities issued of Santander Consumer USA

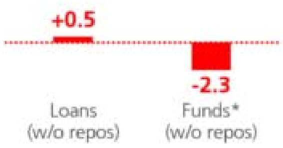
Activity performance

y-o-y % (Jun'16 / Jun'15 w/o FX)

(*) Customer deposits + mutual funds

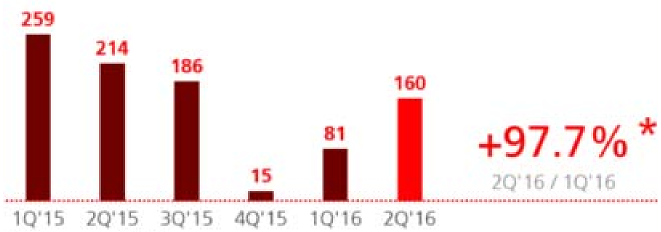
Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)



Attributable profit

€ Million (currency-neutral basis)



(*) In euros: +94.0%

Corporate Centre

€ Million

Income statement	2Q'16	1Q'16	%	1H'16	1H'15	%
Net interest income	**(187)**	**(169)**	**11.1**	**(356)**	**(352)**	**1.0**
Net fee income	(5)	(5)	15.1	(10)	(7)	32.1
Gains (losses) on financial transactions	(67)	(32)	107.3	(99)	(56)	76.2
Other operating income	15	(18)	—	(3)	9	—
Dividends	27	2	—	29	39	(26.2)
Income from equity-accounted method	(5)	(16)	(68.7)	(21)	(21)	4.2
Other operating income/expenses	(8)	(4)	110.4	(11)	(10)	13.3
Gross income	**(244)**	**(223)**	**9.5**	**(468)**	**(407)**	**15.1**
Operating expenses	(120)	(126)	(4.5)	(246)	(293)	(15.8)
Net operating income	**(365)**	**(349)**	**4.5**	**(714)**	**(699)**	**2.2**
Net loan-loss provisions	(5)	1	—	(3)	1	—
Other income	(55)	(5)	974.2	(60)	(230)	(74.0)
Underlying profit before taxes	**(424)**	**(353)**	**20.0**	**(777)**	**(928)**	**(16.2)**
Tax on profit	6	36	(83.7)	42	(27)	—
Underlying profit from continuing operations	**(418)**	**(317)**	**31.8**	**(736)**	**(955)**	**(23.0)**
Net profit from discontinued operations	0	—	—	0	0	—
Underlying consolidated profit	**(418)**	**(317)**	**31.7**	**(735)**	**(955)**	**(23.0)**
Minority interests	(0)	(6)	(94.1)	(7)	25	—
Underlying attributable profit to the Group	**(418)**	**(311)**	**34.2**	**(729)**	**(980)**	**(25.6)**
Net capital gains and provisions*	(248)	—	—	(248)	835	—
Attributable profit to the Group	**(666)**	**(311)**	**114.0**	**(977)**	**(145)**	**574.2**

Balance sheet	2Q'16	1Q'16	%	1H'16	1H'15	%
Financial assets held for trading (w/o loans)	1,992	1,616	23.2	1,992	3,502	(43.1)
Available-for-sale financial assets	3,163	3,654	(13.4)	3,163	3,721	(15.0)
Goodwill	26,536	26,209	1.2	26,536	28,593	(7.2)
Capital assigned to Group areas	82,167	84,715	(3.0)	82,167	81,700	0.6
Other assets	26,085	20,060	30.0	26,085	35,926	(27.4)
Total assets/liabilities & shareholders' equity	**139,944**	**136,255**	**2.7**	**139,944**	**153,442**	**(8.8)**
Customer deposits**	1,061	1,629	(34.9)	1,061	2,195	(51.7)
Debt securities issued**	35,292	32,459	8.7	35,292	29,061	21.4
Other liabilities	18,880	16,882	11.8	18,880	29,272	(35.5)
Stockholders' equity ***	84,710	85,286	(0.7)	84,710	92,913	(8.8)
Other managed and marketed customer funds	**—**	**—**	**—**	**—**	**—**	**—**
Mutual and pension funds	—	—	—	—	—	—
Managed portfolios	—	—	—	—	—	—
Managed and marketed customer funds	**36,353**	**34,087**	**6.6**	**36,353**	**31,256**	**16.3**

Operating means	2Q'16	1Q'16	%	1H'16	1H'15	%
Number of employees	1,757	1,974	(11.0)	1,757	2,184	(19.6)

(*).- In 1H'16 restructuring costs and capital gains from the disposal of the stake in Visa Europe. In 1H'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

		/ 1Q'16			/ 1H'15	
Income statement	**2Q'16**	**%**	**% w/o FX**	**1H'16**	**%**	**% w/o FX**
Net interest income	**7,160**	**0.1**	**(0.9)**	**14,314**	**(5.5)**	**3.9**
Net fee income	2,170	6.1	4.8	4,214	(2.8)	8.4
Gains (losses) on financial transactions	76	(57.6)	(53.2)	257	(63.0)	(60.6)
Other operating income*	268	54.8	56.4	441	20.2	21.9
Gross income	**9,673**	**1.3**	**0.4**	**19,225**	**(6.4)**	**3.0**
Operating expenses	(4,553)	1.3	0.5	(9,045)	(3.0)	6.8
Net operating income	**5,121**	**1.2**	**0.3**	**10,180**	**(9.2)**	**(0.2)**
Net loan-loss provisions	(1,955)	(9.5)	(11.0)	(4,116)	(11.2)	(2.4)
Other income	(432)	3.8	0.9	(849)	0.4	14.9
Underlying profit before taxes	**2,733**	**10.1**	**10.1**	**5,216**	**(9.0)**	**(0.6)**
Tax on profit	(791)	17.5	17.9	(1,464)	(3.0)	6.3
Underlying profit from continuing operations	**1,943**	**7.4**	**7.2**	**3,752**	**(11.2)**	**(3.0)**
Net profit from discontinued operations	0	—	—	0	(40.4)	(40.4)
Underlying consolidated profit	**1,943**	**7.4**	**7.2**	**3,752**	**(11.2)**	**(3.0)**
Minority interests	302	18.3	18.8	557	(7.9)	(0.8)
Underlying attributable profit to the Group	**1,641**	**5.6**	**5.3**	**3,195**	**(11.8)**	**(3.4)**
Net capital gains and provisions**	(120)	—	—	(120)	—	—
Attributable profit to the Group	**1,521**	**(2.2)**	**(2.4)**	**3,075**	**(15.1)**	**(7.0)**

(*).- 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

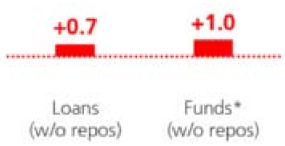
Activity performance

y-o-y % (Jun'16 / Jun'15 w/o FX)

(*) Customer deposits + mutual funds

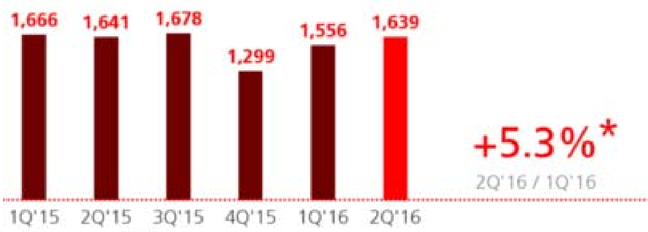
Activity performance

q-o-q % (Jun'16 / Mar'16 w/o FX)



Underlying attributable profit

€ Million (currency-neutral basis)



(*) In euros: +5.6%

Global Corporate Banking

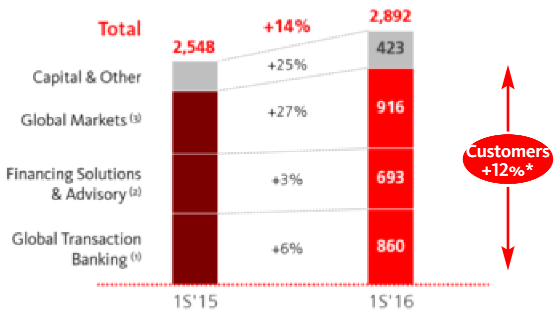
€ Million

Income statement	2Q'16	/ 1Q'16 %	/ 1Q'16 % w/o FX	1H'16	/ 1H'15 %	/ 1H'15 % w/o FX
Net interest income	**608**	**(6.6)**	**(8.6)**	**1,258**	**(18.0)**	**(6.4)**
Net fee income	385	7.7	6.4	742	(5.1)	4.2
Gains (losses) on financial transactions	357	0.3	(1.9)	712	102.6	123.0
Other operating income*	140	254.1	251.9	180	5.2	4.3
Gross income	**1,489**	**6.2**	**4.2**	**2,892**	**1.9**	**13.5**
Operating expenses	(500)	3.0	2.7	(985)	(7.2)	0.4
Net operating income	**989**	**7.8**	**5.0**	**1,906**	**7.3**	**21.7**
Net loan-loss provisions	(194)	(12.9)	(14.7)	(417)	21.4	42.4
Other income	(33)	—	—	(33)	74.8	46.2
Profit before taxes	**762**	**9.8**	**6.7**	**1,456**	**3.0**	**16.4**
Tax on profit	(220)	10.2	6.8	(419)	6.1	21.2
Profit from continuing operations	**542**	**9.7**	**6.7**	**1,037**	**1.8**	**14.5**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**542**	**9.7**	**6.7**	**1,037**	**1.8**	**14.5**
Minority interests	38	(6.6)	(10.9)	79	13.7	35.3
Attributable profit to the Group	**504**	**11.2**	**8.3**	**958**	**0.9**	**13.1**

(*).- 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)

(*) In euros: +11.2%

((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.

Consolidated summarised financial statements

Consolidated income statement

Consolidated balance sheet

NOTE: The financial information for the first half of 2016 and 2015 corresponds to that included in the consolidated summarised financial statements at these dates, drawn up in accordance with the International Accounting Standards (IAS) 34, Interim Financial Information. The accounting policies and methods used are those established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU), Circular 4/2004 of the Bank of Spain and the International Financial Reporting Standards issued by the International Accounting Standards Board (IFRS-IASB).

Consolidated income statement

€ Million

	1H'16	1H'15
Interest income	27,032	29,182
Interest expense	(11,838)	(12,240)
NET INTEREST INCOME	**15,194**	**16,942**
Dividend income	253	273
Share of results of entities accounted for using the equity method	195	200
Commission income	6,275	6,606
Commission expense	(1,329)	(1,495)
Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net	734	757
Gain or losses on financial assets and liabilities held for trading, net	753	(1,005)
Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net	422	(12)
Gain or losses from hedge accounting, net	14	(38)
Exchange rate differences, net	(672)	1,333
Other operating income	1,150	1,418
Other operating expenses	(1,160)	(1,370)
Income from assets under insurance and reinsurance contracts	1,024	426
Expenses from liabilities under insurance and reinsurance contracts	(988)	(383)
GROSS INCOME	**21,865**	**23,652**
Administrative expenses	(9,204)	(9,611)
Staff costs	(5,395)	(5,591)
Other general administrative expenses	(3,809)	(4,020)
Depreciation and amortisation cost	(1,181)	(1,195)
Provisions, net	(1,570)	(1,560)
Impairment or reversal of impairment of financial assets measured at fair value through profit or loss, net	(4,647)	(5,295)
Financial assets measured at cost	(2)	(19)
Financial assets available-for-sale	—	(96)
Loans and receivables	(4,645)	(5,180)
Held-to-maturity investments	—	—
PROFIT FROM OPERATIONS	**5,263**	**5,991**
Impairment of investments in subsidiaries, joint ventures and associates, net	(8)	—
Impairment on non-financial assets, net	(30)	(287)
Tangible assets	(18)	(59)
Intangible assets	—	(17)
Others	(12)	(211)
Gain or losses on non financial assets and investments, net	27	193
Negative goodwill recognized in results	—	—
Gains or losses on non-current assets held for sale classified as discontinued operations	(40)	(56)
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**5,212**	**5,841**
Tax expense or income from continuing operations	(1,642)	(765)
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**3,570**	**5,076**
Profit or loss after tax from discontinued operations	—	—
PROFIT FOR THE PERIOD	**3,570**	**5,076**
Profit attributable to non-controlling interests	659	815
Profit attributable to the parent	2,911	4,261
EARNINGS PER SHARE (euros)		
Basic	0.19	0.30
Diluted	0.19	0.30

NOTE: The financial information in this report was approved by the Bank's Board of Directors at its meeting on July 25, 2016, following a favourable report from the Audit Committee on July 20, 2016. In its review, the Audit Committee ensured that the first half information has been drawn up in accordance with the same principles and practices as the annual financial statements.

Consolidated balance sheet

€ Million

ASSETS	30.06.16	31.12.15	30.06.15
Cash, cash balances at central banks and other demand deposits	65,368	77,751	68,967
Financial assets held for trading	157,497	146,346	150,221
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*32,081*	*34,026*	*51,292*
Financial assets measured at fair value	42,846	45,043	37,245
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	—	—	—
Financial assets available for sale	116,385	122,036	129,035
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*27,124*	*26,742*	*33,201*
Loans and receivables	842,878	836,156	844,907
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*2,349*	*1,697*	*7,103*
Investments held.to-maturity	4,820	4,355	—
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*524*	—	—
Hedging derivates	11,045	7,727	6,107
Changes in fair value of hedged items in portfolio hedges of interest rate risk	1,993	1,379	1,417
Investments	3,411	3,251	3,559
Associated companies	1,650	1,592	1,628
Controlled entities	1,761	1,659	1,931
Reinsurance assets	326	331	340
Tangible assets	26,314	25,320	24,054
Property, plant and equipment	19,951	19,335	18,251
For own-use	7,681	7,949	8,637
Leased out under an operating lease	12,270	11,386	9,614
Investment property	6,363	5,985	5,803
Of which: leased out under an operating lease	5,153	4,777	5,268
Memorandum items: acquired in financial lease	*109*	*195*	*166*
Intangible assets	29,146	29,430	31,652
Goodwill	26,541	26,960	28,594
Other intangible assets	2,605	2,470	3,058
Tax assets	26,091	27,814	27,149
Current tax assets	4,621	5,769	4,833
Deferred tax assets	21,470	22,045	22,316
Other assets	8,945	7,675	9,115
Insurance contracts linked to pensions	279	299	337
Inventories	1,139	1,013	1,076
Other	7,527	6,363	7,702
Non-current assets held for sale	5,841	5,646	5,608
TOTAL ASSETS	**1,342,906**	**1,340,260**	**1,339,376**

Consolidated balance sheet

€ Million

LIABILITIES AND EQUITY	30.06.16	31.12.15	30.06.15
Financial liabilities held for trading	118,582	105,218	107,888
Financial liabilities designated at fair value through profit or loss	48,548	54,768	55,364
Memorandum items: subordinated liabilities	—	—	—
Financial liabilities at amortised cost	1,031,650	1,039,343	1,029,054
Memorandum items: subordinated liabilities	*22,720*	*21,153*	*19,836*
Hedging derivatives	9,365	8,937	10,086
Changes in fair value of hedged items in portfolio hedges of interest rate risk	636	174	81
Liabilities under insurance contracts	644	627	648
Provisions	15,174	14,494	15,470
Pensions and other post-retirement obligations	6,784	6,356	7,063
Other long term employee benefits	2,049	1,916	2,168
Taxes and other legal contingencies	2,885	2,577	3,034
Contingent liabilities and commitments	616	618	666
Other provisions	2,840	3,027	2,539
Tax liabilities	8,118	7,725	7,297
Current tax liabilities	2,560	2,160	2,522
Deferred tax liabilities	5,558	5,565	4,775
Other lialibities	9,843	10,221	11,536
Liabilities associated with non-current assets held for sale	—	—	—
TOTAL LIABILITIES	**1,242,560**	**1,241,507**	**1,237,424**
Sharehoders' equity	103,637	102,402	101,904
Capital	7,217	7,217	7,158
Unpaid capital which has been called up	—	—	—
Memorandum ítems: uncalled up capital	—	—	—
Share premium	45,001	45,001	45,072
Equity instruments issued other than capital	—	—	—
Equity component of compound financial instruments	—	—	—
Other equity instruments	—	—	—
Other equity	239	214	308
Accumulated retained profit	49,960	46,429	46,411
Revaluation reserves	—	—	—
Other reserves	(707)	(669)	(487)
(-) Own shares	(190)	(210)	(103)
Profit attributable to shareholders of the parent	2,911	5,966	4,261
(-) Interim Dividends	(794)	(1,546)	(716)
Other accumulated results	(15,027)	(14,362)	(10,407)
Items not reclassified to profit or loss	(3,665)	(3,166)	(3,759)
Actuarial gains or losses on defined benefit pension plans	(3,664)	(3,165)	(3,759)
Non-current assets classified as held for sale	—	—	—
Other recognised income and expense of investments in subsidaries, joint ventures and associates	(1)	(1)	—
Other valuation adjustments	—	—	—
Items that may be reclassified to profit or loss	(11,362)	(11,196)	(6,648)
Hedge of net investments in foreign operations (effective portion)	(3,995)	(3,597)	(4,684)
Exchange rate differences	(9,217)	(8,383)	(2,612)
Hedging derivatives. Cash flow hedges (effective portion)	836	171	75
Available-for-sale financial assets	1,196	844	700
Debt instruments	718	98	82
Equity instruments	478	746	618
Non-current assets classified as held for sale	—	—	—
Other recognised income and expense of investments in subsidaries, joint ventures and associates	(182)	(231)	(127)
Non-controlling interest	11,736	10,713	10,455
Other accumulated results	(1,029)	(1,227)	(647)
Other items	12,765	11,940	11,102
TOTAL EQUITY	**100,346**	**98,753**	**101,952**
TOTAL LIABILITIES AND EQUITY	**1,342,906**	**1,340,260**	**1,339,376**

Memorandum items			
Contingent liabilities	42,316	39,834	44,024
Contingent commitments	225,526	221,738	218,977

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 7 months from the previous December to the following June in the case of the first half, and 4 months from March to June in the case of the second quarter.

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

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