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Economic and financial review

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Consolidated Financial Report

2014 Summary of Grupo Santander

The global economy grew by more than 3% in 2014, reflecting an upturn in developed economies, mainly the UK and US, and slower growth in emerging countries.

This environment was not free of bouts of uncertainty and volatility in the markets. Furthermore, banking activity was again affected by interest rates still at historically low levels in many countries. Regulatory requirements are also affecting revenues and costs.

Against this backdrop, Grupo Santander is focusing its management on measures to boost profits and profitability while maintaining a solid, liquid and low risk balance sheet.

The main aspects in 2014 were:

- **Strong results.** In the last few years and despite the difficult scenario, Grupo Santander has proven its capacity to generate recurring results, backed by its geographic diversification and management tailored to each market. This has enabled it to generate profits throughout the crisis and be in a position to take advantage of a cycle of stronger growth.

Grupo Santander posted an attributable profit of EUR 5,816 million in 2014, 39.3% more than in 2013. This growth was fuelled by the good evolution of the three main lines of the income statement:

- Gross income increased after falling in 2013 thanks to the growth in net interest income and net fee income.
- Operating expenses rose by below the average inflation rate of the countries in which the Group operates, benefiting from the processes of integration (Spain and Poland) and the three-year efficiency and productivity plan launched at the end of 2013.
- Loan-loss provisions continued on a path of normalisation and the cost of credit improved.

All units increased their profits before tax in local currency.

- **A faster pace of business.** The increased volumes reflect the Group's strategy in segments, products and countries.

The trend in lending changed and after two years of falling rose in 2014, both to individuals as well as companies. This growth occurred in nine of the Group's ten largest units.

Growth in funds was also higher than in 2013 and, as in lending, occurred in most countries and was combined with a policy of reducing the funding cost, particularly in those countries where interest rates were lower.

- **Progress was made in the commercial transformation programme** whose main aims are to improve knowledge of the Group's customers, specialised management of each segment, develop a multichannel distribution model and continuously improve the customer experience.

Among the actions taken is a new commercial front, expanding the *Select* model for high-income clients and launching the *Advance* programme for SMEs.

The goal is to increase customer linkage and satisfaction in all units.

- **Solid funding and liquidity structure.**

A priority objective in the Group's strategy in the last few years has been to improve the liquidity position. It was achieved thanks to the capacity to capture funds in the retail market of the extensive branch network and the wide and diversified access to wholesale markets via the Group's model of subsidiaries.

In 2014, the net loan-to-deposit ratio and the ratio of deposits plus medium and long term funds / lending remained at comfortable levels for the Group as well as the main units.

We took advantage of the better market environment with lower interest rates to issue at longer maturities, increasing the liquidity reserve to close to EUR 230,000 million.

All of this enables us to meet ahead of schedule the regulatory ratios for the Group and its main units.

- **Improve the Group's credit quality.** The main risk indicators evolved positively during the year.

Of note was the fall in net entries of non-performing loans, which excluding the exchange rate and perimeter effects declined 51% in 2014.

The NPL ratio dropped from 5.61% in 2013 to 5.19% at the end of 2014, and fell in every quarter. The ratios for Spain, Brazil, UK and the US reflect better evolution. The coverage ratio rose by 2 percentage points to 67%.

- **Reinforced solvency.** The Group ended the year with high levels of capital, and this was bolstered in January 2015 with a capital increase of EUR 7,500 million.

After this, the Group's phased-in CET1 ratio was 12.2% and the fully loaded ratio 9.7%.

These levels put Santander among the banks with the strongest capital at the international level, bearing in mind our business model, geographic diversification and capacity to withstand adverse stress scenarios.

- **Higher profitability.** The evolution of the balance sheet and income statement improved the ratios of financial management and profitability.

The efficiency ratio improved by 1.1 percentage points to 47%, making it a reference for our peers; earnings per share rose

24%, and the return on tangible equity (RoTE) increased by 1.4 points to 11.0% (including in it the capital increase).

- In addition, and in order to attain the best competitive position, the Group adopted a series of **measures that should be reflected in better results in the future:**

1. Acquisition in Spain by Santander Consumer Finance of 51% of Financiera El Corte Inglés.
2. Acquisition by Santander Consumer Finance of GE Capital's business in Sweden, Denmark and Norway, which is mainly direct credit and cards.
3. Framework agreement of Santander Consumer Finance with Banque PSA Finance, the auto finance unit of PSA Peugeot Citroën, for cooperation in various European countries. The approvals by the regulatory authorities in France and the UK were obtained in January 2015.
4. Offer to acquire the minority interests of Banco Santander Brazil, which was accepted by shareholders representing 13.65% of the capital. This raised Grupo Santander's stake to 88.30%.
5. Banco Santander Brazil's purchase of GetNet to strengthen its acquiring business.
6. Creation by Banco Santander Brazil of a joint venture with Banco Bonsucesso to drive payroll business, which is expected to come into operation during the first quarter of 2015.
7. Agreement to acquire the listed Canadian company Carfinco, specialised in auto finance.

Exchange rates: 1 euro / currency parity

| | 2014 | | 2013 | |
|----------------|----------|---------|----------|---------|
| | Year end | Average | Year end | Average |
| US\$ | 1.214 | 1.326 | 1.379 | 1.327 |
| Pound sterling | 0.779 | 0.806 | 0.834 | 0.849 |
| Brazilian real | 3.221 | 3.118 | 3.258 | 2.852 |
| Mexican peso | 17.868 | 17.647 | 18.073 | 16.931 |
| Chilean peso | 737.323 | 756.718 | 724.579 | 656.524 |
| Argentine peso | 10.277 | 10.747 | 8.990 | 7.220 |
| Polish zloty | 4.273 | 4.185 | 4.154 | 4.196 |

► **Grupo Santander. Income statement**

→ **Attributable profit increased 39.3% to EUR 5,816 million.** Moreover, pre-tax profit grew in all units in their respective currencies.

→ **Commercial revenues (net interest income and net fee income) rose 7.9% excluding the exchange rate impact (decline in 2013).**

→ **Strict control of costs. They declined 0.6% thanks to the efficiency and productivity plan.**

→ **Continued downward trend in loan-loss provisions (-14.4%) with leeway to normalisation.**

→ **Improved profitability: RoTE reached 11.0% (+1.4 p.p.).**

Grupo Santander continued to increase its results and the process of normalization of profitability. Attributable profit of EUR 5,816 million was 39.3% higher than the figure in 2013, which has already been adjusted to the entry into force with retroactive effect of the interpretation of the international accounting standard IFRIC 21. This means anticipating the recording of contributions to the deposit guarantee funds. As a result, 2013's profit was reduced by EUR 195 million and 2012's by EUR 12 million.

This strong growth in profit was due to the good performance of the main lines of the income statement and the improved results in almost all the business units. Of note were commercial revenues, which returned to growth after falling in 2013, and the downward trend in loan-loss provisions that still have some way to go. Costs were also contained by the efficiency and productivity plan announced.

Before analyzing the income statement some aspects that affect year-on-year comparisons need to be pointed out:

Income statement

EUR Million

| | 2014 | 2013 | Variation amount | % | % w/o FX | 2012 |
|---|---------------|---------------|---------------------|-------------|-------------|---------------|
| Net interest income | 29,548 | 28,419 | 1,129 | 4.0 | 8.8 | 31,914 |
| Net fees | 9,696 | 9,622 | 74 | 0.8 | 5.4 | 10,125 |
| Gains (losses) on financial transactions | 2,850 | 3,496 | (646) | (18.5) | (16.1) | 2,691 |
| Other operating income | 519 | 383 | 136 | 35.5 | 37.1 | 259 |
| Dividends | 435 | 378 | 57 | 15.0 | 16.7 | 423 |
| Income from equity-accounted method | 243 | 283 | (39) | (14.0) | (5.7) | 185 |
| Other operating income/expenses | (159) | (278) | 119 | (42.7) | (36.8) | (349) |
| Gross income | 42,612 | 41,920 | 693 | 1.7 | 6.2 | 44,989 |
| Operating expenses | (20,038) | (20,158) | 120 | (0.6) | 3.0 | (20,236) |
| General administrative expenses | (17,781) | (17,758) | (23) | 0.1 | 3.9 | (18,044) |
| Personnel | (10,213) | (10,276) | 63 | (0.6) | 2.8 | (10,474) |
| Other general administrative expenses | (7,568) | (7,482) | (86) | 1.1 | 5.3 | (7,570) |
| Depreciation and amortisation | (2,257) | (2,400) | 143 | (6.0) | (3.3) | (2,193) |
| Net operating income | 22,574 | 21,762 | 813 | 3.7 | 9.1 | 24,753 |
| Net loan-loss provisions | (10,562) | (12,340) | 1,778 | (14.4) | (10.5) | (13,521) |
| Impairment losses on other assets | (375) | (524) | 149 | (28.4) | (27.6) | (853) |
| Other income | (1,917) | (1,535) | (382) | 24.9 | 28.3 | (1,437) |
| Ordinary profit before taxes | 9,720 | 7,362 | 2,357 | 32.0 | 41.3 | 8,942 |
| Tax on profit | (2,696) | (1,995) | (701) | 35.1 | 44.5 | (2,617) |
| Ordinary profit from continuing operations | 7,024 | 5,367 | 1,657 | 30.9 | 40.1 | 6,325 |
| Net profit from discontinued operations | (26) | (15) | (11) | 73.2 | 70.2 | 70 |
| Ordinary consolidated profit | 6,998 | 5,352 | 1,646 | 30.8 | 40.0 | 6,395 |
| Minority interests | 1,182 | 1,177 | 5 | 0.4 | 7.1 | 1,066 |
| Ordinary attributable profit to the Group | 5,816 | 4,175 | 1,641 | 39.3 | 49.3 | 5,329 |
| Net capital gains and provisions | — | — | — | — | — | (3,047) |
| Attributable profit to the Group | 5,816 | 4,175 | 1,641 | 39.3 | 49.3 | 2,283 |
| EPS (euros) | 0.479 | 0.385 | 0.094 | 24.4 | | 0.234 |
| Diluted EPS (euros) | 0.478 | 0.383 | 0.095 | 24.7 | | 0.232 |

Pro memoria:

| | | | | | | |
|-------------------------------|-----------|-----------|----------|-------|--|-----------|
| Average total assets | 1,203,260 | 1,230,166 | (26,906) | (2.2) | | 1,287,619 |
| Average stockholders' equity* | 82,545 | 71,509 | 11,036 | 15.4 | | 72,689 |

(*) Stockholders' equity: Shareholders' equity + equity adjustments by valuation. In 2014, pro-forma taking into account the January 2015 capital increase.

- A more favourable global macroeconomic environment of recovery, despite the signs of weakness in some European economies and in emerging ones during the second half of 2014.
- Improved financial conditions in markets, but interest rates generally remained low.
- A more demanding regulatory environment, limiting revenues and increasing costs.
- In order to facilitate comparisons with the previous period, the financial information of 2013 has been re-expressed as set out on page 120 of this report. The changes were mainly due to taking control of Santander Consumer USA, 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. Non recurring capital gains and provisions are shown separately as "net capital gains and provisions".

The capital gains correspond to the Altamira operation (EUR 385 million net), the IPO of SCUSA (EUR 730 million net), the

change in pension commitments in the UK (EUR 224 million net) and the insurance operation (EUR 250 million net).

Total charges net of taxes of EUR 1,589 million were recorded for restructuring costs, impairment of intangible assets and other provisions. The impact of these amounts on profits was thus zero.

- A positive perimeter effect of 2 p.p. from the incorporation of Financiera El Corte Inglés, GetNet and the consumer finance business of GE Capital in the Nordic countries, as well as the acquisition of minority interests in Brazil in September 2014.
- The impact of exchange rates of various currencies against the euro was 4/5 p.p. negative for the whole Group in year-on-year comparisons for revenues and costs. The negative effects were in Brazil (-8/-9 p.p.), Mexico (-4 p.p.) and Chile (-14/-15 and positive in the UK (+6 p.p.) There was hardly any impact in the US (+0.1 p.p.).

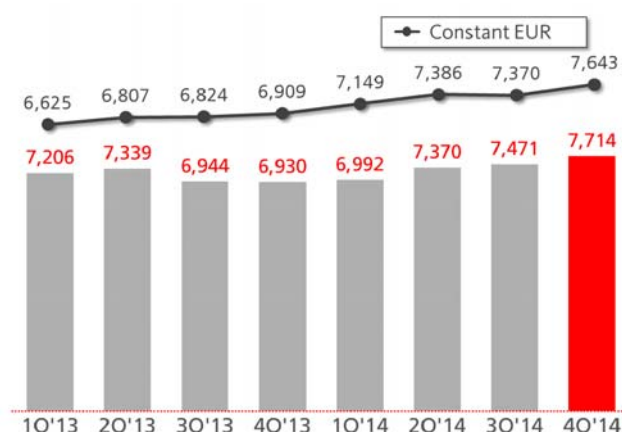
Quarterly. Income statement

EUR Million

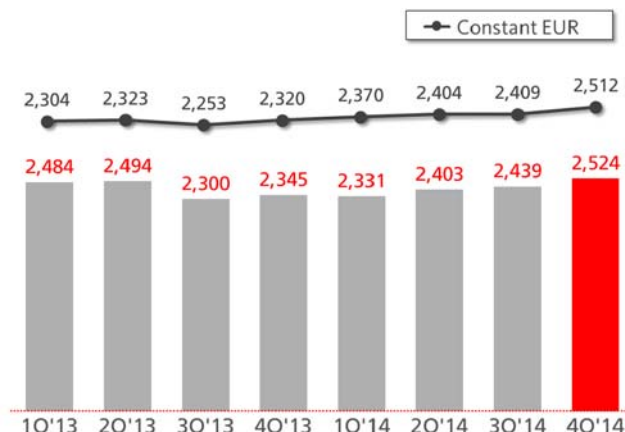
| | 2013 | | | | 2014 | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Net interest income | 7,206 | 7,339 | 6,944 | 6,930 | 6,992 | 7,370 | 7,471 | 7,714 |
| Net fees | 2,484 | 2,494 | 2,300 | 2,345 | 2,331 | 2,403 | 2,439 | 2,524 |
| Gains (losses) on financial transactions | 967 | 880 | 995 | 653 | 767 | 511 | 952 | 620 |
| Other operating income | 66 | 134 | 94 | 89 | 34 | 204 | 99 | 182 |
| Dividends | 59 | 145 | 72 | 102 | 31 | 220 | 72 | 112 |
| Income from equity-accounted method | 66 | 58 | 80 | 79 | 65 | 42 | 72 | 64 |
| Other operating income/expenses | (59) | (69) | (58) | (92) | (63) | (58) | (45) | 6 |
| Gross income | 10,722 | 10,847 | 10,333 | 10,017 | 10,124 | 10,488 | 10,961 | 11,040 |
| Operating expenses | (5,068) | (5,088) | (4,943) | (5,060) | (4,847) | (4,906) | (5,070) | (5,216) |
| General administrative expenses | (4,497) | (4,485) | (4,381) | (4,395) | (4,256) | (4,360) | (4,509) | (4,656) |
| Personnel | (2,631) | (2,606) | (2,478) | (2,559) | (2,455) | (2,515) | (2,572) | (2,670) |
| Other general administrative expenses | (1,865) | (1,879) | (1,902) | (1,836) | (1,801) | (1,844) | (1,937) | (1,985) |
| Depreciation and amortisation | (571) | (602) | (562) | (665) | (590) | (546) | (560) | (560) |
| Net operating income | 5,655 | 5,760 | 5,390 | 4,957 | 5,277 | 5,582 | 5,891 | 5,824 |
| Net loan-loss provisions | (3,142) | (3,399) | (3,025) | (2,774) | (2,695) | (2,638) | (2,777) | (2,452) |
| Impairment losses on other assets | (110) | (126) | (141) | (146) | (87) | (71) | (67) | (151) |
| Other income | (262) | (422) | (368) | (483) | (347) | (438) | (491) | (642) |
| Ordinary profit before taxes | 2,141 | 1,812 | 1,856 | 1,554 | 2,149 | 2,435 | 2,556 | 2,580 |
| Tax on profit | (577) | (453) | (518) | (447) | (569) | (664) | (649) | (814) |
| Ordinary profit from continuing operations | 1,564 | 1,359 | 1,338 | 1,107 | 1,579 | 1,771 | 1,908 | 1,766 |
| Net profit from discontinued operations | — | (14) | (0) | (1) | (0) | (0) | (7) | (19) |
| Ordinary consolidated profit | 1,564 | 1,345 | 1,337 | 1,106 | 1,579 | 1,771 | 1,901 | 1,746 |
| Minority interests | 359 | 294 | 282 | 242 | 277 | 318 | 296 | 291 |
| Ordinary attributable profit to the Group | 1,205 | 1,050 | 1,055 | 864 | 1,303 | 1,453 | 1,605 | 1,455 |
| Net capital gains and provisions | — | — | — | — | — | — | — | — |
| Attributable profit to the Group | 1,205 | 1,050 | 1,055 | 864 | 1,303 | 1,453 | 1,605 | 1,455 |
| EPS (euros) | 0.116 | 0.098 | 0.096 | 0.076 | 0.113 | 0.122 | 0.131 | 0.112 |
| Diluted EPS (euros) | 0.115 | 0.098 | 0.095 | 0.076 | 0.113 | 0.122 | 0.131 | 0.112 |

Net interest income

EUR Million

**Net fees**

EUR Million



The performance of the main lines of the income statement was:

Gross income rose 1.7% year-on-year to EUR 42,612 million (+6.2% without the exchange rate effect). Growth was of greater quality based on rises in the most commercial drivers of revenues (net interest income and fee income), together with a fall in trading gains that only represented 7% of the Group's gross income. The main developments were:

- The rise was mainly due to **net interest income**, which accounted for 69% of gross income and amounted to EUR 29,548 million (+4.0% year-on-year, +8.8% excluding the exchange rate impact). Of note was:
 - General improvement in all countries except for Brazil, with very positive growth in Spain, UK, US and Chile.
 - Good evolution of lending, with growth in all units except Portugal, which is still immersed in deleveraging.

- Growth in deposits, consistent with falls in the average cost mainly in developed countries.

Of note in net interest income by geographic areas:

- Favourable evolution in the UK (+16.5%) and the US (+11.2%), thanks to the effort made to reduce the cost of retail deposits in the first case and greater consumer activity (SCUSA) in the second. Continental Europe's net interest income increased 7.9% excluding the exchange rate impact, with growth in all units. Spain's rose 9.4%, due to greater activity and the fall in the cost of deposit. Latin America as a whole grew because of larger volumes.
- Brazil is the only unit that declined (-2.7%) due to lower spreads from the change of business mix toward lower risk segments. This evolution was offset by the improvement in the cost of credit, which resulted in a rise of 11.5% in net interest income net of provisions.

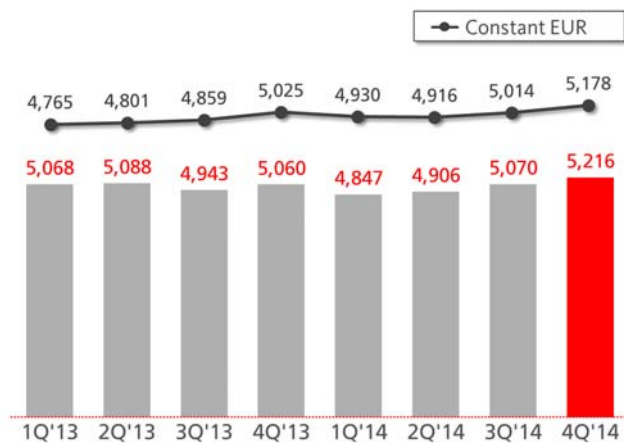
Net fees

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|------------------------|--------------|--------------|------------------|------------|---------------|
| Fees from services | 5,827 | 5,851 | (24) | (0.4) | 6,217 |
| Mutual & pension funds | 913 | 831 | 81 | 9.8 | 903 |
| Securities and custody | 763 | 655 | 108 | 16.4 | 678 |
| Insurance | 2,193 | 2,284 | (91) | (4.0) | 2,326 |
| Net fee income | 9,696 | 9,622 | 74 | 0.8 | 10,125 |

Operating expenses

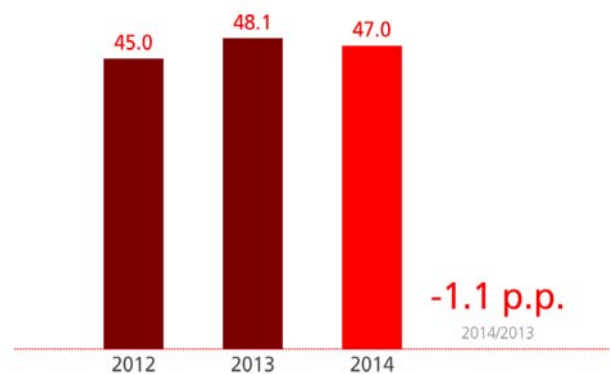
EUR Million



- **Net fee income** rose 0.8% to EUR 9,696 million (+5.4% without the exchange rate impact). This line was affected by reduced activity in some markets because of the environment and regulatory impacts that affected in some countries revenues from insurance and cards, due to the limits on interchange rates. The best performance came from mutual funds, securities and custody, advisory and management of operations and foreign exchange business.
- The aggregate of **net interest income and net fee income** was 7.9% higher (without the exchange rate impact) and accounted for 92% of the Group's total revenues (91% in 2013).
- **Trading gains** fell 18.5% due to the lower results from wholesale banking and management of the portfolio of assets and liabilities.
- **Other operating income** was EUR 519 million, EUR 136 million more than in 2013 (+35.5%). This growth is the net of the following movements: rise of EUR 57 million in dividends;

Efficiency ratio

%



increase of EUR 119 million in other operating income and costs, mainly from the greater generation of leasing operations in the US; and fall of EUR 39 million in income by the equity method due to the reduced perimeter in asset management business.

Operating expenses declined 0.6%. Excluding the exchange rate impact, costs rose 3.0% and 2.2% without the perimeter effect, of over one percentage point lower than the average inflation rate of the countries where the Group operates (3.6%). This is the fruit of the three-year efficiency and productivity plan announced at the end of 2013, which saved more than EUR 1,100 million in its first year. Part of these savings was used for investments to increase productivity.

The performance by units varied:

- A first block with units in processes of integration (Spain and Poland) or adjusting structures (Portugal), whose operating costs declined in nominal terms. Brazil also did well, reflecting the effort in efficiency improvement plans and a nominal rise of

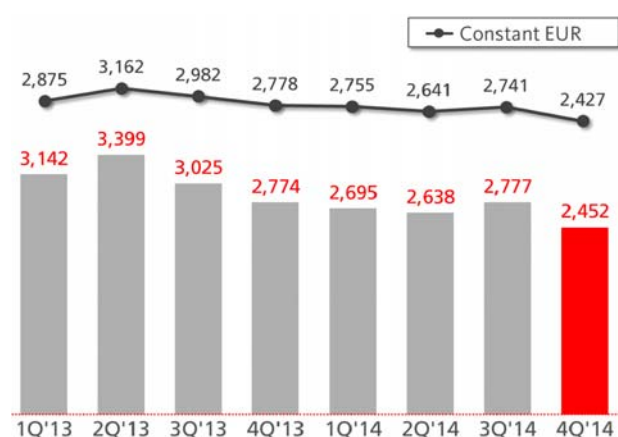
Operating expenses

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|---------------------------------------|---------------|---------------|------------------|--------------|---------------|
| Personnel expenses | 10,213 | 10,276 | (63) | (0.6) | 10,474 |
| General expenses | 7,568 | 7,482 | 86 | 1.1 | 7,570 |
| Information technology | 936 | 985 | (49) | (4.9) | 877 |
| Communications | 489 | 540 | (51) | (9.5) | 660 |
| Advertising | 654 | 637 | 17 | 2.7 | 669 |
| Buildings and premises | 1,775 | 1,815 | (40) | (2.2) | 1,750 |
| Printed and office material | 155 | 169 | (13) | (7.8) | 167 |
| Taxes (other than profit tax) | 460 | 458 | 2 | 0.5 | 422 |
| Other expenses | 3,098 | 2,879 | 219 | 7.6 | 3,025 |
| Personnel and general expenses | 17,781 | 17,758 | 23 | 0.1 | 18,044 |
| Depreciation and amortisation | 2,257 | 2,400 | (143) | (6.0) | 2,193 |
| Total operating expenses | 20,038 | 20,158 | (120) | (0.6) | 20,236 |

Net loans-loss provisions

EUR Million



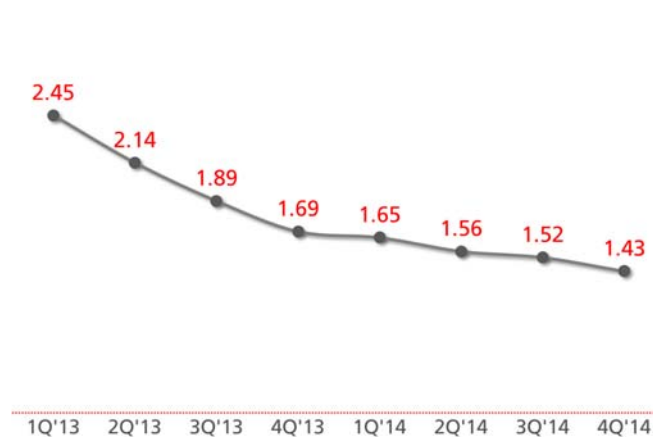
1.0% (-0.6% without the perimeter effect) compared to inflation of more than 6%.

- In a second block, the UK is combining investments in its digital transformation plan, commercial plan and in branches with efficiency improvements. The same goes for Chile.
- Lastly, higher rises in Mexico and Argentina because of their expansion plans or programmes to improve commercial capacity, and in the US, which is enhancing the franchise of Santander Bank and adapting to regulatory requirements (+7.6%).

The **efficiency** ratio improved by one percentage point in 2014 to 47% and compares very well with our main European and North American competitors.

Cost of credit

%



Net operating income (pre-provisions profit) was EUR 22,574 million, 3.7% more than in 2013 (+9.1% without the exchange rate impact).

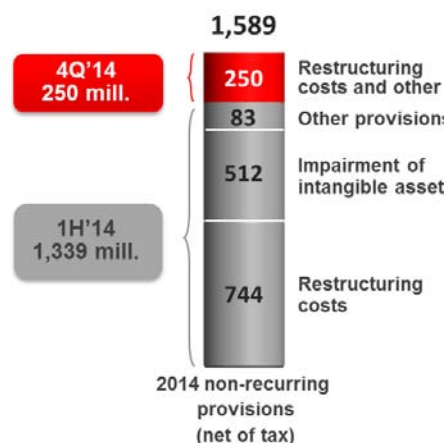
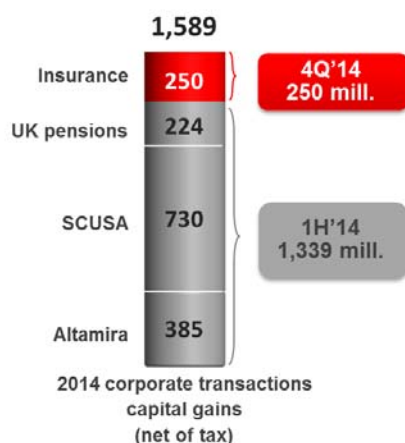
Loan-loss provisions were EUR 10,562 million, 14.4% less than in 2013. Excluding the exchange rate impact, provisions were 10.5% lower. The main falls were in the UK (-45.7%), Spain (-27.6%), Brazil (-17.7%) and Portugal (-35.7%), due to the better macroeconomic situation and balance sheet management. Among the rest of the large units, the only significant rise was in the US because of the larger provisions made by SCUSA, partly due to the larger volume of business following the agreement with Chrysler.

Other asset impairment losses and other results were EUR 2,292 million negative, compared to EUR 2,059 million also negative in 2013.

Profit before tax was EUR 9,720 million (+32.0%).

Capital gains and provisions net of tax

EUR Million



Net loans-loss provisions

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|--------------------------------|---------------|---------------|---------------------|---------------|---------------|
| Non performing loans | 11,922 | 13,405 | (1,483) | (11.1) | 15,497 |
| Country-risk | (24) | 2 | (26) | — | (2) |
| Recovery of written-off assets | (1,336) | (1,068) | (268) | 25.1 | (1,974) |
| Total | 10,562 | 12,340 | (1,778) | (14.4) | 13,521 |

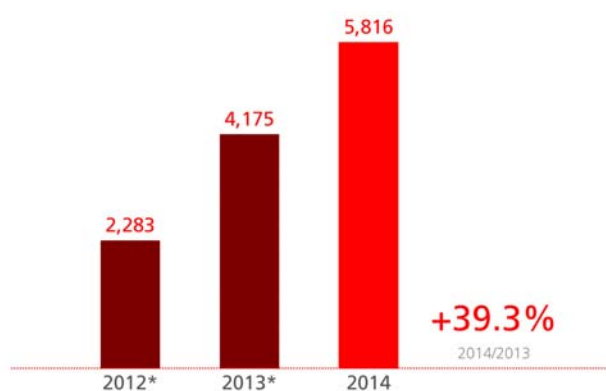
After taxes, discontinued operations and minority interests **attributable profit** increased 39.3% to EUR 5,816 million (+49.3% excluding the exchange rate impact).

Earnings per share in 2014 were EUR 0.48 (24.4% more than in 2013), affected by the rise in the number of shares issued to meet payment of the amounts equivalent to the dividend for shareholders who opted to receive Santander shares.

The Group's **RoE** (attributable profit/average shareholders' funds plus valuation adjustments) was 7.0% and the **RoTE** was 11.0%. Both cases take into account from January 1, 2014, the capital increase made in 2015. The **RoRWA** was 1.3%. All these figures were better than in 2013.

Attributable profit

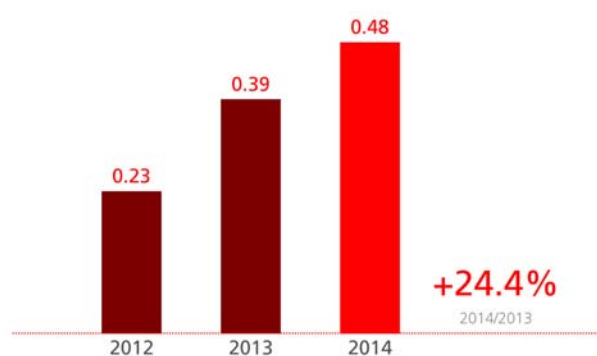
EUR Million



(*) Profit adjusted to the entry into force with retroactive effect, of the interpretation of the international accounting standard IFRIC 21

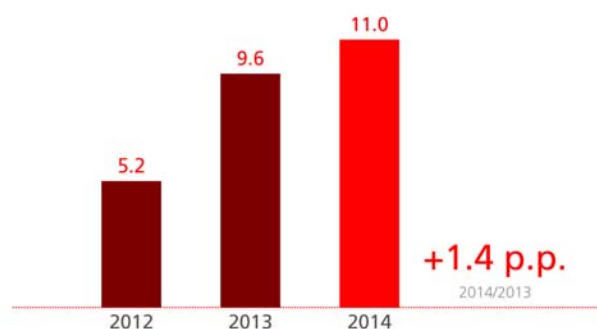
Earning per share

Euros



RoTE*

%



(*) RoTE: Group attributable profit / (Average of capital + reserves + retained profit + valuation adjustments - goodwill - other intangible assets). In 2014, pro-forma taking into account the January 2015 capital increase.

Balance sheet

EUR Million

| Assets | 2014 | 2013 | Variation amount | % | 2012 |
|--|------------------|------------------|---------------------|-------------|------------------|
| Cash on hand and deposits at central banks | 69,428 | 77,103 | (7,675) | (10.0) | 118,488 |
| Trading portfolio | 148,888 | 115,309 | 33,579 | 29.1 | 177,917 |
| <i>Debt securities</i> | 54,374 | 40,841 | 13,533 | 33.1 | 43,101 |
| <i>Customer loans</i> | 2,921 | 5,079 | (2,158) | (42.5) | 9,162 |
| <i>Equities</i> | 12,920 | 4,967 | 7,953 | 160.1 | 5,492 |
| <i>Trading derivatives</i> | 76,858 | 58,920 | 17,938 | 30.4 | 110,319 |
| <i>Deposits from credit institutions</i> | 1,815 | 5,503 | (3,688) | (67.0) | 9,843 |
| Other financial assets at fair value | 42,673 | 31,441 | 11,232 | 35.7 | 28,356 |
| <i>Customer loans</i> | 8,971 | 13,255 | (4,285) | (32.3) | 13,936 |
| <i>Other (deposits at credit institutions, debt securities and equities)</i> | 33,702 | 18,185 | 15,517 | 85.3 | 14,420 |
| Available-for-sale financial assets | 115,251 | 83,799 | 31,452 | 37.5 | 92,339 |
| <i>Debt securities</i> | 110,249 | 79,844 | 30,406 | 38.1 | 87,797 |
| <i>Equities</i> | 5,001 | 3,955 | 1,046 | 26.4 | 4,542 |
| Loans | 781,635 | 731,420 | 50,216 | 6.9 | 770,349 |
| <i>Deposits at credit institutions</i> | 51,306 | 57,178 | (5,872) | (10.3) | 54,817 |
| <i>Customer loans</i> | 722,819 | 666,356 | 56,463 | 8.5 | 708,473 |
| <i>Debt securities</i> | 7,510 | 7,886 | (376) | (4.8) | 7,059 |
| Investments | 3,471 | 3,377 | 93 | 2.8 | 2,427 |
| Intangible assets and property and equipment | 26,109 | 18,137 | 7,972 | 44.0 | 17,346 |
| Goodwill | 27,548 | 24,263 | 3,284 | 13.5 | 25,652 |
| Other | 51,293 | 49,279 | 2,014 | 4.1 | 50,005 |
| Total assets | 1,266,296 | 1,134,128 | 132,168 | 11.7 | 1,282,880 |
| Liabilities and shareholders' equity | | | | | |
| Trading portfolio | 109,792 | 94,695 | 15,097 | 15.9 | 143,244 |
| <i>Customer deposits</i> | 5,544 | 8,500 | (2,956) | (34.8) | 8,897 |
| <i>Marketable debt securities</i> | — | 1 | (1) | (100.0) | 1 |
| <i>Trading derivatives</i> | 79,048 | 58,910 | 20,138 | 34.2 | 109,746 |
| <i>Other</i> | 25,200 | 27,285 | (2,085) | (7.6) | 24,600 |
| Other financial liabilities at fair value | 62,318 | 42,311 | 20,007 | 47.3 | 45,418 |
| <i>Customer deposits</i> | 33,127 | 26,484 | 6,644 | 25.1 | 28,638 |
| <i>Marketable debt securities</i> | 3,830 | 4,086 | (255) | (6.3) | 4,904 |
| <i>Due to central banks and credit institutions</i> | 25,360 | 11,741 | 13,619 | 116.0 | 11,876 |
| Financial liabilities at amortized cost | 961,053 | 880,115 | 80,937 | 9.2 | 971,659 |
| <i>Due to central banks and credit institutions</i> | 122,437 | 92,390 | 30,047 | 32.5 | 134,467 |
| <i>Customer deposits</i> | 608,956 | 572,853 | 36,103 | 6.3 | 589,104 |
| <i>Marketable debt securities</i> | 193,059 | 182,234 | 10,825 | 5.9 | 210,577 |
| <i>Subordinated debt</i> | 17,132 | 16,139 | 993 | 6.2 | 18,238 |
| <i>Other financial liabilities</i> | 19,468 | 16,499 | 2,969 | 18.0 | 19,273 |
| Insurance liabilities | 713 | 1,430 | (717) | (50.2) | 1,425 |
| Provisions | 15,376 | 14,599 | 776 | 5.3 | 16,019 |
| Other liability accounts | 27,331 | 20,680 | 6,651 | 32.2 | 23,369 |
| Total liabilities | 1,176,581 | 1,053,830 | 122,752 | 11.6 | 1,201,133 |
| Shareholders' equity | 91,664 | 84,479 | 7,185 | 8.5 | 81,268 |
| Capital stock | 6,292 | 5,667 | 625 | 11.0 | 5,161 |
| Reserves | 80,026 | 75,044 | 4,982 | 6.6 | 74,475 |
| Attributable profit to the Group | 5,816 | 4,175 | 1,641 | 39.3 | 2,283 |
| Less: dividends | (471) | (406) | (64) | 15.8 | (650) |
| Equity adjustments by valuation | (10,858) | (14,153) | 3,295 | (23.3) | (9,471) |
| Minority interests | 8,909 | 9,972 | (1,063) | (10.7) | 9,950 |
| Total equity | 89,714 | 80,298 | 9,416 | 11.7 | 81,747 |
| Total liabilities and equity | 1,266,296 | 1,134,128 | 132,168 | 11.7 | 1,282,880 |

► Grupo Santander. Balance sheet

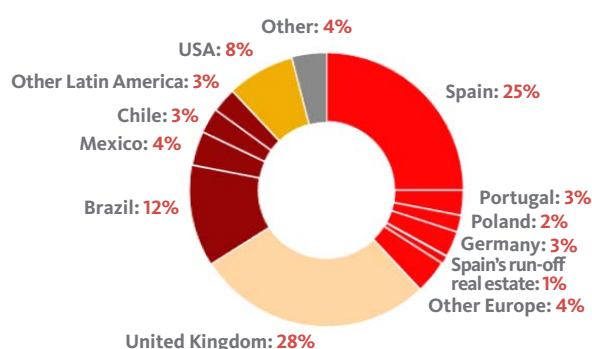
→ Growth in lending and in funds in most countries in 2014:

- In **lending**, growth in the 10 core markets, except for Portugal, and notably in Latin America.
- In **funds**, also widespread growth, with a greater focus on the cost of deposits and on the marketing of mutual funds.
- The Group's **net loan-to-deposit ratio** was 113% (112% in 2013).

→ The fully-loaded CET1 ratio was 9.7% after the capital increase in January 2015. The fully-loaded total capital ratio was 11.8%.

Distribution of total assets

December 2014



Customer loans

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|-----------------------------|----------------|----------------|------------------|------------|----------------|
| Spanish Public sector | 17,465 | 13,374 | 4,091 | 30.6 | 16,884 |
| Other residents | 154,905 | 160,478 | (5,572) | (3.5) | 183,130 |
| Commercial bills | 7,293 | 7,301 | (8) | (0.1) | 8,699 |
| Secured loans | 96,426 | 96,420 | 6 | 0.0 | 103,890 |
| Other loans | 51,187 | 56,757 | (5,570) | (9.8) | 70,540 |
| Non-resident sector | 589,557 | 537,587 | 51,970 | 9.7 | 558,572 |
| Secured loans | 369,266 | 320,629 | 48,637 | 15.2 | 339,519 |
| Other loans | 220,291 | 216,958 | 3,333 | 1.5 | 219,052 |
| Gross customer loans | 761,928 | 711,439 | 50,489 | 7.1 | 758,586 |
| Loan-loss allowances | 27,217 | 26,749 | 468 | 1.7 | 27,014 |
| Net customer loans | 734,711 | 684,690 | 50,021 | 7.3 | 731,572 |
| Pro memoria: Doubtful loans | 40,424 | 41,088 | (664) | (1.6) | 36,002 |
| Public sector | 167 | 99 | 68 | 69.1 | 121 |
| Other residents | 19,951 | 21,763 | (1,812) | (8.3) | 16,025 |
| Non-resident sector | 20,306 | 19,226 | 1,080 | 5.6 | 19,856 |

Total **managed and marketed funds** at the end of 2014 amounted to EUR 1,428,083 million, of which EUR 1,266,296 million (89%) were on-balance sheet and the rest mutual and pension funds and managed portfolios.

When making comparisons with 2013 it is important to take into account the significant impact of changes in exchange rates of the currencies in which the Group operates. On the basis of year-end exchange rates, the dollar appreciated 14% against the euro, sterling 7% and the Brazilian real and the Mexican peso around 1%, while the Chilean and Argentine pesos depreciated 2% and 13%, respectively and the Polish zloty 3%. The impact on year-on-year changes in lending and customer funds was 3-4 p.p. positive.

There was also a positive perimeter effect of less than one point on lending, as a result of the incorporation to the Group of the consumer finance business of El Corte Inglés and GE's business in Nordic countries, both of them in the unit of Santander Consumer Finance.

Customer lending

The Group's gross lending amounted to EUR 761,928 million at the end of 2014, 7% higher. Excluding the exchange rate impact and eliminating repos, balances were 5% higher, and grew in every quarter of the year. The evolution by geographic areas was as follows.

In **Continental Europe**, the evolution varied. Lending fell in Portugal, still affected by the low demand, and in the Run-off Real Estate Activity in Spain, as the strategy of reducing this type of risk continued. It rose at Santander Consumer Finance, benefiting from the perimeter in Poland, with a good evolution by products and segments, and in Spain, where the trend of the last few years was reversed as a result of growth to companies and public administrations.

- Gross lending in **Spain** (excluding the Run-off Real Estate Activity unit and repos) rose 2%. The distribution was as follows:
 - Lending to individuals amounted to EUR 59,746 million, of which EUR 47,333 million are home mortgages. This portfolio was concentrated in financing first homes, with a strong concentration in the lowest tranches of loan-to-value (73% with an LTV of less than 80%). The balance of mortgages dropped 6%, as the sharp rise of 64% in new loans still does not offset the amortisations made.
 - Loans directly to SMEs and companies without real estate purpose amounted to EUR 86,459 million and accounted for the largest share of lending (53% of the total). Growth was 5%, benefiting from the special plan to promote business with SMEs launched during 2014.
 - Lending to the Spanish public sector rose significantly in the year due to the higher funding of both the Central Administration and the local and autonomous regions, while also participating in corporate operations such as financing the electricity tariff deficit.
- In **Portugal**, lending dropped 5% in a context of deleveraging. Santander Totta gained market share, both in individual customers and companies. In the latter, balances in construction and real estate (2% of lending) dropped 27%.
- In **Poland**, credit increased 7% y-o-y in local currency, with growth in all products and segments. Of note were SMEs (+11%)

and large companies, a segment being developed, where lending rose 32% from a still small base.

- Santander Consumer Finance's** balances increased 9%. The evolution varied by country. In local currency terms, Germany's lending, which accounted for almost 50% of the area's credit, remained stable, Poland's rose 6%, the Nordic countries' 48% and Spain's 32% (both benefiting from the perimeter effect). The portfolios in Portugal and Italy continued to be adjusted.

New loans increased 14%, with significant rises in direct credit, cards and new auto finance, where the evolution was better than the average for the sector.

- Net customer lending included in the unit of **Run-off Real Estate Activity** in Spain amounted to EUR 3,787 million, a decline of EUR 1,948 million (-34%).

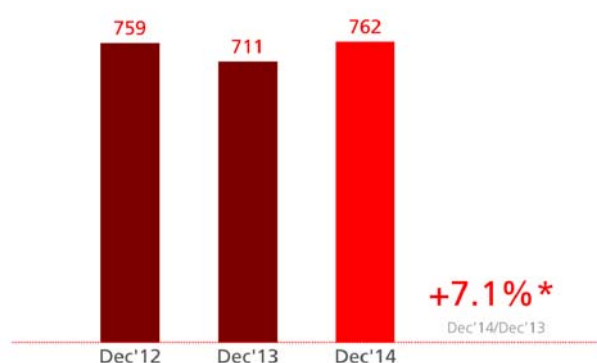
In the **United Kingdom**, the balance of customer loans was 3% higher in sterling. In local criteria, the balance of mortgages increased 1% and lending to companies 8%.

Lending in **Latin America** in constant currency increased 12%, with significant growth in all countries: Brazil (+10%), Mexico (+18%), Chile (+8%), Argentina (+23%), Uruguay (+17%) and Peru (+28%).

Lastly, lending in the **US** rose 4% in dollars, due to the sale and securitisations of assets in the second half of the year (+7% without this impact). Santander Bank's lending increased 1% (+6% excluding the sale of assets) and SCUSA's 13%, benefiting from the

Gross customer loans

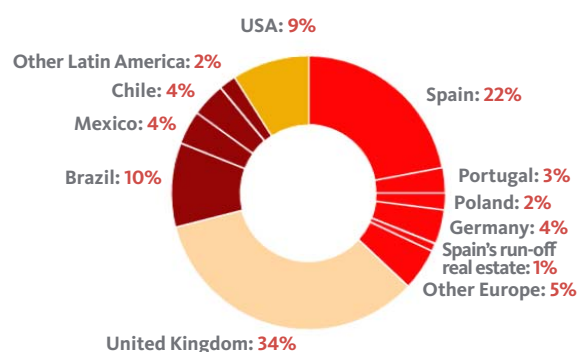
EUR Billion



(*) Excluding exchange rate impact: +3.3%

Customer loans

% o/ operating areas. December 2014



Credit risk management*

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|-----------------------|--------|--------|---------------------|-------|--------|
| Non-performing loans | 41,709 | 42,420 | (711) | (1.7) | 36,761 |
| NPL ratio (%) | 5.19 | 5.61 | (0.42 p.) | | 4.55 |
| Loan-loss allowances | 28,046 | 27,526 | 520 | 1.9 | 27,704 |
| <i>Specific</i> | 21,784 | 22,433 | (650) | (2.9) | 22,213 |
| <i>Collective</i> | 6,262 | 5,093 | 1,170 | 23.0 | 5,491 |
| Coverage ratio (%) | 67.2 | 64.9 | 2.3 p. | | 75.4 |
| Cost of credit (%) ** | 1.43 | 1.69 | (0.26 p.) | | 2.38 |

(*) Excluding country-risk

(**) 12 months net loan-loss provisions / average lending

Note: NPL ratio: Non-performing loans / computable assets

strategic alliance with Chrysler, while Puerto Rico's dropped 16% against a backdrop of deleveraging.

At the end of 2014, Continental Europe accounted for 37% of the Group's total net lending (22% Spain), the UK 34%, Latin America 20% (10% Brazil) and the US 9%.

Risks

Net NPL entries in 2014 amounted to EUR 9,652 million after eliminating the perimeter and exchange-rate effects (-51%). They declined in all countries, particularly in Spain, Portugal, Poland, UK and Chile.

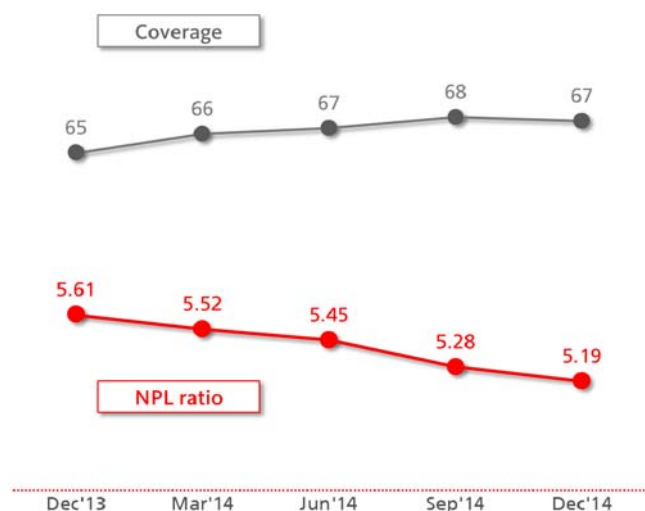
Bad and doubtful loans were EUR 711 million lower at EUR 41,709 million at the end of 2014. This balance, together with the level of lending, brought the Group's NPL ratio to 5.19%, 42 b.p. lower than in 2013 and the first decline since the start of the crisis.

Loan-loss provisions amounted to EUR 28,046 million, of which EUR 6,262 million are collectively assessed. The total was slightly higher (+2%) and combined with the fall in bad loans put coverage at the end of 2014 at 67% (65% in 2013).

The cost of credit (loan-loss provisions of the last 12 months as a percentage of average lending over the same period) was 1.43% (1.69% in 2013). Excluding SCUSA, which due the type of its

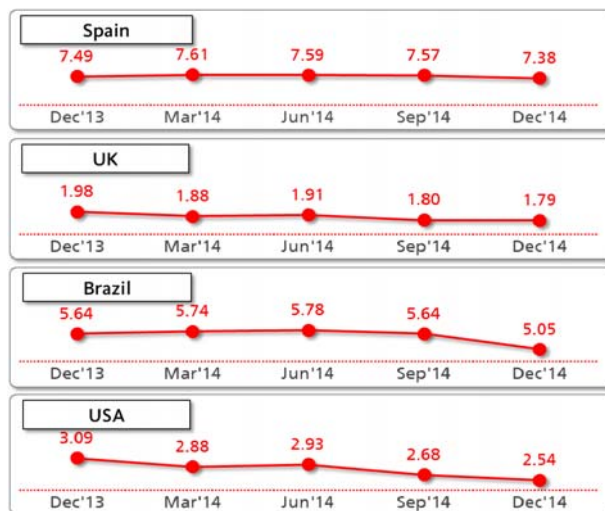
Grupo Santander. NPL and coverage ratios

%



Main units. NPL ratio

%



business has a high level of provisions and recoveries, the cost of credit was 1.15% (1.53% in 2013).

More information on credit risk, the control and monitoring systems and the internal risk models for calculating provisions can be found in the risk management report in this annual report.

Customer funds under management and marketed

Total managed funds, including mutual and pension funds and managed portfolios, amounted to EUR 1,023,437 million (+8%). Excluding the exchange rate impact, growth was 5%.

The strategy followed has been to grow in demand deposits, reduce expensive deposits and market mutual funds. The result was 9% growth in demand deposits (rise in the 10 main units), a 5% fall in time deposits and an increase of 18% in mutual funds.

Overall customer deposits excluding repos and mutual funds increased 9% (+6% excluding the forex impact).

Continental Europe's main units performed as follows:

- **Spain's** total funds rose 5%. Spain is a clear example of the strategy followed: 25% growth in demand deposits and 28% in mutual funds, consolidating Grupo Santander's leadership. Time deposits, on the other hand, declined 22%.

- **Portugal's** funds increased 5% (+4% customer deposits without repos and +21% mutual funds). Demand deposits rose sharply and time ones remained virtually unchanged.
- **Poland's** deposits increased 12% in local currency, while mutual funds did not change. Their combined growth was 10%.
- **Santander Consumer Finance's** deposits declined 2%, due to the policy of reducing those of higher cost in Germany (81% of the area's total deposits).

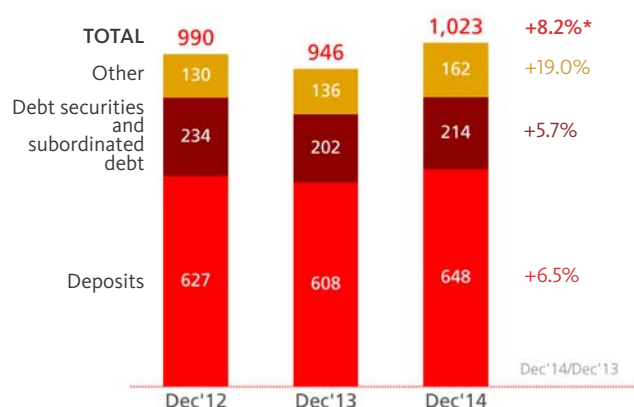
In the **UK**, customer deposits excluding repos (in sterling) increased 3%, due to the strategy of replacing expensive and less stable deposits with those that offer a better opportunity of customer linkage. Demand deposits grew 24% because of the rise in current accounts as a result of the success of marketing the 1|2|3 range of products, which offset the reduction in time deposits. Mutual funds dropped 8%.

In **Latin America**, and in constant currency, the aggregate of deposits without repos plus mutual funds rose 14%: Brazil (+12%); Mexico (+13%); Chile (+17%); Argentina (+37%); Uruguay (+18%) and Peru (+32%).

Lastly, in the **US** the aggregate of deposits without repos plus mutual funds increased 6%. Deposits rose 5% and continued to improve their composition and cost similar to that registered by other units (demand: +7%; time: -10%). Mutual funds increased 79% from a small base.

Managed and marketed customer funds

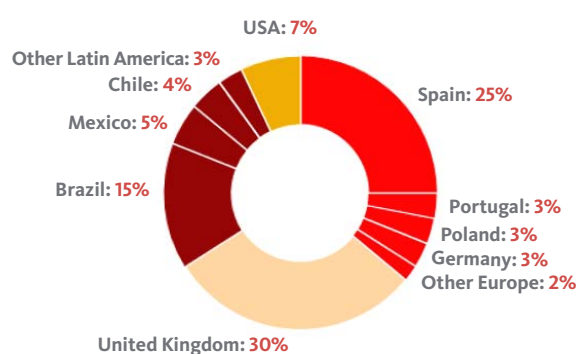
EUR Billion



(*) Excluding exchange rate impact: +5.0%

Managed and marketed customer funds

% o/ operating areas. December 2014



Managed and marketed customer funds

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|--|------------------|----------------|---------------------|-------------|----------------|
| Resident public sector | 9,349 | 7,745 | 1,604 | 20.7 | 8,487 |
| Other residents | 163,340 | 161,649 | 1,691 | 1.0 | 157,011 |
| Demand deposits | 88,312 | 74,969 | 13,343 | 17.8 | 71,526 |
| Time deposits | 67,495 | 80,146 | (12,650) | (15.8) | 75,414 |
| Other | 7,532 | 6,535 | 998 | 15.3 | 10,071 |
| Non-resident sector | 474,939 | 438,442 | 36,497 | 8.3 | 461,141 |
| Demand deposits | 273,889 | 230,715 | 43,175 | 18.7 | 228,698 |
| Time deposits | 151,113 | 161,300 | (10,187) | (6.3) | 179,503 |
| Other | 49,937 | 46,427 | 3,509 | 7.6 | 52,940 |
| Customer deposits | 647,628 | 607,836 | 39,791 | 6.5 | 626,639 |
| Debt securities* | 196,890 | 186,321 | 10,569 | 5.7 | 215,482 |
| Subordinated debt | 17,132 | 16,139 | 993 | 6.2 | 18,238 |
| On-balance-sheet customer funds | 861,649 | 810,296 | 51,354 | 6.3 | 860,359 |
| Mutual funds | 124,708 | 103,967 | 20,741 | 19.9 | 100,709 |
| Pension funds | 11,481 | 10,879 | 602 | 5.5 | 10,076 |
| Managed portfolios | 25,599 | 21,068 | 4,531 | 21.5 | 18,952 |
| Other managed and marketed customer funds | 161,788 | 135,914 | 25,873 | 19.0 | 129,737 |
| Managed and marketed customer funds | 1,023,437 | 946,210 | 77,227 | 8.2 | 990,096 |

(*):- Including retail commercial paper in Spain (EUR million): 274 in December 2014, 3,553 in December 2013 and 11,536 in December 2012

In addition to these advances, pension funds grew 5% in Spain and 7% in Portugal, the only countries where Santander markets this product.

By geographic areas, Continental Europe accounted for 36% of managed and marketed customer funds (25% Spain), the UK 30%, Latin America 27% (Brazil 15%) and the US 7%.

As well as capturing customer deposits, Grupo Santander, for strategic reasons, maintains a selective policy of issuing securities in the international fixed income markets and strives to adapt the frequency and volume of operations to the structural liquidity needs of each unit, as well as to the receptiveness of each market.

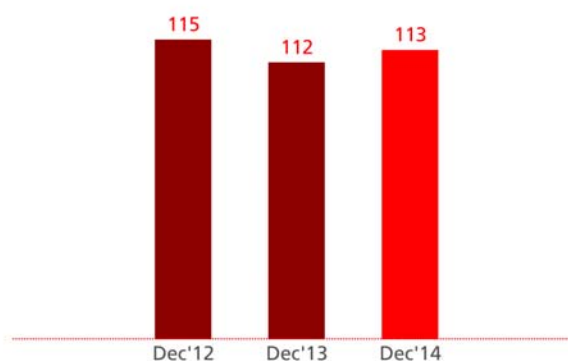
The Group captured EUR 26,423 million in medium- and long-term senior debt issues, and EUR 7,711 million in covered bonds.

Of note were: Santander Totta's placement of EUR 1,750 million in two issues of covered mortgage bonds, after four years of not being present in the international covered bonds market; the senior issue of EUR 1,500 million made in the European market by Banco Santander, S.A. in the first quarter; Santander UK's operations in September placing \$1,500 million of senior debt in the US market and EUR 1,500 million of covered bonds in the European market; in November Banco Santander, S.A. Spain's

issue of a covered mortgage bond in two tranches for an aggregate amount of EUR 3,000 million and maturities of 10 and 20 years, respectively, the longest maturity of a covered bond since the beginning of the crisis; and the senior debt issued by several European units of Santander Consumer Finance for a total amount of EUR 4,571 million in the local markets where it operates.

LTD ratio. Total Group

%



Managed and marketed mutual funds

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|----------------|----------------|----------------|---------------------|-------------|----------------|
| Spain | 42,183 | 33,104 | 9,078 | 27.4 | 26,720 |
| Portugal | 1,276 | 1,050 | 226 | 21.5 | 1,544 |
| Poland | 3,430 | 3,525 | (96) | (2.7) | 2,460 |
| United Kingdom | 9,524 | 9,645 | (122) | (1.3) | 13,919 |
| Latin America | 66,657 | 55,835 | 10,821 | 19.4 | 54,606 |
| USA | 1,640 | 807 | 833 | 103.3 | 1,460 |
| Total | 124,708 | 103,967 | 20,741 | 19.9 | 100,709 |

The Group's subsidiaries placed in the market during 2014 a total of EUR 13,391 million of securitisations, mainly via the consumer finance units.

This issuing activity underscores the Group's capacity to access the different segments of institutional investors via more than 10 issuance units, including the parent bank, Banco Santander, S.A. and the main subsidiaries of the countries where it operates. All this reaffirms the Group's policy of liquidity self-sufficiency for its subsidiaries so that each adapts its issuance programme to the evolution of its balance sheet.

Maturities and amortisation of medium- and long-term debt throughout the Group amounted to EUR 33,765 million in 2014, of

which EUR 20,111 million was senior debt, EUR 10,175 million covered bonds, EUR 1,731 subordinated debt and EUR 1,749 million of preferred shares.

The net loan-to-deposit ratio was 113% in December, within the Group's comfort zone (around 120% or below). The ratio of deposits plus medium- and long-term funding to the Group's loans was 116%, underscoring the comfortable funding structure.

As regards funding from central banks, the Group took part in 2014 in the two auctions of long-term liquidity conditioned to the volume and evolution of non-mortgage loans (TLTROs) by the European Central Bank. The aggregate liquidity of both auctions taken via banks in Spain, Portugal and SCF was EUR 8,200 million.

Managed and marketed pension funds

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|--------------|---------------|---------------|---------------------|------------|---------------|
| Spain | 10,570 | 10,030 | 539 | 5.4 | 9,289 |
| Portugal | 911 | 848 | 63 | 7.4 | 787 |
| Total | 11,481 | 10,879 | 602 | 5.5 | 10,076 |

Other balance sheet items

Total goodwill was EUR 27,548 million, EUR 3,284 million more than in 2013, due to SCUSA, the incorporations of Getnet and GE's business in Nordic countries and the evolution of exchange rates, particularly the US dollar and sterling.

The balance of financial assets available for sale amounted to EUR 115,251 million, EUR 31,452 million more than 2013 (+38%), due to the increased debt positions of Spain, Portugal, UK, Brazil and the US.

Trading derivatives amounted to EUR 76,858 million in assets and EUR 79,048 million in liabilities with year-on-year increases, due to the drop in interest rates in the long-term curve.

Shareholders' equity and solvency ratios

Total shareholders' funds, after retained profits, amounted to EUR 91,664 million (+7,185 million and +9%).

There were several issues of ordinary shares during 2014 to tend to those shareholders who opted to receive the equivalent amount of the interim dividends in shares under the *Santander Dividendo Elección* programme (scrip dividend). A total of 880,057,105 shares were issued for the four scrip dividends – the third and fourth of 2013 and the first and second of 2014, with an overall acceptance of 87.1% of the capital.

In addition, 370,937,066 shares were issued in September to tend to the exchange derived from the offer to acquire the minority interests of Banco Santander Brazil, S.A.

Valuation adjustments improved by EUR 3,295 million, with a notable positive impact of exchange rates (partly hedged) on the

Total equity and capital with the nature of financial liabilities

EUR Million

| | 2014 | 2013 | Variation amount | % | 2012 |
|--|---------------|---------------|---------------------|-------------|---------------|
| Capital stock | 6,292 | 5,667 | 625 | 11.0 | 5,161 |
| Additional paid-in surplus | 38,611 | 36,804 | 1,807 | 4.9 | 37,302 |
| Reserves | 41,425 | 38,248 | 3,177 | 8.3 | 37,460 |
| Treasury stock | (10) | (9) | (1) | 11.1 | (287) |
| Attributable profit | 5,816 | 4,175 | 1,641 | 39.3 | 2,283 |
| Less: dividends | (471) | (406) | (64) | 15.8 | (650) |
| Shareholders' equity | 91,664 | 84,479 | 7,185 | 8.5 | 81,268 |
| Valuation adjustments | (10,858) | (14,153) | 3,295 | (23.3) | (9,471) |
| Stockholders' equity | 80,806 | 70,326 | 10,480 | 14.9 | 71,797 |
| Minority interests | 8,909 | 9,972 | (1,063) | (10.7) | 9,950 |
| Total equity | 89,714 | 80,298 | 9,416 | 11.7 | 81,747 |
| Preferred shares and securities in subordinated debt | 6,978 | 4,053 | 2,925 | 72.2 | 4,740 |
| Total equity and capital with the nature of financial liabilities | 96,692 | 84,351 | 12,341 | 14.6 | 86,487 |

value of stakes in foreign subsidiaries and by valuations of portfolios, mainly fixed income.

Total equity amounted to EUR 80,806 million at the end of 2014, (+EUR 10,479 million and +15%). Including the EUR 7,500 million capital increase in January 2015, total equity was EUR 88,306 million.

The Group's computable capital amounted to EUR 77,854 million including the capital increase.

Under the new European regulation on equity, and aimed solely at qualified investors, Banco Santander made three issues of contingent perpetual preferred securities convertible into ordinary shares of the Bank, eligible as additional Tier 1 (AT1) capital, to strengthen its solvency (Tier 1) in 2014.

These operations were for EUR 1,500 million in March, \$1,500 million in May and EUR 1,500 million in September, and at annual rates of 6.25%, 6.375% and 6.25%, respectively, for the first five years in the first two cases and the first seven in the other. All were notably oversubscribed by the international investors at whom the issues were targeted. This meant pro-ratas in each one.

From a qualitative standpoint, the Group has solid ratios appropriate for its business model, balance sheet structure and risk profile.

The phased-in CET1 (common equity tier 1) is 12.2%, the same as that for the Tier 1 capital ratio, while the total ratio is 13.3%.

The fully-loaded CET1 is 9.7% and the total ratio is 11.8%. All these ratios take into account the capital increase made in 2015.

Computable capital*. December 2014

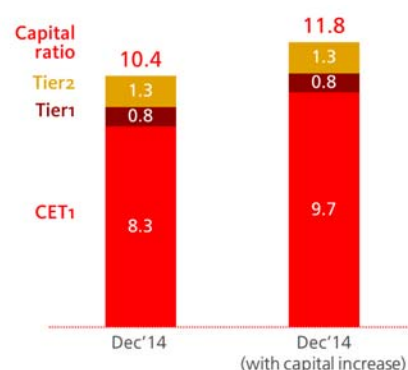
EUR Million

| | Phase-in | Fully loaded |
|---------------------------|---------------|---------------|
| CET1 | 71,598 | 56,282 |
| Basic capital | 71,598 | 61,010 |
| Computable capital | 77,854 | 68,570 |
| Risk-weighted assets | 585,243 | 583,366 |
| CET1 capital ratio | 12.2 | 9.7 |
| T1 capital ratio | 12.2 | 10.5 |
| BIS ratio | 13.3 | 11.8 |

(*)- 2014 pro-forma taking into account the January 2015 capital increase

Capital ratios. Fully loaded

%



Rating agencies

The Group's access to wholesale funding markets, as well as the cost of issues, depends to some extent on the ratings accorded by rating agencies.

Rating agencies regularly review the Group's ratings. Debt classification depends on a series of internal factors (solvency, business model, capacity to generate profits, etc.) and external ones related to the general economic environment, the sector's situation and the sovereign risk of the countries in which the Group operates.

The rating and outlook for the Kingdom of Spain has improved. In 2014, Moody's improved its rating in February from Baa3 to Baa2 and the outlook from stable to positive, Fitch upgraded from BBB to BBB+ in April and confirmed it in October, and S&P in May from BBB- to BBB.

The methodology used by the agencies limits the rating of a bank above that of the sovereign of the country in which it is based. This

means that despite the Group's good fundamentals, Santander's rating can be limited by the sovereign debt rating.

At the end of 2014, Banco Santander was the only bank in the world with a rating higher than that of the sovereign of the country in which it is based by the four agencies, following the upgradings in 2014 by Moody's from Baa2 to Baa1 with stable outlook, Fitch from BBB+ to A- with stable outlook and S&P from BBB to BBB+, also with stable outlook. The rating by DBRS remained at A. These higher ratings than the sovereign underscore Santander's financial strength and diversification.

During the first quarter of 2014, the Group obtained A+ and A from GBB Rating and Scope, respectively.

The agencies' good assessment of Santander's credit profile is reflected in the rating of the Bank's individual fundamentals, which in the case of S&P is "a-", a level equivalent to its peers including those based in countries with a better macroeconomic situation.

Rating agencies

| | Long term | Short term | Outlook |
|-------------------|-----------|------------|----------|
| DBRS | A | R1(low) | Negative |
| Fitch Ratings | A- | F2 | Stable |
| GBB Rating | A+ | | Stable |
| Moody's | Baa1 | P-2 | Stable |
| Standard & Poor's | BBB+ | A-2 | Stable |
| Scope | A | | Stable |

Description of the segments

Grupo Santander is maintaining in 2014 the general criteria applied in 2013, as well as the business segments with the following exceptions:

1) In the Group's financial statements:

- The Group has applied IFRIC 21, Levies, which addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. The adoption of IFRIC 21 gave rise to a change in the recognition of the contributions made by Santander UK to the Financial Services Compensation Scheme and of the contributions made by the Group's Spanish financial institutions to the Deposit Guarantee Fund. Pursuant to the applicable standard, this change was applied retrospectively, giving rise to changes in the balances for 2013 (impact of -EUR 195 million on attributable profit and of -EUR 65 million on the Group's reserves) and 2012 (impact of -EUR 12 million on attributable profit and of -EUR 53 million on the Group's reserves).
- Some corporate operations recently carried out by the Group involve changes in the consolidation method. On the one hand, taking control of Santander Consumer USA (SCUSA) in 2014 meant changing to consolidation by global integration instead of by the equity accounted method, and, on the other, the loss of control of asset management companies sold at the end of 2013 meant consolidating by the equity accounted method instead of by global integration. Pro-forma information is provided with the Group's financial statements for previous periods, modified in order to facilitate comparisons as if these changes had been effective in the compared periods presented.

2) In geographic businesses by restructuring:

- The area for the United States includes Santander Bank, Santander Consumer USA, which as indicated, now consolidates by global integration, and Puerto Rico, which was previously included in Latin America.
- The sold units of Santander Asset Management consolidate by the equity accounted method, as commented, in the various countries.

3) Other adjustments:

- Annual adjustment of the perimeter of the Global Customer Relationship Model between Retail Banking and Global Banking and Markets. This change has no impact on the principal segments (or geographic).

- The Asset Management and Insurance area is now called Private Banking, Asset Management and Insurance. As regards the figures published in 2013, the domestic private banking units of Spain, Portugal, Italy, Brazil, Mexico and Chile are incorporated (management shared with local banks). Santander Private Banking in Latin America is also included.

For comparison purposes, the figures of previous periods of the principal and secondary segments have been re-expressed to include the changes in the affected areas.

The financial statements of each business segment have been drawn up by aggregating the Group's basic operating units. The information relates to both the accounting data of the units in each segment as well as that provided by the management information systems. In all cases, the same general principles as those used in the Group are applied.

The operating business areas are structured into two levels:

Principal level (or geographic). Geographical areas segment the activity of the Group's operating units. This coincides with the Group's first level of management and reflects Santander positioning in the world's three main currency areas (euro, sterling and dollar). The segments reported on are:

- **Continental Europe.** This covers all retail banking business, wholesale banking, and private banking and asset management and insurance conducted in this region, as well as the unit of Run-off Real Estate Activity in Spain. Detailed financial information is provided on Spain, Portugal, Poland and Santander Consumer Finance (which incorporates all the region's business, including the three countries mentioned herewith).
- **United Kingdom.** This includes retail and wholesale banking, and private banking asset management and insurance conducted by the Group's various units and branches in the country.
- **Latin America.** This embraces all the Group's financial activities conducted via its subsidiary banks and subsidiaries. It also includes the specialised units of Santander Private Banking, as an independent and globally managed unit, and New York's business. The financial statements of Brazil, Mexico and Chile are also provided.
- **United States.** Includes the businesses of Santander Bank, Santander Consumer USA and Puerto Rico.

Secondary level (or business). This segments the activity of the operating units by type of business. The segments are: Retail Banking, Wholesale Banking, Private Banking, Asset Management and Insurance and the unit of Run-off Real Estate Activity in Spain.

- **Retail Banking.** This covers all customer banking businesses, (except those of private banking and corporate banking, managed through the Global Customer Relationship Model). Because of their relative importance, details are also provided by the main geographic areas (Continental Europe, United Kingdom, Latin America and the United States). The results of the hedging positions in each country are also included, conducted within the sphere of each one's Assets and Liabilities Committee.
- **Global Wholesale Banking (GBM).** This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (always after the appropriate distribution with Retail Banking customers), as well as equities business.
- **Private Banking, Asset Management and Insurance.** This includes the contribution to the Group for the design and management of mutual and pension funds and insurance, conducted in some cases via wholly-owned units and in other via units in which the Group participates through joint ventures with specialists. In both cases, the units remunerate the distribution networks used to place these products (basically the Group's,

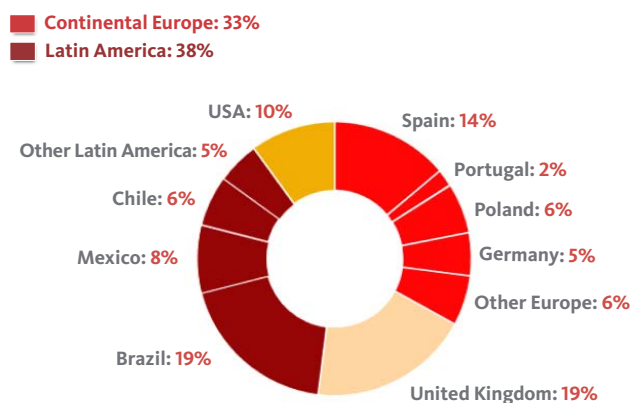
though not exclusively) via agreements. This means that the result recorded in this segment is net for each of the units included, in accordance with their participation and consolidation method, (i.e. deducting the distribution cost of sharing agreements from gross income). It also includes private banking business as defined above.

As well as these operating units, which cover everything by geographic area and by businesses, the Group continues to maintain the area of **Corporate Activities**. This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position and of the parent bank's structural interest rate risk, as well as management of liquidity and of shareholders' equity through issues and securitisations.

As the Group's holding entity, this area manages all capital and reserves and allocations of capital and liquidity. It also incorporates amortisation of goodwill but not the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

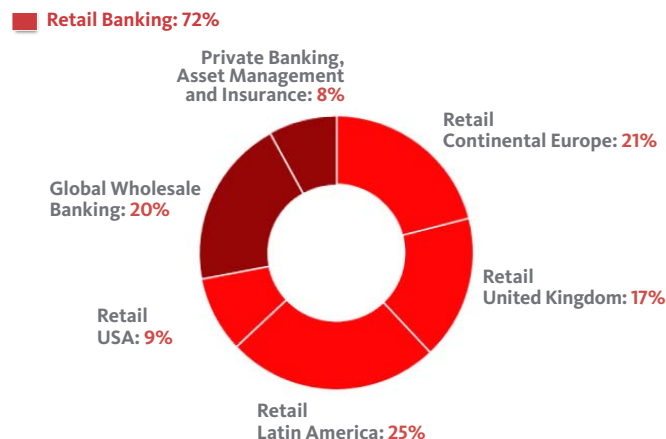
The figures of the Group's units have been drawn up in accordance with these criteria, and so might not coincide with those published individually by each unit.

Distribution of attributable profit by operating geographic segments*. 2014



(*) Excluding Spain's run-off real estate

Distribution of attributable profit by operating business segments*. 2014



Net operating income

| EUR Million | 2014 | 2013 | Variation amount | % | % w/o FX |
|----------------------------|---------------|---------------|---------------------|--------------|-------------|
| Continental Europe | 6,485 | 5,969 | 515 | 8.6 | 8.8 |
| o/w: Spain | 3,515 | 3,220 | 295 | 9.2 | 9.2 |
| Portugal | 465 | 421 | 44 | 10.5 | 10.5 |
| Poland | 795 | 725 | 70 | 9.6 | 9.3 |
| Santander Consumer Finance | 1,857 | 1,720 | 137 | 8.0 | 8.0 |
| United Kingdom | 2,651 | 2,276 | 375 | 16.5 | 10.6 |
| Latin America | 11,049 | 12,186 | (1,137) | (9.3) | 0.4 |
| o/w: Brazil | 7,092 | 8,194 | (1,102) | (13.5) | (5.4) |
| Mexico | 1,812 | 1,796 | 16 | 0.9 | 5.2 |
| Chile | 1,343 | 1,322 | 20 | 1.5 | 17.0 |
| USA | 3,611 | 2,975 | 636 | 21.4 | 21.3 |
| Operating areas | 23,795 | 23,406 | 390 | 1.7 | 6.5 |
| Corporate Activities | (1,221) | (1,644) | 423 | (25.7) | (25.7) |
| Total Group | 22,574 | 21,762 | 813 | 3.7 | 9.1 |

Attributable profit

| EUR Million | 2014 | 2013 | Variation amount | % | % w/o FX |
|----------------------------|--------------|--------------|---------------------|--------------|--------------|
| Continental Europe | 2,078 | 1,115 | 963 | 86.4 | 87.4 |
| o/w: Spain | 1,121 | 466 | 655 | 140.5 | 140.5 |
| Portugal | 189 | 114 | 75 | 65.1 | 65.1 |
| Poland | 358 | 334 | 24 | 7.2 | 6.9 |
| Santander Consumer Finance | 891 | 794 | 97 | 12.3 | 12.3 |
| United Kingdom | 1,576 | 1,149 | 427 | 37.1 | 30.2 |
| Latin America | 3,150 | 3,181 | (31) | (1.0) | 10.8 |
| o/w: Brazil | 1,558 | 1,577 | (20) | (1.3) | 8.0 |
| Mexico | 660 | 713 | (53) | (7.4) | (3.5) |
| Chile | 509 | 435 | 74 | 17.0 | 34.8 |
| USA | 800 | 801 | (1) | (0.1) | (0.2) |
| Operating areas | 7,605 | 6,246 | 1,359 | 21.8 | 27.5 |
| Corporate Activities | (1,789) | (2,071) | 282 | (13.6) | (13.6) |
| Total Group | 5,816 | 4,175 | 1,641 | 39.3 | 49.3 |

Customer loans

| EUR Million | 2014 | 2013 | Variation amount | % | % w/o FX |
|----------------------------|----------------|----------------|---------------------|-------------|--------------|
| Continental Europe | 266,827 | 266,355 | 471 | 0.2 | (0.6) |
| o/w: Spain | 157,047 | 159,753 | (2,706) | (1.7) | (1.7) |
| Portugal | 23,180 | 24,482 | (1,302) | (5.3) | (5.3) |
| Poland | 16,976 | 16,214 | 761 | 4.7 | 7.7 |
| Santander Consumer Finance | 60,448 | 56,024 | 4,424 | 7.9 | 7.9 |
| United Kingdom | 251,191 | 231,046 | 20,145 | 8.7 | 1.6 |
| Latin America | 144,714 | 128,684 | 16,030 | 12.5 | 12.1 |
| o/w: Brazil | 74,373 | 66,446 | 7,927 | 11.9 | 10.7 |
| Mexico | 25,873 | 22,269 | 3,604 | 16.2 | 14.9 |
| Chile | 30,550 | 28,783 | 1,767 | 6.1 | 8.0 |
| USA | 67,175 | 57,374 | 9,801 | 17.1 | 3.1 |
| Operating areas | 729,908 | 683,460 | 46,448 | 6.8 | 3.3 |
| Total Group | 734,711 | 684,690 | 50,021 | 7.3 | 3.8 |

Customer deposits

| EUR Million | 2014 | 2013 | Variation amount | % | % w/o FX |
|----------------------------|----------------|----------------|---------------------|--------------|--------------|
| Continental Europe | 255,719 | 256,138 | (418) | (0.2) | (0.1) |
| o/w: Spain | 178,446 | 181,117 | (2,671) | (1.5) | (1.5) |
| Portugal | 24,016 | 24,191 | (174) | (0.7) | (0.7) |
| Poland | 20,144 | 18,503 | 1,641 | 8.9 | 12.0 |
| Santander Consumer Finance | 30,847 | 30,878 | (30) | (0.1) | (0.1) |
| United Kingdom | 202,328 | 187,467 | 14,862 | 7.9 | 0.8 |
| Latin America | 137,726 | 122,176 | 15,551 | 12.7 | 12.1 |
| o/w: Brazil | 68,539 | 61,490 | 7,049 | 11.5 | 10.2 |
| Mexico | 28,627 | 24,663 | 3,964 | 16.1 | 14.8 |
| Chile | 23,352 | 20,988 | 2,364 | 11.3 | 13.2 |
| USA | 46,575 | 39,206 | 7,369 | 18.8 | 4.6 |
| Operating areas | 642,348 | 604,985 | 37,363 | 6.2 | 3.0 |
| Total Group | 647,628 | 607,836 | 39,791 | 6.5 | 3.4 |

Continental Europe

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|---------------|---------------|------------------|-------------|-------------|
| Net interest income | 8,728 | 8,107 | 622 | 7.7 | 7.9 |
| Net fees | 3,457 | 3,420 | 37 | 1.1 | 1.1 |
| Gains (losses) on financial transactions | 453 | 774 | (321) | (41.5) | (41.5) |
| Other operating income* | 184 | 164 | 20 | 12.1 | 12.2 |
| Gross income | 12,822 | 12,465 | 357 | 2.9 | 3.0 |
| Operating expenses | (6,337) | (6,495) | 158 | (2.4) | (2.3) |
| General administrative expenses | (5,632) | (5,737) | 106 | (1.8) | (1.7) |
| Personnel | (3,316) | (3,488) | 171 | (4.9) | (4.8) |
| Other general administrative expenses | (2,315) | (2,249) | (66) | 2.9 | 3.1 |
| Depreciation and amortisation | (706) | (758) | 52 | (6.9) | (6.8) |
| Net operating income | 6,485 | 5,969 | 515 | 8.6 | 8.8 |
| Net loan-loss provisions | (2,880) | (3,603) | 724 | (20.1) | (20.0) |
| Other income | (576) | (759) | 184 | (24.2) | (24.2) |
| Profit before taxes | 3,030 | 1,607 | 1,423 | 88.6 | 89.4 |
| Tax on profit | (756) | (351) | (406) | 115.6 | 116.8 |
| Profit from continuing operations | 2,273 | 1,256 | 1,017 | 81.0 | 81.8 |
| Net profit from discontinued operations | (26) | (6) | (20) | 345.3 | 363.0 |
| Consolidated profit | 2,247 | 1,250 | 997 | 79.8 | 80.5 |
| Minority interests | 168 | 135 | 33 | 24.8 | 24.4 |
| Attributable profit to the Group | 2,078 | 1,115 | 963 | 86.4 | 87.4 |

Balance sheet

| | | | | | |
|--|----------------|----------------|---------------|-------------|-------------|
| Customer loans** | 266,827 | 266,355 | 471 | 0.2 | 0.6 |
| Trading portfolio (w/o loans) | 65,859 | 50,317 | 15,543 | 30.9 | 30.9 |
| Available-for-sale financial assets | 52,858 | 37,319 | 15,539 | 41.6 | 42.3 |
| Due from credit institutions** | 65,754 | 38,547 | 27,207 | 70.6 | 70.9 |
| Intangible assets and property and equipment | 5,838 | 6,148 | (311) | (5.1) | (4.9) |
| Other assets | 22,523 | 39,902 | (17,379) | (43.6) | (43.4) |
| Total assets/liabilities & shareholders' equity | 479,659 | 438,589 | 41,070 | 9.4 | 9.7 |
| Customer deposits** | 255,719 | 256,138 | (418) | (0.2) | 0.1 |
| Marketable debt securities** | 19,435 | 16,781 | 2,654 | 15.8 | 17.2 |
| Subordinated debt** | 409 | 406 | 4 | 1.0 | 3.3 |
| Insurance liabilities | 713 | 1,430 | (717) | (50.2) | (50.1) |
| Due to credit institutions** | 76,889 | 59,440 | 17,449 | 29.4 | 30.1 |
| Other liabilities | 101,950 | 79,309 | 22,641 | 28.5 | 28.7 |
| Shareholders' equity*** | 24,543 | 25,086 | (543) | (2.2) | (1.7) |
| Other managed and marketed customer funds | 65,275 | 55,278 | 9,998 | 18.1 | 18.3 |
| Mutual and pension funds | 58,369 | 48,559 | 9,810 | 20.2 | 20.4 |
| Managed portfolios | 6,906 | 6,719 | 187 | 2.8 | 2.8 |
| Managed and marketed customer funds | 340,839 | 328,602 | 12,237 | 3.7 | 4.0 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|---------|--------|--|
| ROE | 8.11 | 4.35 | 3.76 | | |
| Efficiency ratio (with amortisations) | 49.4 | 52.1 | (2.7) | | |
| NPL ratio | 8.93 | 9.13 | (0.20) | | |
| NPL coverage | 57.2 | 57.3 | (0.1) | | |
| Number of employees | 56,245 | 58,033 | (1,788) | (3.1) | |
| Number of branches | 5,482 | 6,160 | (678) | (11.0) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Continental Europe

→ **Attributable profit of EUR 2,078 million, 86.4% more than in 2013, due to the good performance of all the main lines of the income statement.**

- Gross income increased 2.9% thanks to the 7.7% rise in net interest income (good performance by all units).
- Operating expenses were 2.4% lower, with falls in Spain, Portugal and Poland.
- Loan-loss provisions declined 20.1%, with reductions in Spain, Portugal and Santander Consumer Finance.

→ **Growth strategy focused on more lending in an environment of still weak demand and reducing the cost of liabilities.**

Continental Europe includes all activities carried out in this zone: retail banking, global wholesale banking, private banking, asset management and insurance, as well as Run-off Real Estate Activity in Spain.

Environment and strategy

Units developed their business in 2014 in an environment of moderate growth, with significant differences by countries, and low interest rates. The system's high liquidity facilitated corporate issues and better access of companies and households to credit. All of this, however, did not prevent a further decline in lending in the euro zone (-1.5% year-on-year to October), reflecting deleveraging in some economies and disintermediation. The deposits of companies and households continued to grow at rates of around 3%.

In this context the integration of the retail networks in Spain and the banks in Poland was completed. In addition, the general strategic lines of the last few years were maintained:

- Defending spreads on loans and on deposits.
- Policy of reducing the cost of deposits in all units.

- Control of costs and exploiting synergies.
- Active risk management

Furthermore, the measures taken to push lending in those segments considered as strategic were intensified, particularly in the sphere of SMEs and companies.

Activity

Customer lending excluding repos increased 2%, due to the evolution in Spain, Poland and Santander Consumer Finance. It declined in Portugal and, above all, in Run-off Real Estate Activity in Spain.

Deposits excluding repos rose 2%, reflecting the cost reduction policy and the greater marketing of mutual funds (+24%). Pension funds increased 6%.

Results

Comparisons with 2013 are very favourable in the main income statement lines.

Gross income rose 2.9%, fuelled by net interest income (+7.7%), where the reduction in the cost of deposits in all units impacted favourably. Fee income was 1.1% higher, even though the impact in Spain of the incorporation of customers from Banesto to the programme *We want to be your Bank* was still felt, as well as regulatory effects in Spain, Portugal and Poland.

Operating expenses fell 2.4%, due to Spain (-6.7%), Poland (-2.2%) and Portugal (-0.9%).

Net operating income rose 8.6% and the efficiency ratio improved by 2.7 p.p. to below 50%.

Loan-loss provisions were 20.1% lower, with falls in all commercial units except Poland.

Net operating income after provisions jumped 52.4% to EUR 3,605 million and attributable profit surged 86.4%, due to the lower impact of the rest of provisions and other results.

Activity

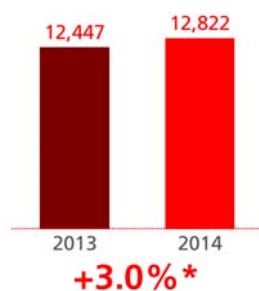
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

Gross income

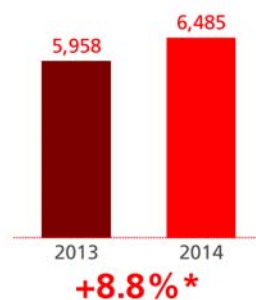
Constant EUR Million



(*) In euros: +2.9%

Net operating income

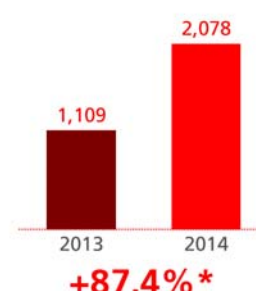
Constant EUR Million



(*) In euros: +8.6%

Attributable profit

Constant EUR Million



(*) In euros: +86.4%

Spain

EUR Million

| | 2014 | 2013 | Variation amount | % |
|--|--------------|--------------|---------------------|--------------|
| Income statement | | | | |
| Net interest income | 4,768 | 4,358 | 411 | 9.4 |
| Net fees | 1,796 | 1,832 | (36) | (2.0) |
| Gains (losses) on financial transactions | 284 | 610 | (326) | (53.5) |
| Other operating income* | 149 | 153 | (4) | (2.8) |
| Gross income | 6,997 | 6,954 | 43 | 0.6 |
| Operating expenses | (3,482) | (3,734) | 252 | (6.7) |
| General administrative expenses | (3,130) | (3,349) | 219 | (6.5) |
| Personnel | (1,929) | (2,115) | 185 | (8.8) |
| Other general administrative expenses | (1,201) | (1,234) | 34 | (2.7) |
| Depreciation and amortisation | (352) | (384) | 33 | (8.5) |
| Net operating income | 3,515 | 3,220 | 295 | 9.2 |
| Net loan-loss provisions | (1,745) | (2,411) | 666 | (27.6) |
| Other income | (173) | (135) | (38) | 28.3 |
| Profit before taxes | 1,597 | 674 | 923 | 136.9 |
| Tax on profit | (469) | (207) | (263) | 127.0 |
| Profit from continuing operations | 1,127 | 467 | 660 | 141.2 |
| Net profit from discontinued operations | — | 0 | (0) | (100.0) |
| Consolidated profit | 1,127 | 467 | 660 | 141.2 |
| Minority interests | 6 | 1 | 5 | 414.9 |
| Attributable profit to the Group | 1,121 | 466 | 655 | 140.5 |

Balance sheet

| | | | | |
|--|----------------|----------------|---------------|-------------|
| Customer loans** | 157,047 | 159,753 | (2,706) | (1.7) |
| Trading portfolio (w/o loans) | 62,470 | 47,062 | 15,408 | 32.7 |
| Available-for-sale financial assets | 38,353 | 25,608 | 12,745 | 49.8 |
| Due from credit institutions** | 48,881 | 25,092 | 23,789 | 94.8 |
| Intangible assets and property and equipment | 3,423 | 4,111 | (688) | (16.7) |
| Other assets | 5,166 | 21,183 | (16,017) | (75.6) |
| Total assets/liabilities & shareholders' equity | 315,340 | 282,808 | 32,531 | 11.5 |
| Customer deposits** | 178,446 | 181,117 | (2,671) | (1.5) |
| Marketable debt securities** | 704 | 3,953 | (3,248) | (82.2) |
| Subordinated debt** | 6 | 8 | (2) | (21.9) |
| Insurance liabilities | 539 | 525 | 14 | 2.7 |
| Due to credit institutions** | 38,519 | 22,759 | 15,759 | 69.2 |
| Other liabilities | 86,235 | 62,926 | 23,308 | 37.0 |
| Shareholders' equity*** | 10,891 | 11,521 | (629) | (5.5) |
| Other managed and marketed customer funds | 58,554 | 48,267 | 10,288 | 21.3 |
| Mutual and pension funds | 52,605 | 42,976 | 9,629 | 22.4 |
| Managed portfolios | 5,949 | 5,291 | 658 | 12.4 |
| Managed and marketed customer funds | 237,710 | 233,344 | 4,367 | 1.9 |

Ratios (%) and operating means

| | | | | |
|---------------------------------------|--------|--------|---------|--------|
| ROE | 9.88 | 3.93 | 5.95 | |
| Efficiency ratio (with amortisations) | 49.8 | 53.7 | (3.9) | |
| NPL ratio | 7.38 | 7.49 | (0.11) | |
| NPL coverage | 45.5 | 44.0 | 1.5 | |
| Number of employees | 24,979 | 27,237 | (2,258) | (8.3) |
| Number of branches | 3,511 | 4,067 | (556) | (13.7) |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Spain

→ **Attributable profit of EUR 1,121 million, 140.5% more than in 2013 and improvements in all lines. Of note were:**

- Growth in net interest income (+9.4%), reflecting the lower cost of deposits.
- Drop of 6.7% in operating expenses, due to synergies from the merger and optimization plans.
- Loan-loss provisions declined 27.6%, due to much lower entries and the better credit quality.

→ **In activity: higher new lending and balances growing. Deposits plus mutual funds combined growth in volumes with the lower cost of deposits.**

Grupo Santander has a solid retail presence in Spain (3,511 branches, 4,986 ATMs and 12.6 million customers), which is reinforced with global businesses in key products and segments (wholesale banking, private banking, asset management, insurance and cards).

Environment and strategy

Spain began a solid recovery in 2014, which coupled with the improvement in financial conditions (risk premium on 10-year government bonds at 107 b.p. at the end of 2014), spurred retail banking loan flows to households and SMEs. The balance of loans to companies and households fell again, due to deleveraging in some sectors and growing issues of securities by large companies. Deposits declined slightly, due to drop in time deposits, in a low interest rate environment that favoured mutual funds.

The branch networks of Santander, Banesto and Banif were integrated and their specialization in Spain continued, through the migration of customers within the concentration process.

Optimization of networks and employees ahead of schedule is enabling cost synergies to be achieved and efficiency and profitability improved.

Of note in business was the strong push given to the *Santander Advance* strategy. The Bank aims to become the reference institution in the growth of SMEs via financial support and integral commitment to their development.

This initiative accelerated new lending and the capturing of customers, which constituted a clear turning point in business with SMEs. More than 10,000 companies and SMEs participated in 2014 in non-financial activities, either training (on site, at distance workshops) or promoting international business (virtual connection of Spanish companies with potential customers from the UK, Brazil, Mexico and Poland). Moreover, 6,000 training and internship grants with companies were made.

In the segment of individuals, the project *We want to be your Bank* was transformed to give it various levels on the basis of the customer's linkage with the Bank and providing a better customer experience.

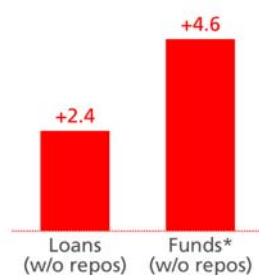
As for customer funds, the Bank maintained its strategy of optimizing the cost of funding begun in the middle of 2013, once high levels of liquidity were attained. Net loan-to-deposit ratio was 88%.

This made possible a sharp reduction in the cost of funds, particularly time deposits, and a rise in fees from the marketing of mutual funds. In this segment, the Bank is positioning itself in higher value funds for customers, which is enabling it to lead net capturing in the market and keep on gaining market share.

At the end of 2014, plans to increase positioning in some regions where the Bank operates below its natural market share were put into effect.

Activity

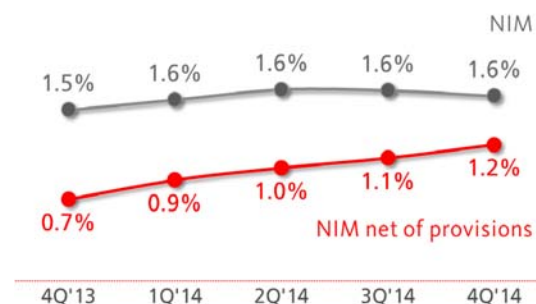
% var. 2014/2013



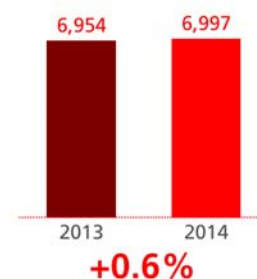
(*) Customer deposits + mutual funds

Net interest margin

%

**Gross income**

EUR Million



Activity

Lending continued to recover, with faster growth in new loans to individuals (mortgages: +64%; consumer credit: +72%) and to companies (+29% excluding commercial bills). Some 400,000 credits were granted for a total of EUR 34,000 million (market share gain of +84 b.p.).

The balance of gross loans to customers excluding repos rose by EUR 3,800 million, distinguishing us from most competitors and the sector as whole.

The aggregate of deposits without repos and mutual funds increased 5%.

Demand deposits increased 25% and time deposits fell 22%. This evolution reflected the strategy of reducing the cost of funds, which is feeding through to net interest income. In 2014, there was a further improvement of 94 b.p. in the cost of new time deposits, which reduced the cost of the stock of deposits by 64 b.p., between the two years

The reduction in time deposits was accompanied by a continuous rise in mutual funds managed and marketed by Santander (+28%). The greater demand for these products and the better evolution of the markets explain this evolution.

The balance of pension funds increased 5%. Lastly, repos fell by about EUR 3,000 million in twelve months, due to the reduction in clearing house activity.

Results

Net interest income was EUR 4,768 million, 9.4% more than in 2013, reflecting the good performance of the cost of deposits and the beginning of the recovery in lending.

Other revenues, including fee income, trading gains and other operating income, declined, affected by the *We want to be your Bank* strategy and regulatory changes in the first case, lower income from wholesale banking in the second, and the reduced perimeter from alliances in the businesses of funds management and insurance in the third.

Operating expenses were 6.7% lower, the product of synergies attained in the merger process and optimization plans put into effect.

Loan-loss provisions, which continued to normalize, were 27.6% lower at EUR 1,745 million and were the main reason for the improvement in profit.

Attributable profit was EUR 1,121 million, up from EUR 466 million in 2013 (+140.5%).

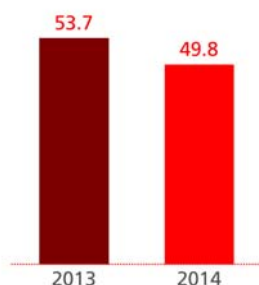
The NPL ratio was 7.38% (-11 b.p.). Coverage was unchanged at 45%. Of note was the 92% fall in net entries of NPLs.

Strategy and objectives in 2015

- Increase the customer base. Focus on customer linkage with more transactions and cross selling.
- Lift the market share in lending, with the emphasis on SMEs (*Advance Plan*).
- Continue to improve the cost of credit.
- Strategy of capturing and strengthening agri-food business.

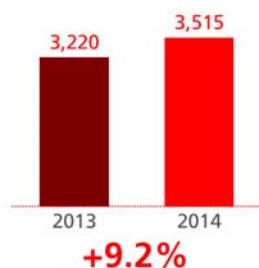
Efficiency ratio

%



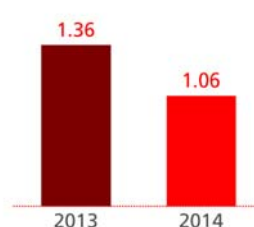
Net operating income

EUR Million



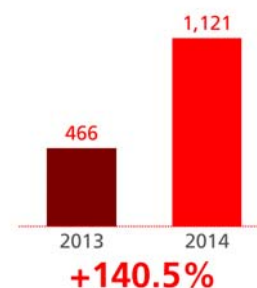
Cost of credit

%



Attributable profit

EUR Million



Portugal

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % |
|--|------------|------------|------------------|-------------|
| Net interest income | 546 | 514 | 32 | 6.3 |
| Net fees | 280 | 318 | (38) | (11.8) |
| Gains (losses) on financial transactions | 88 | 51 | 37 | 72.9 |
| Other operating income* | 42 | 34 | 8 | 23.8 |
| Gross income | 956 | 916 | 40 | 4.3 |
| Operating expenses | (491) | (495) | 4 | (0.9) |
| General administrative expenses | (419) | (417) | (3) | 0.7 |
| Personnel | (297) | (299) | 2 | (0.5) |
| Other general administrative expenses | (122) | (118) | (4) | 3.6 |
| Depreciation and amortisation | (72) | (79) | 7 | (9.0) |
| Net operating income | 465 | 421 | 44 | 10.5 |
| Net loan-loss provisions | (124) | (192) | 69 | (35.7) |
| Other income | (99) | (78) | (20) | 26.2 |
| Profit before taxes | 243 | 150 | 92 | 61.4 |
| Tax on profit | (57) | (44) | (14) | 30.8 |
| Profit from continuing operations | 185 | 106 | 79 | 74.1 |
| Net profit from discontinued operations | — | — | — | — |
| Consolidated profit | 185 | 106 | 79 | 74.1 |
| Minority interests | (4) | (8) | 4 | (52.4) |
| Attributable profit to the Group | 189 | 114 | 75 | 65.1 |

Balance sheet

| | | | | |
|--|---------------|---------------|--------------|--------------|
| Customer loans** | 23,180 | 24,482 | (1,302) | (5.3) |
| Trading portfolio (w/o loans) | 2,082 | 1,831 | 252 | 13.7 |
| Available-for-sale financial assets | 7,011 | 4,724 | 2,288 | 48.4 |
| Due from credit institutions** | 2,163 | 2,895 | (732) | (25.3) |
| Intangible assets and property and equipment | 729 | 821 | (92) | (11.2) |
| Other assets | 6,450 | 7,096 | (646) | (9.1) |
| Total assets/liabilities & shareholders' equity | 41,616 | 41,848 | (232) | (0.6) |
| Customer deposits** | 24,016 | 24,191 | (174) | (0.7) |
| Marketable debt securities** | 2,855 | 2,329 | 526 | 22.6 |
| Subordinated debt** | 0 | 0 | (0) | (71.6) |
| Insurance liabilities | 27 | 75 | (48) | (63.6) |
| Due to credit institutions** | 11,538 | 12,319 | (781) | (6.3) |
| Other liabilities | 559 | 356 | 204 | 57.3 |
| Shareholders' equity*** | 2,620 | 2,579 | 41 | 1.6 |
| Other managed and marketed customer funds | 2,501 | 2,041 | 460 | 22.5 |
| Mutual and pension funds | 2,187 | 1,898 | 289 | 15.2 |
| Managed portfolios | 314 | 142 | 172 | 120.7 |
| Managed and marketed customer funds | 29,372 | 28,560 | 812 | 2.8 |

Ratios (%) and operating means

| | | | | |
|---------------------------------------|-------|-------|-------|-------|
| ROE | 8.10 | 5.78 | 2.32 | |
| Efficiency ratio (with amortisations) | 51.4 | 54.1 | (2.7) | |
| NPL ratio | 8.89 | 8.12 | 0.77 | |
| NPL coverage | 51.8 | 50.0 | 1.8 | |
| Number of employees | 5,410 | 5,608 | (198) | (3.5) |
| Number of branches | 594 | 640 | (46) | (7.2) |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Portugal

→ **Attributable profit of EUR 189 million, 65.1% more than in 2013 due to :**

- Net interest income was 6.3% higher, due to lower funding costs.
- Operating expenses fell 0.9%.
- Loan-loss provisions declined 35.7%.

→ **The net loan-to-deposit ratio improved to 97%.**

Santander Totta is Portugal's third largest bank by assets and it focuses on retail banking. It has 594 branches, over three million customers and a market share of 10%.

Environment and strategy

Portugal recovered positive growth rates in 2014, ending its economic and financial adjustment programme and returning to the international capital markets, taking advantage of the sharp fall in its risk premium. The total balance of loans, however, continued to decline, due to deleveraging, particularly in companies. Deposits remained stable throughout the year, contributing to an improvement in the sector's liquidity position.

Santander Totta's strategy in 2014 remained focused on increasing the levels of profitability and on market shares in various segments. At the same time, management of net interest income and control of non-performing loans continued to be critical objectives.

On the liabilities side, a strategy of reducing the cost of deposits and increasing their balances notably was combined, having taken advantage of market opportunities and some flight to quality to grow.

On the assets side, and despite the environment of deleveraging, Santander Totta put a lot of emphasis on the companies' segment, which produced a gain of 72 b.p. in 12 months in the market share of new lending.

Capital ratios remained very solid, with the CET1 CRD IV/CRR ending the year at 15.1%, well above the minimum required.

In the first half of the year, with a more favourable market environment, the Bank returned to the international markets with two issues of covered bonds. The first, at the end of March was for EUR 1,000 million at three years and the second, at the beginning of June, for EUR 750 million at five years. With these issues, for which there was large demand, the Bank reduced its exposure to the European Central Bank.

Activity

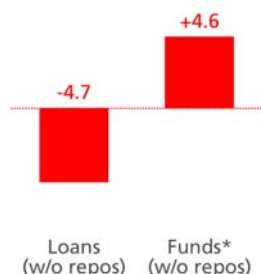
Customer deposits rose 4%, with sharp growth in demand deposits (+17%). Mutual funds increased 21%.

These rises, in a market that remained basically flat, produced a gain of 73 b.p. in the market share in the aggregate of deposits and mutual funds.

Lending declined 5% in a context of deleveraging. Despite this, the gain in market share was 46 b.p. during 2014, due to individuals and particularly to companies. Of note were the significant rises in new mortgage loans, in a market that was more dynamic (market share gain of 112 b.p. in twelve months), and in SMEs (+104 b.p.).

Activity

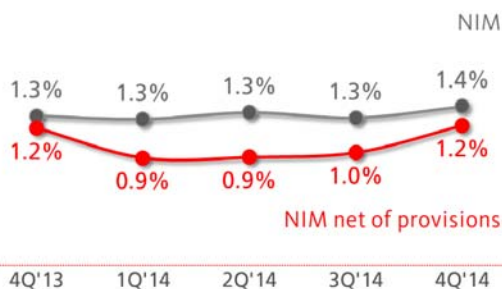
% var. 2014/2013



(*) Customer deposits + mutual funds

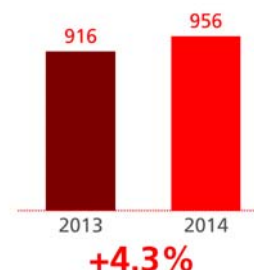
Net interest margin

%



Gross income

EUR Million



The net loan-to-deposit ratio improved to 97% from 101% in 2013.

Santander Totta ended the year with a NPL ratio of 8.89% (8.12% in 2013). Coverage was 52% (50% in 2013). In local criteria, the NPL and coverage ratios remained significantly better than Portugal's average, according to the latest available figures.

Results

Santander Totta recovered in 2014 the path of profit growth, as a result of the good performance of the main lines of the income statement. Of note was growth in gross income in a still weak business environment.

Gross income rose 4.3% to EUR 956 million, due to the positive evolution of net interest income and of trading gains, which offset the fall in net fee income.

Net interest income was EUR 546 million (+6.3%), thanks to lower funding costs, particularly in deposits.

Net fee income was 11.8% lower at EUR 280 million, affected by the reduced business volume and regulatory changes.

Trading gains amounted to EUR 88 million, higher than in 2013 due to the greater capital gains in portfolio management.

Operating expenses (EUR 491 million) declined for the fifth straight year (-0.9%) due to maintaining the policy of optimising the commercial network adjusted to the business environment.

The efficiency ratio improved by 2.7 p.p. in 2014 to 51.4%.

Loan-loss provisions fell 35.7% year-on-year to EUR 124 million, benefiting from lower NPL entries (-69%) during 2014.

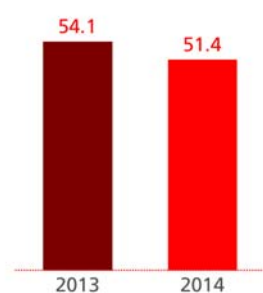
Pre-tax profit was 61.4% higher at EUR 243 million and attributable profit rose 65.1% to EUR 189 million.

Strategy and objectives in 2015

- Increase customer linkage with a greater effort in SMEs/companies.
- Boost market shares, mainly in companies, where we expect to change the trend of recent years and return to grow in volumes.
- Continue the normalisation process of the cost of deposits and the cost of credit.
- Maintain efficiency plans in order to reduce costs for the sixth consecutive year.
- Strengthen international business.

Efficiency ratio

%



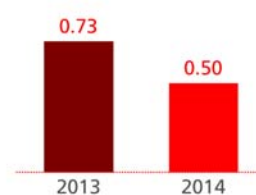
Net operating income

EUR Million



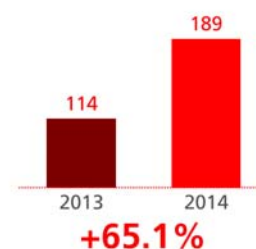
Cost of credit

%



Attributable profit

EUR Million



Poland

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|---------------------|-------------|-------------|
| Net interest income | 834 | 780 | 54 | 7.0 | 6.7 |
| Net fees | 435 | 400 | 35 | 8.6 | 8.3 |
| Gains (losses) on financial transactions | 79 | 119 | (39) | (33.2) | (33.3) |
| Other operating income* | 28 | 19 | 9 | 46.2 | 45.8 |
| Gross income | 1,376 | 1,317 | 58 | 4.4 | 4.1 |
| Operating expenses | (581) | (592) | 11 | (1.9) | (2.2) |
| General administrative expenses | (532) | (539) | 7 | (1.2) | (1.5) |
| Personnel | (309) | (312) | 3 | (0.9) | (1.2) |
| Other general administrative expenses | (223) | (227) | 4 | (1.7) | (2.0) |
| Depreciation and amortisation | (48) | (53) | 5 | (9.0) | (9.3) |
| Net operating income | 795 | 725 | 70 | 9.6 | 9.3 |
| Net loan-loss provisions | (186) | (167) | (18) | 10.8 | 10.5 |
| Other income | 11 | (6) | 16 | — | — |
| Profit before taxes | 620 | 552 | 68 | 12.3 | 12.0 |
| Tax on profit | (135) | (107) | (28) | 26.3 | 25.9 |
| Profit from continuing operations | 485 | 445 | 40 | 9.0 | 8.7 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 485 | 445 | 40 | 9.0 | 8.7 |
| Minority interests | 127 | 111 | 16 | 14.2 | 13.9 |
| Attributable profit to the Group | 358 | 334 | 24 | 7.2 | 6.9 |

Balance sheet

| | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|
| Customer loans** | 16,976 | 16,214 | 761 | 4.7 | 7.7 |
| Trading portfolio (w/o loans) | 1,166 | 532 | 634 | 119.1 | 125.4 |
| Available-for-sale financial assets | 5,816 | 5,325 | 491 | 9.2 | 12.3 |
| Due from credit institutions** | 1,061 | 667 | 394 | 59.1 | 63.6 |
| Intangible assets and property and equipment | 236 | 273 | (37) | (13.5) | (11.1) |
| Other assets | 2,540 | 2,095 | 446 | 21.3 | 24.7 |
| Total assets/liabilities & shareholders' equity | 27,794 | 25,106 | 2,688 | 10.7 | 13.9 |
| Customer deposits** | 20,144 | 18,503 | 1,641 | 8.9 | 12.0 |
| Marketable debt securities** | 230 | 121 | 110 | 91.0 | 96.5 |
| Subordinated debt** | 337 | 333 | 4 | 1.1 | 4.0 |
| Insurance liabilities | 77 | 84 | (6) | (7.4) | (4.7) |
| Due to credit institutions** | 1,261 | 1,206 | 55 | 4.6 | 7.6 |
| Other liabilities | 3,876 | 2,984 | 891 | 29.9 | 33.6 |
| Shareholders' equity*** | 1,869 | 1,875 | (7) | (0.4) | 2.5 |
| Other managed and marketed customer funds | 3,515 | 3,631 | (117) | (3.2) | (0.4) |
| Mutual and pension funds | 3,430 | 3,525 | (96) | (2.7) | 0.1 |
| Managed portfolios | 85 | 106 | (21) | (19.8) | (17.5) |
| Managed and marketed customer funds | 24,226 | 22,588 | 1,638 | 7.3 | 10.3 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|--------|-------|--|
| ROE | 16.16 | 15.85 | 0.31 | | |
| Efficiency ratio (with amortisations) | 42.2 | 45.0 | (2.7) | | |
| NPL ratio | 7.42 | 7.84 | (0.42) | | |
| NPL coverage | 60.3 | 61.8 | (1.5) | | |
| Number of employees | 11,971 | 12,363 | (392) | (3.2) | |
| Number of branches | 788 | 830 | (42) | (5.1) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► **Poland (changes in local currency)**→ **Pre-tax profit of EUR 358 million, 6.9% more than in 2013:**

- Strong rise in commercial revenues (+7.2%) and good management of costs (-2.2%).
- Pre-tax profit of EUR 620 million (+12.0%). Attributable profit affected by higher taxes and minority interests.

→ **Integration with Kredyt Bank completed, improving productivity and business**→ **Growth in lending and deposits, maintaining a solid funding structure.**→ **The strategic *Next Generation Bank* programme continues, with the main goal of converting us into the Bank of first choice for customers.**

Santander is the third largest bank in Poland in terms of loans and deposits (market shares of 8.9% and 9.5%, respectively, including the business of Santander Consumer Finance in the country). Excluding it, the market shares are 7.5% in loans and 8.3% in deposits. The Bank has 788 branches and 115 agencies.

Environment and strategy

The Polish economy grew above 3% in 2014, partly benefiting from lower interest rates and a stable zloty against the euro. This environment encouraged faster growth in lending (+7%) coupled with an increased corporate over consumer credit. Deposits (+8%) accompanied this evolution in an interest rate environment that increased the attractiveness of mutual funds.

The merger of BZ WBK and Kredyt Bank was completed in the second half of the year. This process was carried out with very effective management of costs, due to the efficiency measures adopted and execution of the integration plan of the former Kredyt Bank. The successful integration is also reflected in productivity improvement.

The Group's business model in Poland continues to be based on retail banking and with a notable presence in asset management, intermediation of securities, factoring and leasing.

The Global Banking and Markets (GBM) market presence developed during 2014, through the continued offer of banking services to BZ WBK large customers and the Group's global customers. By the end of 2014 GBM had almost 150 companies, of which 36 were large Polish groups. Deposits in this segment increased 44% and loans 34%.

Santander continued to be the leader in cards, mobile banking and Internet, marketing different products and initiatives. In mobile banking and Internet, the *BZWBK 24* channel assumed importance and sales via it rose 52%. As of November, cash loans and the possibility of overdrafts in current accounts began to be included in this channel.

As regards cards, and despite the greater regulation of this market (recent reduction in the interchange fees), the Bank continued to perform well. In 2014, 680,000 debit cards were issued (+19%) and 57,000 credit cards (+9%). The total balances of credit cards increased 11% and turnover 14%.

All of this underscores a significant revenue potential in the coming years. The Bank also continued the *Next Generation Bank* programme to develop at all levels. The board, all businesses and product segments are involved in this programme, which is very focused on customer satisfaction. Its main goal is to streamline processes and products as part of our strategy.

Activity

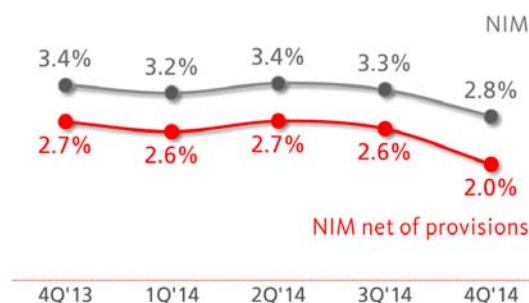
% var. 2014/2013 (constant EUR)



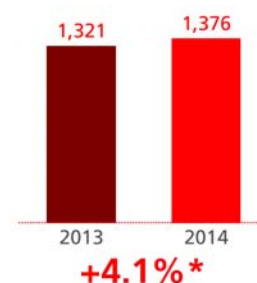
(*) Customer deposits + mutual funds

Net interest margin

%

**Gross income**

Constant EUR Million



(*) In euros: +4.4%

Activity

Net loans at the end of 2014 amounted to EUR 16,976 million and customer deposits EUR 20,144 million. The solid funding structure was underscored by a net loan-to-deposit ratio of 84% (88% in 2013). Gross lending grew 7% and customer funds 10%.

In retail banking area 2014 was a very good year as regards increasing volumes and performance. Deposits grew strongly thanks to the success of the campaigns conducted in the second half of the year. In lending, the year was a record one for sales, with growth of 27% in mortgages, 20% in SMEs and 7% in cash loans.

In the corporate banking area, various campaigns were launched to provide loans and alternative ways of financing business development.

Of note was the leasing and factoring areas. The factoring portfolio increased 36% and sales 33%, putting us in third place in the market with a 13% share. The gross leasing portfolio rose 18%, with new sales portfolio volume up 35% (SMEs: +32%; rest of companies: +53%).

Results

Attributable profit was 6.9% higher than in 2013 at EUR 358 million, spurred by commercial revenues and good management of costs. Net operating income increased 9.3%.

Net interest income rose 6.7% underscored by higher volumes and good management of spreads in a low interest rates environment. Net fee income rose 8.3%, with notable growth in that from higher credit fees (commercial credit) and higher insurance fees. Trading gains fell 33.3% (-EUR 40 million), due the high gains in 2013 in an environment of low interest rates.

Operating expenses declined 2.2%, reflecting the synergies of the integration. With this evolution of revenues and costs, the efficiency ratio improved by 2.7 percentage points to 42.2%.

Net loan-loss provisions grew 10.5%, with an improvement in credit quality. The NPL ratio at the end of 2014 was 7.42%, down from 7.84% in 2013.

Attributable profit was dented by the 25.9% rise in taxes and the 13.9% increase in minority interests. Pre-tax profit was EUR 620 million (+12.0%).

In short, our unit continued to generate better quality results than its peers, strengthened by the success of the commercial strategy and higher productivity.

Strategy and objectives in 2015

- Be the Bank of first choice for customers and employees, focused on attaining greater satisfaction for both of them.
- Boost market share in companies.
- Continue to be the leader in cards, mobile banking and Internet.
- Improve efficiency, productivity and profitability, maintaining a solid structure of liquidity and capital.

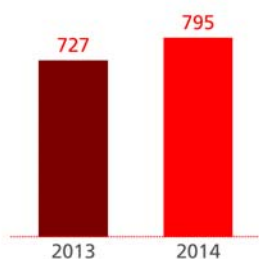
Efficiency ratio

%



Net operating income

Constant EUR Million

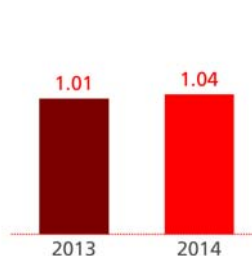


+9.3%*

(*) In euros: +9.6%

Cost of credit

%



Attributable profit

Constant EUR Million



+6.9%*

(*) In euros: +7.2%

Santander Consumer Finance

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % |
|--|--------------|--------------|------------------|-------------|
| Net interest income | 2,459 | 2,333 | 126 | 5.4 |
| Net fees | 836 | 787 | 49 | 6.2 |
| Gains (losses) on financial transactions | 3 | (7) | 10 | — |
| Other operating income* | 12 | (2) | 14 | — |
| Gross income | 3,309 | 3,111 | 198 | 6.4 |
| Operating expenses | (1,452) | (1,391) | (61) | 4.4 |
| General administrative expenses | (1,237) | (1,172) | (65) | 5.5 |
| Personnel | (664) | (646) | (19) | 2.9 |
| Other general administrative expenses | (572) | (526) | (46) | 8.8 |
| Depreciation and amortisation | (215) | (219) | 4 | (1.8) |
| Net operating income | 1,857 | 1,720 | 137 | 8.0 |
| Net loan-loss provisions | (544) | (565) | 21 | (3.7) |
| Other income | (37) | (70) | 33 | (47.2) |
| Profit before taxes | 1,277 | 1,085 | 191 | 17.6 |
| Tax on profit | (320) | (255) | (65) | 25.6 |
| Profit from continuing operations | 956 | 830 | 126 | 15.2 |
| Net profit from discontinued operations | (26) | (6) | (20) | 345.2 |
| Consolidated profit | 930 | 824 | 106 | 12.8 |
| Minority interests | 39 | 31 | 8 | 27.1 |
| Attributable profit to the Group | 891 | 794 | 97 | 12.3 |

Balance sheet

| | | | | |
|--|---------------|---------------|--------------|-------------|
| Customer loans** | 60,448 | 56,024 | 4,424 | 7.9 |
| Trading portfolio (w/o loans) | 87 | 864 | (776) | (89.9) |
| Available-for-sale financial assets | 988 | 705 | 283 | 40.1 |
| Due from credit institutions** | 5,476 | 8,158 | (2,682) | (32.9) |
| Intangible assets and property and equipment | 786 | 934 | (148) | (15.8) |
| Other assets | 3,734 | 3,723 | 10 | 0.3 |
| Total assets/liabilities & shareholders' equity | 71,520 | 70,409 | 1,111 | 1.6 |
| Customer deposits** | 30,847 | 30,878 | (30) | (0.1) |
| Marketable debt securities** | 15,646 | 10,377 | 5,268 | 50.8 |
| Subordinated debt** | 66 | 64 | 2 | 3.3 |
| Insurance liabilities | — | — | — | — |
| Due to credit institutions** | 13,333 | 18,060 | (4,727) | (26.2) |
| Other liabilities | 4,091 | 3,901 | 189 | 4.9 |
| Shareholders' equity*** | 7,537 | 7,128 | 408 | 5.7 |
| Other managed and marketed customer funds | 7 | 6 | 1 | 9.8 |
| Mutual and pension funds | 7 | 6 | 1 | 9.8 |
| Managed portfolios | — | — | — | — |
| Managed and marketed customer funds | 46,566 | 41,326 | 5,241 | 12.7 |

Ratios (%) and operating means

| | | | | |
|---------------------------------------|--------|--------|-------|-------|
| ROE | 10.89 | 9.95 | 0.94 | |
| Efficiency ratio (with amortisations) | 43.9 | 44.7 | (0.8) | |
| NPL ratio | 4.82 | 4.01 | 0.81 | |
| NPL coverage | 100.1 | 105.3 | (5.2) | |
| Number of employees | 13,046 | 11,695 | 1,351 | 11.6 |
| Number of branches | 579 | 613 | (34) | (5.5) |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Santander Consumer Finance

→ **Attributable profit of EUR 891 million, 12.3% more than in 2013, due to:**

- Higher gross income (+6.4%), fuelled by net interest income and fee income (+5.6% overall).
- Lower operating expenses at constant perimeter (-0.5%).
- Reduced loan-loss provisions (-3.7%).

→ **Rises in profitable market share.**

→ **High credit quality for the standards of the business: NPL ratio of 4.82% and coverage ratio of 100%, impacted by the entry of GE Nordics (3.86% and 106% excluding it).**

→ **Agreements strengthened the future growth potential.**

Environment and strategy

Santander Consumer Finance's (SCF) units in Continental Europe conducted their business in an environment of moderate recovery in consumption (+1% year-on-year in the third quarter in the euro zone) and of car sales (+5% in the footprint), as well as tougher competition.

In this environment, SCF continued to gain market share, backed by a business model that has been strengthened in the last few years. The model's pillars are high geographic diversification with critical mass in key products, better efficiency than its peers and a common system of risk control and recoveries, which enables SCF to maintain high credit quality.

Management focused in 2014 on:

- Promoting new loans and cross selling tailored to each market and supported by brand agreements and penetration of the used car market.
- Exploiting its competitive advantages in the European consumer finance market.

Several agreements reached and/or materialized in the year bolstered SCF's position:

- In Spain, we are the leaders in consumer credit since the beginning of the year.
- In the Nordic countries in the fourth quarter, after acquiring GE's business, we became the leaders in auto finance, direct credit and cards.
- As of 2015 and in several European countries (including France and Switzerland where SCF does not currently operate), implementation of the agreement with Banque PSA Finance will strengthen SCF's leadership in auto finance.

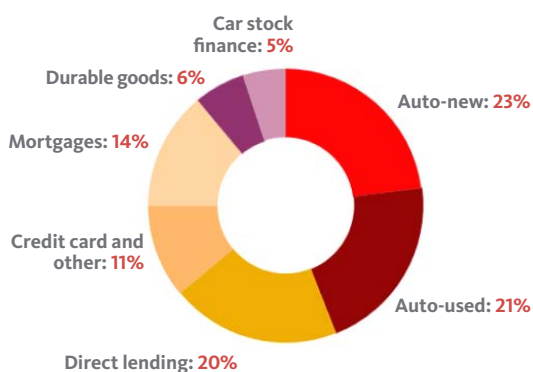
Activity

Gross lending increased 9% to EUR 63,509 million. Significant growth in the Nordic countries and Spain, favoured by the incorporations, as well as in Poland. Germany virtually unchanged and reduced business in Portugal and Italy.

New lending in 2014 amounted to EUR 25,073 million (+14%). Growth was strongly backed by direct credit and cards (+37% overall) and by new auto finance (+8%, higher than that of car registrations). All units grew in local currency terms, particularly

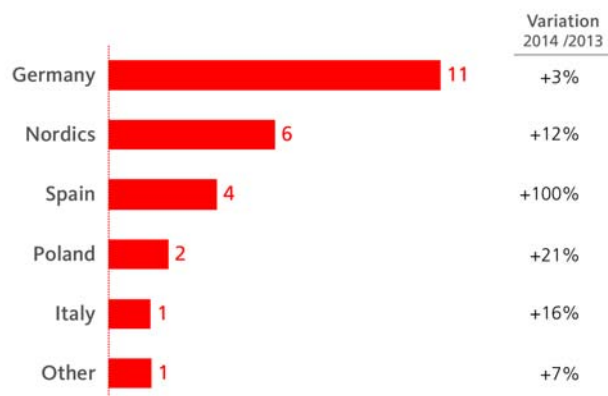
Portfolio distribution by products

%



New lending

EUR Billion



Poland (+21%), the euro zone periphery countries (double digit growth), Nordic countries (+12%) and Germany (+3%).

Of note on the funding side were stable customer deposits (around EUR 30,800 million), something that distinguishes us from our competitors.

As for wholesale funds capturing in markets, senior issues and securitisations in 2014 totalled EUR 6,750 million (EUR 6,200 million in 2013).

Deposits plus medium and long-term issues and securitisations covered 73% of net lending in 2014.

Results

Attributable profit was EUR 891 million, 12.3% more than in 2013 and slightly benefiting from the new incorporations.

Management of spreads on loans and the lower cost of funds absorbed the fall in interest rates, pushing up net interest income by 5.4%. Net fee income grew 6.2% and gross income was 6.4% higher at EUR 3,309 million.

Operating expenses grew 4.4%. Almost all of this growth was due to the new units in Spain and the Nordic countries (at constant perimeter costs dropped 0.5%).

The efficiency ratio improved by 0.8 p.p. to 43.9%.

Loan-loss provisions were 3.7% lower, which brought the cost of credit down to minimum levels of below 1%, a high level of credit quality for the standards of the business. The NPL ratio was 4.82%

and the coverage ratio 100%. Both ratios have been impacted by the incorporation of GE's business in the Nordic countries as, excluding them, the NPL ratio was 3.86% and coverage 106%.

Net operating income after provisions increased 13.7%, with rises in all the big units.

Of note was growth in Poland (+11.7%, due to higher gross income and lower operating expenses), the Nordic countries (+24.1%, because of the sharp rise in gross income favoured by the perimeter) and recovery in the euro zone periphery countries (good performance of gross income, costs and provisions). Germany grew 8.9%, with a favourable performance of gross income, particularly fee income, and lower costs and provisions.

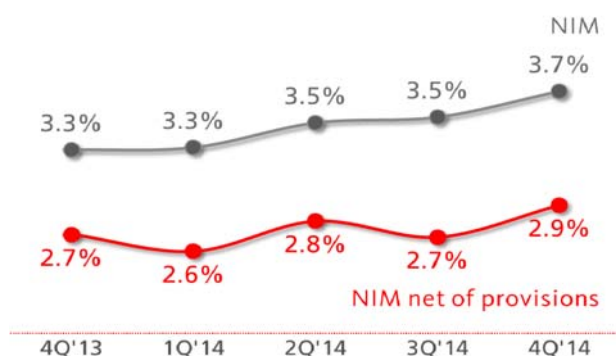
Lastly, the UK (included in Santander UK for accounting purposes) generated an attributable profit of EUR 113 million (+6.2% excluding the forex impact).

Strategy and objectives in 2015

- Focus on the integration of new joint operations with PSA and the business acquired from GE Nordics.
- Spur new lending with defence of spreads, tailored to the moment of each market and supported by brand agreements and penetration of the used car market.
- Boost cross selling via IT tools, as well as online lending.

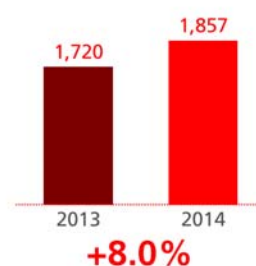
Net interest margin

%



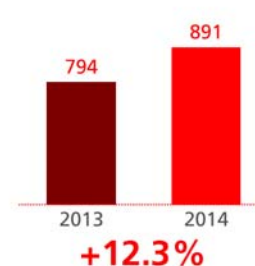
Net operating income

EUR Million



Attributable profit

EUR Million



United Kingdom

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|------------------|-------------|-------------|
| Net interest income | 4,234 | 3,451 | 784 | 22.7 | 16.5 |
| Net fees | 1,028 | 992 | 36 | 3.6 | (1.7) |
| Gains (losses) on financial transactions | 241 | 403 | (162) | (40.1) | (43.2) |
| Other operating income* | 37 | 36 | 2 | 5.6 | 0.2 |
| Gross income | 5,541 | 4,881 | 660 | 13.5 | 7.7 |
| Operating expenses | (2,890) | (2,605) | (285) | 10.9 | 5.3 |
| General administrative expenses | (2,458) | (2,181) | (277) | 12.7 | 7.0 |
| Personnel | (1,613) | (1,401) | (212) | 15.1 | 9.2 |
| Other general administrative expenses | (845) | (780) | (65) | 8.4 | 2.8 |
| Depreciation and amortisation | (432) | (424) | (8) | 1.8 | (3.4) |
| Net operating income | 2,651 | 2,276 | 375 | 16.5 | 10.6 |
| Net loan-loss provisions | (332) | (580) | 248 | (42.8) | (45.7) |
| Other income | (318) | (236) | (82) | 34.9 | 28.0 |
| Profit before taxes | 2,001 | 1,460 | 541 | 37.1 | 30.1 |
| Tax on profit | (425) | (301) | (123) | 40.9 | 33.8 |
| Profit from continuing operations | 1,576 | 1,159 | 418 | 36.0 | 29.1 |
| Net profit from discontinued operations | — | (9) | 9 | (100.0) | (100.0) |
| Consolidated profit | 1,576 | 1,149 | 427 | 37.1 | 30.2 |
| Minority interests | — | — | — | — | — |
| Attributable profit to the Group | 1,576 | 1,149 | 427 | 37.1 | 30.2 |

Balance sheet

| | | | | | |
|--|----------------|----------------|---------------|------------|--------------|
| Customer loans** | 251,191 | 231,046 | 20,145 | 8.7 | 1.6 |
| Trading portfolio (w/o loans) | 39,360 | 28,831 | 10,528 | 36.5 | 27.5 |
| Available-for-sale financial assets | 11,197 | 6,003 | 5,193 | 86.5 | 74.2 |
| Due from credit institutions** | 14,093 | 17,136 | (3,043) | (17.8) | (23.2) |
| Intangible assets and property and equipment | 2,700 | 2,498 | 202 | 8.1 | 1.0 |
| Other assets | 35,695 | 38,229 | (2,534) | (6.6) | (12.8) |
| Total assets/liabilities & shareholders' equity | 354,235 | 323,743 | 30,492 | 9.4 | 2.2 |
| Customer deposits** | 202,328 | 187,467 | 14,862 | 7.9 | 0.8 |
| Marketable debt securities** | 69,581 | 64,092 | 5,489 | 8.6 | 1.4 |
| Subordinated debt** | 5,376 | 5,805 | (429) | (7.4) | (13.5) |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 26,700 | 26,882 | (182) | (0.7) | (7.2) |
| Other liabilities | 35,833 | 26,855 | 8,978 | 33.4 | 24.7 |
| Shareholders' equity*** | 14,415 | 12,642 | 1,774 | 14.0 | 6.5 |
| Other managed and marketed customer funds | 9,667 | 9,645 | 21 | 0.2 | (6.4) |
| Mutual and pension funds | 9,524 | 9,645 | (122) | (1.3) | (7.8) |
| Managed portfolios | 143 | — | 143 | — | — |
| Managed and marketed customer funds | 286,953 | 267,010 | 19,943 | 7.5 | 0.4 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|--------|-------|--|
| ROE | 11.21 | 8.87 | 2.34 | | |
| Efficiency ratio (with amortisations) | 52.2 | 53.4 | (1.2) | | |
| NPL ratio | 1.79 | 1.98 | (0.19) | | |
| NPL coverage | 41.9 | 41.6 | 0.3 | | |
| Number of employees | 25,599 | 25,421 | 178 | 0.7 | |
| Number of branches | 929 | 1,011 | (82) | (8.1) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► United Kingdom (changes in sterling)

→ Attributable profit of £1,270 million, up 30.2% from 2013:

- Net interest income growth of 16.5%, increasing for the eighth consecutive quarter.
- Cost efficiency absorbing more investment in businesses.
- Loan-loss provisions down 45.7%, supported by better credit quality in all portfolios and benign credit conditions.

→ The 1/2/3 World customer numbers continued to grow, now 3.6 million, with a better business profile, stronger relationships and increasing levels of activity.

→ Strong growth in corporate loans (+8%) and deposits (+7%), backed by the development of ancillary services and the greater distribution capacity.

Environment and strategy

In 2014 the pace of economic growth in the United Kingdom registered a strong pick up, and with sterling appreciating against the euro in an environment of low interest rates and high quantitative stimulus measures. Lending to the private sector registered limited growth (+2%), with loans to households increasing, underpinned by the rise in mortgage balances backed by higher house prices. On the other hand, loans to corporates continuing to decline. Deposits increased by around 5%.

Santander UK's strategy is built around three priorities: loyal and satisfied retail customers; Bank of Choice for UK companies; and consistent profitability and a strong balance sheet.

Santander UK continues to support its customers against a backdrop of a strengthening UK economy. In Retail Banking this is led by the 1/2/3 World products, which is deepening customer relationships, realising greater transactionality and increased loyalty. This offering remains one of the most successful in the UK market and has contributed to a 47% increase in current account balances over the past twelve months. We are developing more

targeted products and services for our key customer segments, such as our new *Select* segment for more affluent customers.

We continue to invest in branch refurbishments and digital technology. This year we have delivered a number of improvements in all of our digital platforms including our online and mobile banking services as well as introducing more digital technology into our branches. All of this is driving customer satisfaction and we are the most improved bank for retail customer satisfaction since December 2012, with the gap to the highest performing peers largely closed.

Santander UK is continuing to develop a more diversified business, with the growth of its corporate banking capability expanding its presence in this market whilst also widening its range of activities and the services offered to UK companies. Support for UK businesses continued with increased lending to corporates, rising 8% in the last 12 months meanwhile the market dropped. In addition, a strong positive evolution in customer deposits, which increased 7% and with a rise of 33% in account openings.

Balance sheet strength continues to underpin this strategy; capital and liquidity ratios are all robust, with Santander UK maintaining a leading capital position among the main UK banks. Santander UK exceeded the PRA's 2014 UK variant stress test threshold requirement of 4.5% with a stressed CET 1 capital ratio of 7.9% after PRA allowed management actions, demonstrating balance sheet strength and its resilience to a potential UK economic downturn.

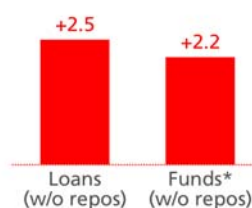
At the end of December 2014, the CRD IV end point Common Equity Tier 1 capital ratio stood at 11.9% and leverage ratio was 3.8%.

Activity

Santander UK is focused on the United Kingdom, with only 3% of assets being non-UK. Around 79% of customer loans are prime mortgages for homes in the UK. The portfolio of mortgages is of high quality, with no exposure to self-certified or subprime mortgages whilst buy to let mortgages are around 2% of customer loans. The loan to deposit ratio was 124%, one percentage point higher than in December 2013.

Activity

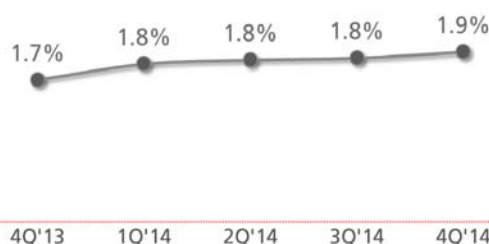
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

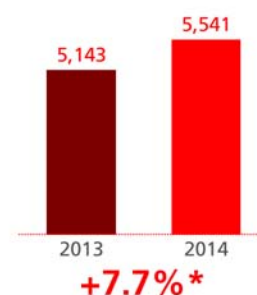
Banking NIM

%. Local criteria



Gross income

Constant EUR Million



(*) In euros: +13.5%

In local criteria, customer loans amounted to £190,700 million, 2% higher than in 2013. This was largely due to a 1% increase in mortgage loans and growth in corporate loans of 8%.

Gross mortgage lending amounted to £26,260 million, 43% more than in 2013, including £5,600 million to first time buyers and £1,200 million of *Help to Buy*. Net mortgage lending came to £2,000 million in 2014, as Santander UK resumed the growth of this business. This positive growth is expected to continue into 2015.

Both lending to corporates and, particularly, that to SMEs increased 8%.

At the end of 2014, there were 3.6 million customers in *1/2/3 World*, an increase of 1.2 million customers in a year. The *1/2/3 Current Account* attracts more loyal customers, with 93% of these customers having their primary bank account with Santander UK. Current account balances grew to £41,100 million, up 47% on 2013, or £1bn per month.

Customer deposits of £152,400 million increased 4% over 2013. In Retail Banking the managed reduction of more rate sensitive and short term deposits continued (mainly through maturities of higher rate *eSaver* savings products), and their replacement by deposits that offer better relationship opportunities and lower cost term ISA products.

Results

Attributable profit of £1,270 million, 30.2% more than in 2013.

This growth was largely due to net interest income, which increased 16.5%, with management focused on reducing the cost of retail liabilities following the strategy already mentioned. Gross revenues were 7.7% higher than in 2013, absorbing lower fee income and reduced gains on financial transactions.

Operating expenses increased by 5.3% in a year, with further investment in Retail Banking and Commercial Banking, partially offset by the efficiency plans we have in place. These investment

programmes continued to support the transformation of the business and provide the underpinning for future efficiency improvements. The efficiency ratio was 52.2% (1.2 p.p. better than in 2013).

Loan-loss provisions fell 45.7%, with good credit quality across the product range and supported by an improving economic environment. The NPL ratio of 1.79% at the end of 2014 was lower than in 2013 (1.98%). We maintained our conservative lending criteria, with an average LTV of 65% on new lending, including *Help to Buy*, and 47% on the stock of mortgages. The Commercial Banking NPL ratio decreased to 3.01%, (3.02% at end 2013), as we continued to adhere to prudent lending criteria.

In short, the results demonstrated a further momentum in performance and continued progress evident through the year, particularly in net interest income. Banking NIM improved to 1.85% in the last quarter of 2014 from 1.71% in the last quarter of 2013.

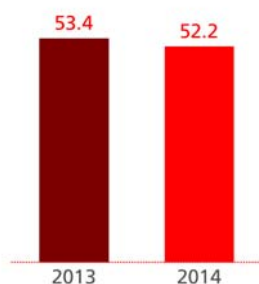
Strategy and objectives in 2015

The strategy exhibited in 2014 will be maintained:

- On the assets side, growth in commercial lending and mortgages.
- On the liabilities side, increasing the number of customers who have their primary account with Santander UK.
- Improve the efficiency ratio, with management of 'jaws' to keep revenue growth higher than cost growth.
- Maintain good credit quality across all portfolios.
- Maintaining a strong capital base and prudent liquidity

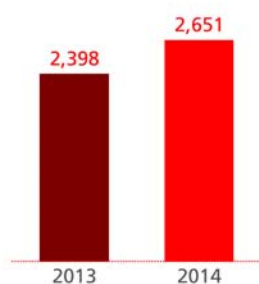
Efficiency ratio

%



Net operating income

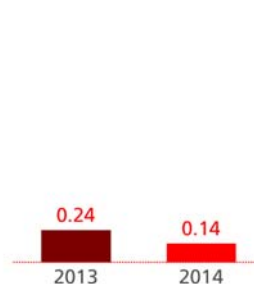
Constant EUR Million



(*) In euros: +16.5%

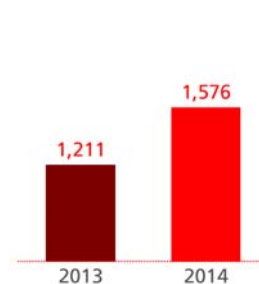
Cost of credit

%



Attributable profit

Constant EUR Million



(*) In euros: +37.1%

Latin America

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|---------------|---------------|------------------|--------------|-------------|
| Net interest income | 13,879 | 14,913 | (1,034) | (6.9) | 2.9 |
| Net fees | 4,565 | 4,660 | (95) | (2.0) | 9.1 |
| Gains (losses) on financial transactions | 538 | 1,037 | (499) | (48.1) | (41.3) |
| Other operating income* | 83 | 51 | 32 | 64.0 | 86.7 |
| Gross income | 19,065 | 20,661 | (1,596) | (7.7) | 2.3 |
| Operating expenses | (8,017) | (8,475) | 459 | (5.4) | 5.0 |
| General administrative expenses | (7,226) | (7,580) | 354 | (4.7) | 5.9 |
| Personnel | (4,012) | (4,207) | 196 | (4.7) | 5.9 |
| Other general administrative expenses | (3,214) | (3,372) | 158 | (4.7) | 5.8 |
| Depreciation and amortisation | (790) | (895) | 105 | (11.7) | (2.0) |
| Net operating income | 11,049 | 12,186 | (1,137) | (9.3) | 0.4 |
| Net loan-loss provisions | (5,119) | (6,435) | 1,316 | (20.5) | (12.7) |
| Other income | (839) | (543) | (295) | 54.4 | 73.3 |
| Profit before taxes | 5,091 | 5,207 | (116) | (2.2) | 9.4 |
| Tax on profit | (1,151) | (1,165) | 14 | (1.2) | 12.7 |
| Profit from continuing operations | 3,940 | 4,042 | (102) | (2.5) | 8.5 |
| Net profit from discontinued operations | — | 0 | (0) | (100.0) | (100.0) |
| Consolidated profit | 3,940 | 4,042 | (102) | (2.5) | 8.5 |
| Minority interests | 790 | 861 | (71) | (8.3) | 0.3 |
| Attributable profit to the Group | 3,150 | 3,181 | (31) | (1.0) | 10.8 |

Balance sheet

| | | | | | |
|--|----------------|----------------|---------------|-------------|-------------|
| Customer loans** | 144,714 | 128,684 | 16,030 | 12.5 | 12.1 |
| Trading portfolio (w/o loans) | 35,886 | 23,097 | 12,788 | 55.4 | 51.9 |
| Available-for-sale financial assets | 31,216 | 20,822 | 10,394 | 49.9 | 49.0 |
| Due from credit institutions** | 23,899 | 28,073 | (4,174) | (14.9) | (16.2) |
| Intangible assets and property and equipment | 3,967 | 3,895 | 72 | 1.9 | 1.9 |
| Other assets | 42,505 | 40,354 | 2,151 | 5.3 | 4.0 |
| Total assets/liabilities & shareholders' equity | 282,187 | 244,925 | 37,262 | 15.2 | 14.3 |
| Customer deposits** | 137,726 | 122,176 | 15,551 | 12.7 | 12.1 |
| Marketable debt securities** | 31,920 | 28,987 | 2,933 | 10.1 | 9.6 |
| Subordinated debt** | 6,467 | 4,833 | 1,635 | 33.8 | 33.1 |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 35,263 | 24,489 | 10,773 | 44.0 | 42.4 |
| Other liabilities | 48,053 | 44,999 | 3,054 | 6.8 | 5.4 |
| Shareholders' equity*** | 22,758 | 19,442 | 3,316 | 17.1 | 15.4 |
| Other managed and marketed customer funds | 79,294 | 65,599 | 13,695 | 20.9 | 18.5 |
| Mutual and pension funds | 66,657 | 55,835 | 10,821 | 19.4 | 18.1 |
| Managed portfolios | 12,637 | 9,764 | 2,874 | 29.4 | 20.3 |
| Managed and marketed customer funds | 255,407 | 221,595 | 33,813 | 15.3 | 14.1 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|--------|-------|--|
| ROE | 14.04 | 13.76 | 0.29 | | |
| Efficiency ratio (with amortisations) | 42.0 | 41.0 | 1.0 | | |
| NPL ratio | 4.65 | 5.00 | (0.35) | | |
| NPL coverage | 84.7 | 85.4 | (0.7) | | |
| Number of employees | 85,009 | 85,320 | (311) | (0.4) | |
| Number of branches | 5,729 | 5,789 | (60) | (1.0) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Latin America (all changes in constant currency)

→ Attributable profit of EUR 3,150 million, 10.8% higher than in 2013:

- Gross income rose 2.3%, due to net interest income and fee income.
- Operating expenses increased (+5.0%) because of investments in commercial development, mainly in Mexico, Chile and Argentina and inflationary pressures.
- Loan-loss provisions declined 12.7%, mainly due to the improvement in Brazil.

→ Lending increased 12% and deposits 11%.

Grupo Santander has the region's largest international franchise. It has 5,729 branches and points of attention, over 49 million customers and market shares of 9.9% in loans and 10.1% in deposits.

Environment and strategy

Growth slowed down in 2014, largely because of the international context. Central banks changed interest rates to varying degrees, with cuts in Mexico and Chile in order to support growth and hikes in others (Brazil) to contain inflation.

The slowdown was also reflected in the financial systems where Santander operates, reducing overall business. Total lending grew 11%, with stronger growth to companies and mortgages than consumer credit. Deposits increased 8%, mainly demand deposits.

Currencies depreciated against the dollar, but not against the euro where there was a slight appreciation except for the Chilean and Argentine pesos.

The strategy in 2014 was focused on expansion, consolidation and improvement in the business of the commercial franchise in the region.

We are strengthening the specialized offer of products and services tailored to suit customers' needs, which will enable us to push long-term business growth and improve customers' transaction business. Santander continued meanwhile to oversee the quality of risks. The measures being implemented to improve efficiency should be reflected in greater profitability.

The main aspects of the Group's activity and results are set out below. All percentage changes exclude the exchange rate impact.

Activity

Lending (excluding repos) increased 12%. Of note by country: Mexico increased 18%, Argentina 23% and Uruguay 17%.

Deposits excluding repos increased 11% with increases in all countries in demand deposits (up 15% for the whole region) and time deposits 8%. Mutual funds increased 18%.

Results

Gross income was EUR 19,065 million, 2.3% higher than in 2013:

- Net interest income rose 2.9%, mainly affected by the change of mix toward lower cost of credit products and also reduced spreads. There was also pressure on spreads, particularly in Brazil and Mexico. Higher volumes and a lower cost of credit offset these effects.
- Net fee income increased 9.1%, with growth in all countries. Of note was the growth in that from cards (+9.8%) and insurance (+4.4%).
- Trading gains were 41.3% lower than in 2013 when income was obtained from the sale of portfolios, mainly in Brazil.

Operating expenses grew 5.0%, due to investment in networks and commercial projects (some traditional and others focused on priority customer segments) and inflationary pressures on salary agreements and contracted services. The consolidation of GetNet in Brazil also had some impact. Net operating income was EUR 11,049 million.

Activity

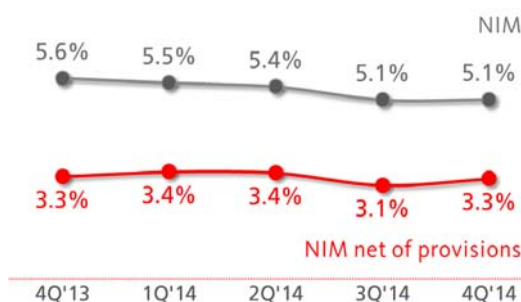
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

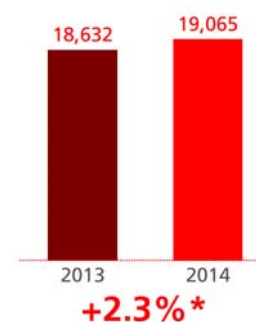
Net interest margin

%



Gross income

Constant EUR Million



(*) In euros: -7.7%

Latin America. Income statement

EUR Million

| | Gross income | | | Net operating income | | | Attributable profit | | |
|---------------------------|---------------|--------------|------------|----------------------|--------------|------------|---------------------|--------------|-------------|
| | 2014 | % | % w/o FX | 2014 | % | % w/o FX | 2014 | % | % w/o FX |
| Brazil | 12,008 | (11.2) | (2.9) | 7,092 | (13.5) | (5.4) | 1,558 | (1.3) | 8.0 |
| Mexico | 3,072 | 1.7 | 6.0 | 1,812 | 0.9 | 5.2 | 660 | (7.4) | (3.5) |
| Chile | 2,197 | (2.3) | 12.6 | 1,343 | 1.5 | 17.0 | 509 | 17.0 | 34.8 |
| Argentina | 1,158 | (9.8) | 34.3 | 591 | (14.2) | 27.8 | 298 | (10.5) | 33.3 |
| Uruguay | 255 | 0.8 | 14.9 | 97 | 6.6 | 21.6 | 54 | 1.9 | 16.2 |
| Peru | 52 | 26.5 | 33.0 | 35 | 29.3 | 36.0 | 24 | 24.7 | 31.1 |
| Other | 32 | 391.3 | 394.9 | (62) | (23.3) | (22.9) | (54) | (3.7) | (3.1) |
| Subtotal | 18,773 | (7.8) | 2.3 | 10,907 | (9.4) | 0.5 | 3,049 | (0.8) | 11.4 |
| Santander Private Banking | 292 | 0.8 | 0.7 | 142 | (4.3) | (4.4) | 101 | (4.8) | (4.9) |
| Total | 19,065 | (7.7) | 2.3 | 11,049 | (9.3) | 0.4 | 3,150 | (1.0) | 10.8 |

Loan-loss provisions declined 12.7% due to Brazil (-17.7%, accentuating the change in trend started at the beginning of 2013). Mexico's provisions were slightly lower and Chile's almost unchanged.

The improvement in the cost of credit reflected the fall in NPLs. The NPL ratio ended the year at 4.65% (-35 b.p. in the year), positively impacted by Brazil. The coverage ratio was 85%.

After incorporating loan-loss provisions and other provisions, profit before tax was EUR 5,091 million (+9.4%).

The higher effective tax charge, mainly in Mexico, and lower minority interests in Brazil produced attributable profit of EUR 3,150 million (+10.8%).

Strategy and objectives in 2015

Improve business and the commercial franchise in the region:

- Increase the customer base and transactional linkage.
- Offer innovative value proposals (*Santander Advance Programme – SMEs, Select- high-income clients – and be the Bank for companies' transactions*).
- Improve productivity and profitability thanks to efficiency plans and quality of service

All of this, while keeping a permanent watch on the quality of risks.

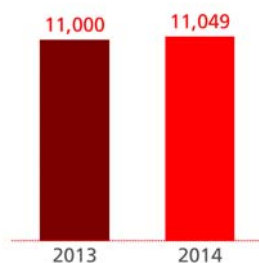
Efficiency ratio

%



Net operating income

Constant EUR Million

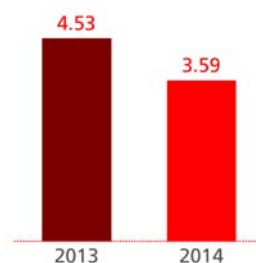


+0.4%*

(*) In euros: -9.3%

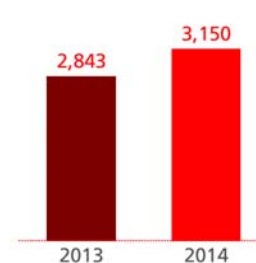
Cost of credit

%



Attributable profit

Constant EUR Million



+10.8%*

(*) In euros: -1.0%

Brazil

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|---------------|---------------|------------------|---------------|--------------|
| Net interest income | 8,959 | 10,067 | (1,108) | (11.0) | (2.7) |
| Net fees | 2,836 | 2,871 | (35) | (1.2) | 8.0 |
| Gains (losses) on financial transactions | 96 | 540 | (444) | (82.2) | (80.6) |
| Other operating income* | 117 | 41 | 76 | 187.8 | 214.7 |
| Gross income | 12,008 | 13,518 | (1,510) | (11.2) | (2.9) |
| Operating expenses | (4,916) | (5,324) | 408 | (7.7) | 1.0 |
| General administrative expenses | (4,407) | (4,743) | 336 | (7.1) | 1.6 |
| Personnel | (2,386) | (2,563) | 177 | (6.9) | 1.8 |
| Other general administrative expenses | (2,021) | (2,180) | 159 | (7.3) | 1.4 |
| Depreciation and amortisation | (509) | (581) | 72 | (12.4) | (4.2) |
| Net operating income | 7,092 | 8,194 | (1,102) | (13.5) | (5.4) |
| Net loan-loss provisions | (3,682) | (4,894) | 1,212 | (24.8) | (17.7) |
| Other income | (805) | (499) | (307) | 61.5 | 76.5 |
| Profit before taxes | 2,604 | 2,802 | (197) | (7.0) | 1.6 |
| Tax on profit | (679) | (763) | 85 | (11.1) | (2.8) |
| Profit from continuing operations | 1,926 | 2,039 | (113) | (5.5) | 3.3 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 1,926 | 2,039 | (113) | (5.5) | 3.3 |
| Minority interests | 368 | 461 | (93) | (20.2) | (12.7) |
| Attributable profit to the Group | 1,558 | 1,577 | (20) | (1.3) | 8.0 |

Balance sheet

| | | | | | |
|--|----------------|----------------|---------------|-------------|-------------|
| Customer loans** | 74,373 | 66,446 | 7,927 | 11.9 | 10.7 |
| Trading portfolio (w/o loans) | 18,256 | 10,321 | 7,935 | 76.9 | 74.9 |
| Available-for-sale financial assets | 22,939 | 14,175 | 8,764 | 61.8 | 60.0 |
| Due from credit institutions** | 10,276 | 14,734 | (4,458) | (30.3) | (31.0) |
| Intangible assets and property and equipment | 2,640 | 2,793 | (153) | (5.5) | (6.6) |
| Other assets | 27,803 | 25,456 | 2,347 | 9.2 | 8.0 |
| Total assets/liabilities & shareholders' equity | 156,287 | 133,925 | 22,362 | 16.7 | 15.4 |
| Customer deposits** | 68,539 | 61,490 | 7,049 | 11.5 | 10.2 |
| Marketable debt securities** | 21,903 | 20,002 | 1,901 | 9.5 | 8.3 |
| Subordinated debt** | 4,368 | 2,734 | 1,634 | 59.8 | 58.0 |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 22,826 | 12,929 | 9,897 | 76.6 | 74.6 |
| Other liabilities | 25,684 | 25,229 | 455 | 1.8 | 0.7 |
| Shareholders' equity*** | 12,967 | 11,542 | 1,425 | 12.4 | 11.1 |
| Other managed and marketed customer funds | 49,806 | 42,640 | 7,166 | 16.8 | 15.5 |
| Mutual and pension funds | 46,559 | 39,675 | 6,884 | 17.3 | 16.0 |
| Managed portfolios | 3,248 | 2,965 | 282 | 9.5 | 8.3 |
| Managed and marketed customer funds | 144,616 | 126,866 | 17,750 | 14.0 | 12.7 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|---------|-------|--|
| ROE | 13.28 | 12.64 | 0.64 | | |
| Efficiency ratio (with amortisations) | 40.9 | 39.4 | 1.6 | | |
| NPL ratio | 5.05 | 5.64 | (0.59) | | |
| NPL coverage | 95.4 | 95.1 | 0.3 | | |
| Number of employees | 46,464 | 49,371 | (2,907) | (5.9) | |
| Number of branches | 3,411 | 3,566 | (155) | (4.3) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► **Brazil (changes in local currency)**

→ **Attributable profit of EUR 1,558 million, 8.0% more than in 2013).**

- Gross income fell 2.9%, due to net interest income (change of mix) and trading gains. Fee income improved.
- Operating expenses rose by only 1%, well below the inflation rate.
- Credit quality continues to improve: loan-loss provisions declined 17.7%, and the NPL ratio fell 59 b.p.

→ **Loans and customer funds rose over 10%, with growth above private sector banks.**

Santander Brazil is the country's third largest private sector bank by assets and the largest foreign bank in the country. It operates in the main regions, with 3,411 branches and points of banking attention, 14,856 ATMs and more than 31 million customers.

Environment and strategy

Banking business was conducted in 2014 in an environment of close to zero growth and higher interest rates to contain inflation, causing the real to depreciate against the dollar (slight appreciation against the euro). The economic slowdown was reflected in lower growth in lending (+11% in December), which continued to be driven by earmarked credit (+20%) and state banks, whose growth comfortably doubled that of the private sector banks (+16% vs. +6%). Total customer funds increased 10%, with a growing share of mutual funds and other funds (debentures and *letras financieras*) which increased 26%.

In this environment, Santander Brazil, as a universal bank focused on retail banking, maintained the following guidelines:

- 1) Increasing customers preference and linkage: with segmented products and services, simple and effective, which via a multi channel platform seek to maximise customer satisfaction.
- 2) Improve recurrence and sustainability: business growth with greater revenue diversification, while maintaining rigorous risk management.

3) Disciplined use of capital and liquidity in order to maintain a sound balance sheet, manage regulatory changes and take advantage of growth opportunities.

4) Increase productivity via an intense agenda of productive transformation.

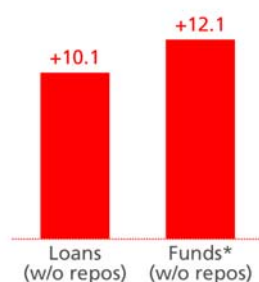
5) Strengthen business lines with market share below the natural one.

Progress was made during 2014 in the Bank's strategic guidelines, through the reformulation of channels and launch of the new business model with a more efficient and agile management. In the segments of individuals and SMEs, we launched products and made new agreements, expanded the *Select* branches (85 in 2014) and further strengthened the acquiring business. In the auto segment, Santander was the leader in car financing (19% market share).

- Reformulation of channels with the creation of the multi channel concept, the proposal to improve the customer experience with simpler and more accessible processes. Of note was the launch of updated versions of the *Minha Conta app*, the new online banking and the special ATM for dollar withdrawals.
- Launch of *Santander Conta Conecta*, a current account for the segments of individuals and SMEs, which enables payments with cards to be received in smartphones and tablets. There are currently more than 60,000 accounts.
- Agreement to create a joint venture with Banco Bonsucesso to leverage activities in payroll business, as well as increase the offer of products and improve the distribution and marketing capacity. We expect to close this transaction in the first quarter of 2015.
- Acquisition of 50% of SuperBank, a digital platform that sells financial products and services for the massive segment of individuals, with a more efficient structure.
- Strengthen the acquiring business, following the purchase of GetNet. Banco Santander Brazil has an indirect participation with a stake of 88.5%.
- Launch of *Pague Directo*, a new payment means product which is focused on SMEs. This product enables shops to pay for their

Activity

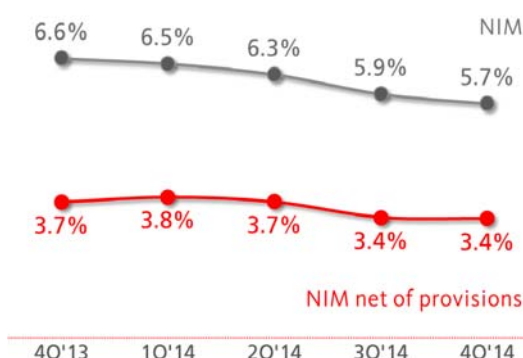
% var. 2014/2013 (constant EUR)



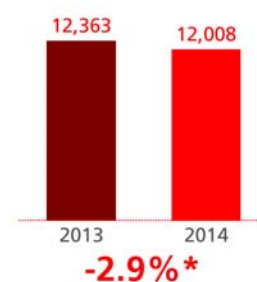
(*) Customer deposits + mutual funds

Net interest margin

%

**Gross income**

Constant EUR Million



(*) In euros: -11.2%

orders with Santander's payment terminal more practically, quickly and securely.

- Lastly, at the end of 2014 the *CERTO* model was launched, which offers greater simplicity and commercial dedication to customers. The model has a unique commercial management platform with more integrated tools and aligned with a "customer vision", which will spur more business, efficiency and focus on the customer.

Activity

Lending rose 10%, higher than the average for private sector banks, backed by mortgages (+34%), where market penetration is still low, and large companies (+24%). The balances in segments of low risk/spreads such as agri business (+23%) and BNDES (+21%), where we want to boost our presence, also rose strongly.

Consumer finance lending declined 4% in a sluggish market and that to SMEs remained unchanged, after the falls of recent quarters with positive contribution of acquiring business.

Deposits without repos increased 8%, with demand deposits up 10%. Mutual funds rose 16%.

Santander Brazil's market share in total loans is 8.1% (12.4% for unarmarked lending) and 7.9% in deposits.

The strategy followed in the last few months increased the market share in segments where the Bank has a low presence, such as BNDES (+32 b.p.) and mortgages for individual borrowers (+32 b.p.) and also in auto finance, where Santander is the market leader.

Results

Gross income declined 2.9% to EUR 12,008 million, largely due to the fall in trading gains because of the reduced gains from markets activity in 2014. Net interest income was also lower

because of the change of mix of portfolio to lower risk products/segments and the squeezing of spreads on loans.

Fee income, on the other hand, was 8.0% higher at EUR 2,836 million, backed by cards (+9%) and transaction banking (+15%), part of this growth came from the acquisition of GetNet.

Operating expenses rose by only 1.0% (-0.6% on a like-for-like basis), compared to inflation of more than 6%. This reflected the effort made in the last few years to control costs.

Loan-loss provisions declined 17.7%. The cost of credit fell to 4.9% from 6.3% in 2013.

Net operating income after provisions increased 13.0%. The NPL ratio was 5.05% (-0.6 p.p. in the year).

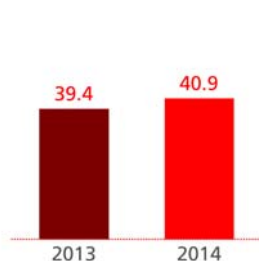
Attributable profit was 8.0% higher at EUR 1,558 million.

Strategy and objectives in 2015

- Continue the commercial business improvement and perception of services by customers.
- Grow the number of customers and increase linkage with more profitable products.
- Maintain the good lending trends.
- Increase commercial productivity via agile and modern tools.
- Maintain costs rise at below the inflation rate.
- Offer an innovative value proposal for SMEs, via *Santander Advance's* global programme.

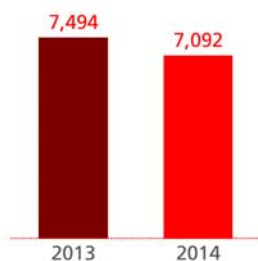
Efficiency ratio

%



Net operating income

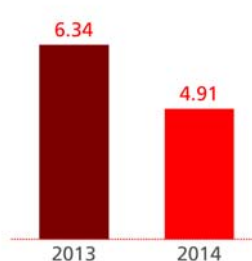
Constant EUR Million



-5.4%*
(* In euros: -13.5%)

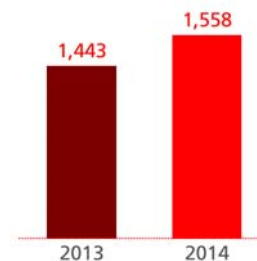
Cost of credit

%



Attributable profit

Constant EUR Million



+8.0%*
(* In euros: -1.3%)

Mexico

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|---------------------|--------------|--------------|
| Net interest income | 2,182 | 2,120 | 62 | 2.9 | 7.3 |
| Net fees | 770 | 783 | (12) | (1.6) | 2.6 |
| Gains (losses) on financial transactions | 165 | 141 | 24 | 17.0 | 21.9 |
| Other operating income* | (45) | (23) | (22) | 94.6 | 102.9 |
| Gross income | 3,072 | 3,021 | 52 | 1.7 | 6.0 |
| Operating expenses | (1,260) | (1,225) | (36) | 2.9 | 7.2 |
| General administrative expenses | (1,129) | (1,105) | (24) | 2.1 | 6.5 |
| Personnel | (607) | (593) | (14) | 2.4 | 6.7 |
| Other general administrative expenses | (522) | (512) | (10) | 1.9 | 6.2 |
| Depreciation and amortisation | (131) | (120) | (12) | 9.9 | 14.6 |
| Net operating income | 1,812 | 1,796 | 16 | 0.9 | 5.2 |
| Net loan-loss provisions | (756) | (801) | 44 | (5.5) | (1.6) |
| Other income | 2 | 17 | (15) | (89.8) | (89.4) |
| Profit before taxes | 1,057 | 1,012 | 45 | 4.5 | 8.9 |
| Tax on profit | (207) | (79) | (127) | 160.7 | 171.8 |
| Profit from continuing operations | 851 | 933 | (82) | (8.8) | (4.9) |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 851 | 933 | (82) | (8.8) | (4.9) |
| Minority interests | 191 | 220 | (29) | (13.4) | (9.7) |
| Attributable profit to the Group | 660 | 713 | (53) | (7.4) | (3.5) |

Balance sheet

| | | | | | |
|--|---------------|---------------|--------------|-------------|-------------|
| Customer loans** | 25,873 | 22,269 | 3,604 | 16.2 | 14.9 |
| Trading portfolio (w/o loans) | 10,185 | 8,685 | 1,500 | 17.3 | 15.9 |
| Available-for-sale financial assets | 4,624 | 3,387 | 1,238 | 36.6 | 35.0 |
| Due from credit institutions** | 7,058 | 7,975 | (917) | (11.5) | (12.5) |
| Intangible assets and property and equipment | 440 | 402 | 38 | 9.5 | 8.3 |
| Other assets | 5,545 | 5,681 | (136) | (2.4) | (3.5) |
| Total assets/liabilities & shareholders' equity | 53,726 | 48,398 | 5,328 | 11.0 | 9.7 |
| Customer deposits** | 28,627 | 24,663 | 3,964 | 16.1 | 14.8 |
| Marketable debt securities** | 3,266 | 2,896 | 370 | 12.8 | 11.5 |
| Subordinated debt** | 1,088 | 931 | 157 | 16.9 | 15.6 |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 6,152 | 5,494 | 658 | 12.0 | 10.7 |
| Other liabilities | 11,004 | 11,601 | (597) | (5.1) | (6.2) |
| Shareholders' equity*** | 3,589 | 2,814 | 775 | 27.5 | 26.1 |
| Other managed and marketed customer funds | 11,523 | 10,349 | 1,174 | 11.3 | 10.1 |
| Mutual and pension funds | 11,523 | 10,349 | 1,174 | 11.3 | 10.1 |
| Managed portfolios | — | — | — | — | — |
| Managed and marketed customer funds | 44,504 | 38,838 | 5,665 | 14.6 | 13.3 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|--------|------|--|
| ROE | 14.25 | 15.15 | (0.91) | | |
| Efficiency ratio (with amortisations) | 41.0 | 40.5 | 0.5 | | |
| NPL ratio | 3.84 | 3.66 | 0.18 | | |
| NPL coverage | 86.1 | 97.5 | (11.4) | | |
| Number of employees | 16,933 | 14,745 | 2,188 | 14.8 | |
| Number of branches | 1,347 | 1,258 | 89 | 7.1 | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Mexico (changes in local currency)

→ Pre-tax profit of EUR 1,057 million, 8.9% more than in 2013, due to:

- Growth of 6.0% in gross income, backed by business dynamism and management of spreads.
- Operating costs rose 7.2%, due to the greater installed capacity, with the opening of 95 branches in 2014.
- Loan-loss provisions declined 1.6%.
- The normalisation of the effective tax rate and minority interests reduced attributable profit by 3.5% to EUR 660 million.

→ Lending rose at a faster pace of 18% and deposits without repos 14%.

Santander is the third largest banking group in Mexico by business volume, with a market share in loans of 13.8% and 13.7% in deposits. It has 1,347 branches throughout the country and more than 11 million customers.

Environment and strategy

The economy, still far from its potential growth rate, showed a better quarterly profile in 2014 that looks as if it will continue to be supported by the strength of the US economy and the structural reforms underway. Lower interest rates also contributed to it, and the peso depreciated against the dollar (slight appreciation against the euro). In this environment, the system's total lending grew at a slower pace (+9%) due to consumer credit as lending to companies and mortgages was stronger (+9% in both cases). Deposits rose 9%, spurred by demand deposits.

Santander Mexico continued to strengthen its franchise via its expansion plan and the priority focus on improving the quality of service, innovation and forging closer relations with customers.

We continued the expansion plan begun in 2012 under which 185 new branches have been opened (95 in 2014). This enabled us to attain a market share in branches of 16.2% as of September 2014. The number of ATMs also increased to 5,528 (including the new full function ones).

This greater installed capacity was accompanied by an improvement in multichannel sales platforms and increasing the range of products.

In multichannel activity and innovation, we continued to develop measures in online and mobile banking and improve the experience and security of customers via our *Huella Vocal* platform. We also integrated the 7/eleven shops into our network (1,800 new points). The number of additional points of attention over and above our network of traditional branches reached 16,350.

As regards the strategy, we focused on developing retail banking, particularly the segments of SMEs, companies and individuals.

In companies, we strengthened our position as one of the main options in the market. In SMEs, the *Santander SMEs* programme was launched (within the global programme of Grupo *Santander Advance*) whose objective is to continue to foster the growth of this important segment. The programme consists, as in other countries, of a comprehensive offer, not only financial, with benefits for SMEs such as grants, training, support to develop companies, internationalisation, etc. We ended the year with 18 SME centres (six new ones opened in 2014) and six new specialised branches. This strategy is reflected in a 26% increase in loans to SMEs.

Of note in individuals is the mortgage segment, where we continued to offer a wide range of products in order to cover customers' needs, such as the *Hipoteca Light* that offers an initial low payment, the *10*1000* mortgage which offers fixed payments and the *Premier* mortgage, among others. We also acquired small mortgage portfolios, consolidating Santander as the second bank for mortgage loans.

Activity

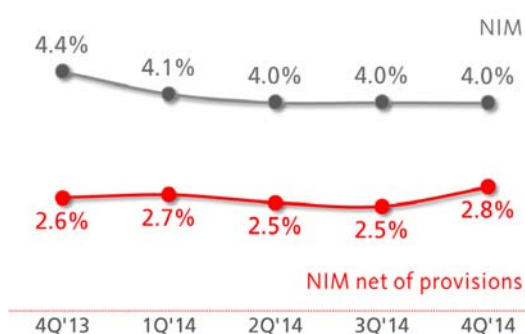
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

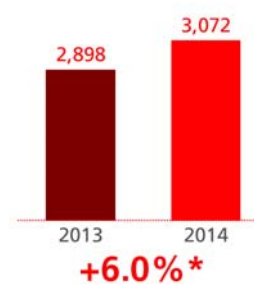
Net interest margin

%



Gross income

Constant EUR Million



(*) In euros: +1.7%

In consumer credit, we launched a product for high-income segments and new credit card products. Of note among the latter was the first brand card shared with American Express and the first card for agri business.

As regards the high-income segment, the *Select* attention model was consolidated through 121 specialised offices (14 opened in 2014) and the *Contact Centre Select*, in order to offer a differentiated service. In 2014, *Mundo Select* was launched, with exclusive products and services.

Activity

The described activities resulted in both loans and deposits growing at faster rates than in 2013, and at a stronger pace than the sector.

Lending grew 18%, mainly to SMEs (+26%) and mortgages (+17%), while consumer credit rose 15% and credit cards 5%.

Deposits increased 14% and improved their structure. A greater focus was placed on demand deposits (+14%), Mutual funds increased 10%.

This evolution produced gains in the market share of loans and deposits of around one percentage point in both in twelve months.

Results

Gross income rose 6.0% year-on-year, with a good performance of net interest income (+7.3%) and fee income (+2.6%).

Gross income was affected by lower economic growth than initially envisaged, as well as by the cut in benchmark interest rates and the reduced spreads, as a result of the strategy of changing the mix to lower risk products. The strong increase in business volumes compensated this.

Operating expenses rose 7.2%, reflecting the new commercial projects and the greater installed capacity. Net operating income increased 5.2%.

Loan-loss provisions declined 1.6%, well below the natural growth that would accompany the 18% rise in lending. This was favoured by the one-off charges (mainly home developers) made in 2013.

The NPL ratio was 3.8%, and remained very stable throughout the year (3.7% in 2013). The coverage ratio was 86%.

Pre-tax profit was 8.9% higher at EUR 1,057 million.

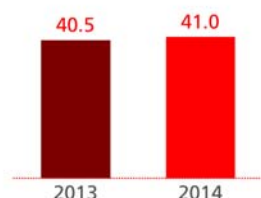
After deducting taxes (the tax rate rose from 7.8% to 19.5%) and minority interests, attributable profit was EUR 660 million.

Strategy and objectives in 2015

- Remain focused on SMEs, companies and individual customers.
- Promote business via technological innovation and multi channels, in order to increase the transactional linkage of customers.
- Position Santander as the leader in financing the government's infrastructure plan and the projects related to energy sector reform.

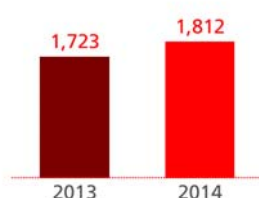
Efficiency ratio

%



Net operating income

Constant EUR Million

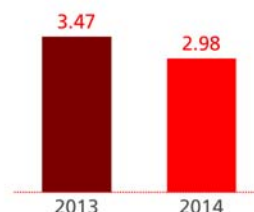


+5.2%*

(*) In euros: +0.9%

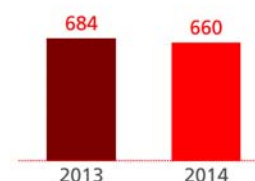
Cost of credit

%



Attributable profit

Constant EUR Million



-3,5%*

(*) En euros: -7,4%

Chile

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|------------------|--------------|-------------|
| Net interest income | 1,734 | 1,696 | 38 | 2.2 | 17.8 |
| Net fees | 329 | 371 | (42) | (11.4) | 2.2 |
| Gains (losses) on financial transactions | 116 | 167 | (51) | (30.5) | (19.9) |
| Other operating income* | 18 | 14 | 3 | 22.5 | 41.2 |
| Gross income | 2,197 | 2,249 | (52) | (2.3) | 12.6 |
| Operating expenses | (854) | (926) | 72 | (7.8) | 6.3 |
| General administrative expenses | (782) | (819) | 36 | (4.4) | 10.2 |
| Personnel | (484) | (507) | 23 | (4.6) | 10.0 |
| Other general administrative expenses | (299) | (312) | 13 | (4.1) | 10.5 |
| Depreciation and amortisation | (72) | (108) | 36 | (33.5) | (23.4) |
| Net operating income | 1,343 | 1,322 | 20 | 1.5 | 17.0 |
| Net loan-loss provisions | (521) | (597) | 76 | (12.8) | 0.5 |
| Other income | (24) | 4 | (28) | — | — |
| Profit before taxes | 798 | 730 | 68 | 9.3 | 26.0 |
| Tax on profit | (59) | (107) | 48 | (45.1) | (36.7) |
| Profit from continuing operations | 739 | 623 | 116 | 18.7 | 36.8 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 739 | 623 | 116 | 18.7 | 36.8 |
| Minority interests | 230 | 187 | 42 | 22.7 | 41.4 |
| Attributable profit to the Group | 509 | 435 | 74 | 17.0 | 34.8 |

Balance sheet

| | | | | | |
|--|---------------|---------------|--------------|-------------|-------------|
| Customer loans** | 30,550 | 28,783 | 1,767 | 6.1 | 8.0 |
| Trading portfolio (w/o loans) | 3,075 | 1,388 | 1,687 | 121.5 | 125.4 |
| Available-for-sale financial assets | 2,274 | 2,385 | (111) | (4.7) | (3.0) |
| Due from credit institutions** | 3,837 | 2,599 | 1,238 | 47.7 | 50.2 |
| Intangible assets and property and equipment | 347 | 327 | 20 | 6.2 | 8.1 |
| Other assets | 2,680 | 3,072 | (392) | (12.8) | (11.2) |
| Total assets/liabilities & shareholders' equity | 42,763 | 38,553 | 4,210 | 10.9 | 12.9 |
| Customer deposits** | 23,352 | 20,988 | 2,364 | 11.3 | 13.2 |
| Marketable debt securities** | 6,650 | 6,022 | 628 | 10.4 | 12.4 |
| Subordinated debt** | 985 | 1,147 | (163) | (14.2) | (12.7) |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 4,382 | 4,253 | 129 | 3.0 | 4.8 |
| Other liabilities | 4,932 | 4,021 | 911 | 22.6 | 24.8 |
| Shareholders' equity*** | 2,463 | 2,122 | 341 | 16.1 | 18.1 |
| Other managed and marketed customer funds | 7,256 | 5,469 | 1,787 | 32.7 | 35.0 |
| Mutual and pension funds | 5,564 | 4,067 | 1,497 | 36.8 | 39.2 |
| Managed portfolios | 1,693 | 1,402 | 291 | 20.7 | 22.8 |
| Managed and marketed customer funds | 38,242 | 33,626 | 4,616 | 13.7 | 15.7 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|-------|-------|--|
| ROE | 19.89 | 17.19 | 2.70 | | |
| Efficiency ratio (with amortisations) | 38.9 | 41.2 | (2.3) | | |
| NPL ratio | 5.97 | 5.91 | 0.06 | | |
| NPL coverage | 52.4 | 51.1 | 1.3 | | |
| Number of employees | 12,081 | 12,200 | (119) | (1.0) | |
| Number of branches | 475 | 493 | (18) | (3.7) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► Chile (changes in local currency)

→ **Attributable profit of EUR 509 million, 34.8% more than in 2013.**

- Gross income increased 12.6%, backed by net interest income (+17.8%) and fee income (+2.2%).
- Operating expenses rose 6.3%, a little above the inflation rate, because of investments in technology.
- Loan-loss provisions were unchanged and the cost of credit improved.

→ **Lending rose 8%, particularly in the target segments of high-income clients (+16%) and companies (+8%). Deposits grew 13%, with demand deposits up 16%.**

Santander is the leading bank in Chile in terms of assets and customers, with a marked focus on retail activity (individuals and SMEs). Its market share in loans is 19.2% and 17.6% in deposits. Of note is its share of loans to individuals; it is the leader in consumer finance (market share of 24.6%) and in mortgages (20.9%). These shares exclude the investment of Corpbanca in Colombia. The Bank has 475 branches, 1,645 ATMs and 3.6 million customers.

Environment and strategy

In 2014, the economy slowed down to a greater extent than expected, despite the cut in interest rates and the peso's sharp depreciation against the dollar and, to a lesser extent, the euro. The system's total lending (excluding the investment of Corpbanca in Colombia) increased 11%, backed by loans to individuals, as credit to companies declined in line with investment. Deposits increased 10%, against a backdrop of lower interest rates and the greater attractiveness of money market funds. Deposits plus mutual funds grew 14%.

In this environment, the Group maintained its objective of improving the long-term profitability in a scenario of lower spreads and greater regulations. The strategic plan recognises the importance of positioning the customer in the centre of the strategy and seeks to consolidate the franchise in the leadership positions it historically maintained.

The strategy is based on three pillars:

- The quality of customer attention and experience;
- Netput a greater focus on retail banking, particularly medium and high income customers, SMEs and medium sized companies;
- Netconservative risk management and continuous improvement in processes to enhance operational efficiency.

This management is reflected in business. As regards the quality of service the net satisfaction index of customers improved in all networks and channels, closing the gap with the competition. The *Select* model was consolidated and the *NEO customer relationship management (CRM)* by business segments continued to make progress, as it was expanded to all the retail network via *NEO SMEs* and *NEO ONE* (a version for supervisors).

The above programmes are producing sustained growth in the number of customers (+7% since March 2013 when *Select* and *NEO CRM* were launched), together with a significant improvement in transaction linkage. Lastly, and within credit card business, the alliance with the LATAM airline (Lanpass) was renewed for another five years.

These efforts were reflected in the award by the magazine *Euromoney* to Santander as the best private bank in 2014, and the prize from *Global Finance* for the best website for customers.

In corporate banking, we continued to improve the model of specialised attention developed in 2013. This is aimed at strengthening growth in higher value added products, backed by differentiated offers such as *Santander Trade* and *Santander Passport*, the incorporation of eight company centres during the year and designing a new model of quality especially for the segment.

GBM successfully launched its *TOP 20* plan to reposition itself with the 20 main economic groups in Chile, which produced significant growth in revenues and profit. The focus was mainly on multinational customers, thanks to the advantages provided by the Group's global scope.

We placed \$6,800 million in the international bond markets and we are leaders in the local market for funding the main

Activity

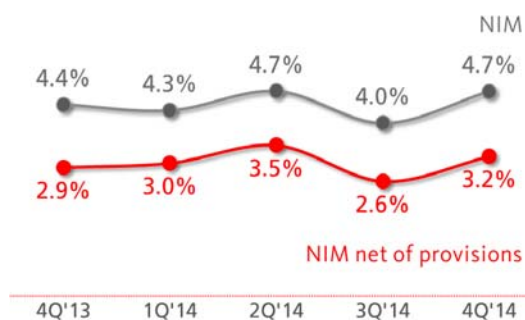
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

Net interest margin

%

**Gross income**

Constant EUR Million



(*) In euros: -2.3%

infrastructure works, including the Chacao bridge that will connect the island of Chiloé to the mainland.

Activity

The strategy followed produced an 8% rise in loans (+16% to high income customers and +8% to companies, objective segments).

Deposits increased 13% (+16% demand deposits).

Several issues were made, among them an Australian dollar one by Santander Chile in February in the Australian market, the first of its kind by a Chilean bank.

Results

Gross income rose 12.6%, as follows:

- Net interest income increased 17.8%, spurred by growth of volumes in target segments, due to the better mix of deposits and the rise in revenues from the inflation-indexed UF portfolio.
- Fee income grew 2.2%, still impacted by the regulatory effects on insurance fees. Of note was the rise in fee income from means of payment (+11%), mutual funds (+17%) and transaction banking (+14%).
- Trading gains fell 19.9%, mainly due to lower gains from managing the portfolio of assets and liabilities. Activity with customers (*Santander Global Connect* and market-making), on the other hand, performed well due to the greater demand for exchange rate risk hedging because of the peso's depreciation.

Operating expenses rose 6.3%, above the inflation rate, due to contracts, rentals and salaries indexed to inflation, as well as the impact that the peso's depreciation had on technology services indexed to the dollar and the euro.

Loan-loss provisions were almost unchanged (+0.5%), which improved the cost of credit. The NPL ratio was 5.97% and the coverage ratio 52%.

Pre-tax profit rose 26.0%. After deducting taxes (lower rate of 7% resulting from the updating of deferred taxes in accordance with the tax reform) and minority interests, attributable profit was 34.8% higher at EUR 509 million.

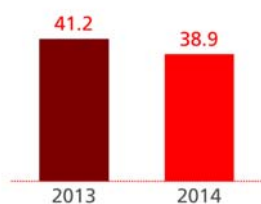
Strategy and objectives in 2015

The strategy and objectives of the 2014-2017 plan include:

- Continue the transformation of retail and commercial banking in order to develop a new form of customer relations.
- Manage the development of employees, transforming them into drivers of the customer-focused culture.
- Grow in the segments of companies, institutions and GBM.
- Increase linkage via *Select*.

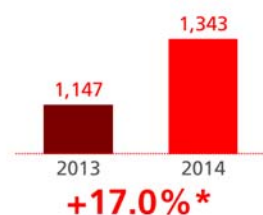
Efficiency ratio

%



Net operating income

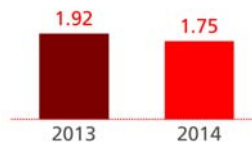
Constant EUR Million



(*) In euros: +1.5%

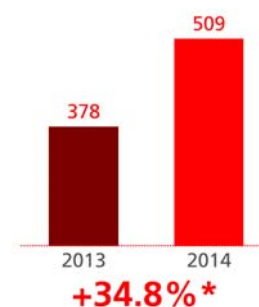
Cost of credit

%



Attributable profit

Constant EUR Million



(*) In euros: +17.0%

► Argentina (changes in local currency)

Santander Río generated an attributable profit of EUR 298 million in 2014, 33.3% more in local currency.

Santander Río is the country's leading private sector bank in terms of assets, loans and customer funds, with market shares of 9.2% in lending and 9.5% in deposits. It has 396 branches and 2.5 million customers.

Environment and strategy

In 2014, banking was conducted against a backdrop of economic shrinkage, high inflation and liquidity. The peso's sharp depreciation against strong currencies at the start of the year resulted in a 27% Badlar interest rate (April), a maximum, which was then cut and stabilised at around 20%. Lending, with shorter maturities (60% of the total at less than one year), decelerated (+20%), particularly to companies, while credit cards (+34%) increased their weight. Stronger growth of deposits (+31%), more stable and balanced between demand and time, raised the system's liquidity.

The Bank's commercial strategy continued to focus on strengthening penetration and linkage to the segments of high-income individuals and SMEs, developing improvements in the functionalities of key products and actions to enhance the quality of service.

The Bank continued to focus on transaction services, collections and means of payment, through an offer adjusted to the needs of each customer segment. The objective is to continue increasing recurring revenues, on the basis of funding with low cost demand deposits and higher revenues for services.

Noteworthy activities in 2014 included:

- Launching of *Select* in order to improve the value offer for high-income clients and personalised attention. The Bank continued to spur *Infinity Black* products and services and inaugurate *Select* spaces and corners. These actions boosted cross-selling, transaction linkage and the profitability of these customers.

- We also continued the plan to transform branches, adapting the attention model to customers' needs, improving computerisation and self-management. By the end of 2014 we had transformed 68 branches.
- Under the *Financial Inclusion* programme, the Bank opened two "bankarisation" offices in the metropolitan area of Buenos Aires that sought to incorporate to the financial system customers without bank accounts. The Bank also began to introduce micro credits in association with local governments.
- Launch of the project to build two new corporate buildings, estimated to be operating in 2017. This will strengthen efficient use of resources and spaces.

Santander Río received several awards in 2014: best bank in Argentina from the magazine *Euromoney*; best online bank in Argentina and best company to work for from the Great Place to Work Institute.

Activity

Lending rose 23%, particularly to SMEs and companies. Deposits increased 31%, with similar growth in time deposits (+40%) and demand deposits (+26%). Loan and deposit growth and trends were very aligned with the market.

Results

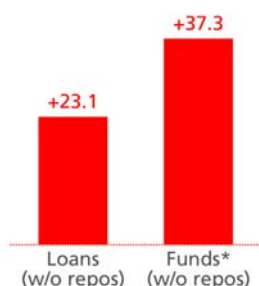
The commercial strategy is reflected in a 38.8% rise in net interest income and 29.6% in fee income, which combined with higher trading gains pushed up gross income by 34.3%.

Operating expenses grew 41.8%, as a result of increasing and transforming the branch network. Net operating income increased 27.8%.

Loan-loss provisions rose 52.3% from a low starting point. The cost of credit was 2.54%, underscoring the excellent credit quality. The NPL ratio was 1.61% and the coverage ratio 143%.

Argentina. Activity

% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

Argentina. Attributable profit

Constant EUR Million



(*) In euros: -10.5%

Strategy and objectives in 2015

- Greater penetration of high-income and SME segments through more linkage.
- Strengthen transaction products.
- Increase the branch network, mainly in the country's interior with high economic potential.
- Continue to transform branches and improve technology to increase efficiency and the quality of service.

► Uruguay (changes in local currency)

Attributable profit of EUR 54 million, 16.2% more than in 2013.

The Group maintained its leadership in Uruguay. Santander is the largest private sector bank in the country, with a market share in lending of 17.7% and 15.1% in deposits. The consumer finance company Creditel is the best positioned and with the highest brand recognition. Overall, the Group has 89 branches and over 500,000 customers in the country.

Environment and strategy

In 2014, the economy registered solid growth (+3.4% estimated), compared to neighbouring countries, although lower than in 2013. With inflation declining (8.3% in December), the official interest rate remained high, in line with the peso's depreciation against the dollar (stable against the euro) and high volatility of one-day interbank rates. The system's total lending and deposits grew 21% and 20%, respectively.

The Bank's strategy remained focused on the quality of customer attention and on making an offer tailored to their needs and by the most appropriate channel in each case.

The following measures from the commercial standpoint were taken in 2014:

- Launch of the *Select* debit card, which was very well received in the market, and penetration of the customer base, which made *Select* customers link transactionally.
- Focus on being the transaction bank for companies, increasing linkage and developing innovative products in the market.
- The *Mi proyecto* was launched in SMEs. This is an innovative credit campaign supporting this segment, so that new companies can access the financial system.

- Continued support for state companies, financing important projects for the country.
- Improvements in the quality of service, with a reduced number of complaints and lower response times. Market research shows customer satisfaction on the up. Credit and debit cards are the most valued products.

Activity

Lending rose 17, particularly to individuals (+19%) and SMEs (+31%). Deposits rose 18%.

Results

Gross income increased 14.9% without the exchange rate impact, fuelled by net interest income (+20.5%) and fee income (+24.1%).

Operating expenses rose 11.2%, after absorbing the higher cost of the ongoing plan to improve efficiency.

The efficiency ratio improved by 2.1 p.p. to 62.0% and net operating income increased 21.6%.

Loan-loss provisions, from a low starting point, increased 37.5%. The NPL ratio was 1.22% and the coverage ratio 217%.

Net operating income after provisions rose 16.0% and attributable profit 16.2%.

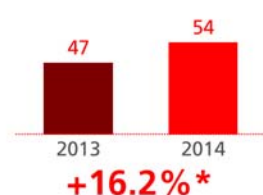
In short, the Bank continued to make progress in its objectives of generating recurring results, with a greater share of customer business, on the basis of growth in retail banking business, optimisation of spending and an improved efficiency.

Uruguay. **Activity**
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

Uruguay. **Attributable profit**
Constant EUR Million



(*) In euros: +1.9%

Strategy and objectives in 2015

- Maintain the business strategy, focused on growth in the retail segment.
- Position our leadership in segments such as *Select*, SMEs, middle and mass.
- Improve efficiency.
- Maintain low levels of NPLs.

► **Peru (changes in local currency)**

Attributable profit was EUR 24 million, 31.1% more in local currency.

Environment and strategy

The economy registered slower growth in 2014 (+2.6% estimated), and continued to be driven by domestic demand (around 5%). With inflation under control (+3.2%), the central bank cut interest rates, which contributed to the sol's depreciation against the dollar (6%), but not against the euro. The system's lending grew 13% and deposits 4%

Grupo Santander focuses on corporate banking, commercial banking for companies and providing service to the Group's global customers. Considerable importance is attached to a close relationship with customers and quality of service, while exploiting the synergies with other Group units.

A new auto finance company, guided by a well-known international partner with a lot of experience in Latin America, consolidated its activity in 2014. The company has a specialised

business model, focused on service and with installments that enable customers to acquire a new car via all the brands and dealers in Peru.

Activity

Lending rose 28% and deposits 32%, with stable growth in medium term funding.

Results

Gross income grew 33.0%, mainly due to net interest income (+36.3%) and operating expenses rose 27.3%.

The efficiency ratio improved by 1.5 p.p. to 32.8% and net operating income rose 36.0%.

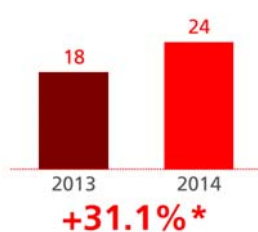
Loan-loss provisions increased 82.0% from a low starting point. The NPL ratio remained very low (0.23%) and the coverage ratio was very high.

Peru. **Activity**
% var. 2014/2013 (constant EUR)



(*) Customer deposits + mutual funds

Peru. **Attributable profit**
Constant EUR Million



(*) In euros: +24.7%

Strategy and objectives in 2015

- Increase lending to the corporate segment, global customers and big companies in the country.
- Promote the development of advisory services for investment banking and financial structuring for public infrastructure works through public-private funded projects.
- Continue developing auto finance, in a stable economic environment and of sustained growth.

► **Colombia**

Banco Santander de Negocios Colombia, the Group's new subsidiary in the country, began to operate in January 2014.

Colombia is an important market for Grupo Santander. It is the third most populated country in Latin America and has a high growth potential, due to the country's plans for infrastructure and economic and social development. Foreign direct investment in the country underscores this potential; there is growing interest among companies to set up in Colombia.

The new bank has capital of \$100 million. Its target market is the corporate and business one, with a special emphasis on global customers, customers of the Group's International Desk and those local customers becoming more international.

Banco Santander de Negocios Colombia has a banking licence that allows it to operate as a local bank for all purposes. It focuses on offering investment banking products, treasury and risk hedging products, foreign trade financing and working capital products in local currency, such as confirming.

United States

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|------------------|--------------|--------------|
| Net interest income | 4,642 | 4,172 | 471 | 11.3 | 11.2 |
| Net fees | 683 | 600 | 83 | 13.9 | 13.7 |
| Gains (losses) on financial transactions | 162 | 96 | 66 | 69.5 | 69.4 |
| Other operating income* | 155 | (6) | 161 | — | — |
| Gross income | 5,643 | 4,861 | 781 | 16.1 | 16.0 |
| Operating expenses | (2,031) | (1,887) | (145) | 7.7 | 7.6 |
| General administrative expenses | (1,813) | (1,705) | (107) | 6.3 | 6.2 |
| Personnel | (1,029) | (958) | (71) | 7.4 | 7.3 |
| Other general administrative expenses | (784) | (747) | (36) | 4.9 | 4.7 |
| Depreciation and amortisation | (219) | (181) | (38) | 20.7 | 20.6 |
| Net operating income | 3,611 | 2,975 | 636 | 21.4 | 21.3 |
| Net loan-loss provisions | (2,233) | (1,520) | (713) | 46.9 | 46.8 |
| Other income | 11 | (85) | 95 | — | — |
| Profit before taxes | 1,389 | 1,370 | 19 | 1.4 | 1.3 |
| Tax on profit | (370) | (395) | 26 | (6.5) | (6.6) |
| Profit from continuing operations | 1,019 | 975 | 45 | 4.6 | 4.5 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 1,019 | 975 | 45 | 4.6 | 4.5 |
| Minority interests | 219 | 174 | 46 | 26.3 | 26.2 |
| Attributable profit to the Group | 800 | 801 | (1) | (0.1) | (0.2) |

Balance sheet

| | | | | | |
|--|---------------|---------------|---------------|-------------|-------------|
| Customer loans** | 67,175 | 57,374 | 9,801 | 17.1 | 3.1 |
| Trading portfolio (w/o loans) | 926 | 149 | 777 | 521.6 | 447.3 |
| Available-for-sale financial assets | 12,695 | 8,978 | 3,716 | 41.4 | 24.5 |
| Due from credit institutions** | 2,462 | 1,649 | 813 | 49.3 | 31.5 |
| Intangible assets and property and equipment | 6,858 | 2,144 | 4,715 | 219.9 | 181.7 |
| Other assets | 6,864 | 6,474 | 390 | 6.0 | (6.7) |
| Total assets/liabilities & shareholders' equity | 96,982 | 76,768 | 20,213 | 26.3 | 11.2 |
| Customer deposits** | 46,575 | 39,206 | 7,369 | 18.8 | 4.6 |
| Marketable debt securities** | 16,000 | 11,989 | 4,010 | 33.4 | 17.5 |
| Subordinated debt** | 772 | 1,225 | (453) | (37.0) | (44.5) |
| Insurance liabilities | — | — | — | — | — |
| Due to credit institutions** | 17,254 | 11,966 | 5,288 | 44.2 | 26.9 |
| Other liabilities | 5,910 | 4,464 | 1,446 | 32.4 | 16.5 |
| Shareholders' equity*** | 10,472 | 7,918 | 2,554 | 32.2 | 16.4 |
| Other managed and marketed customer funds | 7,552 | 5,392 | 2,160 | 40.1 | 23.3 |
| Mutual and pension funds | 1,640 | 807 | 833 | 103.3 | 78.9 |
| Managed portfolios | 5,912 | 4,585 | 1,327 | 28.9 | 13.5 |
| Managed and marketed customer funds | 70,897 | 57,811 | 13,086 | 22.6 | 8.0 |

Ratios (%) and operating means

| | | | | | |
|---------------------------------------|--------|--------|--------|-------|--|
| ROE | 7.96 | 9.04 | (1.09) | | |
| Efficiency ratio (with amortisations) | 36.0 | 38.8 | (2.8) | | |
| NPL ratio | 2.54 | 3.09 | (0.55) | | |
| NPL coverage | 192.8 | 148.1 | 44.7 | | |
| Number of employees | 15,919 | 15,334 | 585 | 3.8 | |
| Number of branches | 811 | 821 | (10) | (1.2) | |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

(**) Including all on-balance sheet balances for this item

(***) Not including profit of the year

► **United States (changes in dollars)**

→ **Attributable profit of \$1,061 million virtually unchanged from 2013. Before minority interests, profit was up 4.5%.**

- Gross income increased 16.0%, with improvements in all lines.
- Operating expenses rose 7.6%, largely due to those associated with regulatory compliance.
- Loan-loss provisions were 46.8% higher because of SCUSA.

→ **In activity:**

- Santander Bank's loans to companies increased and the structure of funds was improved.
- Notable growth in originations and sales at SCUSA, due to the strategic alliance with Chrysler.

The perimeter of Santander US includes retail banking activity, via Santander Bank and Banco Santander Puerto Rico, and consumer finance business, via Santander Consumer USA (SCUSA).

The business model of Santander Bank, with 705 branches and two million customers, focuses on retail customers and companies. It conducts business in the north east of the US, an area that generates 22% of the country's GDP.

Santander Puerto Rico has 54 branches, 410,000 customers and market shares of 10.0% in lending and 11.7% in deposits, as well as a network of 52 shops that tend to consumer customers. It focuses on individuals and companies.

SCUSA, based in Dallas, specializes in consumer finance, mainly auto finance and leasing of new and used vehicles (mainly focused on retail customers, although also on vehicle dealers), and on consumer credits without guarantees, as well as servicing of portfolios for third parties.

Economic environment

In 2014, business was conducted in an environment of faster growth. With interest rates at historic lows, this enabled the Fed's quantitative stimulus measures to be reduced and the dollar to

strengthen against the euro. With data at September and according to the FDIC Quarterly Banking Profile, total lending rose 5%, strongly backed by commercial and industrial companies, cards and auto finance to individuals. The latter reflects, the rise in sales and auto finance for new and used vehicles. Deposits grew 5% with a higher weight of demand than time deposits because of the interest rate environment.

Retail banking

Santander Bank and Banco Santander Puerto Rico conduct the retail banking strategy.

Santander Bank's^(*) strategy in 2014 centred on growth in loans to companies and consolidating the business derived from auto finance, and on increasing and improving the quality of deposits. In addition, measures to optimise the balance sheet were implemented which will have a positive impact on results in the future.

Lending to commercial and industrial companies continued to grow, led by Global Banking and Markets. Auto finance operations were also consolidated, which is expected to be one of the main sources of growth for Santander Bank over the coming years, obtaining synergies from the Group's global experience and the local one of SCUSA.

Of note in the retail segment was the good functioning of the innovative *Extra20* product launched at the end of 2013. Its main objective is to capture new customers, increase linkage and core deposits. Noteworthy in cards was the launch of the *Bravo* card, a product for high-income segments.

The strategy in deposits focused on increasing demand deposits and reducing time deposits. In addition, government banking continued to perform well.

The Bank's balance sheet was restructured in the second half of the year, with the selling of \$700 million of unproductive assets and securitising \$2,100 million of mortgages. The results from these operations were used to reposition the balance sheet in terms of profitability, cancelling historic long-term debt whose costs were above the market's.

All of this was reflected in the evolution of lending, which would have risen 6% excluding the aforementioned balance sheet

Activity

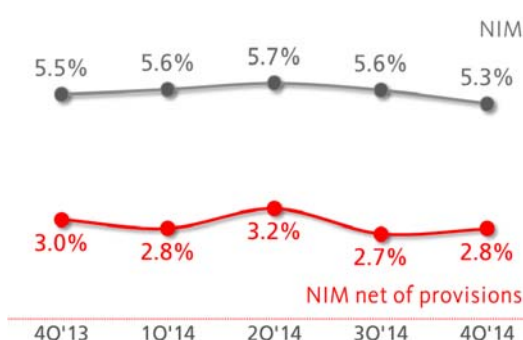
% var. 2014/2013 (constant EUR)



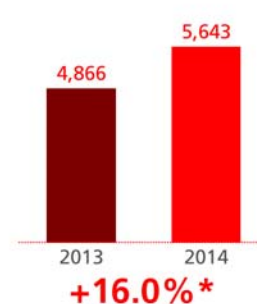
(*) Customer deposits + mutual funds

Net interest margin

%

**Gross income**

Constant EUR Million



(*) In euros: +16.1%

measures, as well as in deposit growth of 7% (+11% in core demand deposits).

Santander Bank's attributable profit fell 10.6% to \$490 million.

Gross income declined 5.2%, affected by the reduction in the investments portfolio that impacted net interest income, as well as the decline in fee income largely due to the new regulations on overdrafts.

Operating expenses were 9.7% higher, due to the need to adapt to regulatory requirements, as well as investment in technology (ATMs, mobile banking and cards).

As regards credit quality, the performance remained good. The NPL ratio was 1.41% (-82 b.p. in twelve months) and coverage 109%, reflecting the portfolio's improved composition and strict risk management. As a result, provisions remained at very low levels.

Santander Puerto Rico stands out for its good credit quality, level of capitalisation, liquidity and quality of service.

The strategy of deleveraging led to a 16% fall in lending.

Attributable profit was \$90 million, 12.1% less than in 2013, due to the recognition of deferred tax assets in 2013. Excluding them, pre-tax profit rose 5.2%.

The NPL ratio was 7.45% (+116 b.p. in the year) and coverage 56% (-6 p.p.).

Consumer finance

SCUSA completed in the first quarter of 2014 its public offering of shares and listing on the New York Stock Exchange.

SCUSA continued in 2014 its auto finance plan stemming from the agreement with Chrysler, as well as actions and agreements that enabled it to continue to grow in consumer credit without guarantees. The strategy of the last few quarters was centred on increasing originations, but maintaining more stable on-balance sheet balances, as a result of securitisations and sales of portfolios.

SCUSA continued to seek expansion opportunities in servicing, such as the agreement signed in the second quarter of 2014 with Citizens Bank of Pennsylvania to sell the prime portfolio of auto finance, maintaining collection management. This operation joined the agreement already existing with Bank of America.

New lending rose 25% and on-balance sheet balances 13%, mainly due to the agreement with Chrysler in 2013. Lower growth in recent quarters.

This evolution was reflected in growth in gross income of 32.3%, which did not feed through fully to profits because of the 45.6% rise in provisions, partly linked to greater new lending and the consumer credit portfolio without guarantee. Attributable profit was 16.5% higher at \$481 million.

The NPL ratio declined 38 b.p. to 3.97% and the coverage ratio was very high (296%, compared to 240% in 2013).

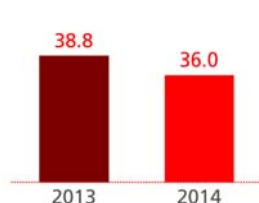
(*) Including Santander Holding USA.

Strategy and objectives in 2015

- In commercial banking (Santander Bank and Puerto Rico):
 - In the retail segment, focus on capturing deposits and customer linkage. Consolidate *Select*.
 - In companies and GBM, growth in commercial and industrial companies loans, and transactional deposits.
- In consumer finance (SCUSA):
 - Consolidate the business in the agreement with Chrysler.
 - In auto finance and leasing, strategy of loan originations to sell, maintaining a flat balance sheet.
 - Increase servicing business for third parties.
- Strengthen the governance and control structures through more investments in technology, risks and regulatory compliance.

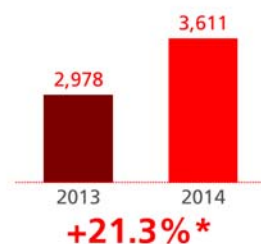
Efficiency ratio

%



Net operating income

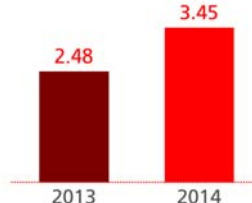
Constant EUR Million



(*) In euros: +21.4%

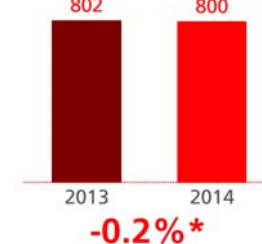
Cost of credit

%



Attributable profit

Constant EUR Million



(*) In euros: -0.1%

Corporate Activities

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % |
|---|----------------|----------------|------------------|---------------|
| Net interest income | (1,937) | (2,223) | 286 | (12.9) |
| Net fees | (37) | (50) | 13 | (26.2) |
| Gains (losses) on financial transactions | 1,456 | 1,186 | 270 | 22.8 |
| Other operating income | 60 | 139 | (79) | (56.9) |
| Dividends | 30 | 35 | (5) | (13.8) |
| Income from equity-accounted method | (28) | (10) | (18) | 170.1 |
| Other operating income/expenses | 58 | 114 | (56) | (49.3) |
| Gross income | (458) | (948) | 490 | (51.7) |
| Operating expenses | (763) | (696) | (67) | 9.7 |
| General administrative expenses | (653) | (555) | (98) | 17.7 |
| Personnel | (243) | (221) | (22) | 9.8 |
| Other general administrative expenses | (410) | (333) | (77) | 23.0 |
| Depreciation and amortisation | (111) | (141) | 31 | (21.8) |
| Net operating income | (1,221) | (1,644) | 423 | (25.7) |
| Net loan-loss provisions | 2 | (201) | 203 | — |
| Other income | (571) | (436) | (135) | 30.8 |
| Ordinary profit before taxes | (1,790) | (2,282) | 491 | (21.5) |
| Tax on profit | 6 | 218 | (212) | (97.4) |
| Ordinary profit from continuing operations | (1,785) | (2,064) | 279 | (13.5) |
| Net profit from discontinued operations | — | (0) | 0 | (100.0) |
| Ordinary consolidated profit | (1,785) | (2,064) | 279 | (13.5) |
| Minority interests | 4 | 7 | (3) | (43.1) |
| Ordinary attributable profit to the Group | (1,789) | (2,071) | 282 | (13.6) |
| Net capital gains and provisions | — | — | — | — |
| Attributable profit to the Group | (1,789) | (2,071) | 282 | (13.6) |

Balance sheet

| | | | | |
|--|----------------|----------------|----------------|--------------|
| Trading portfolio (w/o loans) | 2,916 | 2,743 | 173 | 6.3 |
| Available-for-sale financial assets | 7,285 | 10,676 | (3,391) | (31.8) |
| Investments | 643 | 477 | 167 | 35.0 |
| Goodwill | 27,548 | 24,254 | 3,294 | 13.6 |
| Liquidity lent to the Group | 42,130 | 17,712 | 24,419 | 137.9 |
| Capital assigned to Group areas | 72,189 | 65,088 | 7,100 | 10.9 |
| Other assets | 56,127 | 61,880 | (5,753) | (9.3) |
| Total assets/liabilities & shareholders' equity | 208,837 | 182,829 | 26,009 | 14.2 |
| Customer deposits* | 5,279 | 2,851 | 2,428 | 85.2 |
| Marketable debt securities* | 59,954 | 64,470 | (4,516) | (7.0) |
| Subordinated debt* | 4,107 | 3,871 | 236 | 6.1 |
| Other liabilities | 53,179 | 30,926 | 22,253 | 72.0 |
| Group capital and reserves** | 86,318 | 80,711 | 5,608 | 6.9 |
| Other managed and marketed customer funds | — | — | — | — |
| Mutual and pension funds | — | — | — | — |
| Managed portfolios | — | — | — | — |
| Managed and marketed customer funds | 69,340 | 71,192 | (1,852) | (2.6) |

Operating means

| | | | | |
|---------------------|-------|-------|-----|-----|
| Number of employees | 2,633 | 2,432 | 201 | 8.3 |
|---------------------|-------|-------|-----|-----|

(*) Including all on-balance sheet balances for this item

(**) Not including profit of the year

► Corporate Activities

→ Loss of EUR 1,789 million in 2014.

- An improvement of 13.6% compared to the loss of EUR 2,071 million in 2013.
- This was due to improved net interest income from the lower cost of issues and trading gains (better results from management of assets and liabilities).

Within Corporate Activities, the Financial Management area conducts the global functions of balance sheet management, both structural interest rate and liquidity risk (the latter via issues and securitizations), as well as the structural position of exchange rates.

- Interest rate risk is actively managed by taking market positions. This management seeks to soften the impact of interest rate changes on net interest income, and is done via bonds and derivatives of high credit quality and liquidity and low consumption of capital.
- The objective of structural liquidity management is to finance the Group's recurring activity in optimum conditions of maturity and cost, maintaining an appropriate profile (in volumes and maturities) by diversifying the funding sources.
- Management of the exposure to exchange rate movements in equity and in the counter value of units' results in euros is also conducted on a centralized basis. This management (which is dynamic) is conducted through exchange-rate derivatives, optimizing at all times the financial cost of hedging.

Hedging of net investments in the capital of businesses abroad aims to neutralize the impact on capital of converting into euros the balances of the main institutions that are consolidated and whose currency is not the euro.

The Group's policy seeks to immunize the impact, which, in situations of high volatility in the markets, sudden changes in interest rates would have on these exposures of a permanent nature. The investments that are currently hedged are those in Brazil, UK, Mexico, Chile, US, Poland and Norway and the instruments used are spot, FX forwards or tunnel options. EUR 15,546 million are currently hedged.

Exposures of a temporary nature – those regarding results that the Group's units will contribute in the next 12 months in non-euro currencies – are also managed on a centralized basis in order to limit their volatility in euros.

Meanwhile and separately from the financial management described here, Corporate Activities manages all capital and reserves and allocations of capital to each of the units, as well as providing the liquidity that some of the business units might need. The price at which these operations are carried out is the market rate (euribor or swap) plus the risk premium, which in concept of liquidity, the Group supports for immobilizing the funds during the life of the operation.

Lastly, and marginally, the equity stakes of a financial nature that the Group takes within its policy of optimizing investments are reflected in Corporate Activities.

The main developments in the income statement were:

- Net interest income was EUR 1,937 million negative compared to EUR 2,223 million negative in 2013. This improvement was due to the lower financial cost as a result of reduced outstanding average balance of wholesale funds, after the capturing by the parent bank of funds at lower maturities and amortisations (directly related to existing customer deposits which balances higher than those of loans).
- Trading gains, which incorporate those derived from the centralized management of the interest rate and exchange rate risk of the parent bank as well as that from equities, were EUR 1,456 million positive, 22.8% more than in 2013.
- Operating expenses increased over the previous year because of the combined effect of stable recurring personnel costs (where the efficiency plans are producing their fruits), and the higher costs related to ongoing corporate transactions, which are recorded in the Corporate Centre until their effective entry into force. Costs related to the implementation of the various regulations are also recorded here.
- Loan-loss provisions recorded a release of EUR 2 million in 2014 as against an allocation of EUR 201 million in 2013, a year when a charge was made related to the integration of banks in Spain.
- Other income includes the net between various provisions and writedowns and positive results. This figure was EUR 571 million negative compared to EUR 436 million also negative in 2013. The difference was mainly due to provisions for contingencies made in the fourth quarter of 2014.
- Lastly, the tax line recorded a recovery of EUR 6 million (EUR 218 million in 2013), as a result of higher taxes, associated with the higher results of business units in Spain.

► Retail Banking

→ **Attributable profit of EUR 5,870 million, 21.8% more than in 2013. Excluding the exchange rate impact, growth was 26.4%, due to:**

- Higher gross income from net interest income.
- Control of costs.
- Fewer provisions.

→ **The Group progressed in transforming retail banking via three drivers:**

- Specialised management in segments: implementation of *Santander Select*, *Santander Advance*, *Santander Trade* and *Santander Passport*.
- Develop the multi channel distribution model.
- Improve the customer experience.

Retail banking generated 85% of gross income and 72% of the attributable profit of the Group's operating areas in 2014.

Strategy

Significant advances were made during 2014 in the programme to transform retail banking. The main elements are to improve the knowledge of our customers, specialized management of each segment, develop a multi channel distribution model and continuous improvement in the customer experience, while fostering innovation and taking maximum advantage of the opportunities linked to Grupo Santander's international positioning.

As regards deepening knowledge of customers, progress was made in improving our analytical skills and a new commercial front was developed in order to put this knowledge at the disposal of all the channels and so enhance productivity and customer satisfaction.

This commercial tool, based on a best practice in Chile, is already being developed in Brazil, Spain, United States and United Kingdom. Installing the tool in all these countries will be completed in 2015 and extended to the rest of the Group.

Based on better knowledge of customers, significant progress was made in 2014 in installing the specialized models by segments. Advances were made on three fronts:

- Expansion of the *Select* model for high-income clients. It was installed during 2014 in Argentina, Uruguay, Portugal, United States and Germany, bringing the total number of countries to 11 (tending to two million customers).
- As part of the benefits for *Select* customers, we launched the *Global Select* debit card which received the prize for one of the "Best Ideas of 2014" from the magazine *Actualidad Económica*.
- Launch of the *Advance* programme to make us the reference partner for SMEs. This programme supports SMEs in their development and growth, offering a strong financial offer as well as non-financial support measures. It was launched during 2014 in Spain, Mexico and Portugal and will be extended to the rest of the Group's countries during 2015.
- Launch of the *Santander Trade Club* and *Santander Passport* to put the Bank's global reach at the service of our customers.

Retail Banking

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|---------------|---------------|------------------|-------------|-------------|
| Net interest income | 28,493 | 27,745 | 748 | 2.7 | 7.0 |
| Net fees | 7,700 | 7,817 | (117) | (1.5) | 3.4 |
| Gains (losses) on financial transactions | 615 | 1,111 | (497) | (44.7) | (41.8) |
| Other operating income* | (177) | (330) | 153 | (46.4) | (44.2) |
| Gross income | 36,631 | 36,343 | 288 | 0.8 | 5.2 |
| Operating expenses | (16,659) | (16,948) | 289 | (1.7) | 2.2 |
| Net operating income | 19,972 | 19,395 | 577 | 3.0 | 7.9 |
| Net loan-loss provisions | (9,736) | (10,874) | 1,138 | (10.5) | (5.9) |
| Other income | (1,335) | (1,057) | (279) | 26.4 | 32.4 |
| Profit before taxes | 8,901 | 7,464 | 1,437 | 19.2 | 24.5 |
| Tax on profit | (2,070) | (1,678) | (392) | 23.4 | 29.6 |
| Profit from continuing operations | 6,831 | 5,786 | 1,045 | 18.1 | 23.0 |
| Net profit from discontinued operations | (26) | (15) | (11) | 73.2 | 70.2 |
| Consolidated profit | 6,805 | 5,771 | 1,034 | 17.9 | 22.8 |
| Minority interests | 935 | 952 | (17) | (1.8) | 4.2 |
| Attributable profit to the Group | 5,870 | 4,819 | 1,050 | 21.8 | 26.4 |

Business volumes

| | | | | | |
|-------------------|---------|---------|--------|-----|-------|
| Customer loans | 629,874 | 583,915 | 45,959 | 7.9 | 4.0 |
| Customer deposits | 522,388 | 508,237 | 14,151 | 2.8 | (0.6) |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

Retail Banking. Income statement

EUR Million

| | Gross income | | | Net operating income | | | Attributable profit | | |
|-----------------------------|---------------|------------|------------|----------------------|------------|------------|---------------------|-------------|-------------|
| | 2014 | % | % w/o FX | 2014 | % | % w/o FX | 2014 | % | % w/o FX |
| Continental Europe | 10,125 | 5.9 | 6.1 | 5,046 | 18.5 | 18.8 | 1,694 | 71.4 | 72.4 |
| United Kingdom | 4,984 | 13.9 | 8.1 | 2,410 | 18.2 | 12.1 | 1,398 | 43.4 | 36.1 |
| Latin America | 16,058 | (9.4) | 0.5 | 9,018 | (12.0) | (2.7) | 2,037 | (5.2) | 5.8 |
| United States | 5,464 | 16.8 | 16.7 | 3,499 | 22.8 | 22.7 | 741 | 4.9 | 4.8 |
| Total Retail Banking | 36,631 | 0.8 | 5.2 | 19,972 | 3.0 | 7.9 | 5,870 | 21.8 | 26.4 |

The *Santander Trade Club* was launched in the middle of 2014, helping to generate new international business opportunities by facilitating connection between exporters and importers. The portal has received more than one million visitors.

Santander Passport is a specialized attention model, which enables our most international customers to be tended to in all Santander's subsidiaries in the same way, taking advantage of the Group's international positioning

Multi channel retail banking continued to be promoted so that customers can do business with the Bank in the most convenient way for them. Some examples include:

- New and better commercial websites in Argentina, Spain, Portugal and United Kingdom.
- New mobile apps in Germany, Brazil, Poland, Puerto Rico and Uruguay and the new concept of simple mobile banking in the UK (*Smartbank*) and in Spain (*sWallet*).
- New services such as the virtual advisor in Poland which allows remote advising to customers, the customer-manager online collaboration in Spain and the possibility to make P2P payments between telephones in the UK, Poland, Spain and Mexico.
- Launch of the digital manager in Spain, a tablet application that supports the commercial activity of company managers.

In recognition of our value proposal in multi channels, the magazine *Global Finance* awarded our bank in Chile the prize for the best Latin American website for financial products and in

payment of accounts and Santander Rio the best online bank in Argentina.

We continued to work in all countries to improve the customer experience. Of note was the UK, which, through its *Simple, Personal and Fair* programme and the success of the *1/2/3 account*, is improving on a sustained basis the customer satisfaction levels.

We also believe in the need to foster innovation as the key driver for leading the market in a changing environment. Reflecting this philosophy, **SANTANDER ideas:**, a corporate social network that enables diversity, talent and the collective intelligence of all the Group's employees to be better exploited.

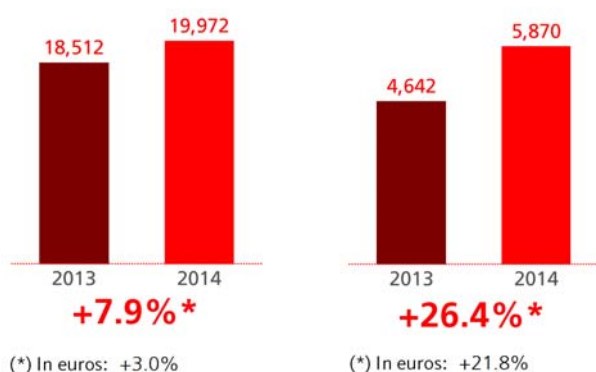
Three challenges have been launched, related to transforming retail banking, improving the management of talent and transforming branches, with the commitment to implement the best ideas generated by employees.

In the coming months, Santander will continue to make headway in the process of transforming retail banks, moving toward an increasingly simple, personal and fair model.

Results

Attributable profit was EUR 5,870 million, 21.8% more than in 2013. Excluding the exchange rate impact, growth was 26.4%.

This evolution was due to the good evolution of the main lines of the income statement. Gross income rose 5.2%, spurred by net interest income (+7.0%); control of costs, falling in real terms (-1.4%), and a 5.9% drop in loan-loss provisions.

Net operating income
Constant EUR MillionAttributable profit
Constant EUR Million

Strategy and objectives in 2015

Continue the process of transforming the Group's retail banks, with a special focus on:

- Knowing our customers better by improving our business intelligence skills.
- Strengthening the Santander franchise by implementing specialized models and global proposals.
- Progressing in the multi channel transformation of retail banks and promoting digital channels.
- All of this, with a clear focus on the customer experience and taking maximum advantage of the opportunities linked to Grupo Santander's international positioning.

► Global Wholesale Banking

→ **Attributable profit of EUR 1,614 million (+10.0% and +16.3% in constant euros).** Of note:

- Solid revenues (+2.5%) and sharp fall in loan-loss provisions (-41.4%), both in constant euros.
- Higher operating expenses from investment in franchises being developed. The efficiency ratio of 36.4% is a benchmark for the sector.

→ **The focus remained on customers (89% of revenues) and on managing risks, liquidity and capital.**

Santander Global Banking & Markets (SGB&M) contributed 12% of the operating areas' gross income and 20% of attributable profit.

Strategy

SGB&M maintained in 2014 the key pillars of its business model, focused on the customer, the global reach of the division and its interconnection with local units, within active management of risk, capital and liquidity.

The main actions of SGB&M were focused on:

- Developing together with Retail Banking a range of high value products for the various customer segments in all the Group's units.
- Promoting transaction business in the UK, US and Poland.

- Strengthening the results of the franchise of customers in the rest of the countries in order to gain market share.
- Building the Financial Solutions & Advisory unit in order to provide an integral solution to customers' advisory and structural financing needs.
- All with strict management of consumption of risk weighted assets in order to maximise the area's profitability.

Results and activity

Attributable profit was 10.0% higher at EUR 1,614 million. After eliminating the exchange rate impact, growth was 16.3%, fuelled by solid gross income and a sharp reduction in provisions.

Gross income rose 2.5%, backed by net interest income and fee income (+13.4% overall). The sharp fall in trading gains (-32.8%), due to the impact of markets on operations with customers and valuation adjustments, reduced the visibility of revenues.

Operating expenses (+6.5%) reflect investments in high potential markets, particularly in the UK and US. The combination of revenues and costs brought the efficiency ratio to 36.4%, levels that remain benchmarks for the sector, and net operating income was stable in constant euros (+0.4%).

The 41.4% drop in loan-loss provisions, basically due to Spain and Mexico, pushed up net operating income after provisions by 17.9%, and this growth fed through to attributable profit.

These results were backed by the strength and diversification of customer revenues, which accounted for 89% of the area's total

Global Wholesale Banking

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|---------------------|--------------|-------------|
| Net interest income | 2,533 | 2,361 | 172 | 7.3 | 13.5 |
| Net fees | 1,414 | 1,293 | 121 | 9.4 | 13.2 |
| Gains (losses) on financial transactions | 747 | 1,154 | (407) | (35.3) | (32.8) |
| Other operating income* | 302 | 279 | 23 | 8.4 | 8.2 |
| Gross income | 4,997 | 5,088 | (91) | (1.8) | 2.5 |
| Operating expenses | (1,820) | (1,764) | (56) | 3.2 | 6.5 |
| Net operating income | 3,177 | 3,324 | (147) | (4.4) | 0.4 |
| Net loan-loss provisions | (546) | (953) | 406 | (42.7) | (41.4) |
| Other income | (107) | (70) | (36) | 51.6 | 47.7 |
| Profit before taxes | 2,524 | 2,301 | 223 | 9.7 | 16.9 |
| Tax on profit | (689) | (637) | (52) | 8.2 | 16.6 |
| Profit from continuing operations | 1,835 | 1,664 | 171 | 10.3 | 17.0 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 1,835 | 1,664 | 171 | 10.3 | 17.0 |
| Minority interests | 220 | 197 | 24 | 12.1 | 22.5 |
| Attributable profit to the Group | 1,614 | 1,468 | 147 | 10.0 | 16.3 |

Business volumes

| | | | | | |
|-------------------|--------|--------|--------|------|-------|
| Customer loans | 86,589 | 85,390 | 1,199 | 1.4 | (0.2) |
| Customer deposits | 84,496 | 61,427 | 23,068 | 37.6 | 36.5 |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

and were 1.0% higher without the exchange rate impact (-2.9% in euros), with differences by business sub areas, as follows:

Transaction Banking

Global Transaction Banking⁽¹⁾ increased its customer revenues by 2.8% in constant euros, with a good contribution from most of activities in an environment of containment of spreads and low interest rates. The decline in euros was 2.3%, due to the impact of the depreciation of Latin American currencies.

By businesses, better evolution of trade finance, with strong growth in all countries. Of note was the UK, the units in Asia and the three large Latin American countries, a region that in 2014, once again, obtained awards for certain transactions.

Of note was Santander's leadership in export finance as a result of the help given to our customers in their large operations, as well as the strong growth in working capital solutions, a product in expansion in a context in which companies are aware of the competitive advantage generated by effective management of their supply chain.

Notable operations in 2014 included: the participation as lead arranger in a 12-year \$300 million loan with the guarantee of the Multilateral Investment Guarantee Agency (MIGA); the participation as arranger in the Pemex bond of \$1,000 million with a US Exim guarantee; as well as the signing of a \$500 million receivable purchase programme with Vale, which incorporates risk mitigation structures through a credit insurance policy of Euler Hermes.

The solid contribution of cash management business was also maintained in 2014. Of note was the evolution of Brazil and Mexico, where Santander promoted a local offer combined with regional treasury management solutions, and there was an increasing contribution from the European units.

Custody and settlement also evolved well, strongly supported by the recovery in Spain and Brazil's contribution. The contribution of basic financing declined, however, due to a general containment of spreads in Europe, which was not offset by other countries.

Financing Solutions & Advisory

Financing Solutions & Advisory⁽²⁾ increased its revenue contribution (+15.1% excluding the exchange rate effect and +11.6% in euros), thanks to the solid evolution of its various businesses.

In project finance, Santander remained one of the world's leading banks, actively contributing to the adjustment of the business and of the market to the new regulatory and financing conditions. In 2014, SGBM again stood out in placing project bonds for Europe, Mexico and Brazil, which means moving toward a less capital-intensive business. Also noteworthy were the results of the cooperation with the trade and export finance areas in structuring transactions that combine long-term financing with support for credit institutions (two deals closed in the year), as well as advisory activity, mainly in Latin America, where the Bank is in the top positions in the league tables.

The most important operations include: issuance of a new \$580 million project bond for a subsidiary of the Brazilian group Odebrecht where Santander acted as global coordinator and rating advisor; underwriting the tariff deficit and Capibara project in Spain; advice and future participation in the debt of Ramones together with the Ventika I and II project in Mexico, and Renova's Alto Sertao II wind complex in Brazil.

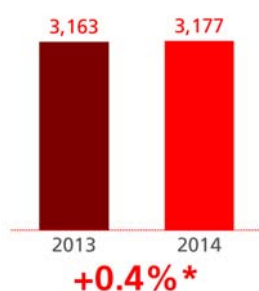
In syndicated corporate loans, Santander also maintained reference positions in Europe and Latin America. Of note was SGBM's participation throughout 2014 in syndicated loans for large companies such as Imperial Tobacco (£7,750 million) where it acted as underwriter, bookrunner and mandated lead arranger; Bayer (\$14,200 million), as mandated lead arranger and BSKyB, in two operations (EUR 6,500 million and £1,450 million), where it was mandated lead arranger.

In the capital market, and in response to the scenario of disintermediation currently facing the financial industry, Santander strengthened its origination and distribution capacities, enabling it to lead the rankings in various countries and markets, from that of Brazilian issues in euros to one so specific and local as that of the Housing Associations in the UK. The issues in euros for the Treasuries in Brazil and Chile, as well as for Codelco (the first by a Chilean company in 15 years), are good examples. In addition, SGBM continues to strengthen its global capacities with growth projects in the high-grade market in the US, private placements and high yield in Europe.

In corporate finance, SGBM also took advantage of the Group's position in markets and customers to participate in significant operations. Of note were advisory services for American Tower's purchase of the Brazilian BR Towers; the capital increase of Fibra Uno in Mexico, the country's second largest placement, where Santander acted as global coordinator; the advisory services in

Net operating income

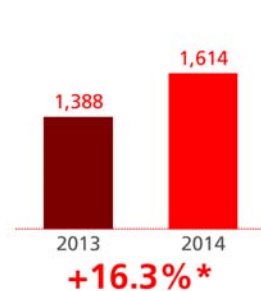
Constant EUR Million



(*) In euros: -4.4%

Attributable profit

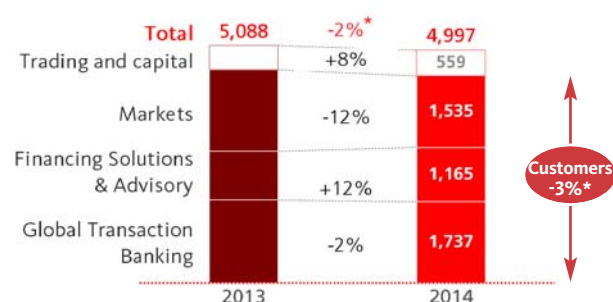
Constant EUR Million



(*) In euros: +10.0%

Gross income breakdown

EUR Million



(*) Excluding exchange rate impact: total revenues: +3%; customers: +2%

Orange's public offering to acquire 100% of Jazztel, the offering of Endesa and FCC's capital increase, all of them in Spain; as well as Enersis's takeover bid to increase its stake in Brazil's Coelce.

Lastly, the business of A&CS continued to increase its contribution to the Group in parallel with the growth in its portfolio of customers in all countries. Among the most notable operations was the leasing operation of three Boeing 777-300 ERs for Singapore Airlines and the bridge equity financing of a MW 138 wind farm project in Mexico for Renovalia and First Reserve.

Global Markets

Global markets⁽³⁾ reduced its total customer revenues by 12.2% (-9.1% without the exchange rate impact), largely due to the smaller contribution from European units.

Positive evolution of revenues from the sales business, which accounted for more than half of the area's revenues, fuelled by double-digit growth in constant euros in the three big Latin American countries. There were also rises, although more moderate, in Spain and UK. By type of customer, growth in the retail and institutional segments in all units, with a varied contribution from the segment of corporate customers.

Sharp decline in revenues from the management of books in Europe, which was only partly offset by the rise for the whole of Latin America. Of note by products was the rise in primary placement of credit issues and the fall in the secondary market books of flow products in Europe.

Greater contribution from equities, which increased customer revenues in constant euros, backed by the strength of activity in Europe, both in the primary as well as the secondary market and offsetting the decline in Latin American countries. Weak organised derivative markets, where the Group has leadership positions in Spain (MEFF- Spanish Market of Financial Futures) and in Mexico, with market share in settlement and execution of orders of more than 20% in all the listed assets (exchange rates, interest rates and stock market indexes).

Strategy and objectives in 2015

The main priorities in 2015 are:

- Continue the 2014 lines of action: cooperation with retail networks; commitment to transaction banking; develop franchises with high potential (UK, US and Poland).
- Increase our range of credit products for corporate clients and investors.
- Advance in our coverage in Asia and the Andean region, in line with the Group's stronger activity in these areas.

Ranking in 2014

| | Activity | Area | Country / region | Source |
|-------|---|----------------|----------------------|-------------------------------|
| Award | Best Trade Advisor in Latin America | GTB | Latin America | Trade Finance |
| Award | Best Supply Chain Finance Bank in Latin America | GTB | Latin America | Trade Finance |
| Award | Best Commodity Finance Bank in Latin America | GTB | Latin America | Trade Finance |
| Award | Best Export Finance Arranger in Latin America | GTB | Latin America | Trade Finance |
| Award | Best Overall Trade Bank in Latin America | GTB | Latin America | Trade Finance |
| Award | Best Trade Finance Bank in Latin America | GTB | Latin America | GTR |
| Award | Americas Oil & Gas Deal of the Year: Los Ramones Sur | FS & Advisory | America | Project Finance International |
| Award | Europe Power Deal of Year: Gemini | FS & Advisory | Europa | Project Finance International |
| Award | Middle East & Africa Refinery Deal of the Year: Star Refineri | FS & Advisory | Middle East y Africa | Project Finance International |
| Award | North American Renewables Deal of the Year - Regulus | FS & Advisory | North America | Infrastructure Journal |
| Award | SSAR Bond / Euro Bond: Spain's € 10Bn 10-year bond | FS & Advisory | Spain | IFR |
| Award | Latin America Bond: Fibra Uno's US\$1Bn dual-tranche bond | FS & Advisory | Latin America | IFR |
| N1. | Equities Research Iberia | Global Markets | Iberia | Institutional Investors |
| N1. | Equities Research Iberia | Global Markets | Iberia | Thomson Reuters Extel |
| N1. | Equities Sales Iberia | Global Markets | Iberia | Thomson Reuters Extel |
| N1. | Equities Sales Trading Iberia | Global Markets | Iberia | Thomson Reuters Extel |
| N1. | Equities Corporate Access Iberia | Global Markets | Iberia | Thomson Reuters Extel |

(*):- Ranking according to survey selection criteria

(1) **Global Transaction Banking (GTB)**: includes the businesses of cash management, trade finance, basic financing and custody.

(2) **Financing Solutions & Advisory (FS&A)**: includes the units of origination and distribution of corporate loans or structured financing, the teams of origination of bonds and securitisation, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset & capital structuring.

(3) **Global Markets (GM)**: includes the sale and distribution of fixed income and equities, interest rates and inflation; trading and hedging of exchange rates and short-term money markets for the Group's wholesale and retail customers; management of the books associated with distribution; and brokerage of equities and derivatives for investment and hedging solutions.

► Private Banking, Asset Management and Insurance

→ **Attributable profit of EUR 703 million (+18.4% more than in 2013).**

- Without the perimeter effect (sale of 50% of fund management entities in 2013) and the exchange rate impact, profit would have been 31.3% higher.
- Total gross income for the Group (including that paid to the networks) represented 10% of the operating areas' total and increased 6.8% on a like-for-like basis (perimeter and exchange rates).

→ **Private banking: recovery of gross income and lower provisions spurred attributable profit, which grew 16.9% in constant euros.**

→ **Asset management: on a like-for-like basis, total gross income increased 22.4% and attributable profit doubled.**

→ **Insurance: 2.9% growth in constant euros in total gross income plus value of business recognized via corporate operations.**

The area's attributable profit was EUR 703 million (8% of the operating areas' total).

Strategy

Private Banking. The process of developing and installing a homogeneous model, which offers comprehensive solutions for the financial needs of the Group's clients with the highest net worth, via commercial units specialized by countries and

supported by the Group's other global areas, continued during 2014. Its three basic pillars are:

- Segmentation, as a tool to define a tailored and efficient value offer that also tends to the needs of the next generations.
- Customer linkage and satisfying customer needs.
- Decisive commitment to multi channels in an increasing digital environment.

An important milestone in 2014 was integrating the three specialized networks in Spain, consolidating Santander as the reference for high net worth clients in the country.

Asset Management. Under the strategic alliance with Warburg Pincus and General Atlantic to promote the global business of asset management, the area continued to advance in its marketing model, backed by the strength and knowledge of local markets. Of note among the key aspects in 2014 were:

- Review and general adjustment of the range of products, with a greater focus on clients and their saving-investment needs.
- An important effort in training commercial networks teams in order to strengthen the range of products and ensure their correct distribution in accordance with the features of each customer.
- Extending and consolidating investment solutions with profiled funds in eight of the Group's core countries, as well as launching specialized ranges for the *Select* segment in three of them.

Private Banking, Asset Management and Insurance

EUR Million

| Income statement | 2014 | 2013 | Variation amount | % | % w/o FX |
|--|--------------|--------------|------------------|--------------|--------------|
| Net interest income | 462 | 498 | (36) | (7.3) | (5.6) |
| Net fees | 610 | 547 | 63 | 11.5 | 13.4 |
| Gains (losses) on financial transactions | 32 | 43 | (11) | (25.8) | (24.7) |
| Other operating income* | 402 | 343 | 59 | 17.2 | 23.6 |
| Gross income | 1,506 | 1,431 | 75 | 5.2 | 8.0 |
| Operating expenses | (579) | (575) | (4) | 0.8 | 2.1 |
| Net operating income | 927 | 857 | 70 | 8.2 | 11.9 |
| Net loan-loss provisions | (0) | (50) | 50 | (99.2) | (99.2) |
| Other income | (7) | (19) | 12 | (62.0) | (61.4) |
| Profit before taxes | 919 | 787 | 132 | 16.8 | 21.1 |
| Tax on profit | (193) | (171) | (22) | 12.8 | 14.8 |
| Profit from continuing operations | 726 | 616 | 110 | 17.9 | 23.0 |
| Net profit from discontinued operations | — | — | — | — | — |
| Consolidated profit | 726 | 616 | 110 | 17.9 | 23.0 |
| Minority interests | 23 | 22 | 1 | 4.6 | 14.2 |
| Attributable profit to the Group | 703 | 594 | 109 | 18.4 | 23.3 |

(*) Including dividends, income from the equity-accounted method and other operating income/expenses

Insurance. The area continued to advance in building a sustainable business model focused on the customer and on their protection needs. The objective is to construct long-term relations of confidence on the basis of the customer's experience; protection solutions tailored to each segment and an innovative model of multi channel marketing.

The focuses in 2014 were:

- Increase the range of open market insurance, with a greater degree of segmentation and multi channel. With the launch in all countries of insurance products for different customer profiles, the main focus was on the *Select* (high income) and *Advance* (SMEs) segments.
- Strengthen bancassurance business via strategic alliances with insurers that are global leaders, thereby enabling Santander's clients to access a larger and more innovative range of products. An agreement was signed during 2014 with CNP to develop the insurance business of Santander Consumer Finance in Europe, and extend the cooperation agreement with Aegon to the Portuguese market.
- The strategic agreements with Zurich in five Latin American countries, with Aegon in Spain and Aviva in Poland continued to meet their goals.

Results and activity

The whole area registered a trend of sustained improvement in gross income and spreads that resulted in the highest attributable profit in two years being recorded in the fourth quarter.

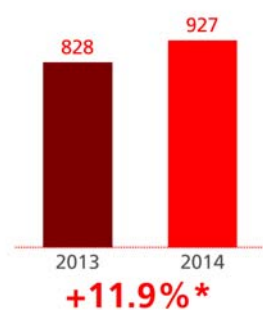
Of note was the 5.2% growth in 2014 in gross income, which absorbed the lower perimeter (sale of 50% of the fund management institutions in the fourth quarter of 2013) and the depreciation of Latin American currencies. Flat operating expenses and lower provisions lifted attributable profit by 18.4%. Eliminating these effects, growth was 11.2% and 31.3%, respectively.

The area's total contribution to the Group by these three global businesses (including revenues recorded by the distribution networks) amounted to EUR 4,528 million (+1.9% and +6.8% on a like-for-like basis and constant exchange rates). These revenues accounted for 10% of the operating areas' total.

Private Banking. Attributable profit was EUR 319 million (+15.7% and +16.9% in constant euros), with a good evolution of gross income, operating expenses and provisions.

Net operating income

Constant EUR Million



(*) In euros: +8.2%

Attributable profit

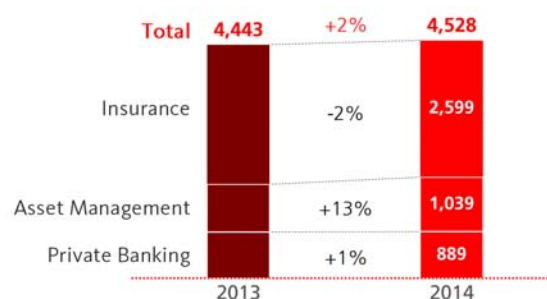
Constant EUR Million



(*) In euros: +18.4%

Total Group revenues

EUR Million



(*) At constant perimeter and exchange rates:

Total +7%; Insurance +3%; Asset Management +22%; Private Banking: +2%

Private Banking, Asset Management and Insurance. Income statement

EUR Million

| | Gross income | | | Net operating income | | | Attributable profit | | |
|------------------|--------------|------------|------------|----------------------|------------|-------------|---------------------|-------------|-------------|
| | 2014 | % | % w/o FX | 2014 | % | % w/o FX | 2014 | % | % w/o FX |
| Private Banking | 889 | 1.0 | 2.4 | 481 | 1.9 | 3.0 | 319 | 15.7 | 16.9 |
| Asset Management | 162 | 29.8 | 33.7 | 121 | 50.0 | 57.0 | 114 | 36.8 | 43.1 |
| Insurance | 455 | 6.7 | 12.2 | 325 | 7.0 | 14.4 | 270 | 14.9 | 24.0 |
| Total | 1,506 | 5.2 | 8.0 | 927 | 8.2 | 11.9 | 703 | 18.4 | 23.3 |

Excluding the exchange rate impact, gross income recovered, thanks to more commercial revenues (+3.9%) and costs (+1.6%) rising at below the inflation rate. Net operating income increased 3.0% in constant euros and the efficiency ratio improved to 46%, a reference for the sector. Lastly, the sharp fall in loan-loss provisions explains the rate of profit growth.

Strategy and objectives in 2015

Private Banking

The global business of private banking will continue to focus on consolidating the comprehensive advisory model which increase in the number of clients and their level of satisfaction and assets under management. Key aspects of this strategy are the development of:

- a value offer that includes transaction banking, financing and investment advice.
- a technological platform that guarantees the quality of services provided and adjusts the recommendations to the customer's risk profile.

Of note were the greater contributions of Spain and Portugal and in Latin America of Brazil and Chile (flatter contributions from the rest of units).

Asset Management. Attributable profit was EUR 114 million, 36.8% more than in 2013, after absorbing the sale of 50% of the fund management entities and the depreciation of Latin American currencies. On a like-for-like basis in terms of the perimeter and exchange rates, attributable profit doubled (+100.4%), basically due to the greater contribution of the shared fund management entities.

Total gross income including the fee income paid to the networks was EUR 1,039 million, 13.3% more than in 2013 (+22.4% with constant perimeter and exchange rates).

The rise in the business volume contributed to this. Total funds marketed and managed were 17% higher than in 2013 at EUR 162,000 million at constant exchange rates, of which EUR 136,000 million were mutual and pension funds, and the rest clients' managed portfolios. Three countries have three-quarters of the business:

- Spain's assets under management increased 21% to EUR 59,000 million. Of note is Santander Asset Management which, backed by capturing of mixed and profiled products (four funds in the year's top 10), consolidated its leadership.
- In Latin America, Brazil's assets amounted to EUR 50,000 million (15% in local currency), spurred by the high income and corporate segments.
- Mexico's managed assets increased 10% to EUR 11,500 million, due to robust demand for the profiled funds *Select* and *Elite* during the year

Strategy and objectives in 2015

Asset Management

- Continue to build a sustainable business model on the foundations of the institutional and distribution capacities of the strategic alliance underway.
- Continue with the extension to the markets where the Group operates of more diversified profiled solutions that are tailored to the different customer segments in order to offer them greater value added.

Of note among the rest of units was the high growth in volumes in local currency of Chile (+35%), Portugal (+23%) and United States (+25%).

Insurance posted an attributable profit of EUR 270 million, 14.9% more than in 2013. Eliminating the exchange rate effect, attributable profit was 24.0% higher, strongly backed by the greater contribution of joint venture insurers (at 50%) in the strategic alliances.

In terms of the total contribution to the Group, the revenues generated by business (including fee income paid to the networks) amounted to EUR 2,600 million, 2.9% more than in 2013 at constant exchange rates (-1.7% in current euros).

There was a similar evolution of the total result for the Group (pre-tax profit plus fee income paid to the networks), which increased 3.0% in constant euros. The evolution by geographic area varied

- Europe's contribution was 0.4% lower. The better evolution of Santander Consumer Finance (+5.8%) and Poland (+42%) offset the declines in Spain, Portugal and United Kingdom.
- Latin America's contribution was up 8.1% in an increasingly strict regulatory environment. Greater impact in Chile (-4.1%). The rest of countries continued to increase their total contribution, particularly Mexico (+18.5%).

Strategy and objectives in 2015

Insurance

- Increase the customer linkage of the Group's units, with a range of more segmented products tailored to clients' needs.
- Facilitate contracting via any of the channels available in the Bank.
- Boost the weight of non-linked protection products.
- Extract the maximum value from the strategic alliances with world insurance leaders in the development of a sustainable business model.