Press Release

Santander's profit rose 77% to EUR 3,310 million in the first nine months

- **BUSINESS. Deposits rose 5% to EUR 633,433 million, while loans fell 2%, to EUR 686,821 million. In emerging markets, loans and deposits both grew by 13%, while in the Group's mature markets deposits increased 3% and loans decreased 6%.**

- **LIQUIDITY. The loan-to-deposit ratio was 85% in Spain, where the volume of deposits exceeded loans, and 108% for the Group.**

- **CAPITAL. Strong capital generation raised the Bank's Basel II core capital ratio by 0.45 point in the quarter and 1.23 points year-on-year to 11.56%.**

- **NPLs. The Group's non-performing loan rate was 5.43%, up 0.25 point from the previous quarter. In Spain it rose 0.65 point to 6.40%, partly because of the decline in loan volumes, while provisions declined. In Brazil, NPLs fell sharply for the second quarter in a row, while in the United Kingdom they declined for the third quarter running.**

- **DIVERSIFICATION. Latin America contributed 49% of group profit (Brazil 24%, Mexico 11% and Chile 6%), Europe accounted for 40% (U.K. 15%, Spain 7%, Germany and Poland 6% each) and the United States 11%.**

  - **Spain: Net attributable profit was EUR 367 million (-51%) and the trend in income improved. Deposits grew 12% and loans fell 5%. Santander has gained market share in loans (0.4 point) and deposits (1.0 point) in the last year. So far this year it has provided EUR 43 billion of new corporate funding.**

  - **United Kingdom: Ordinary net attributable profit was EUR 793 million (675 million pounds, +7%). Lending fell 5%, with corporate loans rising 11%, and deposits dropped 2%, with a 71% increase in current account volumes.**

  - **Brazil: Net attributable profit was EUR 1,277 million (3,548 million reais, -13%). Revenues were stable compared with the previous quarter and costs increased by less than inflation. Loans grew 7% and deposits rose 8%.**

Madrid, October 24, 2013 - Banco Santander made an attributable profit of EUR 3,310 million in the first nine months of the year, which was a 77% increase on the same period last year.

Banco Santander's chairman, Emilio Botín, said: ***"After several years of high levels of write-offs and reinforcement of capital, Banco Santander is preparing for a new period of increased profitability."***

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Results

The results of the first nine months reflect a backdrop of deleveraging in mature economies and more moderate growth in emerging markets. Despite this, Banco Santander's revenues were steady at just over EUR 10 billion in constant euro terms each quarter. Thus, gross income was EUR 30,348 million in the nine months, down 3% in comparable terms from the same period last year.

Costs remained at around EUR 5 billion a quarter to total EUR 14,858 million in the nine months, an increase of 3% excluding the impact of exchange rate and consolidation perimeter changes. Synergies from the mergers in Spain and Poland are beginning to materialise, although the main impact will be felt in the next two years.

Grupo Santander Results

Good quarterly performance (excluding exchange rate impact).
Profit growth due to stable gross income and lower provisions

EUR million	9M'13	Var. / 9M'12 %	Var. / 9M'12 %*	3Q'13	Var. / 2Q'13 %	Var. / 2Q'13 %**
Gross income	30,348	-8.4	-2,9	9,738	-5.6	-0.4
Operating expenses	-14,858	-1.2	3.3	-4,862	-2.8	1.5
Net operating income	**15,490**	**-14.3**	**-8.0**	**4,876**	**-8.4**	**-2.2**
Loan-loss provisions	-8,583	-9.7	-3.7	-2,600	-15.2	-9.4
Profit before tax	**5,482**	**-21.3**	**-14.1**	**1,766**	**3.1**	**11.1**
Attributable profit	**3,310**	**76.9**	**110.4**	**1,055**	**0.5**	**8.5**

Note: in 9M'13: EUR 270 million in capital gains and EUR 270 million in provisions. In 9M12: EUR 1,029 million in capital gains and EUR 3,475 million in provisions

(*) Excluding perimeter and exchange rate differences
(**) Excluding exchange rate impact

The difference between revenues and costs resulted in net operating income, or profit generation capacity, of EUR 15,490 million, which is a fall of 8% excluding the impact of exchange rate and perimeter differences. This put the cost-to-income ratio at 49%, 12 points better than the average ratio for comparable banks of more than 60%.

A decline in provisions and write-offs resulted in net attributable profit of EUR 3,310 million, 77% more than the first nine months of last year, when net profit was EUR 1,872 million.

Fifty-five percent of the profit came from emerging economies (Latin America and Poland) and the rest from mature markets. Brazil was the biggest single contributor, accounting for 24% of the total, followed by the U.K. (15%), Mexico and the U.S. (11% each) and Spain (7%).

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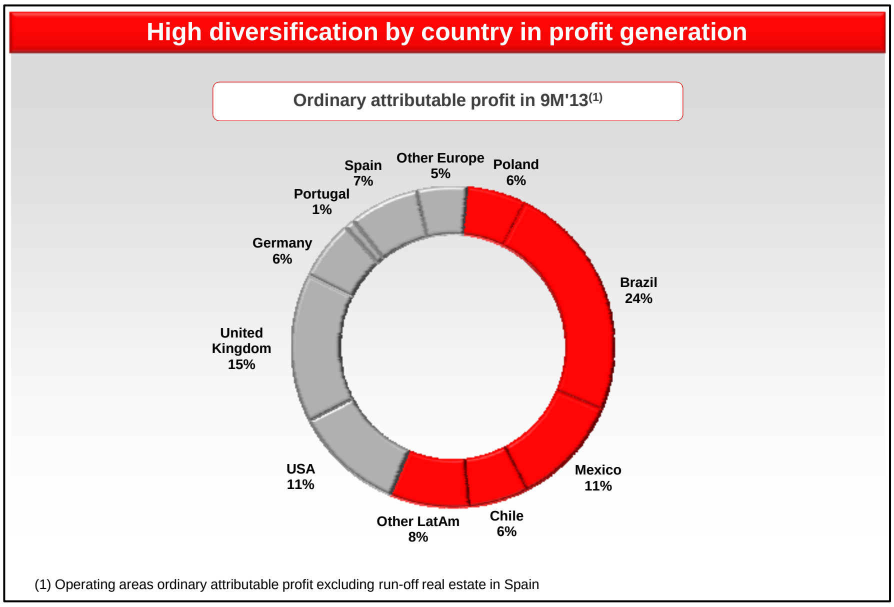

Balance Sheet

The Group's deposits rose 5% to EUR 633,433 million in the first nine months and loans fell 2% to EUR 686,821 million. The performances of the Group's mature and emerging markets differed. Deposits increased 3% and loans fell 6% in mature markets, while emerging market growth was better balanced, with a 13% increase in both deposits and loans.

Rising savings rates and gains in market share in deposits, combined with the deleveraging underway in mature markets, helped improve the Group's liquidity position. At the beginning of 2009, the loan-to-deposit ratio was 150%, meaning there were 50% more loans than deposits, but by the end of September this year the ratio was 108%.

The improvement in liquidity is particularly evident in Spain, where Santander has more deposits than loans with a ratio of 85%. This is largely the result of strong growth in deposits. In the last year, Santander has captured EUR 20 billion in deposits and has increased its market share by one point. In Spain, deposits grew 12%, despite a sharp decline in term deposit interest rates, and loans fell by 5%, compared with September 2012. Even so, Santander provided EUR 43 billion of new financing to Spanish companies. The number of Spanish customers with multiple products (and defined as linked) has risen by 90,000 so far this year.

Business also improved in the United Kingdom, with a focus on increased customer loyalty and better quality of service. Overall loans fell 5%, because of the decrease in mortgage lending, but loans to SMEs rose 11% and Santander gained 0.7 point of market share. Deposits overall declined 2%, as high interest accounts matured, but balances in Santander's current accounts jumped by 71%, or GBP 10.2 billion, helped by the addition of 900,000 new customers.

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In Brazil, deposit growth accelerated to 8%, with strong growth in demand and term deposits. Lending rose 7% (more than at other comparable banks), helped by mortgage and corporate loans. In Mexico, loans and deposits both rose 9% and Santander achieved market share gains in key segments such as SMEs, where it is the market leader, and in mortgages, insurance and demand deposits.

Customer loans
EUR million

	30.09.13	% var o/ 30.09.12*
Continental Europe	271,878	(3.7)
o/w: Spain	164,810	(5.0)
Portugal	24,712	(6.7)
Poland	16,298	76.3
Santander Consumer Finance	55,898	(1.6)
United Kingdom	237,138	(4.7)
Latin America	135,832	8.3
o/w: Brazil	69,395	6.5
Mexico	21,007	9.0
Chile	29,697	10.3
USA	38,184	(5.1)
Operating areas	683,033	(1.9)
Total Group	686,821	(2.3)

(*).- Change in constant currency and excluding repurchase agreements.

Customer deposits
EUR million

	30.09.13	% var o/ 30.09.12*
Continental Europe	262,970	9.7
o/w: Spain	188,824	12.1
Portugal	24,185	(3.0)
Poland	17,404	62.2
Santander Consumer Finance	30,726	(7.1)
United Kingdom	197,252	(2.1)
Latin America	132,114	8.5
o/w: Brazil	65,801	7.9
Mexico	25,783	8.8
Chile	22,076	4.9
USA	36,181	(2.0)
Operating areas	628,518	4.8
Total Group	633,433	4.6

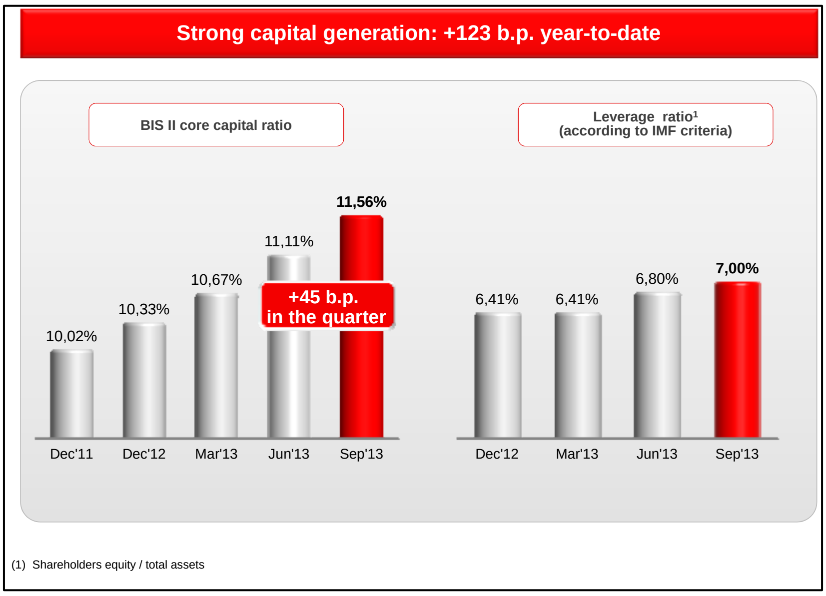
(*).- Change in constant currency including retail commercial paper and letras financieras, and excluding repurchase agreements.

The Group's non-performing loan rate stood at 5.43% at the end of September, or 0.25 point more than the previous quarter. The impact of provisions for non-performing loans on results was EUR 2.6 billion in the third quarter, which was equivalent to 1.77% of average outstanding loans. The provisions, known as the cost of credit, peaked at 2.38% in the fourth quarter of last year and remained at that level in the first quarter, but have fallen for the last two quarters.

NPL rates varied widely from one market to another. In Spain, the ratio was 6.4%, up 0.65 point in the quarter. Half the increase is due to the decline in loan volumes and the other half to newly non-performing loans. The NPL ratio already includes loans that have been refinanced, which were reclassified as doubtful for subjective reasons in the second quarter.

By contrast, in Brazil there was a marked decline in the NPL rate for the second quarter running. It dropped from a peak of 6.9% at the end of the first quarter to 6.12% in September, thanks to a fall of 0.41 point in the second quarter and 0.37 point in the third. Similarly, in the UK the ratio has declined for three quarters in a row to stand at 1.98%, down from a peak of 2.05% at the close of 2012.

The Basel II capital ratio stood at 11.56% at the end of the third quarter, an increase of 0.45 point in the last three months and 1.23 points in a year. Santander's capital structure puts it in a very comfortable position to meet the Basel III ratios, which come 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. The economies of all ten of its core markets are set to grow in 2014, according to IMF forecasts, something that has not happened since 2007.

This performance allows the Bank to maintain its shareholder remuneration unchanged from 2012. It expects to distribute four scrip option dividends of approximately EUR 0.15 a share each, which shareholders can receive in cash or shares. This represents shareholder remuneration of EUR 0.60 a share for the fifth consecutive year.

Banco Santander has a market capitalisation of around EUR 75 billion, which makes it the biggest bank in the euro zone and one of the top 12 in the world. At the end of September it had 3,281,450 shareholders, 184,786 employees, 102 million customers and 14,561 branches.

More information: www.santander.com

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