Santander

Press Release

FIRST QUARTER RESULTS 2014

Banco Santander made a profit of EUR 1.303 billion, 8% more than a year earlier

Compared with the previous quarter, profits rose 23% and revenues increased 1%, while costs fell 4% and provisions declined 3%.

- **BUSINESS. The decline in lending slowed, as loans rose 1% compared with the previous quarter, but were still down 2% year-on-year, thanks to Spain and the U.K., which account for 57% of the total loan portfolio of EUR 722 billion. Deposits and mutual funds increased 2% compared with the end of 2013 and 1% compared with March last year to stand at EUR 732 billion.**

- **NPLs. The Group non-performing loan rate dropped almost 0.1 point compared with the end of 2013, to 5.52%. This is the first quarter in which the NPL rate has fallen since the beginning of the international financial crisis in 2007. The NPL rate fell in the U.K. and the U.S., while it rose by 0.1 point in Spain and Brazil, to 7.61% and 5.74%, respectively.**

- **LIQUIDITY. The loan-to-deposit ratio in Spain was 85%, meaning that there were more deposits than loans, and 112% for the Group.**

- **CAPITAL. The capital ratio stands at 12.1%, with core capital at 10.6%. Santander Consumer USA was consolidated into the Group's accounts during the quarter.**

- **DIVERSIFICATION. Europe accounted for 53% of Group profit (the U.K. 20%, Spain 14%, Poland 6% and Germany 5%), Latin America 38% (Brazil 20%, Mexico and Chile 7% each) and the U.S. 9%.**

  - **Spain: attributable profit was EUR 251 million (+24% compared with 1Q 2013). Basic revenues rose 3% year-on-year and costs fell 6%. Loans dropped 7% compared with March last year, but rose 0.3% from the previous quarter, a trend not seen for five years. Customer funds under management (deposits and mutual funds) increased 3% from the end of 2013 and 2% year-on-year. The Bank has gained two percentage points of market share in mutual funds in the last 12 months.**

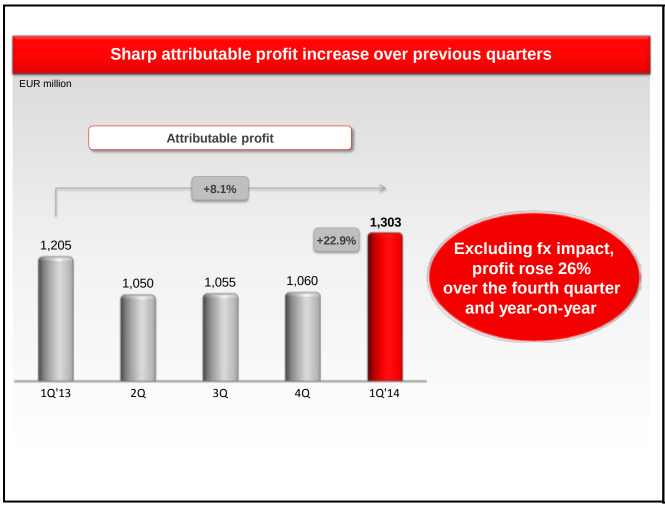
  - **U.K.: Attributable profit was EUR 376 million (GBP 311 million, +63% vs 1Q 2013). Loans fell 3% year-on-year and rose 0.2% quarter-on-quarter. Customer funds performed similarly, down 5% year-on-year and up 1% compared with December.**

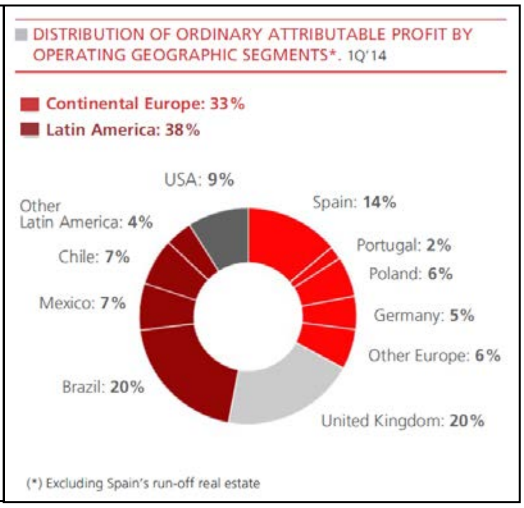
  - **Brazil: Attributable profit was EUR 364 million (BRL 1,178 million, down 10% vs 1Q 2013 and up 24% vs. 4Q 2013), with stable revenues for the second consecutive quarter and a decline in provisions. Loans rose 6% and deposits 7% year-on-year.**

Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com

Madrid, April 29, 2014 - Banco Santander made an attributable profit of EUR 1.303 billion in the first quarter of 2014, an increase of 8% compared with the same quarter last year. Chairman Emilio Botín said: “**2014 has started out with higher revenues, lower costs and provisions and more satisfied customers, which results in more profits**.”

The first quarter results reflect a solid recovery in earnings, which grew 23% compared with the previous quarter. The EUR 1.303 profit figure is the highest of the last eight quarters and does not include the net capital gains from the sale of 85% of Altamira (EUR 385 million) or the flotation of Santander Consumer USA (EUR 730 million), which are in a fund that is pending assignation.





The increased profit is the result of a significant combination of factors: revenues are rising at the same time as costs and provisions for insolvencies are falling. The business is growing, both in loans and in customer funds, the non-performing loan rate is dropping, after seven consecutive years of increases, while the bank has maintained its coverage rate and its high levels of solvency and liquidity.

Results

The quarter’s results are particularly noteworthy given the backdrop of incipient economic recovery and very low interest rates in key Group currencies, such as the euro, the pound and the dollar. In addition, the marked depreciation of the main Latin American currencies and the dollar in the second half of last year means there is a greater exchange rate impact in the comparison between the first quarter of 2014 and the same quarter in 2013, when these currencies were stronger. In fact, if exchange rates had not changed compared with the same period last year, net profit would have risen by 26% in the first quarter instead of 8%.

Santander’s basic revenues (net interest income plus fee income) were EUR 9,323 million in the first quarter, an increase of 1% compared with the fourth quarter of last year and a fall of 4% compared with the same quarter last year. Excluding the exchange rate impact, revenues rose 3% from the fourth quarter of 2013 and 7% compared with the first.

Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com

Costs were EUR 4,847 million, down 4% against both the fourth quarter and the first quarter of last year. Here exchange rate differences helped. Excluding them, costs rose 3% versus the first quarter and still fell, but only 2%, compared with the fourth quarter of last year. The countries that contributed most to the reduction in costs were Spain and Poland, which are benefiting from synergies of the mergers announced more than a year ago.

Grupo Santander Results

In short, higher profit in the quarter due to increased commercial revenues, reduced costs and lower cost of credit

EUR million	1Q14	Var. / 1Q13 %	Var. / 1Q13 %*	Var. / 4Q13 %	Var. / 4Q13 %*
NII + fee income	9,323	-3.8	6.7	0.5	3.2
Gross income	10,124	-5.6	4.2	0.9	3.5
Operating expenses	-4,847	-4.4	3.5	-4.2	-1.8
Net operating income	**5,277**	**-6.7**	**5.0**	**6.2**	**9.0**
Loan-loss provisions	-2,695	-14.2	-4.2	-2.9	-0.8
PBT	**2,149**	**0.4**	**15.7**	**17.5**	**21.0**
Attributable profit	**1,303**	**8.1**	**26.0**	**22.9**	**26.3**

Note: Capital gains in 2014 from SCUSA (EUR 730 mill. net) and Altamira (EUR 385 mill. net) had no impact on profit, as a fund was established, pending allocation.

(*) In constant euros

The trend in revenues and costs produced a net operating income (recurring operating profit) of EUR 5,277 million, which is a rise of 6% versus the fourth quarter and a fall of 7% compared with the first quarter of last year. Excluding exchange rate differences, the net operating income is up 9% compared with the fourth quarter of last year and 5% versus the first.

Loan loss provisions, the other element that weighs most on results, stood at EUR 2,695 million, which is a decrease of 3% from the fourth quarter of last year and of 14% against the first quarter. Excluding exchange rate differences, the decreases are 1% and 4%, respectively.

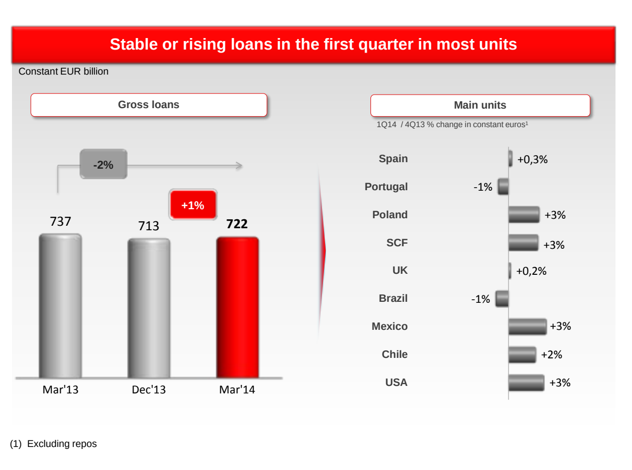
Emerging markets (Latin America and Poland) accounted for 44% of profits and mature markets the rest. By country, Brazil and the United Kingdom contributed most (20% each), followed by Spain, which doubled its share compared with December to 14%, the United States (9%) and Mexico and Chile (7% each).

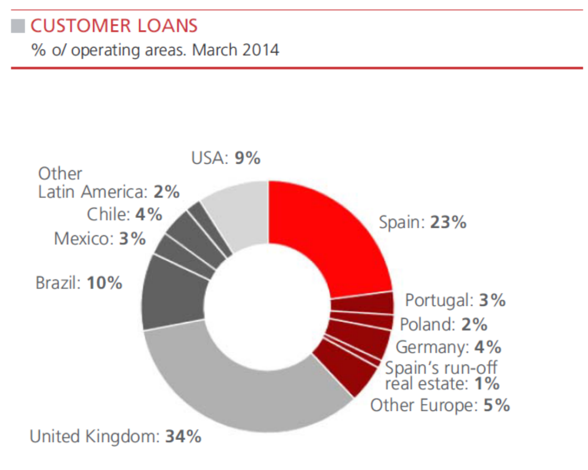
Balance sheet

Banco Santander had total assets of EUR 1.169 trillion at the end of the first quarter, 10% less than a year earlier. The balance sheet is well balanced, with a loan portfolio the equivalent of 112% of deposits, which gives the Bank a very comfortable liquidity ratio. Before the crisis, the ratio was 150%.

Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com

At the end of March, the loan portfolio was worth EUR 721,856 million, 1% more than in December and 2% less than a year ago. The improvement in mature market economies played a key role as the U.K. and Spain, which represent 57% of total Group loans, managed to change direction. After several years of continuous declines in loans, they grew 0.2% and 0.3%, respectively, in a quarter. At the same time, the United States, Mexico, Poland and Santander Consumer Finance grew 3% in the quarter, Chile grew 2% and only Brazil and Portugal fell, by 1%.





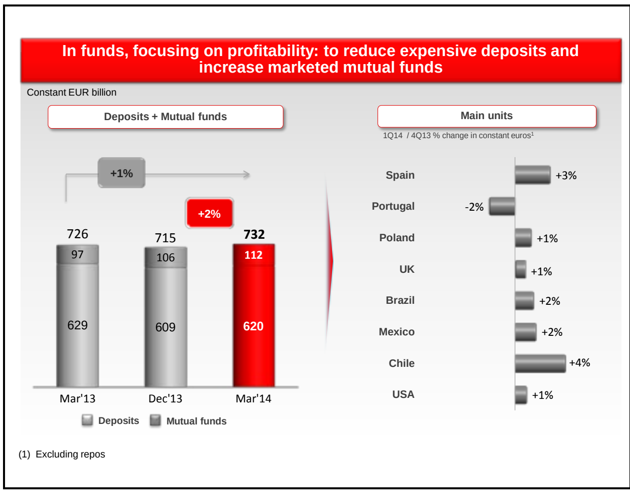
The Group has made it a priority to grow in the small and medium-sized companies segment and, at the end of March, it launched a global project, *Santander Advance*. The project is being implemented first in Spain and will be extended to the main countries where the Bank is present by the end of 2015. *Santander Advance* provides financial products and a support programme to help SMEs grow, which includes advice on training, employment and international expansion.

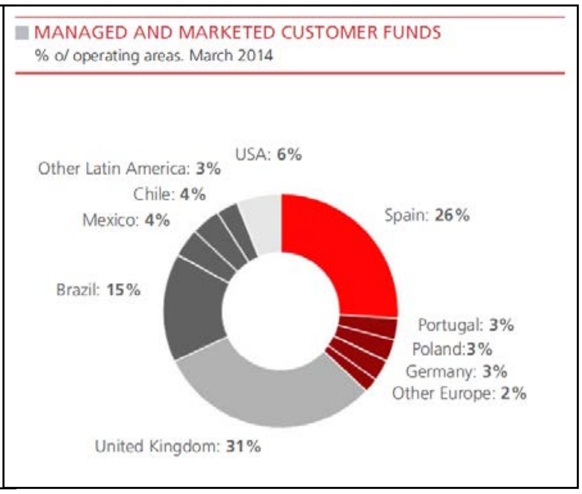
On the asset side, the Bank achieved growth in both deposits and mutual funds in the first quarter. Together, these amount to EUR 731,527 million, up 2% compared with December and 1% versus a year earlier. Deposits were EUR 620,135 million and funds EUR 111,392 million, having grown by 2% and 6%, respectively, in the quarter.

All countries grew during the quarter, except Portugal, where assets fell 2%. Spain and the United Kingdom, which also account for 57% of group assets under management, expanded by 3% and 1%, respectively. The steady growth in the value of mutual funds in Spain represents a market share gain of 200 basis points in the sector, reinforcing the Bank's leadership.

The *Santander Select* segment, which is part of the Group's global personal banking development strategy, plays a key role in capturing resources. In 2013, *Santander Select* was introduced in Spain, the U.K., Brazil, Mexico, Chile and Argentina. This quarter it was extended to Portugal and the United States, and, in the next few months, it will be available in the remaining countries.

Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com





The Group's non-performing loan rate was 5.52%, down barely 0.1 point from the previous quarter but, symbolically, this was the first quarter in which it fell since the beginning of the international financial crisis in August 2007. At the same time, the coverage of these NPLs with provisions improved by one percentage point to 66%.

The NPL rate continued to fall in the U.K., the country with the largest loan portfolio, to stand at 1.88% after five consecutive quarters of decline. In Spain, the NPL rate slowed its growth to barely 0.1 point, to stand at 7.61%. In Brazil it rose 0.1 point, after three quarters in a row of sharp declines, to 5.74%. The fourth largest market by volume, the U.S., reduced its NPL rate by more than 0.2 point to 2.88%.

Moving on to capital ratios, Banco Santander's computable capital stood at EUR 85,631 million at the end of March, EUR 3,474 million more than a year earlier. The bank's capital ratio stood at 12.1%, with a core capital (CET1) ratio of 10.6%. In the first quarter of 2014, Santander issued its first contingent convertible instruments (cocos), raising EUR 1,500 million. The issue was placed with institutional investors at the lowest interest rate achieved by any European bank in the last year. It attracted record demand of ten times the amount on offer, from 635 different investors.

Banco Santander has a market capitalisation of around EUR 82,000 million, which makes it the leading bank in the euro zone and the 11th largest in the world. Santander had 3,299,097 shareholders, 185,165 employees serving 107 million customers in 13,735 branches.

More information: www.santander.com

Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com

Preliminary note:

In order to facilitate the following comparative analysis, the financial information of previous periods has been re-expressed (not audited), as set out on page 22 of this report. The changes were mainly due to taking control of SCUSA, in 2014, and the loss of control of the fund management companies in 2013, as if they had been effective in the previously presented periods.

KEY CONSOLIDATED DATA

BALANCE SHEET (EUR million)	Mar'14	Dec'13	(%)	Mar'13	(%)	2013
Total assets	**1,168,718**	1,134,003	3.1	1,295,794	(9.8)	1,134,003
Net customer loans	**694,595**	684,690	1.4	736,954	(5.7)	684,690
Customer deposits	**620,135**	607,836	2.0	653,228	(5.1)	607,836
Managed and marketed customer funds	**966,704**	946,210	2.2	1,020,653	(5.3)	946,210
Shareholders' equity	**85,631**	84,269	1.6	82,158	4.2	84,269
Total managed and marketed funds	**1,313,014**	1,269,917	3.4	1,434,356	(8.5)	1,269,917

INCOME STATEMENT* (EUR million)	1Q'14	4Q'13	(%)	1Q'13	(%)	2013
Net interest income	**6,992**	6,930	0.9	7,206	(3.0)	28,419
Gross income	**10,124**	10,029	0.9	10,722	(5.6)	41,931
Pre-provision profit (net operating income)	**5,277**	4,968	6.2	5,655	(6.7)	21,773
Profit before taxes	**2,149**	1,828	17.5	2,141	0.4	7,637
Attributable profit to the Group	**1,303**	1,060	22.9	1,205	8.1	4,370

(*).- Variations w/o exchange rate

Quarterly: Net interest income: +3.5%; Gross income: +3.5%; Pre-provision profit: +9.0%; Attributable profit: +26.3%
Year-on-year: Net interest income: +8.0%; Gross income: +4.2%; Pre-provision profit: +5.0%; Attributable profit: +26.0%

EPS, PROFITABILITY AND EFFICIENCY (%)	1Q'14	4Q'13	(%)	1Q'13	(%)	2013
EPS (euro)	**0.113**	0.094	20.8	0.116	(1.9)	0.403
ROE	**6.24**	5.25		5.99		5.42
ROTE	**9.00**	7.54		8.79		7.87
ROA	**0.55**	0.44		0.49		0.45
RoRWA**	**1.19**					
Efficiency ratio (with amortisations)	**47.88**	50.46		47.26		48.07

SOLVENCIA Y MOROSIDAD (%)	Mar'14	Dec'13	(%)	Mar'13	(%)	2013
CET1**	**10.60**					
NPL ratio	**5.52**	5.61		4.75		5.61
Coverage ratio	**66.3**	64.9		74.1		64.9

MARKET CAPITALISATION AND SHARES	Mar'14	Dec'13	(%)	Mar'13	(%)	2013
Shares (millions)	**11,561**	11,333	2.0	10,539	9.7	11,333
Share price (euros)	**6.921**	6.506	6.4	5.242	32.0	6.506
Market capitalisation (EUR million)	**80,014**	73,735	8.5	55,244	44.8	73,735
Book value (euro)	**7.41**	7.44		7.80		7.44
Price / Book value (X)	**0.93**	0.87		0.67		0.87
P/E ratio (X)	**15.26**	16.13		11.33		16.13

OTHER DATA	Mar'14	Dec'13	(%)	Mar'13	(%)	2013
Number of shareholders	**3,299,097**	3,299,026	0.0	3,261,193	1.2	3,299,026
Number of employees	**185,165**	186,540	(0.7)	192,754	(3.9)	186,540
Number of branches	**13,735**	13,927	(1.4)	14,689	(6.5)	13,927

(**) Data according to the new regulation which entered into force on 1/1/2014. Not comparable with previous data.

Note: The financial information in this report has not been audited, but it was approved by the Board of Directors at its meeting on April, 28 2014, following a favourable report from the Audit and Compliance Committee on April, 23 2014. The Committee verified that the information for the present quarter was based on the same principles and practices as those used to draw up the annual financial statements.