Press Release

Banco Santander's profit rose 90% to EUR 4.370 billion in 2013

- **BUSINESS. Deposits were stable at EUR 607,836 million, while mutual funds grew by 14% to EUR 93,304 million. Loans decreased 2% to EUR 668,856 million. In the Group's emerging markets, deposits and loans rose 14% and mutual funds 20%, while in the mature markets deposits fell 3%, loans dropped 6% and funds rose 6%.**

- **LIQUIDITY. The loan-to-deposit ratio was 87% in Spain, where the volume of deposits exceeded loans, and 109% for the Group.**

- **CAPITAL. Capital generation was strong, with capital increasing 1.38 percentage points in the year to take the Basel II core capital ratio to 11.7% and the Basel III ratio to 10.9%.**

- **NPLS. The Group's non-performing loan ratio was 5.64%, up 1.10 point in the year. It was lower or stable in seven out of ten of the group's markets. In Spain, it rose 3.65 points to 7.49% due to the reclassification of mortgages under moratorium and the decline in loan volumes. In Brazil, the NPL ratio fell 1.22 percentage point in the year, to 5.64%.**

- **DIVERSIFICATION. Latin America contributed 47% of group profit (Brazil 23%, Mexico 10% and Chile 6%), Europe accounted for 43% (the U.K. 17%, Spain 7%, Germany and Poland 6% each) and the United States 10%.**

  - **Spain: Net attributable profit was EUR 478 million (-45%). The trend in income and costs improved, with net interest income up 3% in the quarter and costs down 5%, thanks to savings from the integration of Banesto. In the year, loans decreased 8% and deposits fell 3% because of the strong growth of mutual funds (+29%) and price adjustments in corporate deposits. Santander has gained two points of market share in deposits in two years.**

  - **United Kingdom: Net attributable profit was EUR 1,149 million (976 million pounds, +8%). Lending fell 4%, with corporate loans rising 13%, and deposits dropped 3%, while current account volumes rose 75%.**

  - **Brazil: Net attributable profit was EUR 1,577 million (4,499 million reais, -18%). Revenues were stable for the second quarter in a row and provisions decreased. Loans grew 7% and deposits rose 6%.**

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, January 30, 2014 - Banco Santander made an attributable profit of EUR 4.37 billion in 2013, a 90% increase on 2012. Banco Santander's chairman, Emilio Botín, said: ***"After several years of strengthening the balance sheet and capital, Banco Santander is embarking on a period of strong profit growth in the coming years."***

The 2013 results marked a turnaround after the declining profits of recent years. The international economic crisis, which has been particularly severe in the euro zone, obliged the bank to make hefty write-downs that dragged down its results during that period. Despite the crisis, Banco Santander is among the few institutions to have produced a profit every quarter over the last five years, thanks to its geographic diversification. In 2013, 53% of Group profit comes from emerging markets and 47% from mature markets.

Banco Santander made a huge effort in provisions and capital during the five years of crisis, setting aside EUR 65 billion and increasing its core capital by EUR 18.4 billion, or 4.13 percentage points, to reach a Basel II core capital ratio of 11.7% (Basel III, 10.9%).

At the same time, the bank was able to keep shareholder remuneration at EUR 0.60 euros a share, amounting to EUR 28.1 billion, during the crisis. The total shareholder return, based on the share price performance plus the dividend, was 43.5% between the beginning of 2008 and the end of 2013, compared with an average 17.4% for European banks.

Grupo Santander results 2013

Good quarterly performance (excluding fx impact) with profit growth due to higher commercial revenues and lower provisions

EUR million	2013	Var. / 2012 %	Var. / 2012 %*	4Q'13	Var. / 3Q'13 %	Var. / 3Q'13 %*
NII + fee income	35,696	-11.2	-5.0	8,658	0.5	1.8
Gross income	39,753	-8.4	-2.2	9,405	-3.4	-2.0
Operating expenses	-19,843	-0.7	4.9	-4,985	2.5	3.7
Net operating income	**19,909**	**-15.0**	**-8.4**	**4,420**	**-9.4**	**-7.6**
Loan-loss provisions	-10,863	-14.1	-7.8	-2,279	-12.3	-10.8
PBT	**7,262**	**-14.4**	**-6.7**	**1,779**	**0.8**	**3.0**
Attributable profit	**4,370**	**90.5**	**136.8**	**1,060**	**0.4**	**2.7**

Note: in 2013: EUR 939 mn. in capital gains and EUR 939 mn. in provisions. In 2012: EUR 1,064 mn. in capital gains and EUR 4,111 mn. in provisions

(*) Excluding exchange rate impact

Results

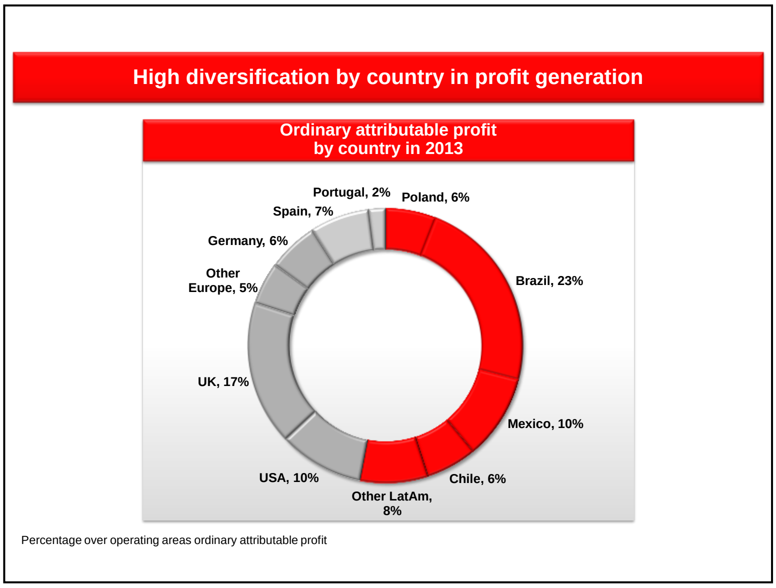
To summarize, Banco Santander's 2013 results are based on revenues of EUR 40 billion (-2%), costs of EUR 20 billion (+5%) and a net operating income of EUR 20 billion (-8% in constant euros). After provisions of almost EUR 10.8 billion and setting aside 1.8 billion, profit before tax amounted to EUR 7.3 billion. Taxes accounted for EUR 1.85 billion and another billion was paid to minority shareholders in the affiliates (mainly Brazil, Mexico, Chile and Poland), leaving an attributable profit of EUR 4.37 billion, almost twice that of 2012. This increase is a result of a sharp decline in write-downs as the bank provisioned its real estate risk in Spain in 2012.

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

On a quarter-on-quarter basis, the results show a gradual improvement in the main categories. Excluding the impact of exchange rate movements in order to assess the underlying trend (the seven currencies in which the group operates have depreciated against the euro), we see that revenues grew and loan-loss provisions fell.

Basic revenues, which include fees and commissions as well as net interest income (the difference between what the bank charges for loans and what it pays on deposits) totaled EUR 9.028 billion in the fourth quarter, the highest quarterly figure for the year. Moreover, this improvement is visible both in emerging markets, with the best result in eight quarters, and in mature markets, which registered their best quarter of the year.

The trend in costs was also positive. They grew by less than inflation in six markets and fell in three of these (Spain, Poland and Portugal). In the U.S, Mexico and Chile, costs grew as the bank expanded and strengthened its franchise.



Loan-loss provisions, the third key element of the P&L, came in at EUR 2.402 billion, the lowest in eight quarters. The cost of credit, or total provisions as a percentage of gross lending, was 1.53%, the lowest since the first quarter of 2012 and well below the 2.38% peak of the last three months of 2012.

In 2013, the Group registered capital gains of EUR 939 million net of tax from the alliances with Aegon, for insurance in Spain, and with Warburg Pincus and General Atlantic in asset management, which generated gains of EUR 270 million and EUR 669 million, respectively. These capital gains were fully provisioned and used to cover merger costs in Spain and Poland, to strengthen the balance sheet and to amortise goodwill.

The capital gains from Santander Consumer USA's IPO (EUR 740 million net) and the sale of 85% of Altamira Asset Management (EUR 385 million net) will be included in the Group's 2014 results and used to strengthen the balance sheet.

Fifty-three percent of Group profit came from emerging economies (Latin America and Poland) and the rest from mature markets. Brazil was the biggest single contributor,

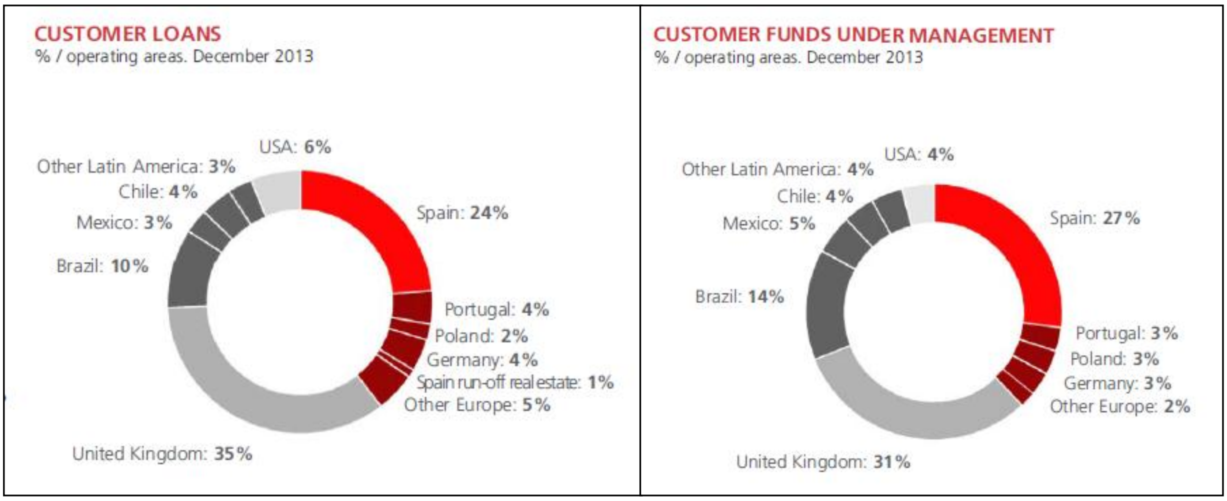
Comunicación Externa.
Ciudad Grupo Santander Edificio Arrecife Pl. 2
28660 Boadilla del Monte (Madrid) Telf.: 34 91 289 52 11
email: comunicacionbancosantander@gruposantander.com

accounting for 23%, followed by the U.K. (17%), Mexico and the U.S (10% each), Spain (7%) and Poland and Chile (6% each).

Balance sheet

There were significant differences in performance between emerging markets, where loans and deposits grew 14%, and mature markets, where loans were down 6%, due to the ongoing economic deleveraging, and deposits fell 3%. There are two factors behind the decline in deposits: an increase of 6% in assets under management in mutual funds, and a price control policy which resulted in some corporate deposits not being renewed.

The Group's liquidity position has improved significantly in recent years. At the start of 2009, Santander had a loan-to-deposit ratio of 150%, meaning there were 50% more loans than deposits. At the end of 2013, this ratio stood at 109%. In five years, the Group has generated EUR 149 billion of liquidity.

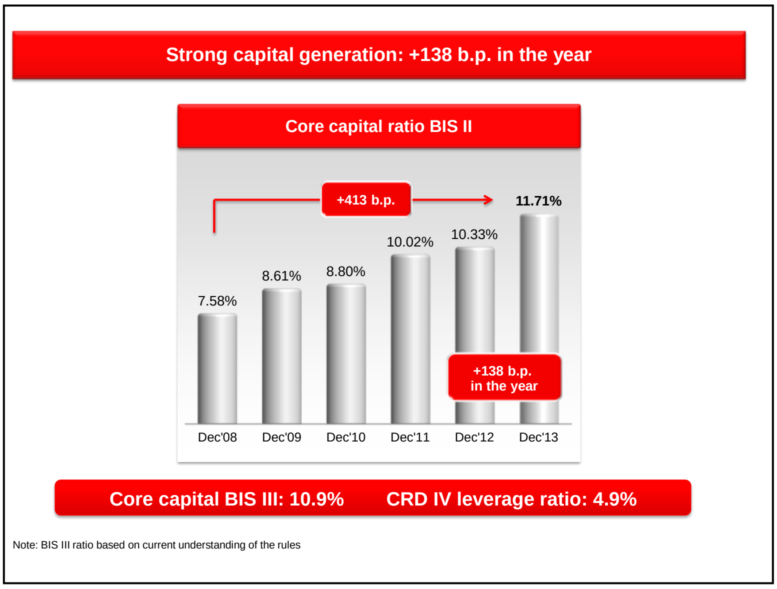


The biggest change is in Spain, where Santander now has more deposits than loans, with a ratio of 87%. In 2013, deposits fell 3%, due to a policy of not renewing expensive corporate deposits and to growth of 29% in mutual funds. Total retail deposits and mutual funds increased by EUR 10 billion. Santander has gained in Spain two percentage points of market share in deposits in two years. Loans fell 8%, impacted by the decline in lending to the public sector as a result of the amortization of the loan which funded the Spanish government plan covering payments to suppliers.

Business also improved in the United Kingdom, with a focus on increased customer loyalty, better quality of service and a well-diversified portfolio. Overall loans fell 4%, because of the decrease in mortgage lending, but loans to companies rose 13%. Deposits overall declined 3%, as high interest accounts matured, but balances in Santander's current accounts jumped by 75%, or GBP 12 billion, and the bank gained 1.1 million new customers.

In Brazil, deposit growth accelerated to 6%, with strong growth in demand and term deposits. Lending rose 7%, more than at comparable private sector banks. In Mexico, loans and deposits rose 12%. Santander achieved market share gains in key segments such as SMEs, where it is the market leader, mortgages, insurance and demand deposits.

The Group's non-performing loan rate stood at 5.64%, or 0.21 point more than the previous quarter, the smallest increase of the year. The non-performing loan rate fell or remained stable in seven markets, while it increased in three markets. In Spain, it was 7.49%, after a quarterly increase of over one point and 3.65 points for the whole year. Half of this increase was due to the fall in lending and the impact of the reclassification of refinanced loans done in the second quarter.



By contrast, in Brazil there was a sharp decline in the NPL rate for the third quarter running. It dropped from a peak of 6.90% at the end of the first quarter to 5.64% in December 2013. Similarly, in the UK the ratio declined from a peak of 2.05% at the end of 2012 to 1.98% in the third quarter and remained unchanged at the end of the year.

The Basel II capital ratio stood at 11.71%, an increase of 138 basic points in the year. This ratio is equivalent to 10.9% under the Basel III criteria that came into force on January 1, 2014.

The strength of the balance sheet, which is a result of high levels of provisions made in recent years, a healthy liquidity position and strong capital generation mean Banco Santander is well placed to face a period of growth in its ten main markets. Economies of its 10 core markets are expected to grow in 2014, according to IMF forecasts, something that has not happened since 2007.

Banco Santander has a market capitalisation of around EUR 73.735 billion, which makes it the leading bank in the euro zone and eleventh in the world. At the end of 2013, Santander had 3,299,026 shareholders, 182,958 employees serving 103 million customers in 13,927 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

KEY CONSOLIDATED DATA

BALANCE SHEET (EUR million)	Dec'13	Sep'13	(%)	Dec'13	Dec'12	(%)	Dec'11
Total assets	**1,115,637**	1,192,181	(6.4)	**1,115,637**	1,269,598	(12.1)	1,251,008
Net customer loans	**668,856**	686,821	(2.6)	**668,856**	719,112	(7.0)	748,541
Customer deposits	**607,836**	633,433	(4.0)	**607,836**	626,639	(3.0)	632,533
Customer funds under management	**924,621**	954,500	(3.1)	**924,621**	968,987	(4.6)	984,353
Shareholders' equity (1)	**84,269**	83,954	0.4	**84,269**	80,921	4.1	80,379
Total managed funds	**1,240,806**	1,316,513	(5.8)	**1,240,806**	1,387,740	(10.6)	1,382,464

INCOME STATEMENT* (EUR million)	4Q'13	3Q'13	(%)	2013	2012	(%)	2011
Net interest income	**6,277**	6,285	(0.1)	**25,935**	29,923	(13.3)	28,883
Gross income	**9,405**	9,738	(3.4)	**39,753**	43,406	(8.4)	42,466
Pre-provision profit (net operating income)	**4,420**	4,876	(9.4)	**19,909**	23,422	(15.0)	23,055
Profit from continuing operations	**1,418**	1,300	9.1	**5,539**	2,993	85.1	6,103
Attributable profit to the Group	**1,060**	1,055	0.4	**4,370**	2,295	90.5	5,330

(*).- Variations w/o exchange rate:

4Q'13 / 3Q'13: Net interest income: +1.3%; Gross income: -2.0%; Pre-provision profit: -7.6%; Attributable profit: +2.7%
2013 / 2012: Net interest income: -7.0%; Gross income: -2.2%; Pre-provision profit: -8.4%; Attributable profit: +136.8%

EPS, PROFITABILITY AND EFFICIENCY (%)	4Q'13	3Q'13	(%)	2013	2012	(%)	2011
EPS (euro)	**0.09**	0.10	(1.9)	**0.40**	0.23	71.7	0.60
ROE	**5.25**	5.23		**5.42**	2.91		7.12
ROTE	**7.41**	7.38		**7.73**	4.28		10.77
ROA	**0.44**	0.43		**0.44**	0.25		0.50
RoRWA	**1.02**	1.02		**1.01**	0.56		1.05
Efficiency ratio (with amortisations)	**53.0**	49.9		**49.9**	46.0		45.7

BIS II RATIO AND NPL RATIOS (%)	Dec'13	Sep'13	(%)	Dec'13	Dec'12	(%)	Dec'11
Core capital (BIS II)	**11.71**	11.56		**11.71**	10.33		10.02
NPL ratio	**5.64**	5.43		**5.64**	4.54		3.90
NPL coverage	**61.7**	63.9		**61.7**	72.4		61.0

MARKET CAPITALISATION AND SHARES	Dec'13	Sep'13	(%)	Dec'13	Dec'12	(%)	Dec'11
Shares (millions at period-end)	**11,333**	11,092	2.2	**11,333**	10,321	9.8	8,909
Share price (euros)	**6.506**	6.028	7.9	**6.506**	6.100	6.7	5.870
Market capitalisation (EUR million)	**73,735**	66,863	10.3	**73,735**	62,959	17.1	50,290
Book value (euro)	**7.44**	7.58		**7.44**	7.88		8.59
Price / Book value (X)	**0.88**	0.79		**0.88**	0.77		0.68
P/E ratio (X)	**16.13**	14.61		**16.13**	25.96		9.79

OTHER DATA	Dec'13	Sep'13	(%)	Dec'13	Dec'12	(%)	Dec'11
Number of shareholders	**3,299,026**	3,281,450	0.5	**3,299,026**	3,296,270	0.1	3,293,537
Number of employees	**182,958**	184,786	(1.0)	**182,958**	186,763	(2.0)	189,766
Number of branches	**13,927**	14,561	(4.4)	**13,927**	14,392	(3.2)	14,756

INFORMATION ON ORDINARY PROFIT	4Q'13	3Q'13	(%)	2013	2012	(%)	2011
Attributable profit to the Group*	**1,060**	1,055	0.4	**4,370**	5,341	(18.2)	7,000
EPS (euro)	**0.09**	0.10	(1.9)	**0.40**	0.55	(26.3)	0.79
ROE	**5.25**	5.23		**5.42**	6.78		9.35
ROTE	**7.41**	7.38		**7.73**	9.97		14.14
ROA	**0.44**	0.43		**0.44**	0.48		0.63
RoRWA	**1.02**	1.02		**1.01**	1.10		1.34
P/E ratio (X)	**16.13**	14.61		**16.13**	11.15		7.46

(*).- Variations w/o exchange rate: 4Q'13 / 3Q'13: +2.7%; 2013 / 2012: -10.7%

Note: The financial information in this report has not been audited, but it was approved by the Board of Directors at its meeting on January, 27 2014, following a favourable report from the Audit and Compliance Committee on January, 23 2014. The Committee verified that the information for the quarter was based on the same principles and practices as those used to draw up the annual financial statements.

(1) In 2013, estimated data of May 2014 scrip dividend