

## **Santander's 2012 attributable net profit was EUR 2.205 billion (-59%), after making charges of EUR 18.800 billion and reducing property exposure in Spain**

*Emilio Botín: "2012 marked a turning point in terms of profit. In 2013, with the exceptional write-offs behind us, we should see a marked recovery in results."*

- **PRE-PROVISION PROFIT** was EUR 23,559 million in 2012, an increase of 2% on the year and 34% since 2008, when the crisis began.
- **PROVISIONS:** The bank made provisions of EUR 18,800 million, or EUR 6,600 million more than in 2011, thanks to the strength of its earnings.
  - Provisions for non-performing loans were EUR 12,666 million, up 28%. This raised NPL coverage from 61% to 73% in 2012.
  - Provisions for real estate exposure in Spain were EUR 6,100 million, covering 100% of the requirements enacted in 2012.
- **REAL ESTATE EXPOSURE IN SPAIN:** Net exposure halved to EUR 12,500 million from EUR 24,900 million. The bank sold 33,500 properties, from its own books and those of real estate developers.
- **CAPITAL:** The core capital ratio, under BIS II criteria, improved by 0.3 point in the year to 10.33%. Stress tests carried out by Oliver Wyman showed that Santander would have surplus capital of EUR 25,297 million in the most adverse scenario.
- **VOLUME:** Net loans totaled EUR 720,483 million, down 4%. Deposits increased 4% to EUR 647,540 million. In Spain, deposits rose 12%, with inflows of EUR 22,000 million, and the bank gained 2.1 points of market share.
- **LIQUIDITY:** The group returned EUR 24,000 million borrowed as liquidity insurance under the ECB's LTRO, which had been on deposit with the central bank itself.
- **NPLS:** The group non-performing loan ratio rose 0.65 point to 4.54%. In Spain it was 6.74%, up 1.25 point but still more than four points below the sector average.
- **DIVERSIFICATION:** Latin America contributed 50% of group profit (Brazil 26%, Mexico 12% and Chile 6%); Continental Europe 27% (Spain 15%, Poland 5% and Germany 4%); the UK 13% and the US 10%.
  - **Latin America:** Attributable profit fell 8% to EUR 4,305 million following the sale of the Colombian business and minorities. Loans rose 8% and deposits 9%.
  - **Continental Europe:** Attributable profit rose 2% to EUR 2,322 million. Loans fell 7% and deposits rose 9%.
  - **UK:** Attributable profit was EUR 1,175 million, down 4%. Loans dropped 4% and deposits 2% as expensive liabilities were reduced.
  - **US:** Attributable profit was EUR 811 million, down 20% due to the change in perimeter and one-time charges. Loans and deposits both rose 5%.

**Madrid, Jan. 31, 2013** - Grupo Santander registered net attributable profit of EUR 2,205 million in 2012, 59% less than in 2011. Ordinary profit was EUR 5,251 million, while capital gains came to EUR 1,065 million, mainly from the sale of the Colombian unit and the reinsurance of the Spanish and Portuguese life insurance portfolios. Profit for the year would have been EUR 6,315 million, but after setting aside a net EUR 4,110 million to cover real estate exposure in Spain, fell to EUR 2,205 million.

Banco Santander's Chairman Emilio Botín said: **"Profits reached a turning point in 2012. In 2013, with the exceptional write-offs behind us, we should see a marked increase in earnings, based on the group's recurrent revenues and cost control."**

2012 Highlights	2012 Data	Evolution
1 <b>Sustained results generation</b>	Group pre-provision profit: EUR 23,559 mill.	Year increase: +2% Increase since 2008: +32%
2 <b>Effort in Group provisions</b>	Group provisions: EUR 19 bn. NPL ratio: 4.54% Coverage ratio: 73%	Provisions > 100% of Royal Decrees Better than financial system average Coverage: Increased 11 p.p. in the year
3 <b>Capital improvement</b>	Core capital ratio (BIS II): 10.33%	Generating capital Reducing RWAs The ratio increased for the sixth year
4 <b>Improved liquidity position</b>	Loan-to-deposit (LTD) ratio: Group 113% Spain 96%	Repaid EUR 24 bn. of LTROs (maximum) Sharp improvement of LTD since 2008: Group 150% Spain 178%
<b>2012 ordinary attributable profit: EUR 5,251 million</b> <b>Attributable profit after provisions: EUR 2,205 million</b>		

## Results

The 2012 results demonstrate the group's strength. Although the economic backdrop has been difficult for several years, revenues and pre-provision profit have continued to grow by around 2%. Group revenues were EUR 43,675 million and costs were EUR 20,116 million. The difference between the two gave Santander a pre-provision profit of EUR 23,559 million and an efficiency ratio of 46.1%. Both those numbers are among the strongest in international banking.

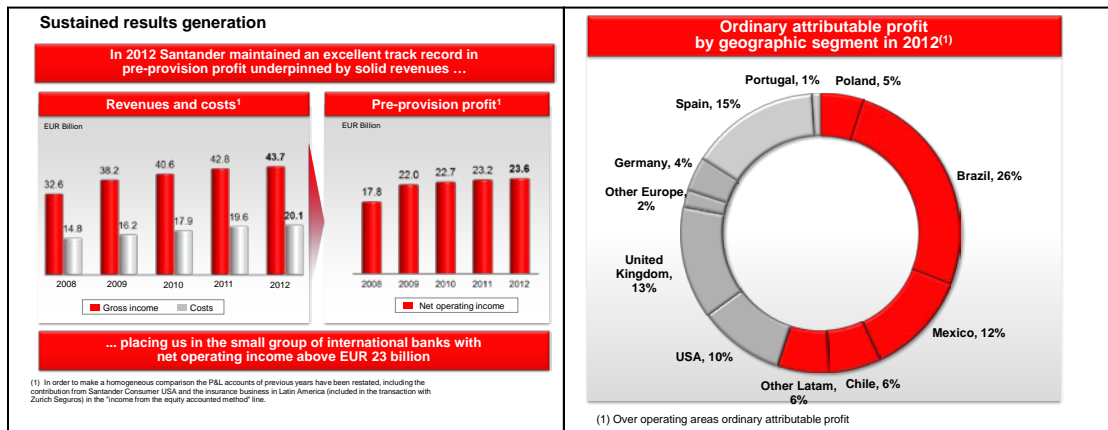
The pre-provision profit shows Santander's capacity to generate earnings and set aside provisions when the economic situation requires. The bank set aside EUR 12,666 million in provisions for non-performing loans, an increase of 28%, and assigned a further EUR 6,140 million gross (or EUR 4,110 million net) to cover real estate exposure in Spain.

These provisions allowed the bank to increase its NPL coverage for a fourth consecutive quarter, to 73% across the group and 71% in Spain, improvements of 11 and 25 percentage points, respectively.

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 contributed 50% of profits (Brazil 26%, Mexico 12% and Chile 6%), Continental Europe brought in 27% (Spain 15%, Poland 5% and Germany 4%), the UK 13% and the US 10%.

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## Balance sheet

Santander focused on reinforcing its balance sheet, as shown by the hefty provisions and the improvements in capital ratios and liquidity.

Group outstanding loans were EUR 720,483 million, or 113% of total deposits of EUR 647,540 million. In December, 2008, before the crisis, this ratio was 150%. Loans fell 4 % and deposits rose 4%, not including securities repurchase agreements.

The trend in Spain is particularly noteworthy: deposits exceeded loans for the first time in decades. For every EUR 100 in deposits the bank had EUR 96 of loans, while, four years earlier, there were EUR 178 in loans for every EUR 100 of deposits. There are two reasons for this: the marked deleveraging of the Spanish economy and the fact that Santander's deposits have grown despite an overall decrease in the market.

At the end of 2012, Santander in Spain had EUR 194,170 million of loans, a decline of 6% in gross lending, and EUR 201,850 million of deposits, an increase of 12%. The bank captured EUR 22,000 million in deposits, increasing its market share by 2.1 points. The fastest growth came from individual deposits, up 19%, followed by companies, with an increase of 6.0%. The fall in loans is closely linked to the 32% decrease in real estate lending.

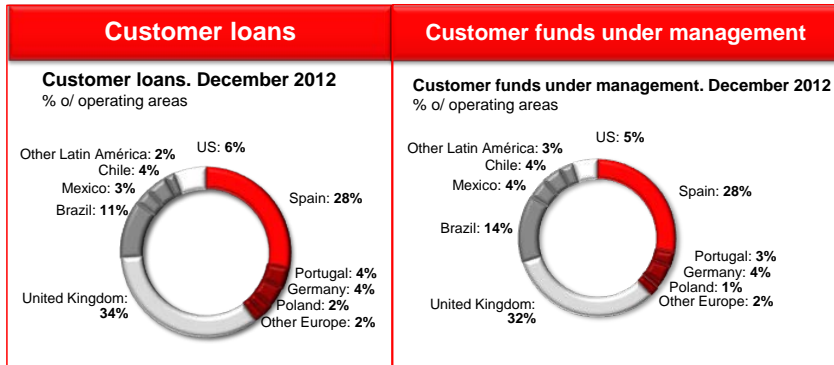
Deposits performed well in all other markets, growing by 9% in Latin America, with Mexico expanding 19% and Brazil and Chile both by 6%. Deposits rose 5% in the US, 2% in Portugal and were stable in the UK.

Santander also issued medium- and long-term debt totaling EUR 31,100 million during 2012 and placed asset-backed securities worth EUR 11,900 million. In January this year Santander sold EUR 2,000 million of five-year covered bonds and EUR 1,000 million of seven-year senior debt.

This improvement in liquidity allowed the bank to return EUR 24,000 million to the ECB, the full amount borrowed by Santander and Banesto under the December, 2011, LTRO. Santander still has a further EUR 11,000 million it took at the second ECB liquidity window. It treats these ECB loans as "liquidity insurance" and leaves them on deposit at the ECB.

Lending varied greatly from one market to another. Outstanding loans in Latin America increased 8%, thanks to growth of 9% in Chile, 7% in Mexico and 6% in Brazil, and

expanded by 5% in both Poland and the US. In the remaining European countries, outstanding loans fell: Portugal declined 9%, Spain 6% and the UK 4%.

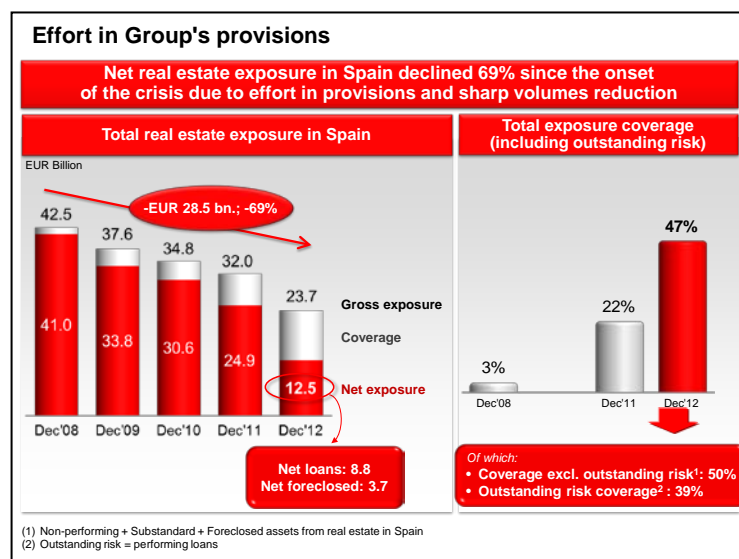


The group non-performing loan rate was 4.54%, or 0.65 point more than in 2011. In Spain, NPLs were 6.74%, up 1.25 point from the year before, partly because of the fall in outstanding loans. In the UK, the NPL rate rose 0.21 point to 2.05% and in Latin America it climbed 1.1 point to 5.42%. In contrast, the rate fell 0.56 point in the US, eased 0.17 point in Poland and 0.07 point to 3.90% in Santander Consumer Finance.

NPL rates are below average in practically all the bank's markets and particularly in Spain, where the average ratio for the industry as a whole is four points above Santander's.

### Real estate exposure in Spain

Banco Santander reduced its exposure to real estate in Spain by 26% in 2012, from EUR 31,994 million to EUR 23,705 million. This was done by reducing the loan portfolio (doubtful, substandard and up-to-date loans) as well as properties adjudicated or acquired in lieu of debt repayments.



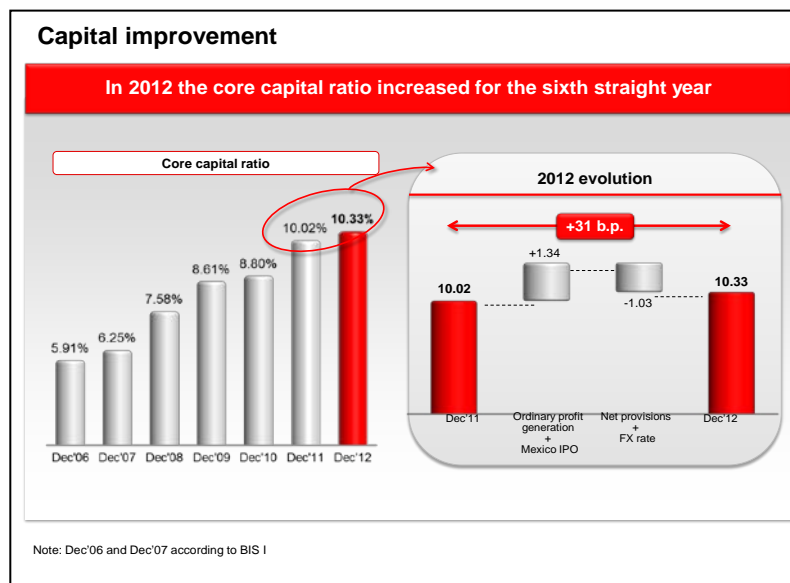
Outstanding loans fell in 2012 by EUR 7,575 million to EUR 15,867 million, while properties on the balance sheet fell by EUR 714 million to EUR 7,838 million. This decline was the result of the bank's aggressive sales of its own properties and those of real estate developers, which came to a record 33,500 units. The bank will continue to make the selling of these assets a priority.

Moreover, the bank substantially increased provisions, bringing reserves allocated to the sector to EUR 11,196 million, providing coverage of 47% of real estate exposure. With these reserves, net exposure to real estate in Spain is EUR 12,509 million, about half the EUR 24,892 million at the end of 2011.

### Capital and the share

Grupo Santander had a core capital ratio of 10.33% at the end of 2012 under Basel II criteria, or 0.31 point more than a year earlier. In the third quarter, the international consultancy Oliver Wyman, backed by the large international audit firms and property assessors, carried out an in-depth analysis of Spanish banks' loan portfolios. It concluded that Santander would have surplus capital of EUR 25,297 million in 2014 even in a worst-case scenario.

At the end of September Santander successfully floated 24.9% of its Mexican subsidiary, with demand of almost five times the number of shares on offer. The placement was valued at EUR 3,200 million.



On December 17, the bank announced a proposal to merge Banesto and Banif with Banco Santander, which will be submitted to shareholders for their approval in March. Under the proposed terms, Banesto's minority shareholders can exchange their holdings for Santander shares with a premium of 25%. The merger of these units should produce synergies of EUR 520 million by the third year. It will significantly increase the number of Santander branches and will especially strengthen the corporate and private banking businesses. The transaction has no impact on capital.



At the end of 2012, Santander's market capitalisation was EUR 62,959 million euros, which makes it the biggest bank in the euro zone by this measure. The share ended the year at EUR 6.10, up 3.9% compared with December, 2011.

The per share remuneration charged to 2012 results will be EUR 0.60 for the third year running and will be distributed under the *Dividendo Elección* (scrip dividend) programme, which allows shareholders to choose between receiving a dividend in cash or shares on each of the four usual dividend payment dates. The Board of Directors approved on January 28 the fourth dividend under the programme, for a rounded EUR 0.146 a share.

Santander had 3,296,270 shareholders at the end of 2012. The group employed 186,763 people, serving 102 million customers in 14,392 branches, making Santander the largest international financial group in terms of shareholders and branch network.

For further information, see [www.santander.com](http://www.santander.com)

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	2012	2011	Variation		2010
			Amount	%	
<b>Balance sheet (EUR million)</b>					
Total assets	1,269,628	1,251,525	18,103	1.4	1,217,501
Net customer loans	720,483	750,100	(29,618)	(3.9)	724,154
Customer deposits	626,639	632,533	(5,895)	(0.9)	616,376
Customer funds under management	968,987	984,353	(15,366)	(1.6)	985,269
Shareholders' equity (1)	80,821	80,400	421	0.5	75,273
Total managed funds	1,387,769	1,382,980	4,789	0.3	1,362,289
<b>Income statement (EUR million)</b>					
Net interest income	30,147	29,110	1,037	3.6	27,728
Gross income	43,675	42,754	921	2.2	40,586
Pre-provision profit (net operating income)	23,559	23,195	364	1.6	22,682
Profit from continuing operations	6,148	7,812	(1,663)	(21.3)	9,077
Attributable profit to the Group	2,205	5,351	(3,146)	(58.8)	8,181
<b>EPS, profitability and efficiency (%)</b>					
EPS (euro)	0.23	0.60	(0.38)	(62.5)	0.94
Diluted EPS (euro)	0.22	0.60	(0.37)	(62.5)	0.94
ROE	2.80	7.14			11.80
ROTE	4.11	10.81			18.11
ROA	0.24	0.50			0.76
RoRWA	0.55	1.06			1.54
Efficiency ratio (with amortisations)	46.1	45.7			44.1
<b>BIS II ratios and NPL ratios (%)</b>					
Core capital	10.33	10.02			8.80
Tier I	11.17	11.01			10.02
BIS II ratio	13.09	13.56			13.11
NPL ratio	4.54	3.89			3.55
NPL coverage	72.6	61.4			72.7
<b>Market capitalisation and shares</b>					
Shares (2) (millions at period-end)	10,321	8,909	1,412	15.9	8,329
Share price (euros)	6.100	5.870	0.230	3.9	7.928
Market capitalisation (EUR million)	62,959	50,290	12,669	25.2	66,033
Book value (1) (euro)	7.87	8.59			8.58
Price / Book value (X)	0.78	0.68			0.92
P/E ratio (X)	27.02	9.75			8.42
<b>Other data</b>					
Number of shareholders	3,296,270	3,293,537	2,733	0.1	3,202,324
Number of employees	186,763	189,766	(3,003)	(1.6)	175,042
Continental Europe	58,074	58,864	(790)	(1.3)	49,705
o/w: Spain	31,438	31,889	(451)	(1.4)	32,189
United Kingdom	26,186	27,505	(1,319)	(4.8)	24,427
Latin America	90,576	91,913	(1,337)	(1.5)	89,551
USA	9,525	9,187	338	3.7	8,866
Corporate Activities	2,402	2,297	105	4.6	2,493
Number of branches	14,392	14,756	(364)	(2.5)	14,082
Continental Europe	6,437	6,608	(171)	(2.6)	6,063
o/w: Spain	4,683	4,781	(98)	(2.0)	4,848
United Kingdom	1,189	1,379	(190)	(13.8)	1,416
Latin America	6,044	6,046	(2)	(0.0)	5,882
USA	722	723	(1)	(0.1)	721
<b>Information on ordinary profit</b>					
Attributable profit to the Group	5,251	7,021	(1,769)	(25.2)	8,181
EPS (euro)	0.54	0.79	(0.25)	(31.9)	0.94
Diluted EPS (euro)	0.53	0.78	(0.25)	(31.9)	0.94
ROE	6.66	9.37			11.80
ROTE	9.80	14.18			18.11
ROA	0.48	0.63			0.76
RoRWA	1.08	1.35			1.54
P/E ratio (X)	11.34	7.43			8.42

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, 28 2013, following a favourable report from the Audit and Compliance Committee on January, 21 2013. 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 2012, estimated data of May 2013 scrip dividend

(2) In 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 (%)	
	2012	2011	Var (%)	2012	2011	Var (%)	2012	2011	2012	2011
<b>Income statement (EUR million)</b>										
<b>Continental Europe</b>	<b>7,555</b>	<b>7,018</b>	<b>7.6</b>	<b>2,305</b>	<b>2,287</b>	<b>0.8</b>	<b>45.5</b>	<b>47.1</b>	<b>7.36</b>	<b>7.66</b>
o/w: Santander Branch Network	2,582	2,353	9.7	709	660	7.4	44.2	46.5	10.99	9.63
Banesto	1,267	1,112	14.0	94	130	(28.1)	44.1	47.4	1.96	2.78
Portugal	533	443	20.4	124	174	(28.7)	48.6	54.4	4.92	7.00
Santander Consumer Finance	1,763	1,887	(6.6)	727	666	9.0	43.9	41.3	6.70	7.02
Retail Poland (BZ WBK)	543	366	48.4	330	232	42.0	43.9	47.0	18.97	17.93
<b>United Kingdom*</b>	<b>2,434</b>	<b>3,270</b>	<b>(25.5)</b>	<b>1,094</b>	<b>1,223</b>	<b>(10.5)</b>	<b>53.0</b>	<b>44.3</b>	<b>8.23</b>	<b>9.60</b>
<b>Latin America</b>	<b>14,872</b>	<b>13,397</b>	<b>11.0</b>	<b>4,305</b>	<b>4,664</b>	<b>(7.7)</b>	<b>37.9</b>	<b>39.8</b>	<b>19.44</b>	<b>21.78</b>
o/w: Brazil	10,685	9,861	8.4	2,212	2,610	(15.2)	35.3	37.6	17.85	23.26
Mexico	1,695	1,369	23.8	1,015	936	8.5	39.7	41.9	25.07	21.16
Chile	1,385	1,252	10.6	498	611	(18.5)	40.0	39.2	22.09	25.43
<b>USA</b>	<b>1,430</b>	<b>1,741</b>	<b>(17.8)</b>	<b>811</b>	<b>1,010</b>	<b>(19.7)</b>	<b>45.1</b>	<b>36.4</b>	<b>15.53</b>	<b>24.76</b>
<b>Operating areas*</b>	<b>26,291</b>	<b>25,425</b>	<b>3.4</b>	<b>8,515</b>	<b>9,184</b>	<b>(7.3)</b>	<b>42.3</b>	<b>42.4</b>	<b>11.83</b>	<b>13.49</b>
Corporate Activities*	(2,733)	(2,230)	22.5	(3,263)	(2,163)	50.9				
<b>Total Group*</b>	<b>23,559</b>	<b>23,195</b>	<b>1.6</b>	<b>5,251</b>	<b>7,021</b>	<b>(25.2)</b>	<b>46.1</b>	<b>45.7</b>	<b>6.66</b>	<b>9.37</b>
Net capital gains and provisions				(3,047)	(1,670)	82.4				
<b>Total Group</b>				<b>2,205</b>	<b>5,351</b>	<b>(58.8)</b>	<b>46.1</b>	<b>45.7</b>	<b>2.80</b>	<b>7.14</b>

(\*)- Excluding net capital gains and provisions

	Net customer loans			Customer deposits			NPL ratio (%) *		NPL coverage (%) *	
	31.12.12	31.12.11	Var (%)	31.12.12	31.12.11	Var (%)	31.12.12	31.12.11	31.12.12	31.12.11
<b>Activity (EUR million)</b>										
<b>Continental Europe</b>	<b>285,147</b>	<b>305,391</b>	<b>(6.6)</b>	<b>258,691</b>	<b>247,582</b>	<b>4.5</b>	<b>6.25</b>	<b>5.18</b>	<b>72.5</b>	<b>55.8</b>
o/w: Santander Branch Network *	95,134	102,643	(7.3)	95,986	78,864	21.7	9.65	8.47	67.5	39.9
Banesto	61,665	68,850	(10.4)	48,257	50,755	(4.9)	6.28	5.01	71.3	53.1
Portugal	25,960	28,403	(8.6)	23,971	23,465	2.2	6.56	4.06	53.1	54.9
Santander Consumer Finance	56,683	56,731	(0.1)	31,892	33,198	(3.9)	3.90	3.97	109.5	109.3
Retail Poland (BZ WBK)	9,732	8,479	14.8	11,217	10,359	8.3	4.72	4.89	68.3	65.2
<b>United Kingdom</b>	<b>250,527</b>	<b>255,699</b>	<b>(2.0)</b>	<b>194,452</b>	<b>194,318</b>	<b>0.1</b>	<b>2.05</b>	<b>1.84</b>	<b>45.4</b>	<b>40.2</b>
<b>Latin America</b>	<b>140,090</b>	<b>139,867</b>	<b>0.2</b>	<b>134,765</b>	<b>134,078</b>	<b>0.5</b>	<b>5.42</b>	<b>4.32</b>	<b>87.5</b>	<b>97.0</b>
o/w: Brazil	74,511	78,408	(5.0)	69,849	72,405	(3.5)	6.86	5.38	90.2	95.2
Mexico	20,384	18,185	12.1	24,743	21,459	15.3	1.94	1.82	157.3	175.7
Chile	29,677	25,709	15.4	22,411	20,175	11.1	5.17	3.85	57.7	73.4
<b>USA</b>	<b>41,331</b>	<b>40,194</b>	<b>2.8</b>	<b>38,116</b>	<b>36,884</b>	<b>3.3</b>	<b>2.29</b>	<b>2.85</b>	<b>105.9</b>	<b>96.2</b>
<b>Operating areas</b>	<b>717,095</b>	<b>741,152</b>	<b>(3.2)</b>	<b>626,024</b>	<b>612,861</b>	<b>2.1</b>	<b>4.51</b>	<b>3.83</b>	<b>73.1</b>	<b>64.1</b>
<b>Total Group</b>	<b>720,483</b>	<b>750,100</b>	<b>(3.9)</b>	<b>626,639</b>	<b>632,533</b>	<b>(0.9)</b>	<b>4.54</b>	<b>3.89</b>	<b>72.6</b>	<b>61.4</b>

\* 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 December 2012 stood at 7.29% (5.99% in December 2011) and NPL coverage was 69.7% (39.2% in December 2011).

	Employees		Branches	
	31.12.12	31.12.11	31.12.12	31.12.11
<b>Operating means</b>				
<b>Continental Europe</b>	<b>58,074</b>	<b>58,864</b>	<b>6,437</b>	<b>6,608</b>
o/w: Santander Branch Network	17,880	17,967	2,894	2,915
Banesto	9,136	9,450	1,647	1,714
Portugal	5,709	5,854	667	716
Santander Consumer Finance	12,279	11,896	629	647
Retail Poland (BZ WBK)	8,849	9,383	519	526
<b>United Kingdom</b>	<b>26,186</b>	<b>27,505</b>	<b>1,189</b>	<b>1,379</b>
<b>Latin America</b>	<b>90,576</b>	<b>91,913</b>	<b>6,044</b>	<b>6,046</b>
o/w: Brazil	53,707	54,368	3,788	3,775
Mexico	13,954	13,062	1,170	1,125
Chile	12,355	12,193	504	499
<b>USA</b>	<b>9,525</b>	<b>9,187</b>	<b>722</b>	<b>723</b>
<b>Operating areas</b>	<b>184,361</b>	<b>187,469</b>	<b>14,392</b>	<b>14,756</b>
Corporate Activities	2,402	2,297		
<b>Total Group</b>	<b>186,763</b>	<b>189,766</b>	<b>14,392</b>	<b>14,756</b>

**Comunicación Externa.**

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