Santander attributable profit up 10% year-on-year in Q1 2018 to €2,054 million

The Group achieved a Return on Tangible Equity (RoTE) of 12.4% with its CET1 capital ratio reaching 11%

Madrid, 24 April 2018 - PRESS RELEASE

- In constant euros (i.e. excluding the impact of currency movements) attributable profit increased 22%, driven by strong growth in Brazil, Spain and Mexico, and improved performance in the U.S.

- The Group maintained its position among the most profitable and efficient banks in the world, with RoTE increasing by 29 basis points to 12.4%, and a cost-to-income ratio of 47.4%.

- Santander has earned the loyalty of a further 3.3 million customers since Q1 2017, with lending and customer funds increasing by 13% and 16% respectively over the period in constant euros.

- The number of customers using digital services has increased by 24% to 27.3 million in the year, with the launch of a number of digital initiatives driving an increase in customer satisfaction. Santander now ranks among the top three banks for customer satisfaction in seven of its core countries.

- The Group's non-performing loan (NPL) ratio reduced further during the quarter to 4.02%, down 135 basis points since the integration of Popular in June 2017. Cost of credit has fallen to 1.04%, down 13 basis points since Q1 2017.

- Increased profitability allowed the Bank to strengthen its fully loaded CET1 capital ratio by 16 basis points during the quarter to 11%.

- At the Group AGM on 23 March 2018 the Bank announced its intention to increase the dividend paid from 2018 profits by 4.5% to 23 cents per share and pay the 2019 dividend entirely in cash.

Banco Santander Group Executive Chairman, Ana Botín, said:

"2018 has started well, with the Group generating double digit profit growth driven by strong results in Brazil, Spain and Mexico, and improved performance in the U.S.

"Across all our markets we are executing our strategy successfully, accelerating our digital transformation through increased collaboration across the Group, and leveraging the scale of our business. This, in turn, is delivering more recurrent and sustainable earnings.

"Importantly, we are achieving these results in the right way. We're focusing on being more simple, personal and fair in all we do. And we are working hard to help people and businesses prosper by supporting inclusive and sustainable growth. These are the foundations on which we are building a more responsible bank - and a bank that earns the lasting loyalty of its people, customers, shareholders and communities.

"The outlook for 2018 remains positive, and I am confident our teams will execute well so we reach our objectives this year, as well as delivering profitable and responsible growth going forward."

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Santander

Results Summary (Q118 v Q117)

	Q118 (m)	Q118 v Q117	Q118 v Q117 (EX FX)
GROSS INCOME	€12,151	1%	11%
OPERATING EXPENSES	-€5,764	4%	13%
NET OPERATING INCOME	€6,387	-2%	10%
NET LOAN-LOSS PROVISIONS	€2,282	-5%	8%
PROFIT BEFORE TAX	€3,689	11%	23%
ATTRIBUTABLE PROFIT	€2,054	10%	22%

Banco Santander S.A. (Santander) increased attributable profit during the first quarter of 2018 by 10% compared to the same period of last year, to €2,054 million.

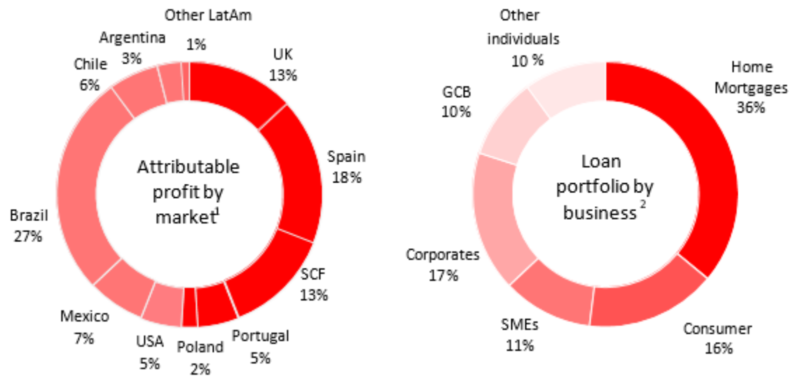
In constant euros (i.e. excluding the impact of currency movements), attributable profit grew 22%, with the focus on customer loyalty resulting in further improvements in the quality and recurrence of the Group's earnings. Since Q1 2017 the Group has increased total loyal customers (people who see Santander as their main bank) by 3.3 million to 18.8 million.

Gross Income in the first quarter increased by 11% in constant euros to €12,151 million with net interest income and fee income increasing by 11% and 14% respectively. Lending and customer funds increased by 13% and 16% respectively in constant euros.

Operating expenses increased by 13% in constant euros as the Group continued to invest in its commercial and digital transformation, however, the cost-to-income ratio, a key measure of efficiency, remained among the lowest of our peer group at 47.4% (compared to a global peer average of over 65%).

The number of customers using digital services increased by 24% since Q1 2017 to 27.3 million, with the ongoing investment in technology driving an increase in digital service adoption.

A balanced presence across both mature and emerging markets remains one of Banco Santander's key strengths, with attributable profit increasing in eight of the Group's ten core markets. During the first quarter of 2018, Europe contributed 51% of Group profit and the Americas, 49%. The lending book also remains well diversified across business segments and geographies.



1. Excluding corporate centre, and Spain real estate activities. 2. Loans excluding repos.

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Santander strengthened its capital further during the quarter, increasing its fully loaded CET1 ratio by 16 basis points to 11% of which 9 bps were generated organically.

The Group non-performing loan ratio reduced further during the quarter to 4.02%, down 135 basis points since the integration of Popular in June 2017. Cost of credit has fallen to 1.04%, down 13 basis points since Q1 2017.

In the first quarter, Santander completed its agreement with Blackstone to transfer 51% of Popular's real estate portfolio. Following this transaction, the Group's net Spanish real estate exposure now stands at €5.2 billion.

Over the last 12 months return on tangible equity, a key measure of profitability, has increased by 29 basis points on a like-for like basis to 12.4%, among the best of our peers.

Tangible net asset value per share was seven basis points lower than Q1 2017 at €4.12 due to the impact of IFRS 9. Excluding this impact it increased to €4.20.

Earnings per share (EPS) remained flat compared to Q1 2017 at €0.120 due to the impact of the capital increase carried out for the acquisition of Banco Popular. The Group maintains its target of achieving double digit EPS growth in 2018.

At the Group AGM on 23 March 2018 the Bank announced its intention to increase the dividend paid from 2018 profits by 4.5% to 23 cents per share and pay the 2019 dividend entirely in cash.

Country Summary (Q118 v Q117)

Attributable profit	Q118 (m)	Q118 v Q117	Q118 v Q117 (EX FX)
Brazil	€677	+7%	+27%
Spain	€455	+26%	+26%
Santander Consumer Finance	€323	+3%	+4%
UK	€320	-23%	-21%
Mexico	€175	+7%	+14%
Chile	€151	+2%	+8%
Portugal	€127	+1%	+1%
USA	€125	+32%	+52%
Argentina	€66	-39%	-11%
Poland	€63	+6%	+3%

In Brazil attributable profit increased by 7% to €677 million (+27% in constant euros) as the Bank continued to grow loyal customers and improve customer satisfaction. Loans continued to grow faster than market average while the cost of credit improved further (down 49 basis points to 4.35%) due to the resilience of the Bank's risk models. As a result, RoTE increased during the year to 19.9% from 16.5% at Q1 2017.

In Spain attributable profit increased by 26% to €455 million as the integration of Popular continued to progress on schedule. In March the Bank launched the "1|2|3 Profesional" account, the first joint initiative for Santander and Popular customers. More than 75k accounts have been opened since launch. Costs increased following the incorporation of Popular, however, this was offset by positive trends in commercial revenues and an improvement in the cost of credit.

Santander Consumer Finance increased attributable profit by 3% during the period to €323 million (+4% in constant euros), with new lending increasing in all geographies. Higher net-interest income, combined with strong cost control and historically low NPLs and cost of credit, helped the business maintain best in class profitability, with a RoTE of 16.6%.

In the UK attributable profit fell by 23% to €320 million (-21% in constant euros) as a highly competitive environment placed pressure on revenues, and costs increased due to higher investments in strategic, digital transformation and regulatory projects. Loan loss provisions increased due to single provisions for clients in Global Corporate Banking, however, overall credit quality remained good, with the NPL ratio falling by 14 basis points to 1.17%.

In Mexico attributable profit increased by 7% to €175 million (+14% in constant euros) as the Bank added a further 400,000 loyal customers since Q1 2017. Significant investment in multichannel, digitalisation and commercial initiatives helped drive strong growth in both net interest income and fee income. This, combined with strong credit quality, resulted in an increase in RoTE of 83 basis points to 19.6%.

In Chile attributable profit increased by 2% to €151 million (+8% in constant euros) as a focus on customer satisfaction, loyalty and digital initiatives helped drive good growth in revenues. Loan and fund growth accelerated during the quarter, while cost of credit reduced by 20 basis points from March 2017 to 1.22%.

In Portugal, attributable profit increased by 1% to €127 million with profit growth impacted by a higher tax rate and lower portfolio sales than in Q1 2017. Profit before tax increased by 10% as the ongoing digital transformation enabled an increase in customer loyalty and commercial revenues.

In the US, attributable profit increased by 32% to €125 million (+52% in constant euros) with strong growth in Santander Consumer USA and Santander Bank. Santander Bank saw an increase in profitability due to further improvements in both the net interest margin and efficiency. Santander Consumer USA saw improvements to its cost of credit and reduced costs.

In Argentina strong growth in gross income (+35% in constant euros), driven by an increase in volumes and higher fee income, was offset by an increase in costs relating to the Citibank acquisition, leading to a fall in attributable profit of 39% to €66 million (-11% in constant euros). Santander is now the leading privately owned bank in Argentina by both loans and deposits.

In Poland attributable profit increased by 6% to €63 million (+3% in constant euros) after lending increased across all key products and segments. The deposit base also increased with significant growth in demand. Profit was impacted by a change in the timing of the resolution fund payment to Q1 and lower trading gains.

About Banco Santander

Banco Santander is the largest bank in the Eurozone with a market capitalisation of €85,441 million at 31 March 2018. It has a strong and focused presence in 10 core markets across Europe and the Americas with more than 4 million shareholders and 200,000 employees serving 139 million customers.

GRUPO SANTANDER. KEY CONSOLIDATED DATA

BALANCE SHEET (EUR million)	Mar-18	Dec-17	%	Mar-17	%	Dec-17
Total assets	**1,438,470**	1,444,305	(0.4)	1,351,956	6.4	1,444,305
Loans and advances to customers	**856,628**	848,914	0.9	795,312	7.7	848,914
Customer deposits	**767,340**	777,730	(1.3)	705,786	8.7	777,730
Total customer funds	**977,488**	985,703	(0.8)	898,110	8.8	985,703
Total equity	**105,466**	106,832	(1.3)	104,869	0.6	106,832

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

INCOME STATEMENT (EUR million)	Q1'18	Q4'17	%	Q1'17	%	2017
Net interest income	**8,454**	8,607	(1.8)	8,402	0.6	34,296
Gross income	**12,151**	12,062	0.7	12,029	1.0	48,392
Net operating income	**6,387**	6,101	4.7	6,486	(1.5)	25,473
Underlying profit before tax	**3,689**	3,375	9.3	3,311	11.4	13,550
Underlying attributable profit to the Group	**2,054**	1,924	6.8	1,867	10.0	7,516
Attributable profit to the Group	**2,054**	1,542	33.2	1,867	10.0	6,619

Variations in constant euros: Q1'18 vs Q4'17: NII: +0.9%; Gross income: +3.4%; Net operating income: +7.7%; Underlying attributable profit: +9.6%; Attributable profit: +37.2%
Q1'18 vs Q1'17: NII: +11.0%; Gross income: +11.4%; Net operating income: +9.8%; Underlying attributable profit: +22.2%; Attributable profit: +22.2%

EPS**, PROFITABILITY AND EFFICIENCY (%)	Q1'18	Q4'17	%	Q1'17	%	2017
Underlying EPS (euro) *	**0.120**	0.113	6.2	0.120	(0.5)	0.463
EPS (euro)	**0.120**	0.088	35.5	0.120	(0.5)	0.404
RoE	**8.67**	7.81		8.19		7.14
Underlying RoTE*	**12.42**	11.79		12.13		11.82
RoTE	**12.42**	11.21		12.13		10.41
RoA	**0.67**	0.61		0.65		0.58
Underlying RoRWA*	**1.59**	1.48		1.48		1.48
RoRWA	**1.59**	1.44		1.48		1.35
Efficiency ratio (with amortisations)	**47.4**	49.4		46.1		47.4

SOLVENCY AND NPL RATIOS (%)	Mar-18	Dec-17	%	Mar-17	%	Dec-17
Fully loaded CET1	**11.00**	10.84		10.66		10.84
Phased-in CET1	**11.19**	12.26		12.12		12.26
NPL ratio	**4.02**	4.08		3.74		4.08
Coverage ratio	**70.0**	65.2		74.6		65.2

MARKET CAPITALISATION AND SHARES	Mar-18	Dec-17	%	Mar-17	%	Dec-17
Shares (millions)	**16,136**	16,136	—	14,582	10.7	16,136
Share price (euros) **	**5.295**	5.479	(3.4)	5.651	(6.3)	5.479
Market capitalisation (EUR million)	**85,441**	88,410	(3.4)	83,776	2.0	88,410
Tangible book value per share (euro) **	**4.12**	4.15		4.19		4.15
Price / Tangible book value per share (X) **	**1.29**	1.32		1.35		1.32
P/E ratio (X) **	**11.06**	13.56		11.94		13.56

OTHER DATA	Mar-18	Dec-17	%	Mar-17	%	Dec-17
Number of shareholders	**4,108,798**	4,029,630	2.0	3,957,838	3.8	4,029,630
Number of employees	**201,900**	202,251	(0.2)	188,182	7.3	202,251
Number of branches	**13,637**	13,697	(0.4)	12,117	12.5	13,697

(*) Excluding net capital gains and provisions.
(**) Q1'17 data adjusted for the capital increase in July 2017, for like-on-like comparisons with Q4'17 and Q1'18 data.

Note: The financial information in this report was approved by the Board of Directors, following a favourable report from the Audit Committee

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Important Information:

In addition to the financial information prepared under International Financial Reporting Standards ("IFRS"), this press release includes certain alternative performance measures ("APMs") as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) as well as non-IFRS measures ("Non-IFRS Measures"). The APMs and Non-IFRS Measures are performance measures that have been calculated using the financial information from the Santander Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs and Non-IFRS Measures are been used to allow for a better understanding of the financial performance of the Santander Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Santander Group defines and calculates these APMs and Non-IFRS Measures may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. For further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFRS, please see 2018 1Q Financial Report, published as Relevant Fact on 24 April 2018, Section 26 of the Documento de Registro de Acciones for Banco Santander, S.A. ("Santander") filed with the Spanish Securities Exchange Commission (the "CNMV") on July 4, 2017 (the "Share Registration Document") and Item 3A of the Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission of the United States of America (the "SEC") on March 31, 2018 (the "Form 20-F"). These documents are available on Santander website (www.bancosantander.com).

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

Santander cautions that this press release contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RORAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future" and similar expressions. These forward-looking statements are found in various places throughout this press release and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Form 20-F - under "Key Information-Risk Factors"- and in the Share Registration Document –under "Factores de Riesgo"- could affect the future results of Santander and could result in other results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date of this press release and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise

The information contained in this press release is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in the press release. No investment activity should be undertaken only on the basis of the information contained in this press release. In making this press release available, Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

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