

JANUARY-SEPTEMBER 2012 RESULTS

Santander registered attributable net profit of EUR 1.804 billion (-66%), after covering 90% of real estate provisions required by the latest Spanish regulations

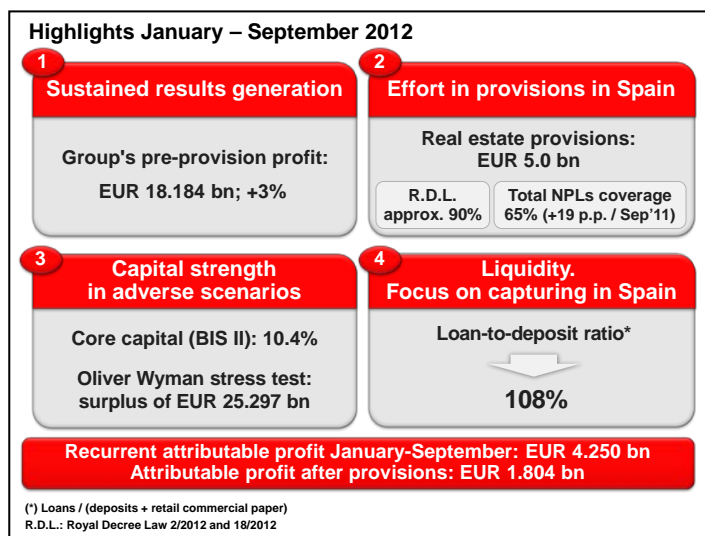
- **Pre-provision profit was EUR 18.184 billion, up 3%.**
- **PROVISIONS:** The bank charged EUR 14,543 million of provisions against results in the first nine months, compared with EUR 7,322 million in the same period 2011.
 - Provisions for non-performing loans were EUR 9,533 million. This put NPL coverage at 70%, nine percentage points more than at the end of 2011.
 - Provisions for real estate exposure in Spain charged to this year's results amounted to EUR 5,010 million, 90% of the requirements of the two royal decrees of February and May this year.
- **REAL ESTATE EXPOSURE IN SPAIN:** Real estate exposure fell by EUR 5,500 million in the nine months to EUR 26,500 million. The stock of acquired properties declined for the second quarter in a row.
- **CAPITAL:** The core capital ratio, under BIS II criteria, was 10.4%. Stress tests carried out by Oliver Wyman show Santander would have, in the most adverse scenario, a capital surplus of EUR 25,297 million in 2014.
- **VOLUME:** Loans totaled EUR 754,094 million, up 3% year-on-year, and deposits were EUR 642,607 million, an increase of 4%. In Spain, the bank's market shares in deposits continued to grow, increasing by one percentage point. The loan-to-deposit ratio stood at 108%.
- **NPLS:** The group's non-performing loan ratio rose by 0.47 point year-on-year to 4.33%. In Spain, the NPL rate increased 0.89 point to 6.38%, still more than four points below the average for the sector. NPL coverage in Spain rose 20 points to 65%.
- **DIVERSIFICATION:** Latin America contributed 50% of group profit (Brazil 26%, Mexico 13% and Chile 5%); Continental Europe 28% (Spain 16%, Poland 5% and Germany 4%), the UK 13% and the US 9%.
 - **Latin America:** Net profit was EUR 3,306 million, a decline of 6% as a result of the sale of the business in Colombia and minority stakes. Lending rose 9% and deposits 3%.
 - **Continental Europe:** Attributable profit was EUR 1,813 million, down 10%. Loans dropped 5% and deposits were unchanged.
 - **U.K.:** Attributable profit was EUR 904 million, up 11% from the same period 2011. Loans fell 2% and deposits rose 1%.
 - **U.S.:** Attributable profit was EUR 584 million, down 23% after the sale of 25% of Santander Consumer in 2011 and an extraordinary charge at Sovereign in the third quarter. Loans were up 6% and deposits 5%.

Madrid, Oct. 25, 2012 – Grupo Santander registered net attributable profit of EUR 1,804 million in the first nine months of 2012, a decline of 66% from the same period last year. The group posted ordinary profit of EUR 4,250 million and registered capital gains of EUR 1,029 million from the sale of the business in Colombia and the reinsurance transaction covering the life insurance portfolio in Spain and Portugal. That would have resulted in profit of EUR 5,279 million in the period, but, after setting aside EUR 3,475 million for real estate exposure in Spain, net profit was EUR 1,804 million.

Banco Santander Chairman Emilio Botín said: “The bank’s capacity to generate profit enables us to set aside hefty real estate provisions in Spain in 2012 and significantly increase non-performing loan coverage. In the first nine months we generated pre-provision profit of EUR 18,184 million.”

Results

In the first nine months of 2012, Santander’s revenues and costs both rose by 5%, leaving net operating income (pre-provision profit) at EUR 18,184 million, an increase of 3%. The performance of revenues and costs resulted in an efficiency ratio of 45.4%, 0.3 point better than at the end of 2011.



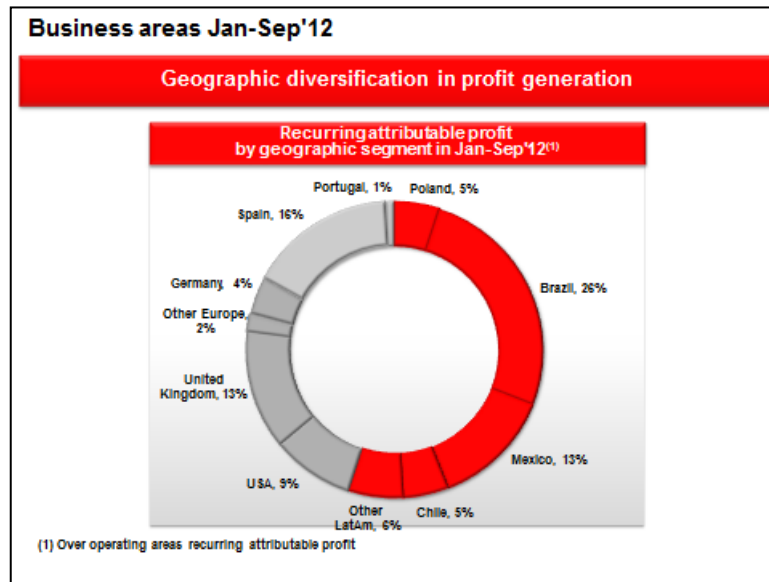
The pre-provision profit shows Santander’s capacity to generate earnings and set aside provisions when the economic situation requires. EUR 9,533 million (+30%) was allocated to provisions for non-performing loans and a further EUR 5,010 million (EUR 3,475 million in net terms) was assigned to cover real estate exposure in Spain.

NPL coverage rose for the third quarter running, both for the group and the Spanish business, whose coverage ratios were 70% and 65%, respectively. That means the NPL coverage ratio has risen by nine percentage points for the group in the nine-month period, and by 20 points in Spain.

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Banco Santander's diversification is the main reason that group results have held up so well against such a difficult backdrop in Europe, where it carries out a large part of its business. Latin America contributes 50% of profits – Brazil makes up 26%, Mexico 13% and Chile 5%. Continental Europe accounts for 28%, of which Spain represents 16%, Poland 5% and Germany 4%, while the U.K. brings in 13% and the U.S. 9%.



Business

Loans grew in emerging market units (Latin America and Poland) and declined in economies that are deleveraging sharply, such as Spain and Portugal. However, in these countries, deposits are growing strongly.

Group outstanding loans came to EUR 754,000 million, or 117% of deposits of EUR 642,600 million. Before the crisis, in December 2008, the loan-to-deposit ratio stood at 150%. In Spain, this ratio is now 108%, based on EUR 199,000 million in loans and EUR 185,000 million in deposits, down from 178% at the end of 2008.

Banco Santander continued to enjoy access to wholesale funding markets, placing EUR 35,000 million in securitizations and issues in the market.

Customer funds managed by the Group amounted to EUR 976,938 million at the end of September 2012, a slight increase. Deposits grew 4%, including commercial paper of EUR 12,535 million placed by the branch networks in Spain. The highest growth in deposits was registered in Mexico, at 14%. In Spain, retail deposits grew by 10%, increasing market share by one percentage point.

Grupo Santander's **outstanding net loans** increased almost 3% from a year earlier, to EUR 754,094 million. Loans increased by 10% in Brazil and Mexico and 9% in Poland. However, loans in Portugal fell 8% and in Spain 7%. The drop in Spain is largely due to the 25% decline in loans for real estate purposes compared with a year earlier, which is equivalent to a fall of EUR 6,191 million in the stock of outstanding loans to this sector.

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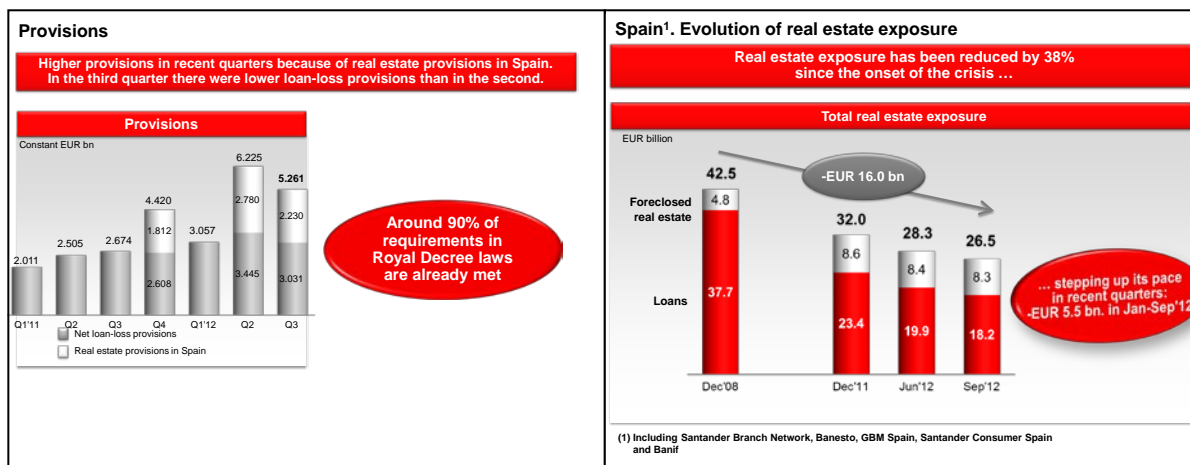
The Group's NPL rate came to 4.33%, an increase of 0.47 point from a year earlier and 0.22 point in the quarter. In Spain, NPLs were 6.38%, up 0.89 point year-on-year, affected by the decline in lending. In the U.K., NPLs were stable, up just 0.1 point to 1.94%. In Santander Consumer Finance, NPLs stood at 3.96%, broadly unchanged from December, 2011. In the U.S., NPLs continued to be low at 2.31%. In Latin America, NPLs increased in Brazil and Chile by around one point, while falling in Mexico.

NPLs were below the average for the sector in all the Group's markets, especially in Spain, where the industry-wide rate is over four percentage points higher than Santander's.

Real estate exposure in Spain

During the first nine months of 2012, Banco Santander reduced its exposure to real estate while significantly increasing provisions for potential losses in property activities in Spain.

Group real estate exposure in Spain was EUR 42,500 million at the close of 2008, of which EUR 37,700 million were loans and EUR 4,800 million acquired or repossessed properties. Since then, that exposure has been reduced by EUR 16,000 million to EUR 26,500 million, of which EUR 18,200 million are loans and EUR 8,300 million acquired properties. The stock of properties declined for the second consecutive quarter.

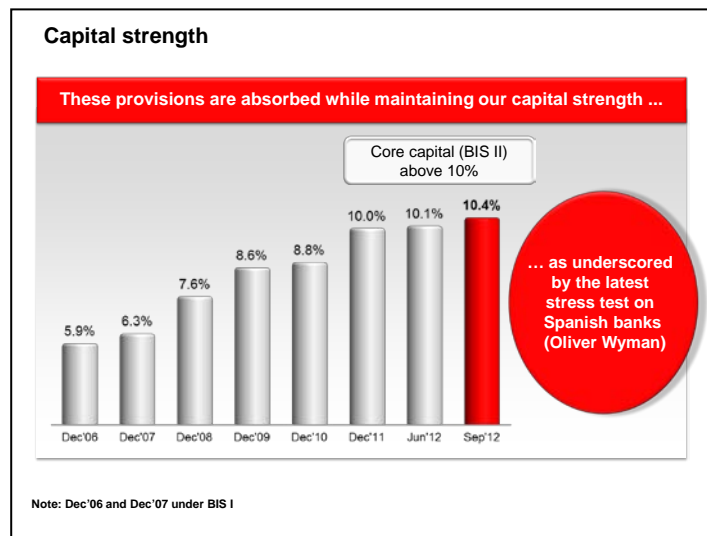


In February and May of 2012, the Spanish government approved rules which increased provisions for real estate loans and which must be charged against this year's results. The bank set aside EUR 1,800 million for this purpose in its 2011 results. During the second and third quarters of 2012, the bank provisioned a further EUR 5,010 million. With these charges, Grupo Santander has covered 90% of the new requirements. It will have set aside the full amount by the end of the year.

Capital and the share

Since the beginning of the year, Grupo Santander has exceeded the European Banking Authority's core capital requirement of 9% by June 30. Under Basel II criteria, Banco Santander's core capital ratio was 10.4% at Sept. 30, up from 10.0% at the close of 2011.

Santander placed 24.9% of its Mexican unit in the market at the end of September. This transaction was a success, given that demand for shares was five times the amount on offer. The placement brought in EUR 3,200 million, which improved the Group's core capital ratio by half a percentage point.



During the third quarter, international consultancy Oliver Wyman, working with major international auditors and property consultants, carried out a detailed analysis of Spanish banks' loan portfolios. The analysis concluded that Santander would have a capital surplus of EUR 25,297 million in 2014, even in the most adverse scenario.

Banco Santander's market capitalization was EUR 57,363 million at Sept. 30, which made it the largest bank in the euro zone by stock market value. That is significantly less than its total equity and financial capital, of EUR 84,362 million at the end of September.

Shareholder remuneration to be charged against 2012 results will be EUR 0.60 a share. This will be distributed through the Santander *Dividendo Elección* (scrip dividend) programme, which allows shareholders to choose between receiving a dividend of approximately EUR 0.15 a share in cash or shares on each of the four usual dividend payment dates.

The bank had 3,283,913 shareholders at the end of September. The Group employed 188,146 people, serving more than 102 million customers in 14,496 branches. That makes it the biggest international financial group in terms of shareholders and branch network.

More information at: www.santander.com

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Key consolidated data

	Jan-Sep '12	Jan-Sep '11	Variation		2011
			Amount	%	
Balance sheet (EUR million)					
Total assets	1,300,632	1,250,476	50,156	4.0	1,251,525
Net customer loans	754,094	734,302	19,792	2.7	750,100
Customer deposits	630,072	619,911	10,161	1.6	632,533
Customer funds under management	976,938	976,598	340	0.0	984,353
Shareholders' equity	81,214	79,144	2,069	2.6	80,400
Total managed funds	1,422,260	1,382,920	39,341	2.8	1,382,980
Income statement (EUR million)					
Net interest income	22,994	21,574	1,420	6.6	29,110
Gross income	33,324	32,125	1,200	3.7	42,754
Pre-provision profit (net operating income)	18,184	17,659	525	3.0	23,195
Profit from continuing operations	4,910	5,918	(1,008)	(17.0)	7,812
Attributable profit to the Group	1,804	5,303	(3,500)	(66.0)	5,351
EPS, profitability and efficiency (%)					
EPS (euro)	0.19	0.60	(0.41)	(68.8)	0.60
Diluted EPS (euro)	0.19	0.59	(0.41)	(68.7)	0.60
ROE	3.06	9.47			7.14
ROTE	4.51	14.32			10.81
ROA	0.25	0.64			0.50
RoRWA	0.58	1.35			1.06
Efficiency ratio (with amortisations)	45.4	45.0			45.7
BIS II ratios and NPL ratios (%)					
Core capital	10.38	9.42			10.02
Tier I	11.23	10.74			11.01
BIS II ratio	13.26	13.24			13.56
NPL ratio	4.33	3.86			3.89
NPL coverage	70	66			61
Market capitalisation and shares					
Shares (1) (millions at period-end)	9,899	8,440	1,458	17.3	8,909
Share price (euros)	5.795	6.224	(0.429)	(6.9)	5.870
Market capitalisation (EUR million)	57,363	52,532	4,831	9.2	52,296
Book value (euro)	8.07	8.91			8.59
Price / Book value (X)	0.72	0.70			0.68
P/E ratio (X)	23.29	7.81			9.75
Other data					
Number of shareholders	3,283,913	3,263,997	19,916	0.6	3,293,537
Number of employees	188,146	187,815	331	0.2	189,766
Continental Europe	58,516	58,961	(445)	(0.8)	58,864
o/w: Spain	31,531	31,914	(383)	(1.2)	31,889
United Kingdom	26,614	27,264	(650)	(2.4)	27,505
Latin America	91,197	90,131	1,066	1.2	91,913
USA	9,432	9,169	263	2.9	9,187
Corporate Activities	2,387	2,290	97	4.2	2,297
Number of branches	14,496	14,709	(213)	(1.4)	14,756
Continental Europe	6,521	6,636	(115)	(1.7)	6,608
o/w: Spain	4,752	4,785	(33)	(0.7)	4,781
United Kingdom	1,266	1,386	(120)	(8.7)	1,379
Latin America	5,987	5,964	23	0.4	6,046
USA	722	723	(1)	(0.1)	723
Information on recurring profit					
Attributable profit to the Group	4,250	5,303	(1,054)	(19.9)	7,021
EPS (euro)	0.44	0.60	(0.16)	(26.5)	0.79
Diluted EPS (euro)	0.44	0.59	(0.16)	(26.4)	0.78
ROE	7.20	9.47			9.37
ROTE	10.62	14.32			14.18
ROA	0.51	0.64			0.63
RoRWA	1.15	1.35			1.35
P/E ratio (X)	9.89	7.81			7.43

Note: The financial information in this report has not been audited, but it was approved by the Board of Directors at its meeting on October, 22 2012, following a favourable report from the Audit and Compliance Committee on October, 15 2012. 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 December 2011, includes shares issued to cover the exchange of preferred shares of December 2011

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Key data by principal segments

	Net operating income			Attributable profit to the Group			Efficiency ratio (%)		ROE (%)	
	Jan-Sep '12	Jan-Sep '11	Var (%)	Jan-Sep '12	Jan-Sep '11	Var (%)	Jan-Sep '12	Jan-Sep '11	Jan-Sep '12	Jan-Sep '11
Income statement (EUR million)										
Continental Europe	5,779	5,444	6.1	1,813	2,021	(10.3)	45.0	46.1	7.71	9.07
o/w: Santander Branch Network	1,959	1,815	7.9	513	602	(14.7)	43.9	45.8	10.60	11.60
Banesto	942	876	7.5	115	189	(39.4)	44.3	46.4	3.20	5.39
Portugal	466	355	31.1	97	129	(24.5)	44.7	52.6	5.10	6.97
Santander Consumer Finance	1,352	1,479	(8.6)	564	571	(1.2)	43.0	39.5	6.95	8.08
Retail Poland (BZ WBK)	383	261	46.9	236	172	37.1	45.1	45.4	18.23	26.14
United Kingdom*	1,858	2,547	(27.0)	823	810	1.6	52.8	43.1	8.25	8.52
Latin America	11,487	10,175	12.9	3,306	3,528	(6.3)	37.0	39.0	19.47	21.54
o/w: Brazil	8,371	7,477	12.0	1,689	1,973	(14.4)	34.4	37.0	17.94	22.99
Mexico	1,274	1,082	17.8	832	731	13.8	38.3	39.9	26.08	21.56
Chile	1,016	942	7.9	362	466	(22.3)	40.2	39.0	20.95	24.81
USA	1,112	1,316	(15.6)	584	761	(23.3)	44.0	35.1	14.92	25.40
Operating areas*	20,236	19,483	3.9	6,526	7,120	(8.3)	41.6	41.5	12.00	13.91
Corporate Activities*	(2,052)	(1,824)	12.5	(2,277)	(1,817)	25.3				
Total Group*	18,184	17,659	3.0	4,250	5,303	(19.9)	45.4	45.0	7.20	9.47
Extraordinary net capital gains and provisions				(2,446)	—	—				
Total Group				1,804	5,303	(66.0)	45.4	45.0	3.06	9.47

(*) - Excluding extraordinary net capital gains and provisions

	Net customer loans			Customer deposits			NPL ratio (%) *		NPL coverage (%) *	
	30.09.12	30.09.11	Var (%)	30.09.12	30.09.11	Var (%)	30.09.12	30.09.11	30.09.12	30.09.11
Activity (EUR million)										
Continental Europe	292,050	307,510	(5.0)	242,533	255,020	(4.9)	6.01	5.04	69	58
o/w: Santander Branch Network *	98,665	104,671	(5.7)	85,295	81,063	5.2	9.56	7.70	62	41
Banesto	63,307	69,245	(8.6)	49,571	51,385	(3.5)	5.74	4.69	68	53
Portugal	26,759	28,945	(7.6)	23,877	22,812	4.7	6.16	3.78	52	53
Santander Consumer Finance	56,822	56,486	0.6	33,087	34,181	(3.2)	3.96	4.50	110	105
Retail Poland (BZ WBK)	9,659	8,219	17.5	11,035	9,936	11.1	4.69	6.26	64	69
United Kingdom	271,464	238,557	13.8	213,508	187,141	14.1	1.94	1.86	47	42
Latin America	142,412	131,288	8.5	135,000	130,628	3.3	5.31	4.10	90	102
o/w: Brazil	75,293	71,736	5.0	69,588	71,211	(2.3)	6.79	5.05	92	100
Mexico	21,545	17,477	23.3	24,162	19,615	23.2	1.69	1.78	175	176
Chile	30,043	25,176	19.3	23,192	19,305	20.1	5.00	3.63	61	88
USA	41,845	37,936	10.3	38,454	35,141	9.4	2.31	3.22	110	93
Operating areas	747,772	715,291	4.5	629,495	607,930	3.5	4.30	3.78	72	66
Total Group	754,094	734,302	2.7	630,072	619,911	1.6	4.33	3.86	70	66

* Santander Branch Network is the retail banking unit of Banco Santander S.A. The NPL ratio of Banco Santander S.A. at the end of September 2012 stood at 6.98% (5.63% in September 2011) and NPL coverage was 62% (39% in September 2011).

	Employees		Branches	
	30.09.12	30.09.11	30.09.12	30.09.11
Operating means				
Continental Europe	58,516	58,961	6,521	6,636
o/w: Santander Branch Network	17,931	18,009	2,912	2,915
Banesto	9,178	9,462	1,698	1,716
Portugal	5,711	5,847	670	724
Santander Consumer Finance	12,601	11,798	638	662
Retail Poland (BZ WBK)	8,892	9,563	522	527
United Kingdom	26,614	27,264	1,266	1,386
Latin America	91,197	90,131	5,987	5,964
o/w: Brazil	54,856	52,536	3,782	3,731
Mexico	13,336	12,897	1,123	1,099
Chile	12,331	12,404	496	494
USA	9,432	9,169	722	723
Operating areas	185,759	185,525	14,496	14,709
Corporate Activities	2,387	2,290		
Total Group	188,146	187,815	14,496	14,709

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