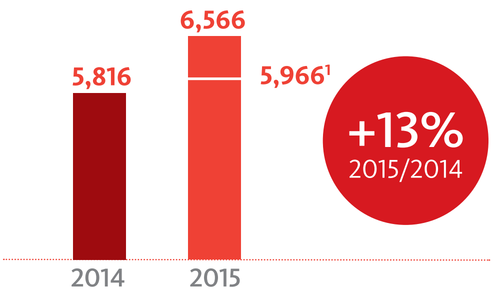
2015
Annual review

We want to help people and businesses prosper

Santander

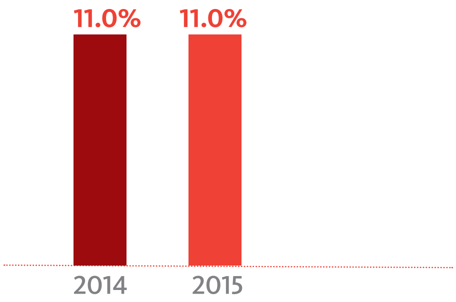
Meeting our commitments with shareholders

Underlying attributable profit
Million euros

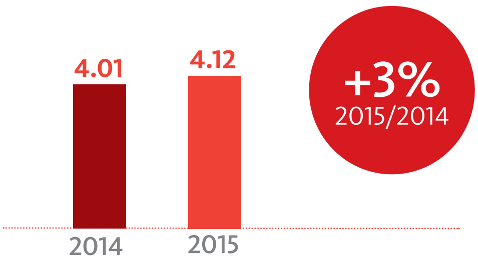


1. Attributable profit, including non-recurring net capital gains and provisions, +3%.

Ordinary RoTE
%

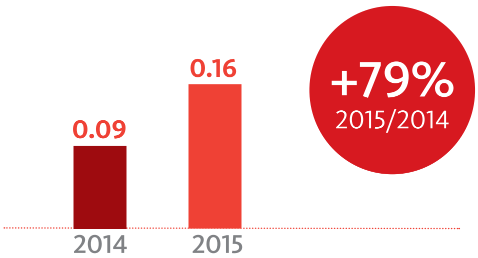


TNAV/share[1]
€

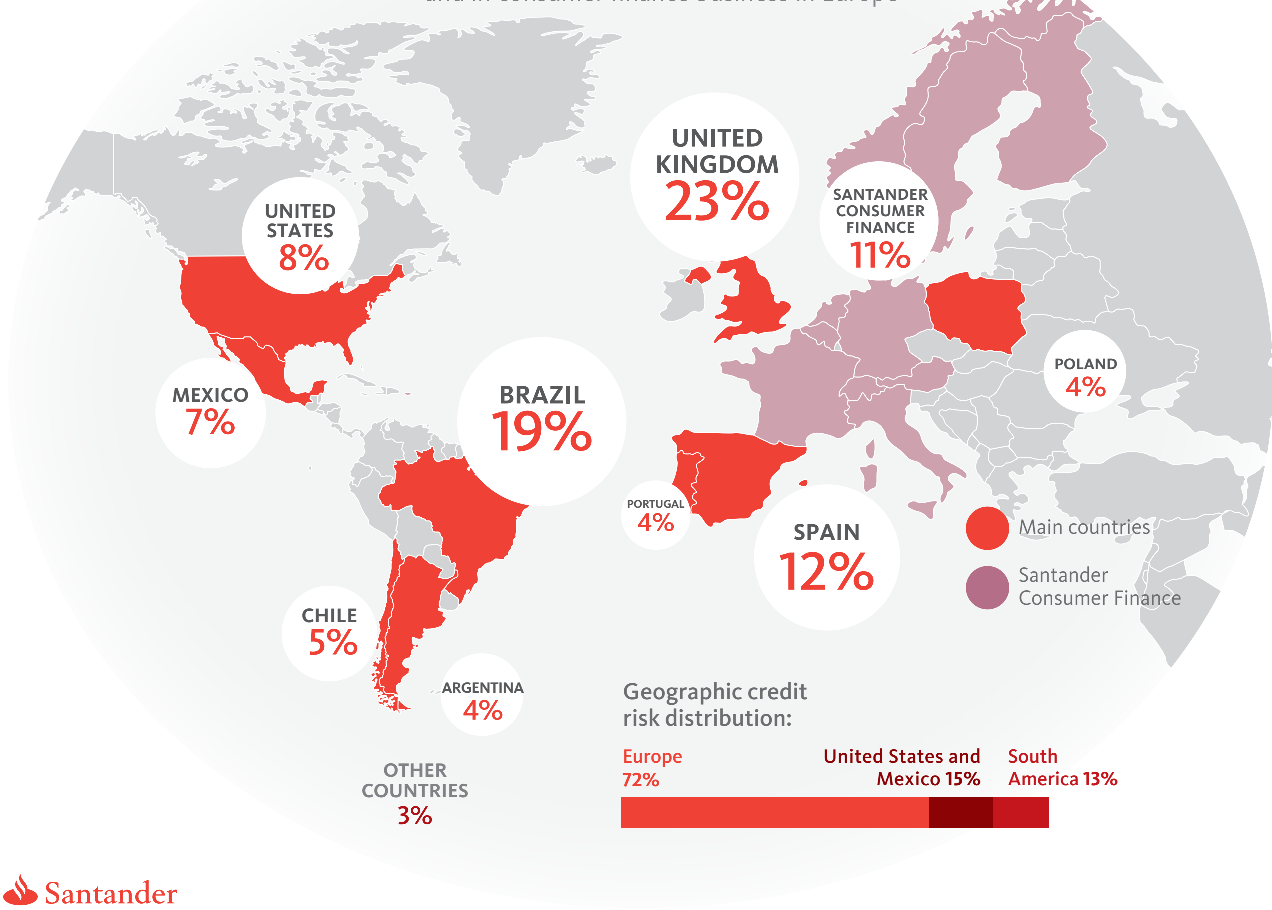


1. Calculated on a like-for-like basis with 2014.

Cash dividend
€/share



Geographic diversification:
97% of underlying profit generated in nine countries and in consumer finance business in Europe



Helping people and businesses prosper in 2015

75%
of employees perceive Banco Santander as Simple, Personal and Fair

82%
of employees are proud to work at Banco Santander

13.8 (+10%)
million loyal customers

16.6 (+17%)
million digital customers

Business growth

+6%
loans

+7%
customer funds

People
193,863
employees

Customers
121
million

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

Communities
1.2
million people helped

Shareholders
3.6
million

35,349
scholarships granted

1,229
agreements with universities and academic institutions in 21 countries

10.05%
fully loaded CET1 ratio

+79%
cash dividend per share

Simple | Personal | Fair

In 2015, we delivered on everything we promised a year ago and delivered in the right way. We increased our earnings and used them to pay a higher cash dividend, to invest in our business and to strengthen our capital base organically. **This success has put us ahead of our strategic plan.**

“The second half of this year’s disappointing share price does nothing to undermine **my belief in our diversified structure** which has been built to provide predictable earnings with lower volatility through the cycle. **Our critical mass, our personal relationships with customers and our geographical diversification combine to create the large, deep moat around us.**”

“**We are focused on becoming more efficient and more transparent.** At the corporate centre, we have reduced the number of divisions from 15 to 10 as well as the number of **top executives and executive board directors at the Group level. This has allowed us to reduce the total cost of compensation for those at this level by 23%.**”

Ana Botín
Group Executive Chairman

“From our centre in Spain, we offer products and best practices, ranging from technology systems to control, which enable our subsidiaries to capture significant economies of scale. **The synergies created by this system are worth 3 points of our cost-to-income ratio that remains one of the best in the industry at 47.6%.**”

“**The strong, underlying signal coming from Santander is of steady growth and value-building.** We derive enormous benefits from the way our diverse geographies and retail and commercial banks with critical mass minimize our risks and **even out our revenues.**”

The foundations of our transformation

Corporate governance and team

What do we want?

What have we done?

Strengthen the Bank's corporate governance incorporating the best international practices and complying with the highest standards

- Significant renewal of the board with the appointment of new independent directors. Consolidation of the position of lead director and of the board committees.
- New remuneration policy for executive directors and senior management aligned with our Simple, Personal and Fair culture.
- Changes in the corporate governance of the risk function and a new parent-subsidiary relationship framework.

Configure the executive team for the Bank's new phase

New country heads have been appointed in five of the Group's main local units and leadership in the corporate centre enhanced.

Foster the role of the corporate centre in the creation of value for the Group

Simplified the organisational structure and reduced the number of divisions (from 15 to 10), strengthened the compliance function and improved the transparency and efficiency of the corporate centre.

Capital

What do we want?

What have we done?

Prepare the Bank for stronger organic growth, while comfortably meeting the new regulatory requirements

- €7,500 million capital increase.
- Meeting the fully loaded CET1 capital ratio of more than 10% in 2015, and commitment to the market to raise it to above 11% in 2018.

Offer shareholders an attractive and sustainable return and a dividend that reflects our profits

New dividend policy that increases cash dividend pay-out to 30-40% of profits. Cash dividend per share increased 79% in 2015.

Strategy and culture

What do we want?

What have we done?

Improve the Bank's profitability, grow earnings and dividend per share in a sustainable way

Given a new focus to the strategy to transform us into the best retail and commercial bank for our employees, customers, shareholders and communities:

- 10% growth in loyal customers.
- Enhanced operational excellence.
- Created a new innovation area and developed the Santander Innoventures fund.

Ensure that our more than 190,000 professionals in all countries and businesses have a common purpose and way of doing things

Began to install a new culture throughout the Group, involving senior management and all employees in building an increasingly Simple, Personal and Fair bank.

2015 Annual review

Banco Santander's **2015 annual report** has an online version. Access it via this link.

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Message from Ana Botín

Dear fellow shareholders,

In 2015, we delivered on everything we promised a year ago and delivered in the right way. We increased our earnings and used them to pay a higher cash dividend, to invest in our business and to strengthen our capital base organically. This success has put us ahead of our strategic plan.

2015 At a Glance

We have increased our number of loyal customers by 1.2 million and improved customer satisfaction so that we are now in the top 3 in 5 of the countries where we operate, which is our aim in all markets. According to our internal surveys, we are all feeling more engaged in our work.

The results of more loyal customers and a more engaged team are a strong operating performance and a net statutory profit in 2015 of €6 billion:

- Customer **loans grew by 6.4%.**
- Customer **revenues grew by 7.6%** to €42 billion.
- **Underlying profit after tax** (excluding PPI and other one-off effects) **grew by 13%.**
- This growth in revenues and profitability has allowed us also to **grow our capital organically by 40 basis points,** to 10.05% (10.15% excluding PPI) and to **grow our cash dividend per share by 79%.**
- Finally, our company is more valuable than 1 year ago, as measured by our **tangible net asset value (TNAV) per share, which grew by €0.11.**

Those of you who acquired shares at the time of our capital raise on January 8 2015 and still hold them, have received a **cash dividend per share of €0.11 and a total dividend per share of €0.40, equivalent to 6% of your investment.**

But since that date our market valuation has fallen by 36%. This is probably related to a different perception of the strength of our capital and the extent of our regulatory capital buffers and to the concern about our presence in certain emerging markets.

The purpose of capital buffers is to protect our customers, shareholders and employees. We take this responsibility extremely seriously.

Our prudential minimum capital requirement today is to maintain a Common Equity Tier1 (CET1) of 9.75%. Our capital adequacy currently stands at 12.55%, a buffer of 280 bps, equivalent to €16 billion.

The reason we have these excess buffers is to get ready for 2019 when we will converge to the regulatory requirements known as Basel III.

GROWING CUSTOMER LOANS

Customer loans
+6.4%

GROWING CUSTOMER REVENUES

Customer revenues
+7.6%
(€42,000 million)

INCREASING OUR PROFIT

Net profit
€6,000
million (+3%)

AND GROWING OUR CAPITAL

+40 bps
organic capital growth

Since 2007, our preprovision profit has been on average 2.3 times the provisions we incurred

Our Brazilian team delivered strong recurring profits and made significant one-off positive contributions.

IN BRAZIL

Profit
+33%
(+13% in euros)

RoTE
14%

NPLs
3.2%
Best among private banks

As we announced to investors last September, our goal is to have a CET1 capital ratio fully compliant with Basel III criteria of more than 11% by December 2018, when our regulatory requirement will be 10.5%. I am confident that with the uplift we achieved in 2015 and our current growth and capital generation, we will meet our target.

We have set this **goal of above 11% to align with the highest prudential standards for two reasons. First, our required minimum is less because our model is considered less interconnected, and easy to resolve. Second, we need lower management buffers over this minimum because of the relatively low volatility of our earnings and our better relative performance under stress scenarios.**

The key factors in favor of Santander are:

- Our business is less volatile than that of our peers. **We have paid a dividend every year for 50 years.**
- We went through the financial crisis without reporting any quarterly loss. We paid dividends every year and at the lowest point, in 2012, we delivered a net statutory profit of €2.3 billion, as our retail and commercial banking activities continued to be profitable practically in every market.
- Our subsidiaries are autonomous in managing their capital and liquidity. We have more than sufficient capital to operate safely, to satisfy regulators in all of our markets and at the Group level, and to provide the returns expected by our investors.
- Since 2007 we have generated profits before taxes of €93 billion. Our pre-provision profit has been on average 2.3 times the provisions we incurred. We are now transforming our bank to expand our capacity to generate capital. This will make us even more resilient throughout the business cycle.

However, what best explains our market underperformance since our historical high valuation of €100 billion in April last year are concerns about the future of Brazil.

Brazil is going through a challenging period, but our bank performed excellently there this year. **Our team delivered strong recurring profits and made significant one-off positive contributions. Net statutory profit grew by 33% in local currency and by 13% in euros in 2015. Our return on tangible equity (RoTE) in Brazil was a healthy 14%.** Finally, our balance sheet in Brazil –which represents 8% of total Group customer loans- shows the **lowest non-performing loan ratio among the top Brazilian private banks: 3.2%.**

Today in Banco Santander, as our performance in 2015 shows, we have the people, the vision and the resources to deliver for our shareholders.

We will manage the business to deliver on earnings per share (EPS), dividends per share (DPS) and TNAV per share as I laid out in my letter last year and at our Investor Day in September.

The Santander "Moat" is large and deep

In summary, today's market is not considering the full value and strength of our model and our diversification.

Warren Buffett often says that he likes to invest in companies with a "moat", a competitive advantage which protects profits and market share over time.

Our moat is our critical mass in every one of our 9+1 (Santander Consumer Finance Europe) core markets, where we serve a total of 121 million customers. This provides consistent earnings, quarter after quarter and through the cycle.

We have earned the trust of our customers over many years, through hard work and careful stewardship of their financial affairs. Our relationship managers talk to many of these customers every day. They have helped them through difficult times, supporting when others who know them less well might have walked away.

We also operate in a carefully assembled mix of developed and developing markets. When one or two markets are struggling, others are thriving.

Santander Consumer Finance is the top consumer bank in Europe. In Mexico, we are the main bank for small and medium sized enterprises. In Poland, our bank is the most profitable among its peers. We have the second largest private bank and the most profitable one in Portugal. And that doesn't take into account the continued strength of our most important banks in Spain and the UK, which have performed well despite continued low interest rates.

The combined growth of our continental **European business this year has delivered €2.2 billion attributable profit, or 35% growth**; our **UK and US businesses delivered €2.6 billion attributable profit, 10% more**, representing **31% of total attributable profit**[1].

The second half of this year's disappointing share price does nothing to undermine my belief in our diversified structure which has been built to do exactly what it is doing: providing predictable earnings with lower volatility through the cycle.

Our critical mass, our personal relationships with customers and our geographical diversification combine to create the large, deep moat around us.

These are the sources of our unique competitive advantage and what give us confidence that we can deliver earnings at the same time as we adapt our business for the future.

They are the foundations upon which we are building Santander for the next 50 years.

We have scale and financial strength on our side and we are learning how to think and act like a challenger at the same time.

OUR "MOAT":

Critical mass in
9+1
markets

Personal relationships:
121
million customers

Geographical diversification

Consistent earnings through the cycle

1. Excluding the corporate centre and Spain's Real Estate activity.

We have made great strides in helping people and businesses, our customers, prosper

Loyal customers
+1.2MM
(+10%)

We want more of our customers to do more of their banking with us

Digital customers
+2.5MM
(+17%)

Customers

When I wrote to you last year and laid out my vision and plans to transform Santander, I said that the **"measure of our success will be that wherever we operate our customers are the ones who champion our services and bring in new customers".** We have made great strides in helping people and businesses, our customers, prosper. I would like to review in detail what we have achieved in 2015.

Banking is an industry which will look very different very soon because of technology. But it remains at its heart a personal business. It is about satisfying the needs and aspirations of our customers, of families wanting to buy homes and businesses wanting to expand. Our daily work is about serving our 121 million customers today and to anticipate what they will need tomorrow: a loan as well as the latest mobile app to fit seamlessly into their digital lives.

Our focus this year and going forward, will be to earn the loyalty of our customers and encouraging greater use of our digital banking services. In simple terms: **we want more of our customers to do more of their banking with us.** And we are ready for them to do more of their banking digitally.

Progress in 2015

- In the UK, one out of every three new accounts is now opened via our digital channels.
- In Poland, our customers can now apply for a cash loan using their phones and receive a response within 60 seconds.
- In Spain, a new 1|2|3 account is opened every minute through our digital channels.

As a result of these efforts, we have reached our targets and grown our number of loyal customers by 1.2 million and our digital customers by 2.5 million.

In the markets where our number of loyal customers has increased the most, so has our revenue. And this progress is reflected in rising customer satisfaction. In five of the markets we serve, we are ranked among the top three banks for customer satisfaction. We care a lot about these customer satisfaction rankings and loyalty numbers because they set the pulse of our business. If they are strong and healthy, our company is too.

People

Santander built a strong, successful culture over many years. This culture was at the root of our expansion and growth. Now we need to change. This is going to take hard work and time, but we are well on our way.

Internally, we have been undergoing a process of profound cultural change. We are reevaluating every one of our processes to ensure that we can be true to our values, purpose and aim, and be ready to embrace new technology sweeping through financial services.

I want every member of our global team to feel motivated and inspired by these changes, to know that we will do everything we can to support them in their work. I am asking for the same commitment to change from myself, my board and my most senior executives, as I am from those who work in our branches and help our customers every day.

Our latest survey of our global team showed that many more of us believe in this process today than when we started a year ago. We are rethinking how we measure performance and create incentives. Our program of *flexiworking* has been especially popular. We want our teams to guide us, to let us know how they can contribute most to our organization.

During 2015 we have worked to agree on the behaviours that will help us build a bank that is more Simple, Personal and Fair.

There are eight of them: show respect; truly listen; talk straight; keep promises; actively collaborate; bring passion; support people; and embrace change. It is a short list on purpose. It is meant to be achievable.

We value honesty, energy and directness in our families and friends, and we should expect no less from our colleagues at work.

Across the organization, we are focused on becoming more efficient and more transparent. At the corporate centre, we have reduced the number of divisions from 15 to 10 as well as the number of top executives and executive board directors at the Group level.

This has allowed us to reduce the total cost of compensation for those at this level by 23%.

Good governance has taken on fresh importance since the financial crisis, and we are working harder than ever to appoint the best people and create the clearest lines of accountability between all of our operations. Our industry is complex by nature, but our business should never be more complex than necessary.

We are constantly seeking the ideal balance between our corporate centre and our countries. We trust our local teams because they are closest to our customers. But we also want them to take advantage of being part of a global Group.

From our centre in Spain, we offer products and best practices, ranging from technology systems to control, which enable our subsidiaries to capture significant economies of scale. **The synergies created by this system are worth 3 points of our cost-to-income ratio.** Our in-country teams can stay close to their markets while operating more efficiently than their competitors. There are no intermediate levels between our country heads and the Group CEO, because we believe that a lean corporate structure, with the fewest possible layers of management, is the best guarantee of simplicity and transparency, and will deliver for both our customers and our shareholders.

This relationship between the centre and our subsidiaries is essential to continue to improve our cost-to-income ratio, a key measure of efficiency that remains one of the best in the industry at 47.6%. And our simple, geographically ring-fenced subsidiary model results in the lowest Financial Stability Board additional capital recommendation among our peers.

Shareholders

Until the situation in Brazil began to deteriorate in mid year, the relative performance of our share price was comparable to that of our peers and the major indexes.

The long-term story of Brazil is the growth and development of one of the largest emerging economies in the world. We are going to endure the current situation, be patient and be strongly positioned when Brazil resumes its upward journey.

It is important that our shareholders recognize this, and consider the growth in our TNAV per share in 2015. **There is always a lot of noise in finance, but the strong, underlying signal coming from Santander is of steady growth and value-building.** I am convinced that our share price will eventually come to reflect this and our shareholders patience will be rewarded.

Many more of our people believe in cultural change than they did when we started one year ago

Corporate centre value added:
The synergies created by this system are worth 3 points of our cost-to-income ratio

% of Group underlying attributable profit

We derive enormous benefits from the way our diverse geographies and retail and commercial banks with critical mass minimize our risks and even out our revenues.

During 2015, we grew our net profits (in euros) in Spain and SCF by 18%, in the UK by 27%, in Portugal by 63%, in Brazil by 13% and in Mexico by 4%. **These businesses represent 81% of our customer loans and 76% of our Group profits.** Chile reduced its profit by 9%, US by 21% and Poland by 15%. These three businesses represent 16% of our customer loans and 17% of our profits.

THE DIVERSITY OF OUR GEOGRAPHIES WITH CRITICAL MASS (profit growth in euros)

Spain: +18%

SCF: +18%

UK: +27%

Portugal: +63%

Brazil: +13%

Mexico: +4%

We see great potential for us to grow in Poland where we are leaders in digital channels and where loans are growing by 11%. We are working to improve our operations in the USA: we have put in place a new team in recent months, composed of top talent at both the executive and board levels. **We know what we have to do in the USA to succeed on all fronts.**

Our model proved its worth during the financial crisis, throughout which **we never posted a single quarter of losses.** We never required a bail-out in any of the countries where we operate. Though designated a global SIFI (Systemically Important Financial Institution) we have the lowest capital charge among global SIFIs. And for these reasons, we need lower capital buffers, as noted previously, than other international banks with different models.

It was not an easy decision to change our dividend policy, as we did last year. But we have to pay a dividend that reflects the reality of the macro-regulatory situation and our earnings, and is consistent with our strategy. **What is important, is that our model delivers enough profits to reinvest further in: profitable growth; a strengthened capital base; and an increased dividend per share.**

Communities

We continued our support for higher education through our Santander Universities programme which now reaches more than **1,200 universities** around the world. Last year, we awarded around **35,000 scholarships to students** attending these universities, as well as investing in programmes to improve financial inclusion and education.

We have launched the UK Discovery Project, helping people prosper through enhanced education, skills and innovation, which will **support a million people by 2020.**

We also supported around **7,000 entrepreneurs and 500 start-ups** through our community programs to promote job creation.

Our target is to **support 4.5 million people between now and 2018.**

Looking ahead

It is said that strategy rarely survives first contact with adversity. But after eighteen months in charge of Santander, **I am confident that the plan we have in place is the right one.**

We are building from a strong and diverse base. Santander built a reputation over the past three decades as an expansive, acquisitive bank, venturing from Spain to markets across Europe and the Americas. I cannot rule out future bolt-on acquisitions in our 9+1 core markets, provided they make both strategic and financial sense, but **for the immediate future we are focused on growing loyal customers and organic growth.**

We are overhauling our operations and our management to make them more Simple, Personal and Fair. We want our employees to feel happier and prouder than ever to work for Santander. We are building and learning new technologies so that we can revamp our internal processes and develop better products and services for our customers, whilst remaining best-in-class in efficiency.

And we are lowering our cost of risk with an average target for 2015-2018 of 1.2%.

Our goal is to grow earnings and dividends per share annually, reaching double digit EPS growth by 2018, from a stronger, more resilient capital base with a CET1 above 11%.

Over the coming year, we anticipate different contexts for the developed and developing economies where we operate. In the developed economies, we envisage steady low GDP growth and falling unemployment. Low oil prices and low interest rates will be good for both individual and corporate customers.

Interest rates in the United States seem to be moving upwards, but the return to normality in the credit markets after years of quantitative easing is going to take time. Political uncertainty persists in parts of Europe, and a new president will be elected in the United States in November. Our base case scenario is low and flat yield curves in the developed markets for quite some time.

In the developing economies, we are always braced for greater volatility. But the underlying trends remain hugely promising. **We are well placed in markets with young and growing populations, low banking penetration and low borrowing levels, where we can earn returns on equity far higher than those we earn in the developed markets.** As I mentioned above, diversification is our strength.

Listening to our customers and anticipating what they want from us; fixing things fast when we make mistakes; making their interactions with us Simple, Personal and Fair, each and every time - these are our main goals, today, tomorrow and as far into the future as we can see.

To guide us, we will focus on our purpose: to help people and businesses prosper. This is the Santander Way. It is the foundation for our success. And we have a clear aim: to be the best retail and commercial bank, earning the lasting loyalty of our people, customers, shareholders and communities.

Strong corporate governance is vital to all of our work. Banco Santander's board is fully involved in the Group's oversight. I would like to thank Juan Rodríguez Inciarte and Sheila Bair for their invaluable contribution to the bank.

We have strengthened our boards both centrally and in our regional subsidiaries, drawing on strong independent directors to provide fresh perspectives and advice.

2015 has been a year of tremendous learning and progress for me personally and for Santander. **We can see a clear path to the objectives we have set ourselves for 2018. But we still have to walk that path and turn the unforeseen bumps ahead into opportunities if we want to deliver on our purpose of helping people and businesses prosper.**

We still have to act each day in a way that is more Simple, Personal and Fair. The digital revolution in finance won't happen by itself. We aspire to lead in ensuring that it delivers on its promise for our customers above all.

With the support of our nearly 4 million shareholders, a Board committed to our objectives and an excellent team, I am confident we will succeed.

Ana Botín
Group Executive Chairman

We are well placed in markets with young and growing populations, low banking penetration and low borrowing levels, where we can earn returns on equity far higher than those we earn in the developed markets

2018 TARGETS:

- Increase EPS reaching double digit growth in 2018
- CET1 >11%
- Average cost of credit 2015-2018: 1.2%
- Increase DPS and TNAV per share

Message from José Antonio Álvarez

We are living in a time of significant change. Technology is generating a new way of relating to one another and is increasing the information and decision-making capacity of all economic agents. In the financial sector, other challenges add to these changes, such as new regulations, the entry of new competitors, an environment of low interest rates and uneven growth between mature and emerging economies.

Developed economies continued in 2015 to show signs of recovery but emerging countries, as a whole, grew at a slower pace, because of their internal dynamics as well as the fall in commodity prices and China's slowdown.

The markets were volatile. Emerging currencies depreciated against the dollar and interest rates remained low in mature markets. The Federal Reserve waited until December to announce the first increase in interest rates of only 25 b.p.

This environment continued to put pressure on banks' profitability, added to which were regulatory requirements in two directions. Firstly, greater capital requirements, which have doubled in the last few years. Secondly, regulatory requirements hit income statements as they limited the capacity to generate revenues, required higher costs and investments in technology and personnel, while producing a higher tax charge.

Competition from banks and non-banks was also stronger in various countries and business areas.

Santander is facing these challenges with a business model that has proved its strength in recent years and which we are adapting to the new environment, in order to maximise our profitability goals.

Santander has a business model that has proved its strength in recent years and which we are adapting to the new environment

2015 Group results

2015 was a year of transition in which we posted good results and the Bank advanced in its commercial transformation.

We want to have more loyal customers and make transaction banking the key element. We are analysing which products have opportunities for improvement in each market and we are working on them. We are launching the 1|2|3 strategy, as well as other global Group proposals such as *Santander Advance, International Desk, Santander Passport* and *Santander Trade* for the corporate world.

The number of digital customers reflect the boost provided by the multichannel strategy. Of note were Mexico, Spain, UK and Portugal, which grew at rates of around 20% or more.

Digitalisation is key for adapting to the new form of customer relationships. Handling big data will provide us with better knowledge on our customers and enable us to respond to their needs. Moreover, it is an effective way to cut costs, enhance efficiency of processes and simplify our structure. We are making significant progress in this direction and have been recognised in the sector as pioneers in the launch of various apps and services.

This strategy is reflected in increased customer satisfaction and in balanced growth in business volumes.

Lending increased 6%, with gains in market share, mainly in SMEs and companies. Customer funds rose 7%.

These dynamics spurred revenues and enhanced their quality, as the most commercial and recurring income (+8%) increased its percentage of the total:

+8%
Commercial revenues

- In an environment of very low interest rates in some countries where we operate, **net interest income increased 9%** thanks to commercial and spread management.

- **Fee and commission income rose 4%,** absorbing the negative impact of regulatory requirements. We have improvement plans for the coming years.

In contrast, trading gains fell 16% as they were hit by market volatility. Other income was affected by higher allocations to deposit guarantee and resolution funds, to which the Group assigned close to €800 million in 2015.

The efficiency plans and discipline in costs enabled **growth in costs to be almost flat in real terms and on a like-for-like basis.** We met the efficiency plan goals (€2,000 million) one year ahead of schedule, thereby making austerity in operating costs compatible with investment in regulatory requirements and in digitalisation and the multichannel strategy.

+1%
Costs
(in real terms and on a like-for-like basis)

We are one of the international financial system's most efficient banks, and in order to continue being so, we announced at the Investor Day that we had increased the efficiency plan by €1,000 million to €3,000 million of cost savings for 2018. These will enable us to make investments and improvements while continuing to achieve excellent cost-to-income ratios.

Revenue growth and cost control were accompanied by a **4% decline in loan-loss provisions.** This was made possible by the improvement in credit quality in almost all countries, thanks to an adequate risk management policy. With the launch of the advanced risk management programme (ARM) and strengthening of the risk culture throughout the Group under a common identity (risk pro), we are continuing to advance toward prudent and sustainable risk management.

-4%
Loan-loss provisions

These measures also **pushed down the NPL ratio to 4.36% at the end of 2015,** 83 basis points lower than in 2014, while coverage was six percentage points higher at 73%.

Underlying attributable profit increased 13% to €6,566 million.

+13%
Underlying attributable profit

In addition, in 2015 we recorded the impact of the net of non-recurring positive and negative results of €600 million. Even after absorbing this impact, profit was 3% higher.

The year's results contributed significantly to the generation of capital, where we have a comfortable position consistent with the stability and recurrence of our business model. In fully loaded terms, the ratio was above the 10% target we set at the start of the year, as optimisation of capital is one of our strategic objectives.

And we combined an increase of 3% in the tangible book value per share with a cash dividend distribution of more than €2,200 million compared to €1,143 million in 2014.

In underlying terms, the RoTE remained at 11% and the RoRWA rose to 1.30%.

In short, we progressed in 2015 toward our main goals, demonstrating our strength and the efforts to earn the lasting loyalty of our employees, customers, shareholders and communities.

I will now devote the rest of my message to the performance by the main units in 2015 and the management priorities for 2016.

>€2,200 million in cash dividend

Performance by business areas in 2015[1]

In **Spain,** we focused on forging long-term relations with our customers. For example, launching the 1|2|3 strategy with which we attained 860,000 accounts. We want to be the bank of choice for companies and so we launched the 1|2|3 account for SMEs, and other programmes with differentiated offers. This increased our market share in the segment, and we are leaders in wholesale banking. We also achieved a significant improvement in customer satisfaction surveys. Lastly, we strengthened the corporate governance model, aligning it with the rest of the Group's subsidiaries.

In an environment of tough competition, attributable profit was 18% higher than in 2014 at €977 million, thanks to lower provisions and control of costs.

In the **United Kingdom,** the positive trend continued in individual customers with the 1|2|3 strategy, as well as in companies where we continued to gain market share. We focused on mobile and online channels, launching a range of solutions that was well received by the market. The number of digital customers rose 22%. We also continued to increase the number of loyal customers. In companies, we gained more market share with sustained growth in a market that as a whole is not growing.

Underlying attributable profit was 14% higher at £1,430 million thanks to good commercial dynamics, reflected in revenues and in an improvement in credit quality that led to lower provisions.

In **Brazil,** we continued to improve the bank and carry on the commercial transformation, based on a multichannel approach and growth in digital customers, improving and simplifying processes and in operations such as Getnet and Bonsucesso, with which we increased our fee and commission income. All of this is reflected in a more sustainable business model.

Attributable profit was €1,631 million, up 33%, and driven by commercial revenues, enhanced efficiency and provisions growing at a slower pace than lending.

Although it is not possible to isolate oneself completely from the country's current recession, the improvement in the franchise over the last few years, the better quality of the balance sheet and gains in productivity and efficiency enable us to face the current environment with guarantees.

In the **United States,** we continued to strengthen the governance structure. We bolstered the risk management and control models in order to meet the regulator's expectations. We are creating the holding company that will integrate businesses in the country, which impacted costs. We are investing in improving the banking franchise, in order to enhance the customer relationship and increase profitability.

The priority at Santander Consumer USA is auto finance, as we are discontinuing the business of personal loans.

All these measures are temporarily impacting results and largely explain the drop in profit to $752 million.

860,000 1|2|3 accounts

+22% digital customers

+33% attributable profit

1. All changes in this section are calculated in local currency terms.

Santander Consumer Finance is Europe's consumer credit leader, with a unique business model and excellent credit quality. Geographic and product diversification was strengthened by the latest operations, such as the integration of GE Nordics and development of the agreement with Banque PSA Finance, which is meeting the timetable set. Attributable profit rose 18% to €938 million.

In **Mexico,** we completed the expansion plan begun in 2012, which was reflected in a faster pace of business growth and gains in market share. Pre-tax profit grew 8% thanks to the positive trend in revenues, mainly net interest income.

In **Chile,** the focus was on business growth in companies and in target segments of individual customers, as well as in improving the quality of customer attention. The result was better than expected despite the 13% fall in profit, which was due to lower UF inflation than in 2014 and a higher tax charge.

In **Argentina,** profit grew by more than 20%, thanks to progress in the new commercial strategy and the expansion plan, which produced higher net interest income, and fee and commission income.

In **Poland,** we are the best bank in terms of profitability and continued to be the leader in cards, and mobile and online banking. Profit fell 15% because of the drop in interest rates and the introduction of maximum rates for consumer credit and cards.

In **Portugal,** we gained market share, mainly in companies. We are in a process of normalising profits, which rose 63%. In December, Santander Totta was awarded most of assets and liabilities of Banco Internacional do Funchal (Banif), making us the country's second largest private sector bank.

Beyond the current point in the cycle, emerging economies are a fundamental asset in Banco Santander's strategy

Business areas priorities for 2016

Looking to 2016, the outlook for the global economy points to a slight and uneven recovery. This improvement will come from advanced economies, which will consolidate their moderate recovery, while emerging economies will struggle to stabilise their growth.

Beyond the current point in the cycle, emerging economies are a fundamental asset in Banco Santander's strategy. Firstly, because of their higher growth potential, in view of their demographic dynamics, and their more vigorous productive capacity; secondly, the considerable gap they still have to fill in terms of banking penetration, based on the improvement of their levels of development, and the substantial growth in their middle classes; and thirdly, the diversification and stability that these countries provide to our balance sheet and income statement from businesses in economies with different cycles, as shown once again in the extreme conditions of the last few years.

In this context, we will continue to focus on improving customer satisfaction in all the Group's units, on advancing in the digital transformation process and on increasing the number of loyal customers. We will also continue to centre selectively on key businesses in order to gain market share in them. At the same time, setting priorities on the basis of the features and the circumstances of each market:

- In **Spain**, we want to have 2 million 1|2|3 accounts, continue to improve customer satisfaction, reduce the cost of credit and gain market share in SMEs.
- The **UK** will continue to focus on customer satisfaction, the digitization process, increase the range of services and grow again at a faster pace than the market in SMEs.
- In **Brazil,** the improvement in our franchise in the last few years, the enhanced quality of the balance sheet and further gains in productivity and efficiency should enable us to face the year with guarantees. We have management tools to take advantage of the high interest rate environment and we will concentrate on selective business growth, operational efficiency and control of risk.

- **Santander Consumer Finance** will complete the agreement with Banque PSA Finance, strengthen consumer business through Pan-European agreements and step up its presence in digital channels.

- In the **United States**, we will continue to bolster the franchise with differentiated strategies for each entity, while integrating the main units in the country into Santander Holding USA.

- In the rest of units, the priorities are the following. In **Mexico,** we will strengthen our position by consolidating key segments. In **Chile,** we will focus on improving customer attention and on transforming our commercial and retail banking, while renewing our branches. We have a very similar strategy in **Argentina,** where we are also expanding the network and advancing in digitization. Lastly, in **Portugal** we will manage Banif's integration and in **Poland** we will continue to be the reference point bank in innovation and leaders in digital channels, with a clear objective of gaining more market share in companies.

Conclusions

We made progress in 2015 in the main strategic objectives and our financial variables performed well.

We will continue in 2016 to advance in the Group's commercial transformation. We have clear goals for the year, as announced at the Investor Day, both for the whole Group and for countries:

- Raise the number of loyal customers, both individuals and companies, and digital customers.

- Increase market share in SMEs and companies.

- Reduce the cost of credit.

- Grow fee and commission income at a faster pace.

- Maintain the year-end cost-to-income ratio stable.

- Boost dividend and earnings per share.

These objectives are part of **our medium-term priorities: grow in business volumes, increase revenues and improve profitability, with capital levels in line with business needs and regulatory requirements.**

None of this would be possible without the help, work and motivation of Santander Group's highly professional and experienced team. We want to continue to strengthen it through our talent management model that enables us to identify employees' potential and develop a career plan that is individually tailored. In addition, we are implementing new ways of working, with more flexible models that are adapted to current life, in order to consolidate our bank as one of the best companies to work for.

I firmly believe that, with the commitment of our employees and the trust of our customers and shareholders, we can attain our goals and continue to help people and businesses prosper in a Simple, Personal and Fair way.

José Antonio Álvarez
Chief executive officer

We made progress in 2015 in the main strategic objectives and our financial variables performed well. We will continue in 2016 to advance in the Group's commercial transformation

Corporate governance

Santander strengthened its corporate governance, focusing, in particular, on the role and functioning of the board of directors and leadership in the Group's main policies and strategies, as well as the key role it plays in risk management, in accordance with the highest international standards.

Balanced and committed board

- Of the 15 directors, 11 are non-executive and 4 executive.
- A diverse board (33% of women) with international experience.

Equality of shareholders' rights

- The principle of one share, one vote, one dividend.
- The Bylaws do not contain anti take-over measures.
- Encouragement of informed participation at shareholders' meetings.

Maximum **transparency,** particularly in terms of remuneration

- This is key for generating shareholder and investor confidence and security.
- New remuneration policy for executive directors and senior management, aligned with our Simple, Personal and Fair culture.

At the forefront of **international** best **governance practices.** In 2015:

- The position of lead director gains importance and the role of the board's committees is strengthened.
- Enhancement of risk management governance.
- Internal governance framework for relations between the parent bank and subsidiaries.

Board of directors

The board of directors is the Group's highest decision-making body, except for matters reserved for the general shareholders' meeting. Santander has a first-class, highly qualified board; experience, knowledge, dedication and diversity are its main assets.

In line with the Bank's aim and purpose and as part of its general oversight function, the board leads the decisions regarding the Group's main policies, strategy and corporate culture. It defines the Group's structures and promotes the appropriate policies in relation to corporate social responsibility. In particular, in the exercise of its responsibility and involvement in managing all risks, it must approve and monitor the risk appetite and framework and ensure that the "three lines of defence" model (business and risk origination; risk control and compliance and internal audit) are respected.

Its functioning and activities are regulated by the Bank's internal rules, which are governed by the principles of transparency, responsibility, justice, effectiveness and defence of shareholders' interests. The board also ensures compliance with the best international practices and continues to advance in attaining the highest corporate governance standards, for which several changes were made to the board's rules and regulations during 2015.

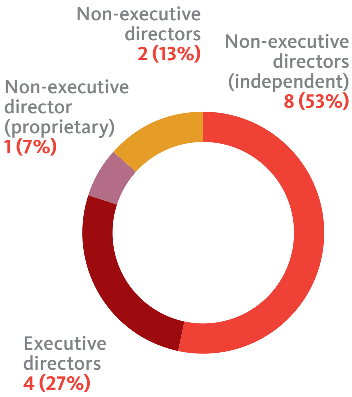
The composition of Banco Santander's board is balanced between executive and non-executive directors. The board was strengthened in 2015 with more non-executive directors (most of them independent) who ensure appropriate control of the business and decision-taking, fostering, furthermore, debate that is more challenging and of higher quality on these issues.

Robust corporate governance is key for guaranteeing a sustainable business model over the long term

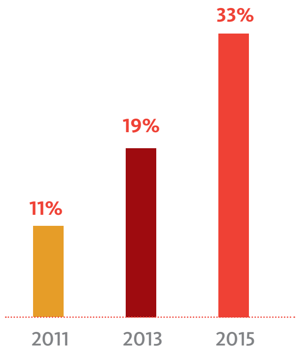
For more information on corporate governance see pages 74 to 111 of Banco Santander's Annual Report

Banco Santander's board

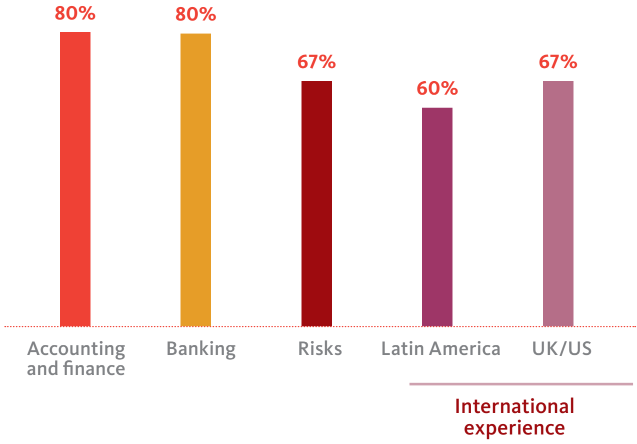
Composition of the board
Number and % of directors



Diversity in the board
% of female directors



Relevant expertise of board members
%



All board members are recognised for their professional capacity, integrity and independence and, individually and collectively meet the conditions, experience and necessary dedication for attaining the goal of turning Santander into the best retail and commercial bank. The non-executive directors' profile includes professionals with extensive financial experience, wide knowledge of the markets where the Group has businesses and of the different sectors and customer service models from top-level executive positions.

At the end of 2014, Santander granted bylaw-stipulated status to the position of lead director and consolidated it further in 2015 through the appointment of Mr Bruce Carnegie-Brown.

Remuneration policy

The Bank's remuneration policy for directors and senior management is based on the following principles:

1. Remuneration must be consistent with rigorous and prudent risk management.

2. Anticipating and adapting to the regulatory changes in remuneration matters. The executive directors' variable remuneration deferred period, as well as that of other executives within the Group's identified category, are consistent with the provisions of the CRD IV.

3. Involvement of the board, as, at the proposal of the remuneration committee, it approves the annual remuneration report for directors and submits it to the general shareholders' meeting on a consultative basis and as a separate item on the agenda.

4. Transparent information.

The board held
21
meetings in 2015.

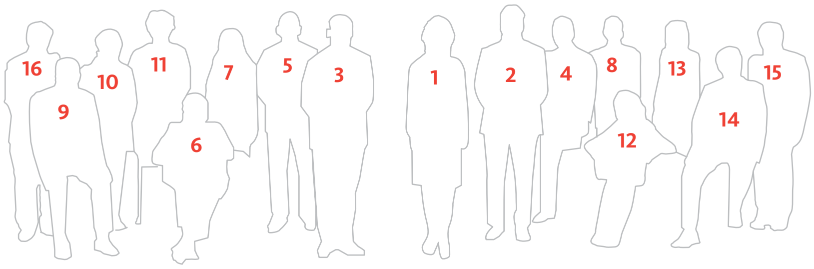
Changes in the composition of the board

- At its meeting on 30 June 2015, the board agreed to appoint Mr Ignacio Benjumea, until then general secretary and secretary of the board, as non-executive director of Banco Santander. At the same date, Mr Jaime Pérez Renovales was appointed as the new general secretary and secretary of the board, and Mr Juan Rodríguez Inciarte tendered his resignation as director.
- Ms Sheila Bair resigned as director as of October 1 after she was appointed president of Washington College. In order to fill this vacancy, the board, at the proposal of the appointments committee and after obtaining the corresponding regulatory authorisations, agreed to appoint Ms Belén Romana as an independent director.
- The appointments of Mr Ignacio Benjumea and Ms Belén Romana will be submitted to the next general shareholders' meeting for ratification.

New auditor

At its meeting of 6 July 2015, the board selected PricewaterhouseCoopers Auditores, S.L. (PwC) to be the external auditor of Banco Santander and its consolidated Group and verify the financial statements for 2016, 2017 and 2018. This decision was adopted in line with the corporate governance recommendations with regard to rotation of the auditor, at the proposal of the audit committee and as a result of a fully transparent selection process. The board submitted this appointment for approval by the ordinary general shareholders' meeting.

Board of directors of Banco Santander



1.
Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea
Group executive chairman and executive director
● ■ ▲

2.
Mr José Antonio Álvarez Álvarez
Chief executive officer and executive director
● ■ ▲

3.
Mr Bruce Carnegie-Brown
Vice chairman. Non-executive director (independent) and coordinator of the non-executive directors (lead director)
● ● ■ ● ▲

4.
Mr Rodrigo Echenique Gordillo
Vice chairman and executive director
● ■ ▲

Pereda building, Santander Group city,
Boadilla del Monte, Madrid, Spain.
22 December 2015.

9.
Mr Juan Miguel Villar Mir
Non-executive director (independent)
▲ ●

10.
Ms Belén Romana García
Non-executive director (independent)
▲

11.
Mr Javier Botín-Sanz de Sautuola y O'Shea
Non-executive director (proprietary)

12.
Ms Esther Giménez-Salinas i Colomer
Non-executive director (independent)
■ ▲

● Executive committee

▲ Audit committee
● Appointments committee
■ Remuneration committee

● Risk supervision, regulation and compliance committee (board risk committee)
■ International committee
▲ Innovation and technology committee

You can access the interactive photo of the board online

5.
Mr Matías Rodríguez Inciarte
Vice chairman and executive director
●▲

6.
Mr Guillermo de la Dehesa Romero
Vice chairman and non-executive director
●●■●■▲

7.
Ms Isabel Tocino Biscarolasaga
Non-executive director (independent)
●▲■●

8.
Mr Ignacio Benjumea Cabeza de Vaca
Non-executive director
●●■●■▲

13.
Ms Sol Daurella Comadrán
Non-executive director (independent)
●■

14.
Mr Ángel Jado Becerro de Bengoa
Non-executive director (independent)
▲●■●

15.
Mr Carlos Fernández González
Non-executive director (independent)
▲●●

16.
Mr Jaime Pérez Renovales
General secretary and secretary of the board

Banco Santander's structure and internal governance

Subsidiary model

Santander Group is structured using a subsidiary model of which the parent is Banco Santander, S.A. Its registered office is in the city of Santander (Cantabria, Spain) and its corporate centre is in Boadilla del Monte (Madrid, Spain).

The Group's subsidiary model is characterised by the following:

- The governing bodies of each subsidiary are responsible for rigorous and prudent management, ensuring economic soundness and overseeing the interests of shareholders and other stakeholders.
- The subsidiaries are managed on the basis of local criteria and by local teams that contribute considerable knowledge and experience of customer relationships in their markets, while benefiting from the synergies and advantages of belonging to Santander Group.
- They are subject to the regulation and supervision of their local authorities, in addition to the supervision performed globally by the European Central Bank on the Group.
- Their deposits are guaranteed by the respective deposit guarantee schemes of the countries where they are located.

The subsidiaries are funded autonomously in terms of capital and liquidity. The Group's capital and liquidity positions are coordinated in the corporate committees. The intragroup exposures are limited, transparent and at market prices. The Group, moreover, has listed subsidiaries in some countries in which it retains a controlling stake.

The subsidiaries' autonomy limits the contagion risk between the Group's different units, which reduces systemic risk. Each subsidiary has its own resolution plan.

Corporate centre

Banco Santander's subsidiary model is complemented by a corporate centre that has support and control units which carry out functions for the Group in matters of risk, auditing, technology, human resources, legal affairs, communication and marketing, among others. The corporate centre adds value to the Group by:

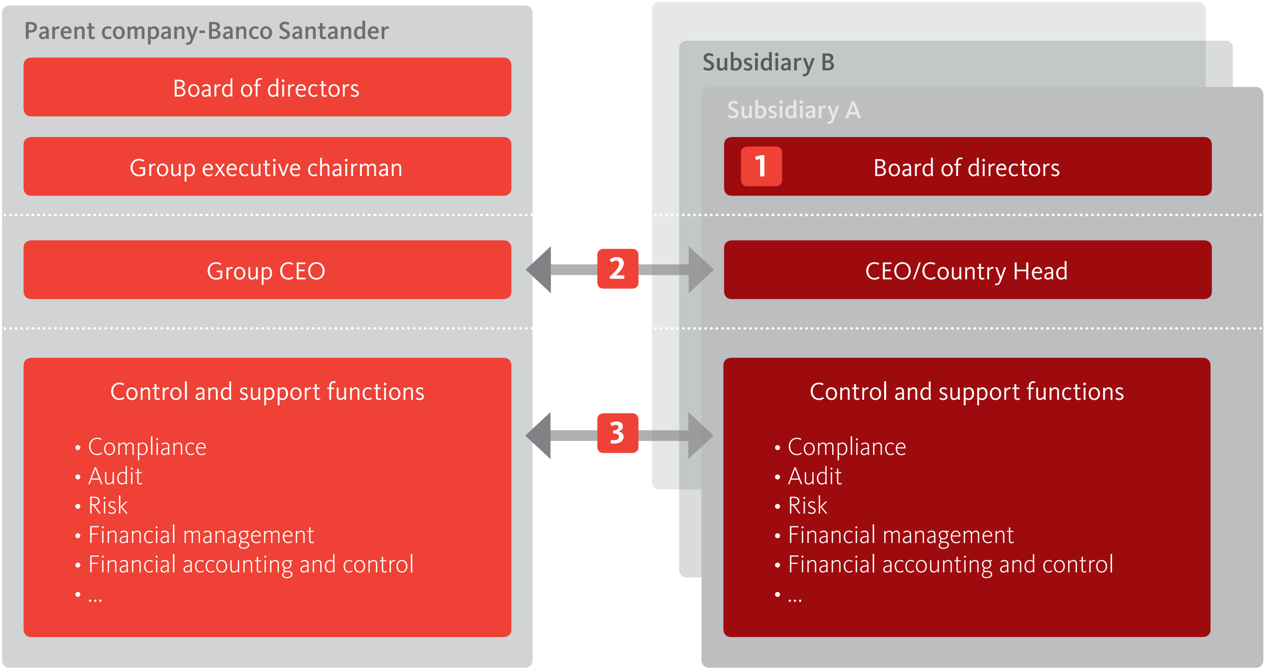
- Making the Group's governance more solid, through global control frameworks and supervision, and taking strategic decisions.
- Making the Group's units more efficient, fostering the exchange of best practices in cost management, economies of scale and a common brand.
- Sharing the best commercial practices, focusing on global connectivity, launching global commercial initiatives and fostering digitalisation, the corporate centre contributes to the Group's revenue growth.

Changes in the boards of the subsidiaries in 2015

▶ Since the end of 2014 there have been changes in the boards of the Group's subsidiaries with the appointment of new non-executive chairmen and new country heads in the US, UK, Brazil, Spain and Mexico. Of note was the creation of the Santander Spain board, which did not involve any corporate change, thereby making its governance structure similar to the subsidiary model used in the Group's other markets. Banco Santander also strengthened its presence and oversight of local units with the appointment of new Group directors to the boards of its main subsidiaries.

Santander Group is structured using a subsidiary model of which the parent is Banco Santander, S.A.

Parent company-subsidiary relations



The board agreed a series of changes during 2015 to simplify the structure of the corporate centre in order to enhance responsiveness to internal customers and reinforce risk control. As a result, the number of divisions at the corporate centre was reduced from 15 to 10.

Santander Group's internal governance

Santander has an internal governance framework that includes a governance model that establishes the principles defining relations between the Group and its subsidiaries, and the interaction that must exist between them, at three levels:

- the subsidiaries' governing bodies, in accordance with the Group's composition, creation and functioning guidelines of the subsidiaries' boards;
- between the chief executive officers and country heads and the Group, as well as;
- between the teams deemed significant with regard to control functions, as well as certain support and business functions, both at the corporate centre and the subsidiaries.

Santander also has an internal governance framework with thematic frameworks, developed as common operating frameworks for those matters considered important, due to their influence on the Group's risk profile-notable among which are risks, capital, liquidity, corporate governance, audit, accounting and information, financial management, technology, marketing of products and services, anti-money laundering, brand and communication - and which specify:

- the way of exercising oversight and control by the Group over the subsidiaries and;
- the Group's participation in certain of the subsidiaries' important decisions.

Both documents, which comprise the governance framework, have been approved by the board of directors of Banco Santander, S.A. for subsequent adoption by the subsidiaries' governing bodies, bearing in mind the local requirements applicable to them.

Governance of the risk function

During 2015, Banco Santander's board agreed significant changes to the way in which governance of the risk function is structured, clearly defining the responsibilities of the various committees and separating the units that take decisions and manage risks from those responsible for control. In this way, governance of the risk function at its highest level in the Group is structured via a board risk committee (the risk supervision, regulation and compliance committee) and two committees, one executive and the other of control.

For more information on corporate governance of the risk function, see pages 182 to 193 of Banco Santander's Annual Report


Crecemos
contigo a
cada paso
Bonificación
pagos y recibos

1

Business model and strategy

We want to earn the lasting loyalty of our people, customers, shareholders and communities.

Employees

Customers

Communities

Shareholders

Access these and other real experiences

Purpose and business model

Santander has a customer-focused business model that enables it to fulfil its purpose of helping people and businesses prosper.

A large yet simple bank

1 Geographic diversification, focused on Europe and the Americas

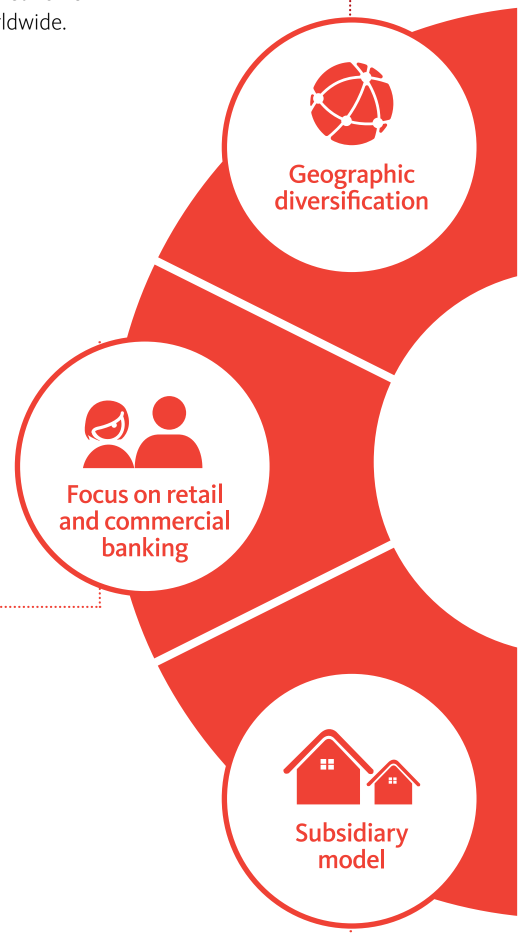
Santander Group's geographic footprint is balanced between mature and emerging markets, with a significant presence in Argentina, Brazil, Chile, Spain, United States, Mexico, Poland, Portugal, United Kingdom and consumer finance business in Europe[1].

As well as local services, Santander has global businesses that develop products that are distributed through the Group's retail networks and provide services to customers worldwide.

Critical mass in 10 core markets

Contribution to attributable profit

1. Santander Consumer Finance develops its business mainly in Germany, France, Italy, the Nordic countries, Poland and other Central and Eastern European countries.



2 Focus on retail and commercial banking

Banco Santander's commercial model is designed to satisfy the needs of all types of customers: individuals with different income levels; companies of any size and different sectors of activity; private companies and public institutions. Earning their lasting loyalty is the Bank's main objective. The Bank has high market shares in retail and commercial banking in its core markets where its principal business is to attract deposits and provide loans. The Bank focuses its wholesale banking offer on providing services to its main customers in local markets.

Retail and commercial banking generates
81%
of profits

3 Subsidiary model

Santander Group is structured using a subsidiary model that are autonomous in capital and liquidity terms,and are subject to regulation and supervision by local authorities, as well as that exercised on the consolidated Group by the European Central Bank.

These subsidiaries are managed according to local criteria and by local teams that contribute substantial knowledge and experience with customers in their markets, while also benefiting from the synergies and advantages of belonging to Santander Group. The subsidiaries' autonomy limits contagion between the Group's units and reduces the risk.

A value-adding corporate centre

4 International talent, with a shared culture and a global brand

Santander's employees share a corporate culture focused on fulfilling the Group's purpose and aim.

The Santander brand synthesises the Group's identity and expresses a corporate culture and unique international positioning that is consistent and coherent with a way of doing banking that helps people and businesses prosper in a Simple, Personal and Fair way.

5 A strong balance sheet, prudent risk management and global control frameworks

Santander has a medium-low risk profile and high asset quality, with a risk management culture that strives to improve every day. It has a solid capital base consistent with its business model, balance sheet structure, risk profile and regulatory requirements.

The corporate centre adds value and maximises subsidiaries' competitiveness, helping them to become more efficient, generate revenues and implement the most demanding standards in terms of corporate governance through operating frameworks, corporate policies and global control systems. This enables the Group to obtain better results and contribute greater value than that which would come from the sum of each of the local banks.

47.6%
Cost-to-income ratio

6 Innovation, digital transformation and best practices

Innovation has been one of Santander Group's hallmarks since it was founded. On many occasions the Bank has revolutionised the financial industry with new products and services. The Group's size enables it to identify and quickly and efficiently transfer its best practices between the different markets in which it operates, adapting them to local features.

Santander is carrying out an intense digital transformation which affects not only services provided to customers but also all its operations, both internal and external; how to use data to spur business growth; updating and modernising systems and streamlining processes and the organisation as a whole.

Aim and value creation

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

We have set ambitious targets...

	Strategic priorities	Key indicators
EMPLOYEES	Be the best bank to work for and have a strong internal culture	Number of core markets where the Bank is among the top 3 banks to work for (according to the relevant local rankings)
CUSTOMERS	Earn the lasting loyalty of our individual and corporate customers: improve our franchise	Loyal individual customers (million)
		Loyal corporate banking customers and SMEs (thousand)
		Growth in loans and advances to customers (%)
	Operational excellence and digital transformation	Number of countries where the Bank is among the top 3 in customer satisfaction
		Number of digital customers (million)
		Growth in fee and commission income (%)
SHAREHOLDERS	Capital strength and risk management	Fully loaded CET1 capital ratio (%)
		Cost of credit (%)
	Improve profitability	Cost-to-income ratio (%)
		Growth in earnings per share (%)[4]
		Return on tangible equity (RoTE, %)[4]
		Cash dividend pay-out (%)
COMMUNITIES	Santander Universities	Number of scholarships (thousand)
	Support people in the local communities in which the Bank operates	Number of beneficiaries of the Bank's social investment programmes (million)

... and we have defined how to attain them.

2014	2015	2018	Pages with more info
3	3	>5	34-37
11.6	12.7	17	38-39
968	1,049	1,646	38-39
5%	6%	> peers	64
5	5	All[2]	43
14.1	16.6	30	40-41
5.4	4.3	c. 10%[1]	18
9.65%	10.05%	>11%	44-64
1.43%	1.25%	1.2%[1]	64
47.0%	47.6%	<45%	63
24.4%	-7.0%	double digit	62
11.0%	11.0%	C. 13%	62
20%	38%	30-40%	45
30	35	130[3]	50-51
—	1.2	4.5[3]	49

1. 2015-2018 average.
2. Except in the US where it will likely be close to competitors.
3. Total amount 2016-2018.
4. Calculated on ordinary profit.

Simple | Personal | Fair

Simple, Personal and Fair is the essence of the Bank's corporate culture. It reflects how all Santander's teams think and act and what our customers demand of us as a bank. It defines the behaviours that guide our actions and decisions and the way in which we should interact with our employees, customers, shareholders and communities.

Simple

We offer an accessible service for our customers, with simple, easy-to-understand products. We use plain language and improve our processes every day.

Personal

We treat our customers in an individualised and personalised way, offering them the alternatives that best suit their needs. We want each and everyone of our employees and customers to feel unique and valued.

Fair

We treat our employees and customers fairly and equally, are transparent and keep our promises. We establish relations in such a way that the Bank as well as its employees, customers and shareholders obtain benefits. Because we understand that what is good for them is also good for the Bank.

According to the engagement survey carried out in 2015 and which had a response rate of 84%, only eight months after the launch of the new corporate culture 75% of Santander's professionals perceive the Bank as Simple, Personal and Fair.

Employees

In order to be the best retail and commercial bank for our customers, we have to begin with our employees. If they feel proud of belonging to Santander and are more committed, they will be able to earn the lasting loyalty of our customers.

Santander aspires to be one of the top 3 banks to work for in most of the countries where it operates and continue strengthening its corporate culture.

Working differently

New ways of working at Santander were developed during 2015, based on the new corporate culture. We established more flexible corporate behaviour and work systems that allow for a better work-life balance.

- **Corporate behaviours.** Employees in all countries participated in a process to define eight corporate behaviours that will shape the way we work and make Santander an increasingly Simple, Personal and Fair bank. These behaviours have been adapted to the local reality of each country.

Corporate behaviours for a more Simple, Personal and Fair bank

Show respect

"I show respect and I treat others as I would like to be treated, acknowledging and appreciating one another's differences".

Truly listen

"I listen and have empathy, to understand others' needs".

Talk straight

"I talk straight and adapt to others and the specific context, speaking out constructively".

Keep promises

"I keep my promises and I am consistent in everything I do".

Actively collaborate

"I actively encourage co-operation to find the best solution for my customers and colleagues".

Bring passion

"I bring passion and energy and I give my best to earn the lasting loyalty of my customers and colleagues".

Support people

"I give support to people in their development, providing feedback and appreciating their contribution".

Embrace change

"I embrace change, bringing innovative solutions and learning from mistakes".

1 **Corporate flexibility policy**
A framework valid for all countries, adapted and implemented locally.

2 **Leadership and culture**
Management of people and teams that allows for a work-life balance and improves efficiency.

3 **Objectives and planning**
A work system planned with clear goals, where working hours no longer mark the way we work.

4 **Spaces and collaboration**
More open and collaborative workspaces.

5 **Technology and resources**
Tools for working remotely, at any moment and from anywhere.

6 **Processes**
Streamlining processes in order to make more productive use of time.

- ***Flexiworking.*** This is a new way of working in the Bank which aims to:

  - Improve the organisation and planning of work, making it more efficient and collaborative, getting more out of technology, eliminating bureaucracy and making better use of meetings and e-mails.

  - Give executives the autonomy to facilitate to their teams flexibility measures that help them to attain a better work-life balance.

  - Acknowledge employees' engagement and dedication.

  The first initiative was the flexibility policy. A total of 939 flexibility plans were formalised in 2015 in the corporate centre, which led to 34,446 measures enjoyed by 93% of employees.

  One of the keys of the success of Flexiworking is the ambassadors, professionals chosen in various divisions and countries to help to drive and implement the new culture.

- **New relationship model between countries and the corporation,** to identify and share the best practices for managing people and take advantage of the Group's diversity. There are three areas of activity: regulation and governance, to ensure compliance with the regulatory requirements in matters of compensation, succession planning, training, etc; policies, to design the basic lines of managing the Group's employees, but with the autonomy to adapt and execute depending on each particular situation; and additional support of the corporation, contributing value-added, for example, ensuring that best practices are shared and promoting global projects.

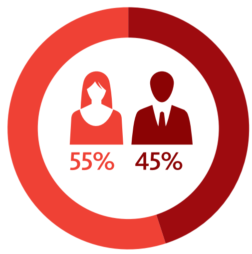
- **Digital transformation.** Digital Days were launched in 2015, held in the corporate centre as well as in almost all countries, with the aim of turning employees into opinion leaders of digital banking.

  Mobile phone apps were also launched, such as the app for expenses and problem-solving in the corporate centre, which, respectively, facilitate settlement of expenses and reporting of various types of incidents; and the É Conmigo Santander in Brazil, which also reports incidents.

- **Corporate volunteer policy.** Approved by the board in December in order to organise and highlight the current volunteer initiatives. Education will be the focal point of this policy and there will be two key events: the We are Santander Week in June and the International Volunteer Day in December. Each country also has its own initiatives. Santander had 55,254 volunteers worldwide in 2015.

- **We are Santander Week.** Under the slogan of "A Simple, Personal and Fair Week", the new corporate culture was the central element of the We are Santander Week in 2015. Corporate and local activities were developed to foster commitment among employees, education, listening and pride in belonging to the Group.

193,863
Employees



Average number of years with Santander
9 11

Graduates
55% 45%

Average age (years)
37 39

Town hall meeting of Ana Botín with employees at Santander Group City, June 2015.

Talent management

The following measures were added to talent management in 2015, in order to align it with the transformation that the Group is undergoing.

- **Succession planning policy and process:** to establish the management and monitoring guidelines of possible replacements in key positions of senior management and control functions.
- **Inclusion of customer satisfaction metrics:** to calculate employees' variable remuneration.
- **Open offer policy:** as of April the Group's employees were able to choose the training courses they preferred on the basis of their interests and professional training needs.
- **Employee Relationship Management (ERM):** this tool allows our HR teams to improve its knowledge of the corporate centre's professionals, segmenting them with a customer focus according to their profiles so as to adjust the training and development actions of human resources to their specific needs.
- **Performance appraisal:** 180-degree appraisal for executives, and new corporate behaviours included in this appraisal.

Various projects put into effect during 2014 were also consolidated:

- **Talent Assessment Committees:** bodies that regularly meet and involve senior management. The performance of professionals and their potential is analysed. More than 1,350 executives were assessed during 2015, of which close to 35% have an individual development plan.
- **Global Job Posting:** corporate platform that gives all professionals the possibility of knowing and opting to apply for job openings in the Group. In 2015, 381 offers were made.

Transparent communication

Progress was made in 2015 in the process of listening to and dialoguing with employees.

- **Santander Ideas,** the first internal social network enabling professionals in all countries to share their ideas on strategic issues for the Bank, vote on them and comment.

  Since the platform's launch in 2014, 27,850 users contributed more than 13,000 ideas.

  Santander Ideas received 3,046 ideas in 2015 and held seven challenges in six countries: Argentina, Chile, Portugal, Poland, the corporate centre (Spain) and Germany. Employees made suggestions on how to achieve an increasingly Simple, Personal and Fair bank for them, customers, shareholders and communities.

Annual engagement survey

- The 2015 results were better compared to 2014, particularly in two aspects: work-life balance, which rose from 50% to 72%, thanks to the launch of Flexiworking, and the role of executives as people managers, especially in terms of respect and recognition, which improved from 61% to 72%.
- Moreover, there were still areas of improvement regarding organisational support, such as the speed with which decisions are taken, the simplification of processes and the improvement in the organisation of positions, although in general it increased from 63% to 66%.

84% participation

75% engaged employees

82% of employees feel proud to work for Santander

Of note among the ideas implemented in 2015, in addition to Flexiworking, was Best4us, which puts Group employees in touch with one another so that they can share common interests (language learning, cultural exchanges); Santander Benefits, an online space that promotes offers and services for the Group's professionals in Spain; and ideas related to the Branch of the Future, a new branch model that allows simpler processes, a more intuitive technology and differentiated spaces according to the customers' needs.

- Various **town hall meetings** were held, both in the corporate centre and in countries, led by our Group executive chairman, the Group CEO and country and division heads, in order to enhance the information on of the progress made in executing the strategy and fostering the corporate culture.

Recognitions

Among the recognitions obtained by Banco Santander during 2015 were the following:

- The annual Most Attractive Employers study carried out by the Swedish consultancy Universum, which gathers the opinions of more than 16,000 Spanish students, places Banco Santander among the four best companies to work for by business students and business schools that also consider it their preferred bank.
- The 2015 Latam ranking of Universum puts Banco Santander as the most preferred bank to work for and the eighth company among business students in Latin America.
- The study by the consultancy Randstad among more than 8,000 potential candidates aged between 18 and 65 recognises Santander as one of the preferred banks to work for in Spain.

SANTANDER **ideas:)**

27,850
users of the Santander Ideas platform

3,046
ideas received from employees in 2015

SANTANDER EXPERIENCE

"When our customers are happy and satisfied, I know am doing a great job"

Jigar Thakkar has been working at Banco Santander for the past nine years. He is a Branch Director in St. Albans (London, UK), where he also actively volunteers in the community.

With our Simple, Personal and Fair culture, he feels that the Bank has changed how it interacts with customers, simplified its branch processes and enabled us to have a more personal touch with each customer.

Access thise and other real experiences

Customers

We want to help our customers progress day by day: with simple and tailor-made solutions that increase their loyalty to the Bank; a fair and equal treatment based on trust and excellent service through our branches and digital channels.

Santander continued to make progress in 2015 in transforming its commercial model with three clear priorities:

- **Customer loyalty,** with specific programmes in all countries that enable us to reach our target of 18.6 million loyal customers by 2018.
- **Digital transformation,** with an end-to-end strategy to reach 30 million digital customers by 2018.
- **Operational excellence,** with initiatives that improve customer experience so that Santander is among the top 3 banks in 2018 in customer satisfaction in its core markets.

Customer loyalty

Developing value propositions by customer type and having a long-term strategy is the way to increase customer loyalty in the Group's core markets. Among the main initiatives in 2015 were:

- **1|2|3 World.** In Spain, the 1|2|3 Account for individual customers was launched in May and rewards balances with interest rates of 1%, 2% and 3% up to €15,000 and cashback on household bills. This product has also been adapted and extended to the SME segment, reimburses in cash part of payroll and social security payments, taxes and supplies related to business activity and provides loans on preferential terms.

  In Portugal, 1|2|3 World was launched in March and offers discounts on purchases made with the 1|2|3 card, cashback on household bills and discounts on petrol, among other benefits.

  In the United Kingdom, the 1I2I3 value proposition consolidated as the first choice of customers who decide to switch their bank.

- **Santander Select.** The Group's differentiated value proposal for high income customers is already installed in all countries and has more than 2 million customers. It is a specialised attention model, with a global and exclusive offer tailored to the needs of these customers, which during 2015 was improved and extended. Of note among these practices is Select Expat in Mexico, which exploits the Group's global scale to accompany customers in their internationalisation process; the launch of a range of profiled funds in several countries; and the consolidation of the Débito Global card.
- **Santander Private Banking.** A comprehensive and specialised service model for higher income customers, which during 2015 received important awards, such as those given by *Euromoney* magazine in Argentina, Chile and Portugal; and *Global Finance* in Spain, Mexico and Portugal. The volume of funds managed by the private banking business increased 5% during 2015.
- Santander has specific **programmes for SMEs** which combine a strong financial offer with non-financial solutions that help spur internationalisation, connectivity, training, talent attraction, etc. This programme was extended to Uruguay, Argentina, Brazil and Chile in 2015 and is now in place in eight of the Group's markets. Santander Advance and Breakthrough are the main hallmarks of this programme.

1|2|3 World in figures

UK

4.6
million 1|2|3 customers

1
million new 1|2|3 World customers in 2015

96%
of 1|2|3 current account holders have a primary banking relationship

Spain

860,000
accounts

237,000
payroll accounts captured

Portugal

>110,000
customers

53,920
customers with full 1|2|3 which includes account, card and insurance protection

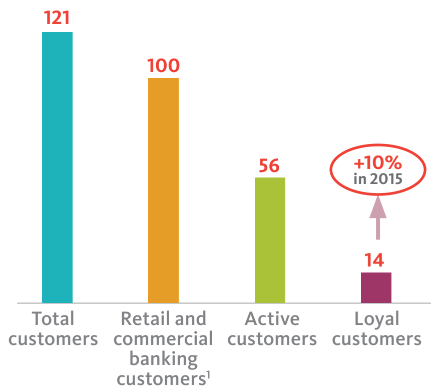
Group customers

Million

Spain	12.7
Portugal	3.8
UK	26.0
Poland	4.3
Germany	6.1
Rest of Europe	10.8
Total Europe	**63.7**
Brazil	32.4
Mexico	12.4
Chile	3.6
Argentina	2.8
Rest of Latin America	0.8
Total Latin America	**52.0**
United States	**5.1**
Total customers	**120.8**

Santander has a significant potential in customer loyalty

Million customers



1. Excluding consumer finance customers.

A loyal customer is much more profitable

x4 retail
x4 SMEs
x5 corporates

Moreover, by harnessing its synergies and international presence, Santander has specific solutions to **support the internationalisation** of its customers. Among the main initiatives are:

- **Santander Passport.** A customer service model with a consistent offer for global companies in all the countries where the Group operates. It has more than 6,000 registered customers and is installed in eight countries. The rest of countries where the Bank has a commercial presence are due to join the model during 2016.
- **Santander Trade.** A portal dedicated to foreign trade that provides information, tools and resources to help companies grow their business abroad. It is already available in 14 countries and has received more than two million visits since its creation and more than 35,000 registered exporters and importers.

  As part of this portal, the Santander Trade Club is an innovative social platform that enables the Bank's customers from various countries to contact one another and expand their international activity. There are currently more than 11,000 members.
- **International Desk.** A service established in 14 countries with over 8,000 registered customers and offering support to companies that want to enter markets where the Bank is operating, thereby facilitating their entry into a new country.

Progress was made in defining trade corridors within the Group (for example, UK-Spain, Mexico-Spain). Its international trade tools, products and services are also being improved in order to offer our customers the best solutions.

Know customers' needs

- In order to deepen knowledge of customers and have a 360º view of their behaviour and preferences with regard to the Bank, the NEO CRM was developed further during 2015. This tool uses business intelligence methodology to compile more than 500 relationship instances with the Bank and learn how customers behaved. On the basis of this knowledge, commercial actions can be launched and customers' opinions collected, thereby improving commercial effectiveness and customer satisfaction.
- NEO CRM was launched in Chile in 2012 and then extended to Spain, Brazil, United States and Uruguay. In 2016, it will be installed in Mexico, Argentina and Poland.

Multichannel customer profile

Our customers increasingly use their mobile phone to bank with Santander.

Digital users:

16.6 million digital users — 17% more than in 2014

6.9 million mobile banking users — 50% more than in 2014

Number of accesses/ month per customer:

Internet — 9 accesses/month

Mobile — 13 accesses/month

Sales:

15% in digital channels

Monetary transactions (except cash+direct debit)

58% in digital channels

Digital transformation

The multichannel transformation of the commercial model is one of Santander's strategic priorities. Digital channels offer new opportunities to personalise customer relationships, facilitate greater availability and proximity and contribute to improving satisfaction and loyalty with the Bank.

Santander has **four basic drivers** for this transformation:

1. **Incorporate digital channels** in the day-to-day commercial activity, without forgetting personal attention.

2. **Offer a first-class customer experience,** with new and different multichannel relationship models for each segment.

3. Develop new functionalities, in order to have **best-in-class digital channels**, particularly in the area of mobile banking.

4. Foster a **multichannel culture** that involves and engages all teams in our transformation plans.

Our local units have developed specific projects for each of these drivers and all have their own **Multichannel Transformation Plans.**

The ***M programme*** was launched during 2015 in order to drive change. This programme has a global-local collaborative approach and is based on the best practices implemented in our local markets to incorporate multichannel services in day-to-day retail and commercial banking.

Among the major developments achieved by our local units during 2015 in our digital transformation agenda were:

- **Santander UK** is participating in the first group of Apple Pay issuers in the UK and has developed new apps such as Cash Kitti, a group money management app, and Spendlytics, a card expenses tracking app.

Digital initiatives


Cash Kitti

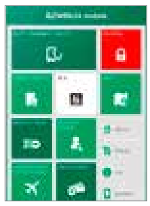

Spendlytics


Santander Watch

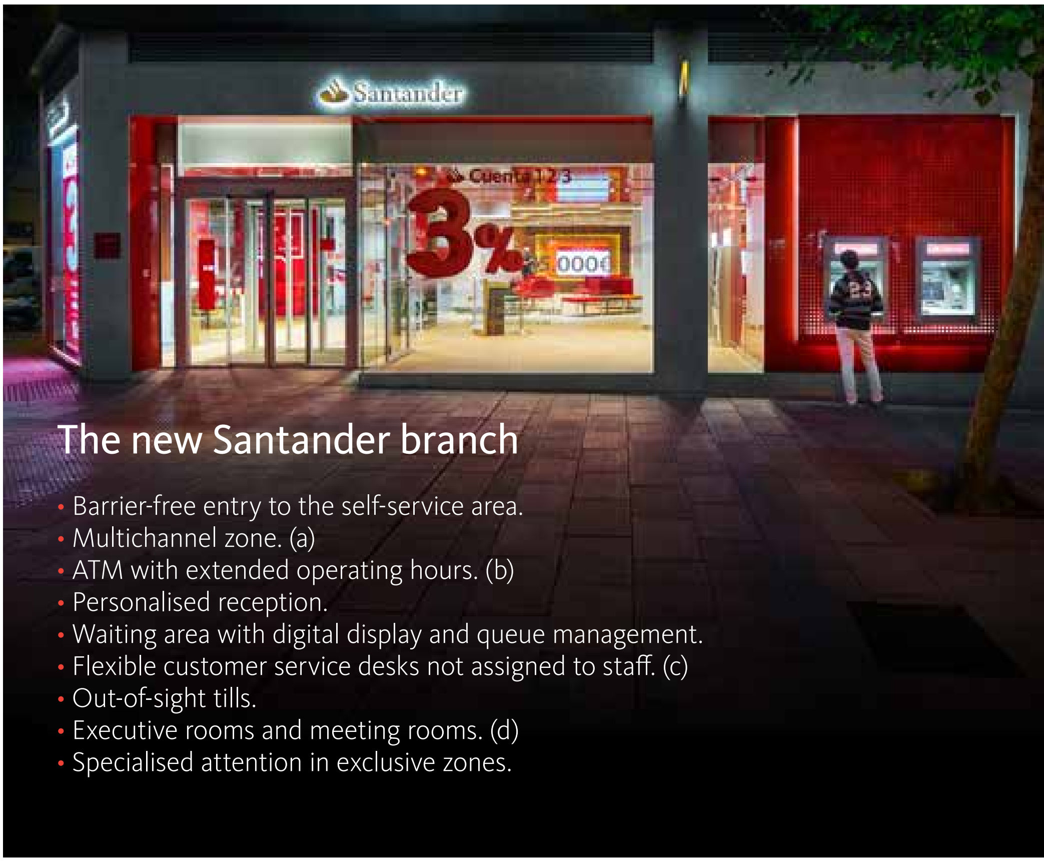

Mobile Deposit Capture


Apple Pay


App Spain


App Poland

Others



The new Santander branch

- Barrier-free entry to the self-service area.
- Multichannel zone. (a)
- ATM with extended operating hours. (b)
- Personalised reception.
- Waiting area with digital display and queue management.
- Flexible customer service desks not assigned to staff. (c)
- Out-of-sight tills.
- Executive rooms and meeting rooms. (d)
- Specialised attention in exclusive zones.


a


b


c


d

- In **Spain**, Santander renewed its commercial website and launched a new mobile app for SMEs and companies, and Santander Watch, which allows customers to check their accounts and card transactions from smart watches.

- **Brazil** launched a strong plan for digital customers (“Vale a pena ser digital”) in order to inform customers of the Bank’s digital offer. A new version of the Bank’s mobile app was also launched.

- In **Argentina**, *Global Finance* magazine chose Santander Río as the country’s best digital bank for the 16th consecutive year.

- Bank Zachodni WBK’s mobile banking app is considered to be the best in **Poland** and the second in Europe, according to a study by the consulting firm Forrester. The Bank was also awarded the prize by *Global Finance* magazine as the best mobile bank and the best app in Central and Eastern Europe.

- In the **United States**, Santander launched its online bank for SMEs and companies, as well as Mobile Deposit Capture, which enables cheques to be easily and safely processed via a mobile phone.

- **Santander Mexico** carried out a project to simplify credentials, which allows access to various digital channels from a single password.

As a result of these initiatives, the number of digital customers is growing at a brisk pace: 17% since December 2014 to 16.6 million.

The Bank has an **innovation area** whose purpose is to research and anticipate market trends, and design businesses and solutions for customers from a global, disruptive and long-term standpoint. The Group also fosters innovation via **Santander Innoventures,** a corporate $100 million venture capital fund that holds minority stakes in financial sector start-ups, helping

Examples of simplified processes - Customer Journeys

Brazil
Process for opening a current account

BEFORE...
Account: D+8
Card: D+16
Channels: D+22
Access code: D+28

TODAY...
D+1*.

*D+1 = 24H.

Portugal
Process for opening a current account

BEFORE...
The customer was asked **to sign six/eight pages** in the contract to open an account (paper-based process)

TODAY...
Only **two signatures** (digital process on a **tablet**)

United Kingdom
Process for opening a current account

BEFORE...
It took **six days** to complete the process for opening an account

TODAY...
The customer leaves the branch with the account activated and operating from the day it is arranged

Mexico
Requesting a loan (SMEs)

BEFORE...
13 days to complete the process

TODAY...
Digital process: **48 hours** between requesting the loan and receiving it

them to grow and, in turn, learning about the new technologies they develop in order to use them for the Group and its customers. The Retail and Commercial Banking, and Technology and Operations divisions carry out the day-to-day digital transformation, improving the Bank's offer and responding to business needs.

In order to drive the process of change and ensure coordination between all the involved areas of the Bank, a **committee to coordinate digital transformation** was created in 2015. It involves the areas of Strategy and Innovation and the divisions of Retail and Commercial Banking, Technology and Operations and the Group's main local units. This committee reports to the Bank's management and strategy committees.

In addition, while making progress in the digital world, we continued to work to improve customer experience in traditional channels. **Branches are the key channel for maintaining and strengthening long-term relations with our customers**. Our Spanish and Brazilian units launched their new Santander branch model in 2015, which responds to the current form of customer relations with technological developments to simplify processes and make them easier and intuitive, and differentiated spaces that allow the advantages of technology to be combined with the proximity of personal treatment by the Bank's professionals. Argentina inaugurated its first digital branch. Other countries such as Mexico and the UK will soon open their new spaces.

Operational excellence
Santander made progress in the following three key areas:

- Transform the customer experience for the main customer journeys, such as, customer onboarding (opening and activating accounts, applying for loans, etc).
- Improve customer experience and customer satisfaction.
- Create value for customers by reducing costs. The Group aims to generate €3,000 million of cost savings by 2018 through greater efficiency in technology and operations and at its corporate centre, and through the digitalisation of the commercial distribution model.

Transform customer journeys
A best-in-class customer experience is essential to achieve more satisfied and loyal customers.

Customer satisfaction

% of active satisfied customers

Bank	2015	2014
Argentina	87.6%	86.8%
Brazil	71.6%	70.6%
Chile	92.6%	88.4%
Spain	87.6%	85.0%
Mexico	94.0%	95.0%
Poland	96.4%	93.5%
Portugal	93.1%	94.1%
UK	95.7%	94.5%
US	81.8%	80.8%
Uruguay	94.3%	90.0%
TOTAL	**86.6%**	**85.3%**

Source: Corporate Benchmark of Customer Experience and Satisfaction of active individual customers. (Figures at the end of 2015, corresponding to the results of surveys in the second half of the year).

In order to incorporate customers' suggestions and improve their experience in their main processes and interactions with the Bank, Santander strives to continuously improve customer journeys.

In 2015, all countries made progress in the customer journey transformation programme, a project that involves all the Bank's areas and entails redesigning and streamlining all its processes.

Improve customer experience and customer satisfaction

Santander has several initiatives to measure and monitor customer satisfaction. Every year more than one million surveys are conducted and work continues to incorporate the voice of more customers and at more moments in their relationship with the Bank.

As a result of these initiatives, customer satisfaction improved at Group level in 2015.

In 2015, Spain, UK, Mexico, Argentina and Portugal were among the top 3 in customer satisfaction in their markets, in line with the target set for 2018

SANTANDER EXPERIENCE

"My bank works for me"

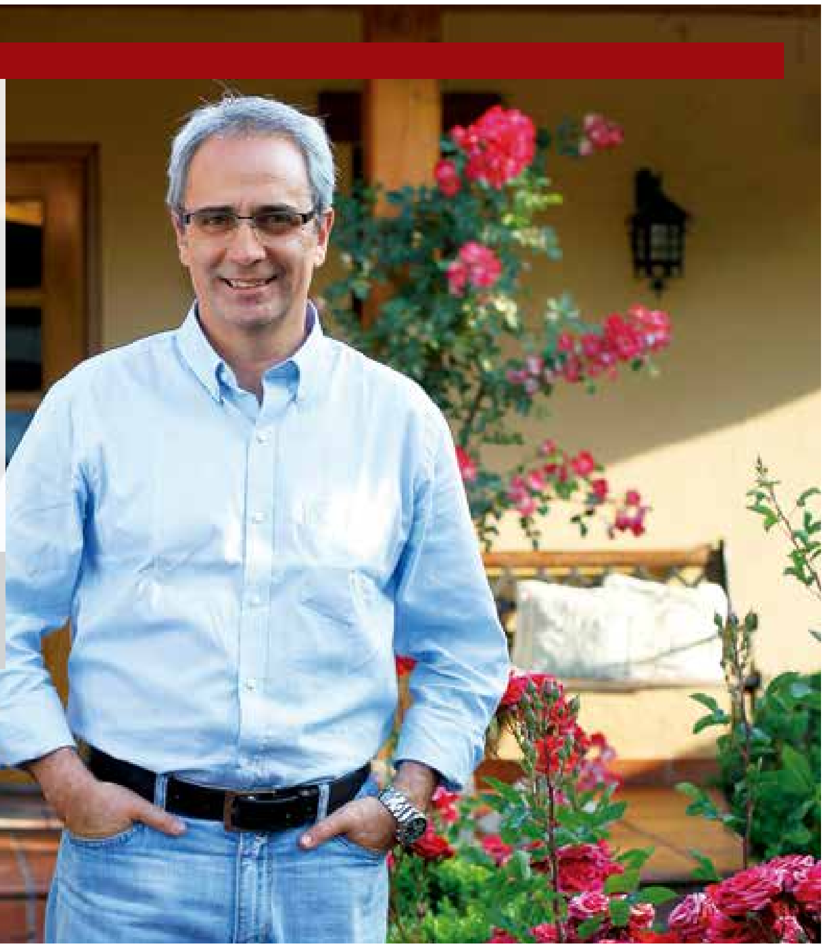
Eugenio Navarrete has been a Banco Santander customer in Chile since 1999 (17 years).

A few years ago his family had economic and health problems.

Eugenio says Santander was always by his side, supporting him as a person and not as just another number.

For Eugenio, Santander is his Bank and ***"My bank works for me".***

Access thise and other real experiences



Shareholders and investors

With more committed employees and more satisfied customers, Banco Santander can offer its shareholders an attractive and sustainable return, and maintain their loyalty in the long term.

Banco Santander has set the following strategic priorities for its shareholders:
- Obtain an attractive and sustainable return.
- Attain high recurring income.
- Maintain prudent risk management.
- Manage capital in a disciplined way.

The Bank made significant progress during 2015 in all of these aspects:

A good return was maintained:
- 13% increase in underlying attributable profit.

- 11.0% ordinary RoTE and 3% improvement in the net tangible book value per share on a like-for-like basis.

Increased remuneration in cash and payment of the four usual dividends maintained:
- The remuneration in cash rose from 20% to 38% of profit, in line with the aim of maintaining a cash pay-out of between 30% and 40% of the recurring profit.

- The total shareholder remuneration out of 2015 profit was €0.20 per share. Three of these dividends have already been paid (€0.05 per share each). The fourth and final dividend is scheduled to be paid in May 2016.

Strengthened its capital position:
- As a result of the organic capital generation and the accelerated book-building process carried out in January. Three scrip dividends were also paid, two of which were charged to 2014´s earnings and one to 2015´s.
- Santander has a comfortable capital position, with a Basel III capital ratio (fully loaded CET1 ratio) of 10.05% at the end of 2015, which will enable it to take advantage of the organic growth opportunities in its core markets. The Santander regulatory capital ratio (12.55%) is 280 basis points above that required by the ECB for 2016 (9.75%).

Improved risk management:
- The NPL ratio dropped by 83 b.p. to 4.36% and the cost of credit stood at 1.25%.

- By implementing Santander Advanced Risk Management, the Bank wants to lay the foundations for having the industry's best comprehensive risk management model.

Established the groundwork for a new commercial model which will enable organic capital growth:
- This model is based on four main drivers: an increase in loyal customers; more digital customers; enhanced customer satisfaction; and a focus on higher growth businesses such as SMEs, consumer finance and private banking.

Increased the number of shareholders:
- The total number of Banco Santander shareholders was 3.6 million from more than 100 countries at the end of 2015.

Santander's goal is to increase its dividend per share every year

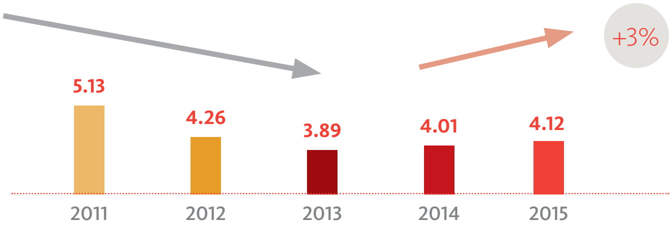
10.05%
fully loaded CET1 ratio

11.0%
Ordinary RoTE

Banco Santander has set the following objectives for the next three years

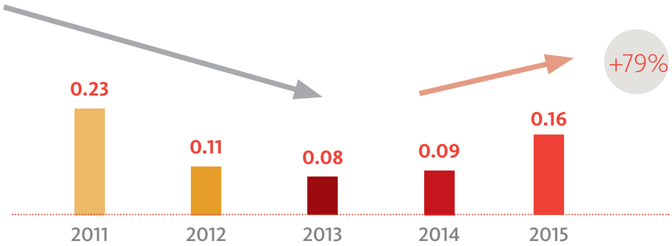
- **Obtain a cost-to-income ratio below 45%, which will mean managing assets even more efficiently.**
- **Maintain an average cost of credit of 1.2%.**
- **Increase profitability, raising RoTE to around 13%.**
- **Continue to generate capital organically, in order to have a fully loaded CET1 ratio of more than 11%, which will increase the dividend and earnings per share.**

TNAV/share[1]
€



1. Calculated on a like-for-like basis with prior years.

Cash dividend
€/share



The Santander share in 2015

Share performance

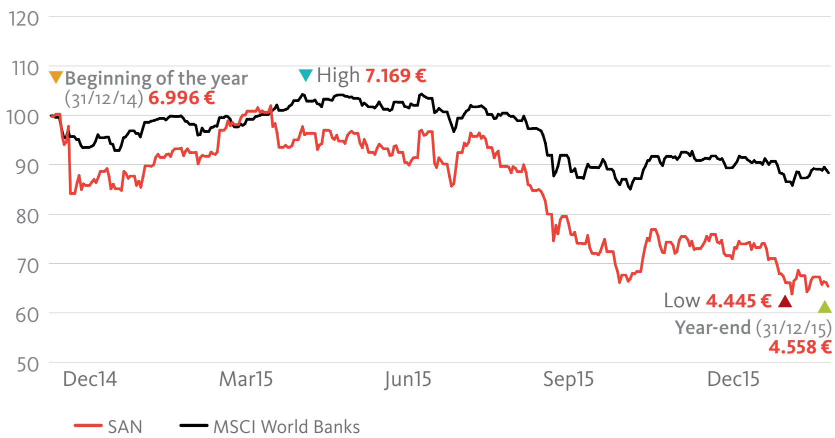
In an environment of volatility marked by the Greek crisis, the slowdown of the Chinese economy, lower expectations in emerging markets (particularly Brazil) and falling oil prices, total shareholder return in 2015, taking into account the change in the share price and the remuneration received (with reinvestment of the dividend) was 31% negative. In the same period, the MSCI World Banks, the main global index for banks, registered a total return that was also negative (9%).

Banco Santander was the largest bank in the euro zone by market capitalisation at the end of 2015 and the 19th in the world, with a value of €65,792 million.

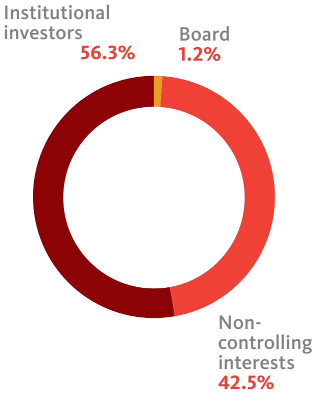
Shareholder base and capital

At the end of 2015, Banco Santander had 3.6 million shareholders in more than 100 countries.

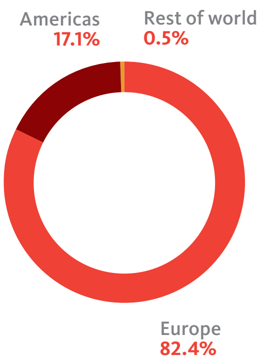
Comparative performance of the Santander share
December 2014 vs. December 2015



Distribution of share capital by type of shareholder
31/12/15



Geographic distribution of share capital
31/12/15



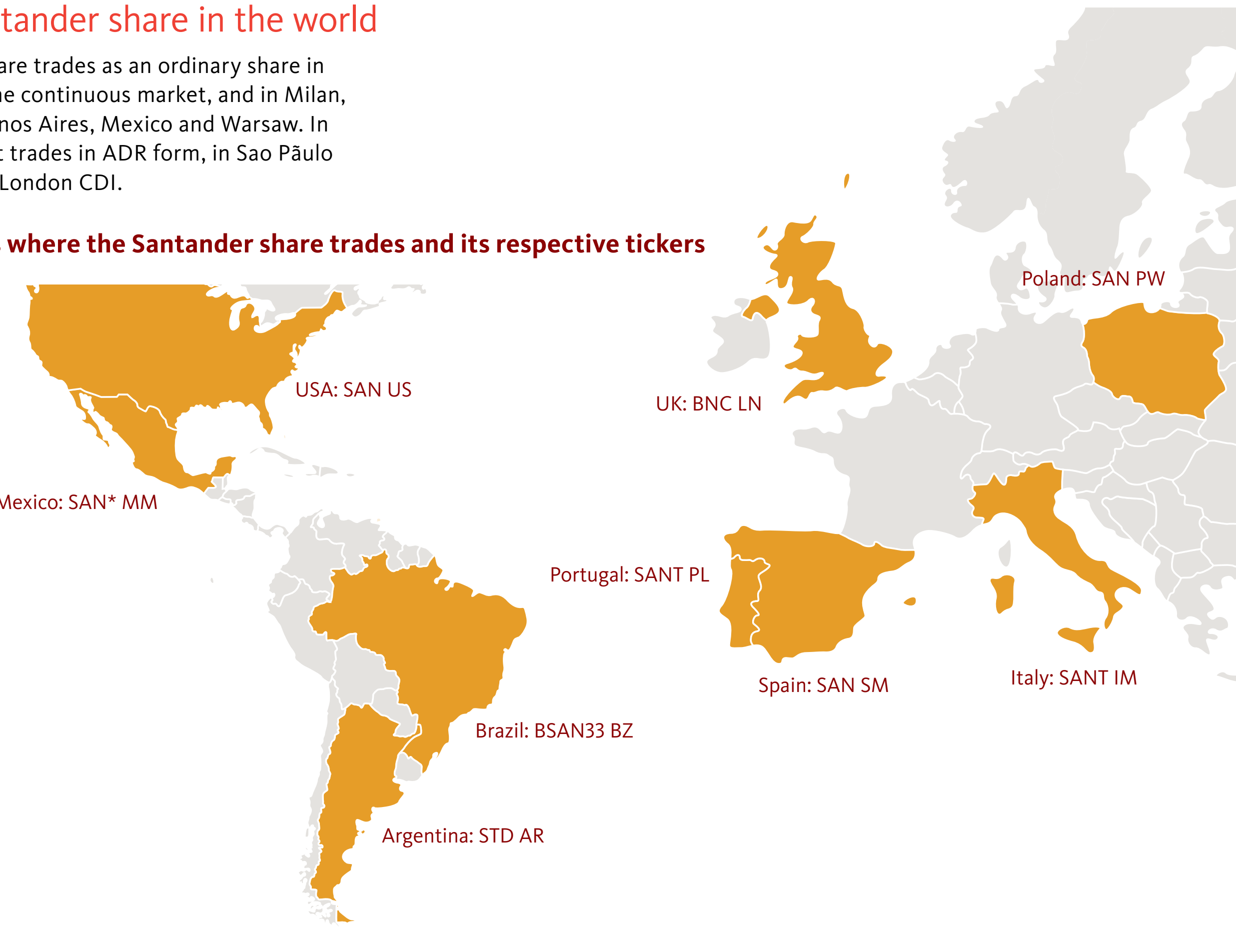
Shareholder base and capital
31 December 2015

	Dec 2015	Dec 2014
Shareholders (number)	3,573,277	3,240,395
Outstanding shares (number)	14,434,492,579	12,584,414,659
Average daily trading (number of shares)	103,736,264	77,340,428

The Santander share in the world

The SAN share trades as an ordinary share in Spain, via the continuous market, and in Milan, Lisbon, Buenos Aires, Mexico and Warsaw. In New York, it trades in ADR form, in Sao Pãulo BDR and in London CDI.

Countries where the Santander share trades and its respective tickers



Milestones in 2015

8 January: €7,500 million capital increase

3 February: presentation of 2014 results

February: third interim dividend, 2014

27 March: general shareholders' meeting

28 April: presentation of first quarter 2015 results

May: final dividend, 2014

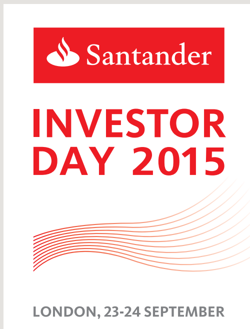
30 July: presentation of second quarter 2015 results

August: first interim dividend, 2015

23-24 September: *Investor Day*

29 October: presentation of third quarter 2015 results

November: second interim dividend, 2015



Held in London, UK.

+350 analysts and investors attended

59 members of the Bank's senior management gave presentations

More than 150 questions from investors and analysts were answered

Commitment to shareholders via the Shareholder and Investor Relations area

The Shareholder and Investor Relations area implemented initiatives in 2015 to improve transparency with shareholders and facilitate the exercise of their rights. These included:

1 Communications

- **Communications** via channels selected by the shareholders to inform them of material facts, shareholders' meetings, dividends, performance of the share price and the Group, marketing campaigns, promotions and events.
- **Quarterly shareholders' report:** print and online versions in seven countries.
- Sending of **daily and weekly financial newsletters.**
- Launch of communication channels with shareholders based on new technologies: **a new corporate website, a new commercial website and an app for Santander shareholders and investors.**

2 Attention

- 42,805 **e-mails** handled.
- 241,553 **telephone enquiries** received.
- 22,336 **personal formalities.**

3 Exclusive benefits

- Financial products for shareholders.
- Waiver of fees.
- Promotions in products and services via the "Yo Soy Accionista" website.
- Delivery of study scholarships to disabled university students.
- Participation in charity projects worldwide.

4 Shareholders' meeting

- Record participation in the meeting held in March 2015, in terms of both share capital and number of shareholders.

5 Quality studies

- Ongoing assessment of the various services provided. Nine out of ten shareholders would recommend the telephone and Internet helpline services.

SANTANDER EXPERIENCE

"I am a businessman who invests and manages on a long-term basis, which is why I trust in Santander"

Josep Rosàs owns Masia Rosàs in Barcelona and has been a Banco Santander shareholder for more than 12 years.

He invests in Santander because of its three great strengths. First, the attractive geographic diversification of its assets. Second, its permanent focus on the shareholder which makes him feel he is a real owner of the bank. Third, Santander's proven track record throughout its history when measuring risk, while continuing to take courageous decisions.

A bank which, for Josep, has never failed at the most difficult times.

Access thise and other real experiences

Communities

Santander carries out its business in a responsible and sustainable way while contributing to the economic and social progress of the communities in which it operates, and is particularly committed to fostering higher education.

Banco Santander has a business model and a corporate culture focused on creating long-term value for all its stakeholders: employees, customers, shareholders and communities.

The Bank voluntarily assumes certain ethical, social and environmental commitments which go beyond the related legal obligations, and makes a large social investment mainly via Santander Universities.

Sustainability governance

Santander has a well defined sustainability governance structure, at both corporate and local level, which facilitates the involvement of all the Bank's business and support areas in the Group. The board is the highest governing body in sustainability matters, and is responsible for approving the sustainability strategy and policies.

The sustainability committee, chaired by the CEO and comprising the heads of divisions and/or areas, proposes the strategy and the initiatives in sustainability.

Santander has a working group, chaired by the chief compliance officer, which analyses and assesses the social, environmental and reputational risks of financing operations in sensitive sectors.

Lastly, the board risk committee is responsible for reviewing the sustainability policy ensuring that it is focused on creating value for the Bank; monitoring the related strategy and practices, and assessing its degree of compliance.

There are also local sustainability committees in most of the Bank's local units, chaired by the corresponding country head. This committee proposes and develops, using common corporate frameworks, the sustainability strategy and initiatives adapted to each country's needs and features.

Corporate sustainability policies

In December 2015, the Bank's board approved an update to the social and environmental policy. This policy, now called the **general policy of sustainability**, defines Banco Santander's main lines of action in this area and it is the reference framework in corporate social responsibility and in social and environmental risk management.

The Bank's **climate change** and **human rights** policies were also updated and a new **corporate volunteer** policy drawn up.

The Group also defined **sector-specific environmental policies** which incorporate the criteria for analysing social and environmental risk in sensitive sectors (defence, energy and soft commodities).

Santander fosters ethical behaviour both among its employees, in accordance with the Group's general

Santander is part of the main stock market indices that analyse and value companies' actions in matters of sustainability

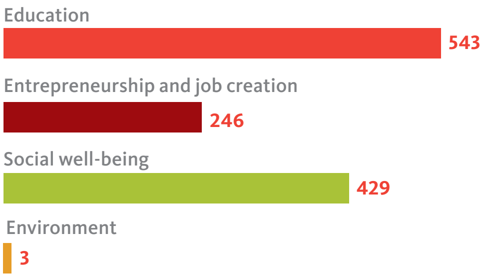
FTSE4Good

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

International initiatives in sustainability to which Banco Santander adheres

- United Nations Global Compact
- Banking Environment Initiative (BEI)
- World Business Council for Sustainable Development (WBCSD)
- UNEP Finance Initiative
- Wolfsberg Group
- Equator Principles
- Round Table on Responsible Soy
- Principles for Responsible Investment (PRI)
- Working Group on Sustainable Livestock
- Carbon Disclosure Project

Beneficiaries of social programmes
Individuals (thousand)




Closing ceremony of the seventh edition of the *Euros from your payroll* social project programme.

code of conduct, and among its suppliers, who are requested to comply with the ten principles of the Global Compact.

Santander, a bank committed to society and its environment

Banco Santander also contributes to the economic and social progress of communities through many social investment programmes in areas such as education, entrepreneurship, social well-being and culture, in a large number of which the participation of the Group's professionals is fostered as a way to promote solidarity and pride in working for Santander.

Education

Banco Santander supports education as a catalyst for developing and growing the communities and countries in which it operates, with a specific focus on higher education via Santander Universities, the Group's hallmark of social investment.

The Bank is also firmly committed to financial literacy and children's education, as it is conscious of the need to promote better knowledge of the basic aspects of finance for the different stages of life.

Entrepreneurship

The creation of social companies, social inclusion and fostering entrepreneurial capacity are some of the Bank's lines of action in this area.

Banco Santander has significant microcredit programmes in Brazil, Chile and El Salvador that enable the most disadvantaged groups to access loans and improve their social inclusion, standard of living and environment.

Social well-being

The Bank has a wide array of programmes that aim to eradicate the social exclusion of the most vulnerable groups, foster research to improve people's health and make life easier for the disabled.

Environment

The Group conducts its activity while preserving the environment, and promoting initiatives and projects that require protection and mitigate the environmental impact. The Bank's environmental initiatives focus on reducing consumption and emissions derived from its activity, developing financial solutions to combat climate change (leadership position in financing renewable energy projects), and integrating social and environmental risks into the process of granting loans.

Art and culture

Santander is very active in protecting, preserving and disseminating art and culture, mainly via the Banco Santander Foundation in Spain and Santander Cultural in Brazil.

1.2
million beneficiaries in 2015[1]

207
million of social investment in communities

7,125
partnerships with NGOs

7,362
megawatts financed in renewable energy projects

1. People who have benefited from the programmes, services and products of Banco Santander, its employees and customers which have a social and/or environmental component in the 10 core countries where the Bank operates. It does not include those who benefit from the Santander Universities Programme or from cultural programmes.

Santander Universities

Investing in higher education is the hallmark of the Bank's social commitment, which is organised and managed through Santander Universities.

Santander cooperates with more than 3,900 projects to improve education, such as programmes to internationalise universities, encourage mobility by academics, provide students with access to the labour market, foster an entrepreneurial culture, research and innovation, and to increase financial literacy.

The main initiatives in 2015 included the following:

- **The largest scholarship programme provided by a private company**. A total of 35,349 were granted in 2015. These include:
  - 15,553 travel scholarships for university students, with programmes such as *Becas Iberoamérica. Jovenes Profesores e Investigadores* and the *Top* programmes.
  - 10,865 Santander internship scholarships in SMEs to facilitate the insertion of students in the labour market. This programme is carried out in Argentina, Spain, UK, Puerto Rico and, for the first time, in Brazil, Chile and Uruguay.
  - 7,536 study scholarships, with initiatives such as the Itaca-Salary Scholarships of the Autonomous University of Barcelona and training scholarships and aid to university entrepreneurs in Babson College.
- **Entrepreneurship** is another of the main lines of action, with programmes such as YUZZ jóvenes con ideas, managed by the Santander International Entrepreneur Centre which, in its sixth edition, supported and trained more than 900 young people who presented 710 business projects in 41 high performance centres throughout Spain. Also of note were the initiatives promoted by RedEmprendia such as the SOLA project (Spin-Off Lean Acceleration), as well as the Santander University prizes for Entrepreneurship in Brazil which in 2015 set a new record of entries: almost 24,000 university projects throughout the country. These awards were also held in Argentina, Chile, Spain, Portugal and UK.
- **Research and innovation** is supported by an annual investment of €24 million and is used to support research groups on cancer, stem cells, biomaterials, protection of endangered species, innovation and digital transformation, protection of human rights, as well as science parks and Chairs of excellence in universities.

  Some of this investment goes to the Santander Universities Prizes for Innovation which are awarded in Brazil, Mexico, US and Puerto Rico; and to the University Scientific Research Prize in Chile, among others. Initiatives such as the ComFuturo Programme (CSIC) are also supported, which helps to retain talent in Spain through grants to highly qualified young scientists.
- The **Universia** network also helps young people to join the labour market with one million jobs created in 2015. It acted as the intermediary through its job community, which includes websites where 17.3 million job applications were registered.

Banco Santander joined the Ibero-American General Secretariat (SEGIB) in 2015 to foster mobility by students, teachers and researchers in Latin American countries via the Alliance for Latin American Academic Mobility. The aim is to boost academia, contribute to sustainable growth and reduce inequality in the region. At least 200,000 Latin American students, teachers and researchers are expected to further their studies and knowledge in other countries of the region by 2020. Santander joins this commitment through international mobility programmes.

This commitment follows the path established by the 2014 Universia Río Declaration, which set out the conclusions of the III International Meeting of Chancellors organised by Universia in Rio de Janeiro in July 2014 was attended by 1,109 university chancellors from 32 countries.

universia

1,401
universities form part of Universia

1
million jobs intermediated

Santander UNIVERSITIES

Banco Santander is **the company that invests the most in education in the world**, according to a Varkey Foundation report in cooperation with Unesco

€160 million contributed to universities

35,349 scholarships and grants in 2015

1,229 agreements with universities and academic institutions in 21 countries

Santander Universities. Strategic priorities 2016-2018

- **Innovation and entrepreneurship:** fostering the entrepreneurial culture and university innovation will be key in cooperation with universities.
- **University digitalisation:** encouraging the digitalisation and modernisation of universities will be another priority in Santander's commitment to education, with projects to incorporate new technologies to the teaching process, virtual campuses, and the creation of digital academic university services.
- **Internationalisation:** international mobility scholarships, exchange programmes and driving transversal cooperation projects between the universities of various countries.
- **Employability:** initiatives to help university students access the labour market, with scholarship programmes for internships in cooperation with universities.
- **Objective:** 130,000 scholarships in 2016-2018.

SANTANDER EXPERIENCE

"Santander offered me the gift of getting to know other entrepreneurs who like me are eager to change the world"

Miguel Ruiz Capella was one of 5,000 winners of the Santander Scholarship programme for work practice in SMEs and participated in Universia's 2015 Jumping Talent contest.

He is currently COO and legal advisor of Rivekids Technology, an engineering company that develops child retention systems in cars.

He says the opportunities that Santander makes available to students and those who have recently graduated go well beyond simple practices. "Its firm conviction in allowing talent to prosper, without any conditions, is impressive. Always."

Access thise and other real experiences

Risk management

Santander Group aims to build the future through forward-looking risk management, protecting the present via a robust control environment.

During its more than 150 years of activity, Santander has combined prudence in risk management with the use of advanced techniques that have proven to be decisive in generating recurring economic results.

Santander Group's risk policy is focused on maintaining a medium-low and predictable risk profile. Its risk management model is a key factor for achieving the Group's strategic objectives.

Risk governance

Responsibility for risk management and control, particularly in setting the Group's risk apetite, lies ultimately with the board of directors, which delegates powers to the committees. The board is supported by the board risk committee, an independent risk control and supervision committee. The Group's executive committee also devotes particular attention to managing the Group's risks.

The following committees form the top level of risk governance.

Independent control bodies

- The purpose of the **board risk committee** is to assist the board in the supervision and control of risk, through defining the group's risk policies, developing relationships with regulatory and supervisory authorities and overseeing the group's management of regulation, compliance, sustainability and corporate governance.

- **The risk control committe** is in charge of the effective control of risks. It ensures that risks are managed in accordance with the risk appetite approved by the board, taking a comprehensive view, at all times, of all the risks included in the general risk framework. This involves the identification and monitoring of current and emerging risks, and their impact on the Group's risk profile.

Pillars of the risk function

Integration of the risk culture and involvement of senior management in managing and taking decisions on risks

A risk function independent of the business functions

Management of all risks with a forward-looking and comprehensive view at all levels

Formulating and monitoring the risk appetite of the Group and its subsidiaries

Best-in-class processes and infrastructure

risk pro

All the Santander team engaged in risk

"Risk pro" risk culture

Responsibility
All units and employees must know the risk they incur and be responsible for identifying, assessing, managing and reporting them.

Resilience
All employees must be prudent, avoid risks they do not know or which exceed the established risk appetite, and be flexible, adapting to new environments and unforeseen scenarios.

Challenge
Promote continuous debate within the Bank on how to manage risk in order to be able to anticipate future challenges.

Simplicity
Clear processes and decisions, easy for employees and customers to understand.

Customer focus
Sound risk management helps people and businesses prosper.

Decision-making bodies

- **The executive risk committee** is the collective body responsible for risk management, in accordance with the powers assigned to it by the board. It is involved with all risks.

  It participates in making decisions on risk assumption at the highest level, ensuring that they are within the limits set in the Group's risk appetite, and it informs the board and its committees of its activity when required.

Lines of defence

Banco Santander follows a risk management and control model based on three lines of defence.

The business or activity functions that assume or generate risk exposure constitute the **first line** of defence. The assumption or generation of risk in this line must be aligned with the pre-defined risk appetite and limits.

The **second line** consists of the risk supervision and control function and the compliance function. It ensures that risks are controlled effectively and are managed in line with the set risk appetite.

Internal audit, as the **third line** of defence and the last layer of control, regularly assesses that the policies, methods and procedures are adequate and tests their effective implementation.

Risk culture

Having a solid risk culture is one of the keys that has enabled Santander Group to respond to the changes in economic cycles, customers' new requirements and to increased competition, and to position itself as a bank in which employees, customers, shareholders and communities can trust.

This culture, called risk pro, is aligned with the general principles of Simple, Personal and Fair, and is the series of behaviours that each employee must develop to proactively manage the risks that arise from daily activity.

1.25%
Cost of credit

4.36%
NPL ratio

Santander Group's risk profile

The risks that Santander faces as a result of its activity are: credit, market, liquidity, structural and capital, operational, conduct, compliance and legal, model, reputational and strategic. We set out below a brief description of the main risks and their evolution in 2015.

Credit risk

See pages 199-229 of Banco Santander's Annual Report

Definition

This risk comes from the possibility of losses derived from total or partial failure to perform the financial obligations contracted with the Group by its customers or counterparties.

Other credit risk standpoints:

- Credit risk from activity in the financial markets.
- Concentration risk.
- Country risk.
- Sovereign risk and that with the rest of public administrations.
- Environmental risk.

Risk profile

- More than 80% of Santander Group's credit risk comes from retail and commercial banking activities.
- High degree of geographic diversification of risks.
- Limited concentrations in customers, business groups, sectors, products and countries.
- The exposure to Spain's sovereign risk is maintained at adequate levels from the regulatory and management standpoint.
- Very limited cross-border risk exposure, in line with the model of autonomous subsidiaries in terms of capital and liquidity.
- High credit quality of the Group's assets.

Evolution in 2015

- Customer credit risk increased 6% to €850,909 million.
- The trend toward reducing the cost of credit, which stood at 1.25%, and loan-loss provisions continued.
- The NPL ratio reduced to 4.36% and the coverage ratio increased to 73%.
- The net exposure to run-off real estate risk in Spain reduced by €1,017 million to €6,303 million.
- In Brazil (8% of the Group´s loan portfolio) the NPL ratio remains below the average of private banks.

Liquidity and funding risk

See pages 250-260 of Banco Santander's Annual Report

Definition

Liquidity risk is that incurred from potential losses that could arise as a result of a bank's inability to obtain funding in the market and/or from the higher financial cost of accessing new sources of funding.

Management of this risk aims to ensure the availability of the funds needed in adequate time and cost to meet obligations and develop operations.

Risk profile

- Liquidity management and funding is a basic element of the business strategy.
- The funding and liquidity model is decentralised and based on autonomous subsidiaries that are responsible for covering their own liquidity needs.
- The needs derived from medium and long-term activity must be funded by medium and long-term instruments.
- High participation of customer deposits, as a result of an essentially retail and commercial banking balance sheet.
- Diversification of wholesale funding sources by: instruments/investors, markets/currencies, and maturities.
- Limited recourse to short-term wholesale funding.
- Availability of a sufficient liquidity reserve, which includes the discounting capacity in central banks to be used in adverse situations.

Evolution in 2015

- Early compliance with regulatory ratios, with a liquidity coverage ratio (LCR) of 146% at the end of the year.
- Net loan-to deposit ratio in the Group at very comfortable levels (116%).
- High medium and long-term capturing of wholesale funds (issues and securitisations): €56,609 million via 18 issues in 15 countries and 14 currencies.
- High liquidity reserve, strengthened in quantity (€257,740 million) and quality (52% of the total are high quality liquid assets) over 2014.

	Definition	Risk profile	Evolution in 2015
Market risk See pages 230-249 of Banco Santander's Annual Report	Market risk covers those financial activities where equity risk is assumed as a result of a change in market factors. This rise stems from changes in interest rates, the inflation rate, exchange rates, equities, credit spreads, commodity prices and volatility in each of these factors, as well as the liquidity risk of the various products and markets in which the Group operates.	• Santander maintains a moderate exposure to market risk. • Diversification in terms of both risk factors and geographic distribution. • Trading activity centred on customer business. • The average VaR in trading activity remained in a low range, in line with previous years. • Limited exposure to complex structured assets.	• The VaR of trading activity in markets fluctuated in 2015 between €10 million and €31 million. • The main fluctuations were due to changes in the exposure to exchange rates and interest rates, as well as market volatility.
Operational risk See pages 261-269 of Banco Santander's Annual Report	The risk of losses resulting from defects or failures in internal processes, human resources or systems, or from external circumstances. In general, and unlike other types of risk, it is not a risk associated with products or businesses. It is found in processes and/or assets and is internally generated (people, systems, processes) or as a result of external risks, such as natural disasters.	• Santander expressly assumes that although certain volumes of expected operational losses can occur, severe unexpected losses are not acceptable as a result of failures in controls on activities. • In operational risk control and management, the Group focuses on identifying, measuring/assessing, monitoring, controlling, mitigating and reporting this risk. • Organisational model of control and management based on three lines of defence and on an evolution to advanced management standards (AORM programme to be completed in 2016). • Risk profile aligned with the business model and geographic presence. No significant events in particular at the Bank.	• Improvement in the operational risk management and control model in its evolution toward advanced standards (Advanced Operational Risk Management programme). • Launch of the project to install a new common application (Heracles) for operational risk functions in general and compliance risks, and documentation of the internal control model. • Encouragement for operational risk training and culture throughout the Group. • Promotion of key initiatives for mitigating risk: control of suppliers, information security and cyber risk.
Compliance and conduct risk See pages 270-276 of Banco Santander's Annual Report	Compliance risk embraces control and management of the following risks: • Regulatory compliance risk: understood as that due to failure to meet the legal framework, internal rules or the requirements of regulators and supervisors. • Product and consumer protection risk: understood as that caused by inadequate practices in the dealings between the Bank and its customers, the treatment and products offered to them and whether they are sufficiently tailored to each particular customer. • Reputational risk: understood as that derived from damage in the eyes of public opinion, customers, investors or any other stakeholder in the perception of the Bank.	• In formulating its risk appetite in relation to compliance, the Group includes a statement that it does not have any appetite for this type of risk and that it has the clear objective of minimising the occurrence of any economic, regulatory or reputational impact on the Group. • To this end, the compliance function promotes Santander Group's adherence to rules, supervisory requirements, the principles and values of good conduct, acting as a second line of defence, through setting standards, debating, advising and reporting, in the interest of employees, customers, shareholders and society in general.	• With regard to regulatory compliance, 2015 saw an increase in new and complex relations, with a high impact: Volcker, Market Abuse, MiFID II, EMIR, Corporate Defence, etc. • In the field of governance of products and consumer protection, 2015 witnessed the addition of a new scope for defining conduct, beyond the traditional definition, and new implications of the stress test in this area, as well as regulatory pressure in matters of consumer protection. • In the prevention of money laundering and terrorist financing, supervisory pressure with global regulations was stepped up in 2015, and there was an increase in the impact of the sanctions regime. • In reputational risk, 2015 saw the development of a new model with the aim of defining the scope, management and control of this risk, as well as an update to policies to attain the highest standards, in accordance with stakeholders' expectations.

2

2015 results

Santander maintained **a high level of revenues and a strong generation of capital,** while advancing its commercial transformation.

Economic, banking and regulatory environment

Santander developed its activity in 2015 in an environment of uneven growth across the countries in which it operates and increasing regulatory pressure.

International economic environment

The global economy slowed in 2015 (3.1% vs. 3.4% in 2014). The upswing in developed economies could not offset the downturn in emerging economies. The fall in commodity prices and the slowdown of the Chinese economy had a bigger relative impact on emerging economies, although the degree of slowdown varied according to each market's domestic situation.

- The **US** is in a phase of moderate but solid growth. GDP grew 2.5% in 2015 and the unemployment rate continued to fall to levels regarded as full employment (5%). Inflation came down as a result of the fall in oil prices, although the underlying rate (1.3%) remained below the target (2%). The Federal Reserve raised its interest rates in December 2015 to 0.25-0.5%.

- The **United Kingdom** maintained the robust pace of growth (2.2%) of the last few years, accompanied by a decline in the jobless rate close to pre-crisis levels. Inflation was around 0% without signs of salary tensions. The Bank of England held its rate at 0.5%.

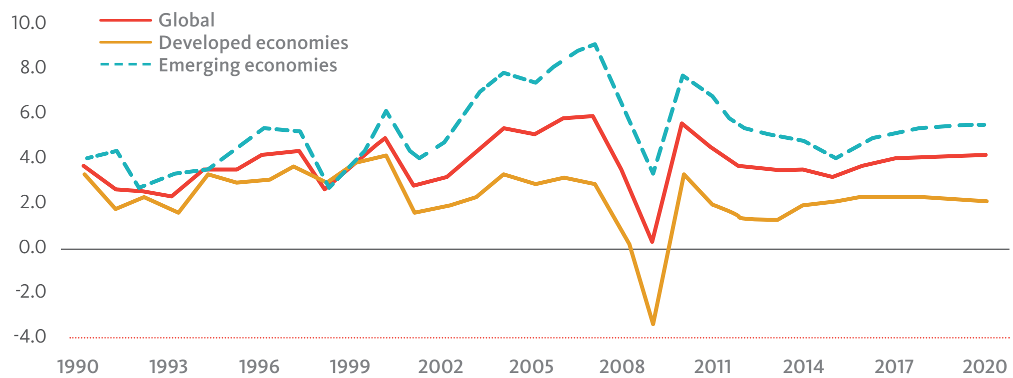
- The **euro zone** economy accelerated. Inflation continued to be close to 0%, which led the European Central Bank to further cut its rates and launch new quantitative easing measures, with an increased programme of purchasing public sector securities.

- **Spain** grew by around 3.2% with a well diversified base that lowered the unemployment rate to 21% at the end of 2015. The budget deficit continued to decline and the current account remained in surplus. Inflation was negative for most of the year due to the impact of lower oil prices, although the underlying rate remained positive.

- **Germany** expanded at a faster pace as the year progressed. Domestic demand remained strong and unemployment low.

The global economy slowed in 2015, with an upturn in developed economies and a slowdown in emerging markets

GDP
% change



Source: IMF, World Economic Outlook.

2015 GDP

% annual change

Source: IMF.

» US consolidated growth, the Fed raised interest rates

» UK maintained solid growth without inflationary pressures

» Euro zone growth accelerated but remained moderate. Spain grew faster than the European average

» Uneven growth in Latin America

- **Poland** grew briskly (3.6%) and inflation (-0.9%) was well below the the target (2.5%) of the National Bank of Poland, which cut interest rates to 1.5% in March.

- **Latin America's** GDP shrank 0.4% after growing 1.2% in 2014, in a complex international environment with the prospect of a rise in US interest rates, the slowdown in international trade and lower growth in China. The evolution of countries varied between recession in some countries and a gradual recovery in others. Inflation increased slightly, mainly due to the impact of the depreciation of Latin American currencies.

  - **Brazil** entered recession, with consumption and private investment falling and the unemployment rate higher. The cut in subsidies and the increase in prices for public services pushed up inflation to 10.7%. The central bank reinforced its commitment to control inflation and raised the Selic rate by 250 b.p. to 14.25%.

  - The **Chilean** economy recovered in 2015, spurred by increased investment and private consumption, which led the central bank to begin to normalise its monetary policy and raise its benchmark rate by 50 b.p. to 3.5%.

  - **Mexico** improved in the second half of the year, fuelled by stronger domestic demand and exports. Although inflation remained low, the central bank decided to raise its key rate in response to the Fed's move, in order to anticipate possible bouts of volatility given the strong trade and financial links with the US.

Financial markets and exchange rates

The performance of the markets in 2015 can be divided into two parts. Stock market indices rose in the first half of the year and risk premiums on sovereign and private debt fell significantly, particularly in developed economies. Access to capital markets was more fluid and lending conditions in developed economies eased.

This performance was supported by central banks' monetary policies, which injected plenty of liquidity, and thus made investors' search for profitability easier. The European Central Bank's quantitative easing contained any contagion effect during the worst moments of Greece's bailout negotiations.

MSCI World Banks index
-9%
total return in 2015

€/$ 1.09
-10%
in 2015

Brent crude oil $37 a barrel
-35%
in 2015

The summer saw an episode of increased volatility in the markets linked to concern over the slowdown in the Chinese economy and in emerging markets. Although the beginning of monetary policy normalisation in the US was put back to December, share prices took a tumble, which eroded a significant part of the year's cumulative gains. The main stock markets, however, rallied slightly in the last part of the year.

Exchange rates fluctuated considerably during 2015. The dollar appreciated significantly against the euro and the main Latin American currencies, reaching a 12-year high in effective terms. Emerging market currencies were affected by the ongoing slide in commodity prices, as well as the outflows of capital into developed economies.

Banking sector environment

The banking environment of the countries where Santander operates continued to feel the impact of regulatory changes and a challenging economic situation, which posed a major management challenge for increasing profitability.

In developed countries, banks continued to bolster their balance sheets and their capital levels. The return on capital improved. According to the European Banking Authority, the profitability of european banks increased from 0% on average at the end of 2014 to 7.3% in mid-2015, thanks to the improvement in net interest income and reduced needs for provisions.

Even so, banks continued to face important challenges to spur profitability. Interest rates remained at extraordinarily low levels; business volumes, despite gradually recovering, were still low; and competition was much tougher in most markets.

Competition was high among banks as well as with new players. Shadow banking continued to gain weight and non-banking financial institutions, which are focusing on niches in sectors such as means of payment, financial advice and credit, carried on growing.

In this context, the restructuring process cannot be considered over. Most banks are embarking on changes to their culture, in order to regain the confidence of society and, in general, all need to adapt to the digital revolution, which is going to mark the way that banks relate to their customers, the level of services provided and the efficiency of processes.

International banks are also facing divergent socio-demographic changes, against a backdrop of ageing in developed economies and a sharp rise in middle classes in emerging economies, which will require differentiated strategies for each market.

Supervisory and regulatory context

The regulatory agenda remained intense in 2015. While progress was made in reviewing the prudential framework and developing crisis management plans, attention increased on issues related to consumer and investor protection. All of these areas will be addressed while at the same time driving economic growth.

With regard to capital, the Basel Committee is reviewing its initial proposals for the standard calculation of capital consumption derived from credit, market and operational risks, scheduled to be completed in 2016. The objective is to ensure simplicity, comparability and sensitivity to risk, while not involving an increase in capital for all players. In 2016, the Basel Committee will also present the final proposal on the regulatory treatment of interest rates in the banking book, and will review the treatment of sovereign debt in the prudential framework. The committee will also review the prudential framework in its entirety, in order to assess the impact of the package of regulatory reforms.

In 2015, the Financial Stability Board finalised the framework needed to address the "too big to fail" issue in the banking industry. The last piece —the **Total Loss Absorbing Capacity (TLAC)** that will be required of global systemically important banks— was finalised in November.

In developed countries, financial institutions continued to strengthen their balance sheets and increase their capital levels in 2015

Milestones of the construction of European Banking Union

November 2014
The European Central Bank takes on the single supervision of banks in the euro zone.

January 2015
The Bank Recovery and Resolution Directive (BRRD) comes into effect.

Third quarter of 2015
The ECB establishes the minimum capital requirements for 2016 as the conclusion of the Supervisory Review Evaluation Process (SREP).

December 2015
The European Commission presents its single deposit guarantee fund proposal.

January 2016
The European resolution authority fully assumes its functions and the bail-in comes into force as the resolution tool for banks.

Europe continued to progress in implementing the crisis management framework. The **Single Resolution Board (SRB)** was scheduled to be fully operational as of 1 January 2016. The SRB will set this year the Minimum Requirement for own funds and Eligible Liabilities (MREL) for banks.

In order to finalise the establishment of a Banking Union, the European Commission published in November its proposal for the creation of a single deposit guarantee fund, with a gradual framework until 2024. The European Banking Authority (EBA) meanwhile continued to publish standards and guidelines that help to guarantee harmonised implementation in the European Union of the minimum capital requirements and improve the level playing field.

2015 marked a turning point in the European regulatory agenda. The European Commission stated that, after making progress in forging a more robust and solid financial system, its priority now was to finance growth and support the creation of a capital markets union, analyse the evidence for assessing the impact of regulations and conduct a consultation on the impact of the CRD IV capital requirements directive on financing the economy.

In relation to retail financial services, the European Commission presented a green paper for consultation with the aim of increasing transparency in pricing and eliminating trade barriers inside Europe. It backs digitalisation in particular as a means for achieving this. The Commission also unveiled its Digital Agenda initiative in order to address the launch of the single digital market. In 2016, certain complementary regulatory initiatives are planned, such as the cyber security and data protection directives.

Banking supervision via the Single Supervisory Mechanism (SSM)

Since its launch in November 2014, the SSM has enabled the **European Central Bank (ECB)** to assume **comprehensive supervision of banks in the euro zone.** In 2015, the SSM consolidated its functioning and the 129 most important banks came under the ECB's direct supervision.

Each bank has a joint supervisory team formed by ECB staff and those who work for the national authorities of member states. The Joint Supervisory Team for Banco Santander worked intensely and held more than 100 meetings in 2015 with the Bank.

At the end of 2015, the ECB sent to each bank its decision, establishing the prudential minimum capital requirements for the following year. In 2016, at consolidated level, Santander Group must maintain a minimum CET1 phase-in capital ratio of 9.75% (9.5% is required by Pillar 1, Pillar 2 and the capital conservation buffer and 0.25% is the requirement for being a global systemically important financial institution).

The Joint Supervisory Team for Banco Santander

Comprising staff from the European Central Bank as well as the Bank of Spain, the Bank of Portugal, the Bank of Italy, the Bundesbank, BaFin and the French Prudential Supervisory Authority, among other national authorities.

Santander Group key data

Balance sheet (million euros)	2015	2014	% 2015/2014	2013
Total assets	**1,340,260**	1,266,296	5.8	1,134,128
Net customer loans	**790,848**	734,711	7.6	684,690
Customer deposits	**683,122**	647,628	5.5	607,836
Managed and marketed customer funds	**1,075,565**	1,023,437	5.1	946,210
Shareholders' equity	**88,040**	80,806	9.0	70,327
Total managed and marketed funds	**1,506,520**	1,428,083	5.5	1,270,042

Underlying income statement[1] (million euros)	2015	2014	% 2015/2014	2013
Net interest income	**32,189**	29,548	8.9	28,419
Gross income	**45,272**	42,612	6.2	41,920
Pre-provision profit (net operating income)	**23,702**	22,574	5.0	21,762
Profit before taxes	**10,939**	9,720	12.5	7,362
Attributable profit to the Group	**6,566**	5,816	12.9	4,175

Underlying EPS, profitability and efficiency[1] (%)	2015	2014	% 2015/2014	2013
EPS[2] (euro)	**0.45**	0.48	(7.0)	0.39
RoE[3]	**7.2**	7.0		5.8
RoTE[3]	**11.0**	11.0		9.6
RoA	**0.6**	0.6		0.4
RoRWA[4]	**1.3**	1.3		–
Efficiency ratio (with amortisations)	**47.6**	47.0		48.1

Solvency and NPL ratios (%)	2015	2014	% 2015/2014	2013
CET1 fully loaded[3,4]	**10.05**	9.65		–
CET1 phase-in[3,4]	**12.55**	12.23		–
NPL ratio	**4.36**	5.19		5.61
Coverage ratio	**73.1**	67.2		64.9

Market capitalisation and shares	2015	2014	% 2015/2014	2013
Shares (million)	**14,434**	12,584	14.7	11,333
Share price (euros)	**4.558**	6.996	(34.8)	6.506
Market capitalisation (EUR million)	**65,792**	88,041	(25,3)	73,735
Book value (euro)	**6.12**	6.42		6.21
Price/Book value (x)	**0.75**	1.09		1.05
P/E ratio (x)	**10.23**	14.59		16.89

Other data	2015	2014	% 2015/2014	2013
Number of shareholders	**3,573,277**	3,240,395	10.3	3,299,026
Number of employees	**193,863**	185,405	4.6	186,540
Number of branches	**13,030**	12,951	0.6	13,781

Information on total profit[5] (million euros)	2015	2014	% 2015/2014	2013
Attributable profit to the group	**5,966**	5,816	2.6	4,175
EPS (euro)[2]	**0.40**	0.48	(15.9)	0.39
RoE[3]	**6.6**	7.0		5.8
RoTE[3]	**10.0**	11.0		9.6
RoA	**0.5**	0.6		0.4
RoRWA[4]	**1.2**	1.3		–
P/E ratio	**11.3**	14.6		16.9

Variations w/o exchange rate: Quarterly: net interest income: +8.0%; Gross income: +5.6%; Pre-provision profit: +4.4%; Attributable profit: +9,4%.
1. Excluding non-recurring capital gains and provisions (2015: -€600 million).
2. EPS: Attributable profit including the AT1 cost recorded in shareholders' equity/average number of shares for the period excluding treasury shares.
3. In 2014, pro-forma taking into account the January 2015 capital increase.
4. Due to applying the new CRD IV directive, the 2013 figure is not included because it is not homogeneous with the other figures.
5. Including net capital gains and provisions.

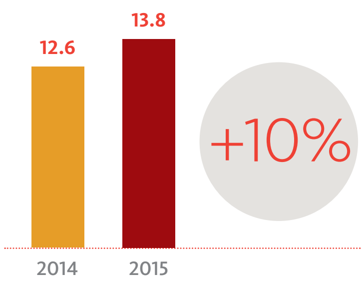
Results

For more information on results, see pages 116-121 of Banco Santander's Annual Report

Customers: more loyal

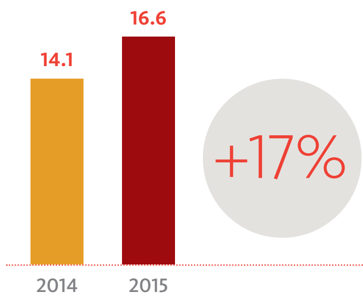
The commercial transformation and multichannel initiatives enable us to achieve significant growth in the number of loyal and digital customers. Of note among these initiatives was the launch of differentiated value propositions for individual customers and companies in various countries; improvements in commercial websites, apps and functionalities for mobile phones; and streamlining of processes.

Loyal customers
Million



Individual customers: +10%
Companies: +8%

Digital customers
Million



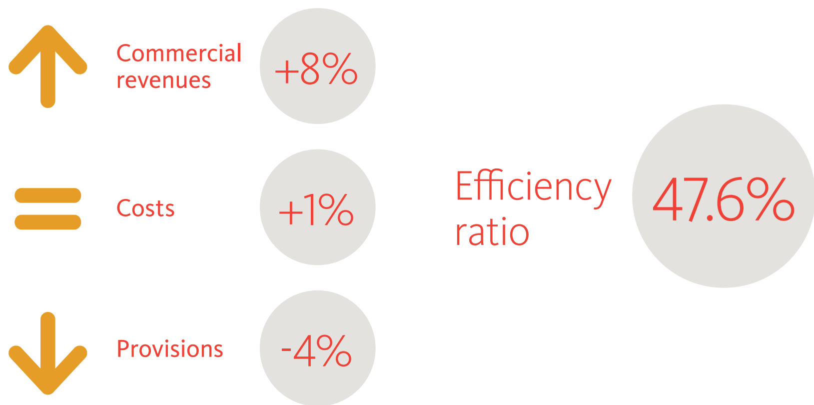
31% of active digital customers

Revenues: quality growth

The improvement in customer loyalty and customer satisfaction was reflected in notable growth in commercial revenues: net interest income was up 9% and fee and commission income 4%.

Costs were almost flat (+1% excluding the inflation and perimeter impact). The €2,000 million cost savings plan was met one year ahead of schedule, which enabled the investments in transforming the Bank and regulatory costs to be absorbed.

Loan-loss provisions continued to decline and fell 4% in 2015.

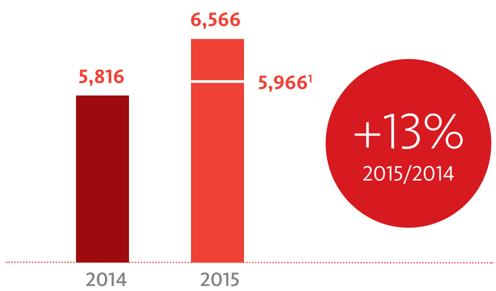


Results: profit growth

As a result of all these factors, underlying attributable profit grew 13%.

Discounting non-recurring results, attributable profit rose 3%.

Underlying attributable profit
Million euros



1. Attributable profit, including non-recurring net capital gains and provisions, +3%.

Balance sheet

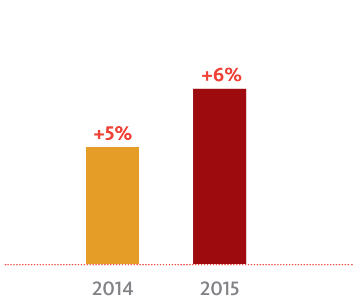
For more information on balance sheet, see pages 122 to 128 of Banco Santander's Annual Report

Commercial activity: robust growth

Santander continued to help its customers prosper, as reflected by the growth in loans to individual customers and companies in most countries.

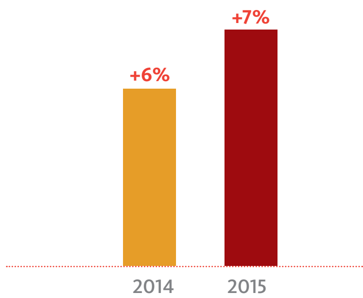
The increased activity pushed up the volume of customer funds managed, spurred by more current accounts and investment funds.

Loans[1]



1. Without repos.

Customer funds[1]



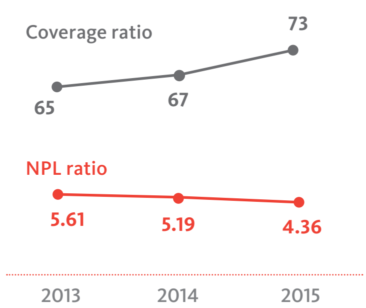
1. Without repos.

Credit quality: further improvement

Enhanced credit quality, with a decline in the NPL ratio in almost all countries and higher coverage. The cost of credit, calculated as loan-loss provisions over the last 12 months/average lending, declined in nine of the Group's ten core units.

NPL and coverage ratios

%



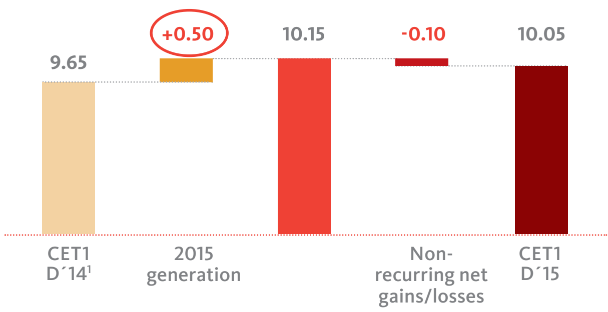
Cost of credit **1.25%** (-18 b.p.)

Capital: 10% goal met

The growth in the Bank's revenues and profitability fuelled strong organic generation of capital, bringing the fully loaded CET1 ratio to 10.05%, meeting the goal set at the start of the year and compatible with an increase in the shareholder return.

Fully loaded CET1 ratio

%



CET1 phase-in **12.55%**

Surplus of 280 b.p. over the capital ratio required by the ECB for 2016

1. Pro-forma, incorporating the January 2015 capital increase.

Results by countries and businesses

Spain

Santander Spain operates in retail, commercial and wholesale banking and has market shares of 13.2% in loans and 14.2% in savings.

New Santander branch model in Madrid, Spain.

Employees
24,216

Customers (million)
12.7

Loans[1,2]
155,204 (-3%)

Attributable profit[1]
977 (+18%)

1. Million euros.
2. Change without repos.

Main 2016 objectives

- Reach 2 million 1|2|3 accounts.
- Increase the market share of SMEs from 20% to 22%[1].
- Cost of credit below 0.60%.

1. As main bank.

> In 2015, Santander Spain made significant progress in its new strategy which, based on the Simple, Personal and Fair culture, rests on five pillars:

- **Building long-term relations with customers.** To this end, the 1/2/3 accounts for individual customers and SMEs were launched. This strategy proposes a new concept of relationship that rewards loyalty for transactions and enhances customers' relationship with the Bank. The 1|2|3 account had more than 860,000 customers at the end of 2015 and captured 237,000 payroll accounts. The 1|2|3 SME account, which offers cashback on salaries deposited at the Bank and payment of social security contributions, taxes and supplies related to business activity, was opened by more than 50,000 small and medium-sized firms.

- **Be the bank of choice for companies in Spain.** The commercial team specialised in the segment for SMEs and businesses was strengthened. New lending to companies grew 18% and the Bank consolidated its leadership in global corporate banking.

- **Achieve excellence in service quality.** The operational excellence plan aims to increase customer satisfaction through digital transformation, reviewing the processes and improving the customer experience in all channels. Santander Spain also began to implement a new branch model in 2015 which, with an innovative and functional design, integrates digital technology into the branch.

- **Develop advanced risk management** through comprehensive management. The new 1|2|3 strategy facilitates greater knowledge of customers for risk analysis and the possibility of increasing the customer vision from the risk area. The NPL ratio was reduced in 2015 to 6.53%.

- **Maintain a sustainable level of profitability,** based on stable results and a more efficient capital model.

> Corporate governance of this Group unit was also strengthened in 2015 with the creation of the Santander Spain board, equating its governance structure to the subsidiary model of the Group's other local units. This board will oversee the actions of Santander Spain in policies and strategies, risk-taking, human resources and senior management appointments.

Poland

Bank Zachodni WBK is one of the largest and most modern Polish banks and the leader in digital banking.

Bank Zachodni WBK branch in Poland.

2015 highlights

- Bank Zachodni WBK aims to maintain a leading position in banking for individual customers and become the best bank for businesses in Poland, through a range of modern products for SMEs, helping customers to internationalise (specifically in the food, agriculture and automotive sectors) and provide comprehensive services for the largest financial projects in Poland.

- BZ WBK is Poland's leader in mobile and online banking and cards.

  - The BZWBK app for mobile phones (666,000 users) is one of the best in Europe, having won several local and international prizes (for example, the 2015 World's Best Digital Bank Awards from *Global Finance* magazine and first place in the Polish *Newsweek* ranking).

  - 2 million customers use electronic banking services. 6.72 million transactions were made in 2015.

  - Card sales amounted to PLN 1.2 million at the end of the year and included 903,700 prepaid cards, 736,800 credit cards and 3.22 million debit cards.

  - The bank also launched innovative card payments using HCE technology. The cloud card is available via the BZ WBK24 mobile application for Android (NFC) phone users.

- Lending in 2015 increased by 11%, driven by strategic segments such as mortgages, direct credit, SMEs and corporates.

- *Euromoney* magazine named Bank Zachodni WBK the Best Bank in Poland in 2015.

Employees
11,474

Customers (Million)
4.3

Loans[1,2]
18,977 (+11%)

Attributable profit[1]
300 (-15%)

1. Million euros, change in local currency.
2. Change without repos.

Portugal

Santander Totta is the bank in Portugal that grew the most in lending to companies and is the leader in terms of attributable profit generated in the country.

Santander Totta branch in Portugal.

2015 highlights

- The Bank's strategy focused on managing lending rates, increasing market shares, particularly in companies, controlling NPLs and enhancing efficiency. From its position of strength and profitability, Santander Totta was able to benefit from the improvement in the economic cycle and so keep on helping people and businesses prosper.

- At the end of the year, the Bank announced its acquistion of Banco Banif, which added 2.5 percentage points to its market share and turned it into the country's second largest private sector bank.

- Santander Totta increased its market share in lending to companies to 9.7% in 2015 (+1 p.p.) and its share of new loans was 15.3%, up from 11.7% in 2014. This performance was in contrast to the sector's shrinkage in this business segment.

- Of note in banking for individual customers was the launch of the 1|2|3 World. Since its launch in March, the number of 1|2|3 accounts has risen to 110,000. In mortgages, Santander Totta grew at a much faster pace than the sector average, gaining 3.2 p.p. in market share of new lending to 17.9%. Deposits amounted to €29,000 million (including Banif), 21% more than in 2014.

- In 2015, Santander Totta was named Best Bank in Portugal by *Euromoney* and *Global Finance*, and Bank of the Year by *The Banker*.

Employees
6,568

Customers (Million)
3.8

Loans[1,2]
28,221 (+26%)

Attributable profit[1]
300 (+63%)

1. Million euros.
2. Change without repos.

Santander Consumer Finance

With a strong position of leadership in Europe's consumer finance market, SCF specialises in auto finance, loans to buy durable goods, personal loans and credit cards.

Santander Consumer Finance branch in Benelux.

- SCF is among the top three consumer finance providers in the main markets in which it operates. Its geographic diversification is well balanced between countries in north and south Europe.
- It operates through 130,000 associated points-of-sale (car dealers and shops), and has a large number of finance agreements with car and motorcycle manufacturers, as well as major retail distribution groups.
- In an environment of fledgling consumer recovery and car sales (+9% in the footprint), SCF continued to gain market share backed by a business model based on: geographic and product diversification with leadership positions and critical mass in key markets; higher efficiency than that of its competitors; strong analytical capabilities; and management of risks and recoveries that enables it to maintain high credit quality.
- The trend in profits (+18%) reflects revenue growth (+23%) higher than the rise in costs (+21%) and loan-loss provisions that were 1% lower. The cost of credit was 0.77%. **SCF shows a consistent profitability and set a new profit record in 2015 (€938 million).**
- The NPL ratio (3.42%) and coverage (109%) were clearly better than the consumer business standards.
- Of note, by unit, was Germany whose profit was €393 million, the Nordic countries (€234 million) and Spain (€169 million).

The agreements coming into effect in 2015 strengthen SCF's position in its markets:

- More than 60% of the agreement with Banque PSA was completed in 2015, enabling SCF to consolidate its leadership in auto finance.
- The integration of GE Nordics countries increased the weight of direct loans in the product mix, reinforcing profitable and diversified growth in the region. Nordics, which operates in economies with the highest credit ratings, is one of SCF's key units.
- Growth in new lending in the main countries: Germany, Nordic countries and Spain.

Employees
14,533

Customers (Million)
16.8

Loans[1,2]
73,709 (+21%)

Attributable profit[1]
938 (+18.0%)

1. Million euros.
2. Change without repos.

Main 2016 objectives

- **Reach 17 million active customers.**
- **Increase lending from €77,000 million to €87,000 million.**
- **Maintain a cost-to-income ratio of 45% despite the integration of PSA.**

United Kingdom

Santander UK aims to deepen customer relationships and continue to improve its service proposition, achieving consistent and growing profitability and a strong balance sheet.

Santander UK headquarters in London.

Employees
25,866

Customers (Million)
26.0

Loans[1,2]
282,673 (+5%)

Attributable profit[1]
1,971 (+14%)

1. Million euros, change in local currency.
2. Change without repos.

- Santander UK wants to grow customer loyalty and market share, deliver operational and digital excellence, and achieve consistent, growing profitability and a strong balance sheet. The Bank continues to deliver a culture that is Simple, Personal and Fair, while supporting the communities in which it operates.

2015 highlights

- 1I2I3 customers increased by one million to 4.6 million in 2015. Retail banking current account balances increased by an average of £1 billion per month in the same period, ending the year at £53.2 billion.
- Santander UK continued to support the UK housing market. Gross mortgage lending amounted to £26.5 billion, of which £4.5 billion related to first time home buyers. Net mortgage lending was £2.7 billion.
- Santander UK continued to support UK companies utilising a broader product suite and expanded footprint. Customer loans increased 10% to £26.4 billion, despite market weakness. New facilities increased 14% and bank account openings grew 4%.
- Customer satisfaction scores improved significantly in 2015 to 62.9%, according to the Financial Research Survey (FRS). The top three bank peers have an average of 62%.
- Santander UK increased net interest income by 5% in local currency, driven by liability margin improvement and increased retail and corporate lending. Banking NIM remained broadly flat at 1.83% versus 2014.
- These results were achieved while maintaining a strong balance sheet and capital position, as well as increased profitability. 2015 RoTE increased to 11.8%.

Main 2016 objectives

- Increase digital customers from 3.7 million to 4.3 million.
- Credit growth to companies 5 p.p. higher than the market.
- CAGR of fee and commission income 5-10%.

Brazil

Santander Brazil is the third largest private sector bank by assets. In a difficult economic context the Bank improved its franchise and results.

Santander Select branch in Sao Paulo, Brazil.

Employees
49,520

Customers (Million)
32.4

Loans[1,2]
60,238 (+9%)

Attributable profit[1]
1,631 (+33%)

1. Million euros, change in local currency.
2. Change without repos.

2015 highlights

- Santander Brazil made progress in its main strategic lines to simplify, modernise and improve the customer experience, installing a business model that places the customer at the centre of all decisions and operations.

- *Pacote Boas Vindas*, which enables new individual customers to obtain the number of their current account, debit and credit cards and full access to electronic channels quickly and efficiently in two days from the time of signing off, was launched; and the offer of *Contas Combinadas*, which includes two types of service options, was renewed: the *Conta Básica*, for those who carry out fewer operations with their account and require tailored services and the *Conta Mais*, for customers who use their account more frequently.

- The Bank launched *Santander Negócios & Empresas* for SMEs. This platform is focused on products, services and attention for these companies, adapted to the profile of each entrepreneur. In Global Corporate Banking, the Bank took part in the main business transactions that took place in the year.

- **Santander Brazil is increasing its customer base, seeking to gain customers' loyalty through better levels of service.** The Bank made significant investments such as the acquisition of *Súper*, a digital platform that provides an electronic banking account, a prepayment card and access to simplified financial services. It also entered into a joint venture with Banco Bonsucesso to create Banco Bonsucesso Consignado. Furthermore, it created *Certo*, a new commercial banking and customer relationship management model.

- As part of the Group's digital transformation process, Santander Brazil fostered the use of digital channels among its customers through the *Vale a pena ser digital* campaign. The number of digital customers rose 15% in 2015.

- All these investments had a direct impact on customer satisfaction and on reducing the number of claims (-39%).

- The Bank increased the number of loyal customers in 2015 to 3.2 million, grew lending (9%), rationalised costs and reduced loan-loss provisions and NPLs according to local criteria.

Main 2016 objectives

- **Increase the number of loyal customers from 3.2 million to 3.6 million.**
- **Maintain control of bad loans with a NPL ratio below the sector's average.**
- **Profits higher than those in 2015 in local currency terms.**

Mexico

Santander consolidated its position as the country's third largest bank by business volume with a 14% market share and a sound and diversified portfolio.

Santander Select branch in Mexico.

Employees
17,847

Customers (Million)
12.4

Loans[1,2]
30,158 (+19%)

Attributable profit[1]
629 (+3%)

1. Million euros, change in local currency.
2. Change without repos.

2015 highlights

> **Santander Mexico wants to be the leader in the Mexican market in terms of profitability and growth.** To this end, it is acquiring new customers with substantial business potential, increasing loyalty among current customers and reducing the churn rate. It is also gaining market share in larger SMEs and mid-market enterprises and increasing its participation in infrastructure projects. The Bank continues to consolidate its leadership in mortgages for medium and high-income customers and is carrying out a thorough transformation of its operational model in technology and infrastructure, talent, quality, processes, marketing and brand.

> In 2015, the Bank completed its most ambitious expansion programme in Mexico in recent years, whereby it increased the number of branches by 200 over the last three years, made progress in multichannel services through mobile banking initiatives and had a network of 5,989 ATMs in place at the end of the year.

> Thanks to its efforts to help customers prosper, Santander Mexico was once again the leading bank in 2015 in loans for SMEs (+22%). Loans to companies grew 25%, also higher than the market. Mortgages rose 13%, consumer credit 31%, more than double the pace of the market, and insurance business 4%.

> In the energy and infrastructure sectors, Santander confirmed its leadership by financing more than 14 projects worth over $88 billion. It also reached an agreement to supply banking services to more than 11,000 petrol stations in Mexico.

> The strong growth in lending was accompanied by a strict process of monitoring and assessing the quality of the portfolio. The NPL rate decreased to 3.38%.

> The magazine *LatinFinance* recognised Santander Mexico in 2015 as the Best Bank in Infrastructure in Mexico, *Global Finance* as the Best Private Bank in Mexico and *International Finance Magazine* as the most socially responsible bank in Mexico.

Main 2016 objectives

- **Exceed one million digital customers from 876,000 in 2015.**
- **Attain more than 3.3 million payroll accounts.**
- **Reach MXN 75 billion in loans to SMEs.**

Chile

Santander is the country's largest bank in terms of assets and customers.


Banco Santander branch in Chile.

2015 highlights

- **The Bank continued to grow in 2015 despite the downturn in the local economy.** In individual customers, progress was made in consolidating the Select model for high-income customers and in developing the new branch model in the traditional network. In SMEs, Santander Advance was launched which is backed by its own CRM system (NEO Advance). The Bank continued to open its new centres for companies, generating more proximity with customers, which produced gains in market shares in loans and deposits.

- Santander Chile has market shares of 19.1% in loans and 18.3% in deposits. Lending grew 14% and deposits 13%.

- Santander Chile received the prize for the Best Bank of the Year in Chile from *The Banker* magazine and the Best Private Bank in Chile from *Euromoney*.

- The four strategic pillars of Santander Chile are:

  - Improve the quality of customer attention and experience.
  - Transform the retail and commercial banking business, particularly with medium and high-income customers and SMEs.
  - Strengthen business with large and medium-sized companies.
  - Foster a new culture focused on the customer and a Simple, Personal and Fair way of doing things.

Employees
12,454

Customers (Million)
3.6

Loans[1,2]
32,338 (11%)

Attributable profit[1]
455 (-13%)

1. Million euros, change in local currency.
2. Change without repos.

Argentina

Santander Río is the country's leading private sector bank by volume of assets and liabilities.


New branch model of Santander Río, Argentina.

2015 highlights

- Santander Río has a market share of 10.0% in loans and 10.3% in deposits. In 2015, the Bank's business posted strong growth, with loans rising 52% and savings 58%. Income increased by 27% in pesos and costs by 43%.

- The Bank has a multichannel network focused on quality of service and customer satisfaction. The branch network increased by 10%, with the opening of 21 new spaces, 82 corners and 125 Select boxes for high-income customers. Four business centres were also opened for SMEs and companies. The project to transform the branch network continued, with the aim of installing a new customer attention model based on automated processes and use of new technology.

- The commercial strategy centred on customer acquisition and loyalty, particularly high-income customers and SMEs. In the medium and long-term, Santander Río will focus on increasing the reach of its distribution network, improving efficiency and service quality, and fostering financial inclusion and banking penetration.

- Santander Río was recognised by *Euromoney* and *The Banker* magazines as the Best Bank in Argentina. It was also awarded the prize for Best Digital Bank and Best Mobile Bank in Latin America by *Global Finance* magazine.

Employees
7,952

Customers (Million)
2.8

Loans[1,2]
6,028 (+52%)

Attributable profit[1]
378 (+22%)

1. Million euros, change in local currency.
2. Change without repos.

United States

Santander carries out retail banking in the northeast of the country as Santander Bank and consumer finance nationwide through Santander Consumer USA.

Santander branch in the United States.

Employees
18,123

Customers (Million)
5.1

Loans[1,2]
84,190 (+7%)

Attributable profit[1]
678 (-34%)

1. Million euros, change in constant currency.
2. Change without repos.

2015 highlights

- Santander Bank increased the number of loyal customers to 266,000, while customers who use the online and mobile channels increased 12% to 617,000. The Bank launched Simply Right, an easy-to-use current account that waives commissions for those who perform at least one financial transaction a month. It also simplified its current accounts by reducing the line of products from 13 to 5 and launched a new, more modern and updated website.

- Santander Consumer USA's (SC's) net income increased 17% to $900 million, driven by disciplined originations and additional fee income from its services for other platforms. To better serve its customers, enhance vendor management oversight and diversify and de-risk its business, SC focused on expanding its servicing capabilities in 2015 as it moves to open new facilities in Mesa (Arizona) and San Juan (Puerto Rico).

- Santander US launched a transformation programme to bolster its capabilities in risk management, finance and technology to manage its business better and be able to comply with the regulator's expectations. This programme includes high investments and strengthening of the franchise. In 2016, all of Santander's main units in the US will be integrated into the Group's holding in the country, Santander Holdings USA, which currently comprises Santander Bank and Santander Consumer USA.

- Santander Bank made contributions to 286 not-for-profit organisations in the territory where it operates. Santander Bank's employees donated 13,696 hours of voluntary service to the communities where they live and work.

- In the years to come, Santander US will focus on acquiring individual customers through the development of a simple and innovative value proposition, while improving its digital capabilities and customer satisfaction. The emphasis in commercial banking will be on its product, sales and risk capabilities. SC USA, meanwhile, will increase services for other businesses, take full advantage of the potential of the agreement with Chrysler and focus on its core businesses.

Main 2016 objectives

- **Increase the number of digital customers from 617,000 to 725,000.**
- **Boost lending to companies to $20.7 bn.**

Global Corporate Banking

SGCB is the global business division mainly focused on corporate clients and institutions which, due to their size or sophistication, require a tailored service or value-added wholesale products.

Treasury room, Torre Santander, Sao Paulo, Brazil.

Loans[1,2]
90,167 (+4%)

Attributable profit[1,3]
1,625 (+2%)

1. Million euros, change in local currency.
2. Change without repos.
3. The results for this global unit are included in the data for each local unit.

- The SGCB business model rests on three pillars: a customer focus, strong global product capabilities and interconnection with local units. All combined with permanent and optimum management of risk, capital and liquidity.

2015 highlights

- Optimisation of capital was one of SGCB's priorities during 2015. In order to make progress in this objective, SGCB created a new area called Asset Rotation and Capital Optimization (ARCO), which incorporates all the capabilities of structuring and sales to improve the Originate to Distribute initiative.
- SGCB attained a leadership position in Latin America in debt capital markets, cash management and emerging Latin American currencies, according to the main rankings and market awards. It is also the leader in Acquisition & Project Finance, Export & Agency Finance and Trade Finance.
- In order to respond adequately to the transformation of international trade finance, SGCB focused on innovation, digitalisation and further development of some of its products.
- SGCB deepened its cooperation with the Retail and Commercial Banking division by developing a wide range of products and services for the customers in this segment.

2018 objectives

SGCB will centre on the following aspects of its value proposals:

- Continue to be an expert in Latin America.
- Maintain unique, differentiated capabilities in relation to origination, structuring and distribution of loans, and its leadership in Acquisition Finance, Structured Credit and Project Finance.
- Spur the commercialisation of a wide range of solutions for retail and commercial banking customers, tailored to their needs and/or risk tolerance.
- Be the customers' bank of choice for access to euro and sterling capital markets.
- Continue to be the leading bank in international trade.
- SGCB will also put into effect measures to reduce the consumption of capital and will continue the gradual change toward a business based more on fee and commission, through an improved offer in advisory services and the Originate to Distribute initiative.

General information

Banco Santander, S.A.

The parent group of Grupo Santander was established on 21 March 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on 14 January 1875, recorded in the Mercantile Registry of the Finance Section of the Government of the Province of Santander, on folio 157 and following, entry number 859. The Bank's By-laws were amended to conform with current legislation regarding limited liability companies. The amendment was registered on 8 June 1992 and entered into the Mercantile Registry of Santander (volume 448, general section, folio 1, page 1,960, first inscription of adaptation).

The Bank is also recorded in the Special Registry of Banks and Bankers 0049, and its fiscal identification number is A-39000013. It is a member of the Bank Deposit Guarantee Fund.

Registered office

The Corporate By-laws and additional public information regarding the Company may be inspected at its registered office at Paseo de la Pereda, numbers 9 to 12, Santander.

Corporate center

Santander Group City
Avda. de Cantabria s/n
28660 Boadilla del Monte
Madrid
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General information

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Ombudsman

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