

27 July 2016

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Santander



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Note: Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, historical share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this presentation should be construed as a profit forecast.

Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

Note: June 2016 results and business volumes evolution contained in this presentation reflect the acquisition of Banif in Dec/15.

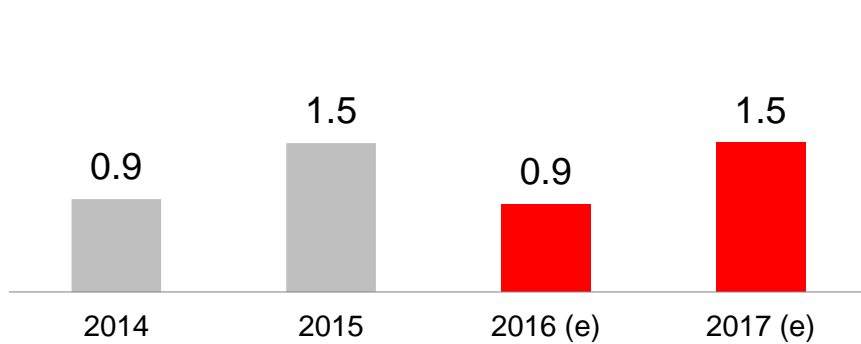
Agenda

- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix

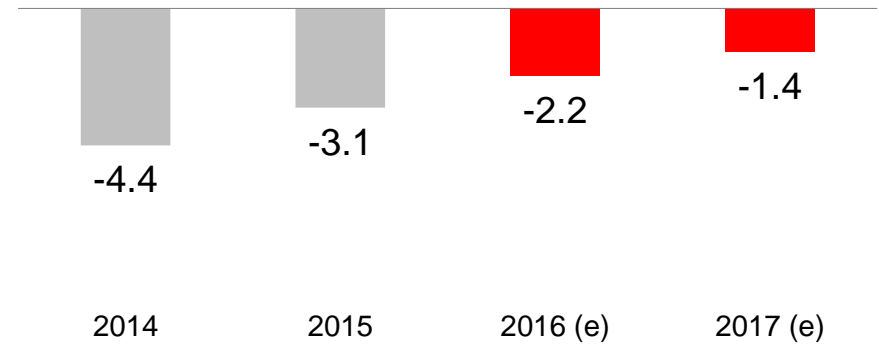


External uncertainty is weighing on growth dynamics in 2016

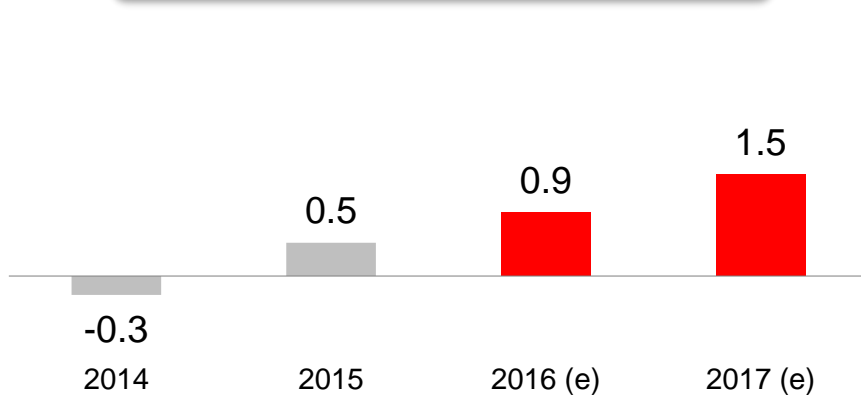
Annual GDP Growth (% , real)



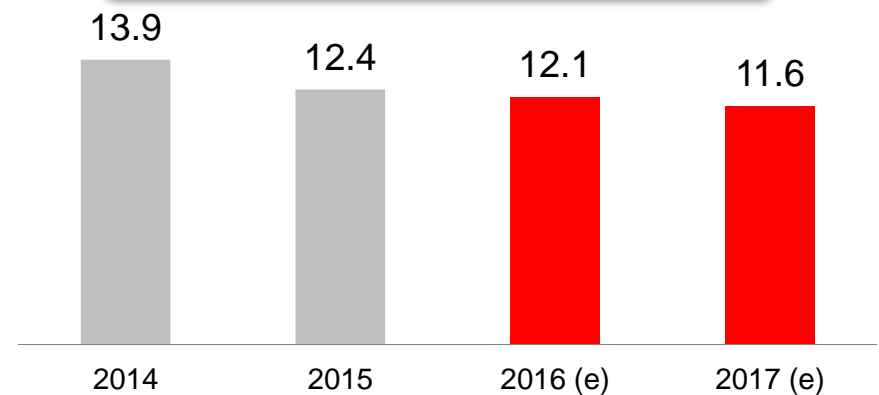
Fiscal Balance (% GDP)



Inflation (annual change, %)



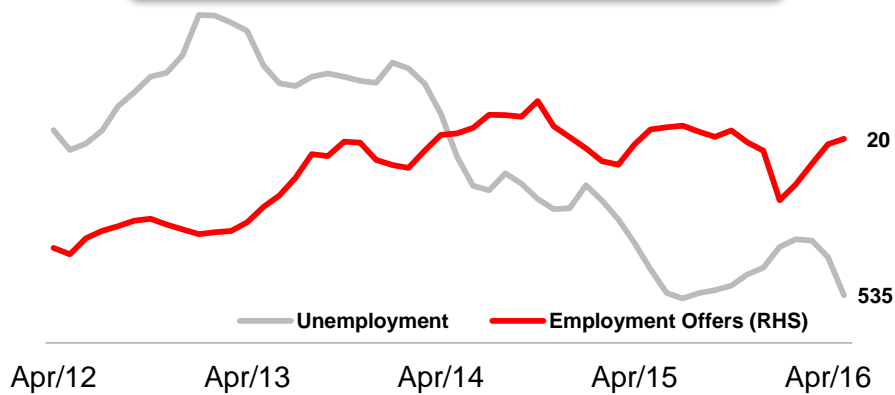
Unemployment (% , annual average)



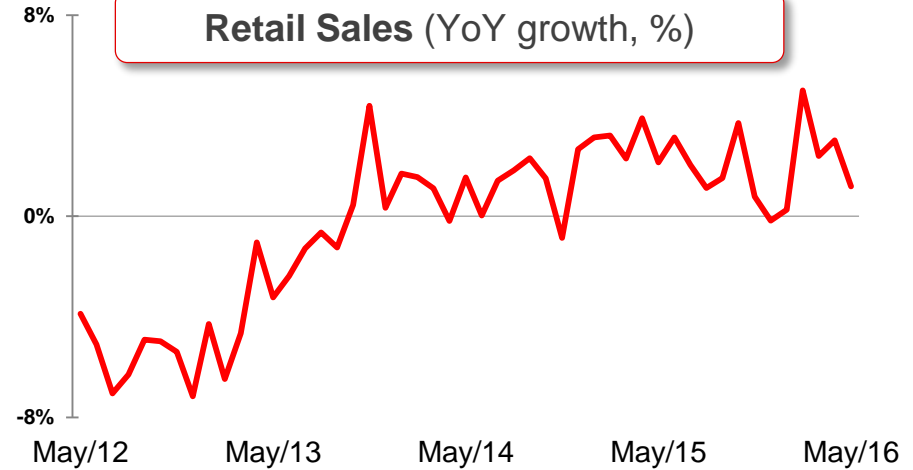
Macro-economic environment

Export growth affected by Angola and sales of oil products

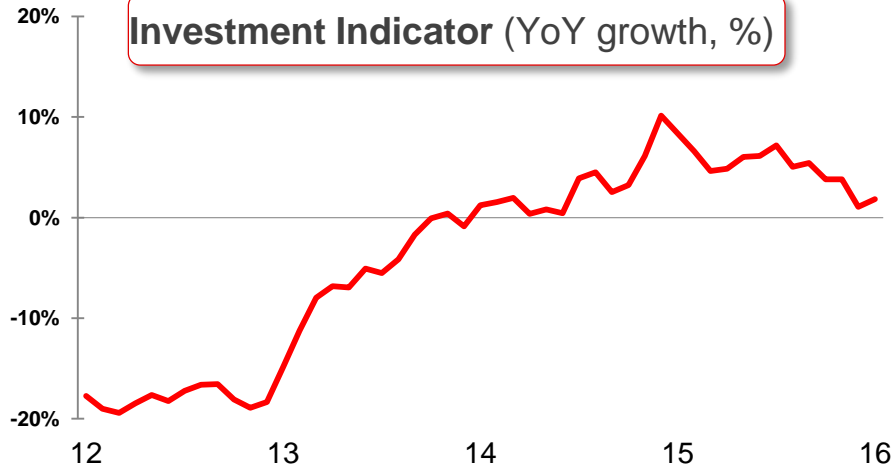
Registered Unemployment (000)



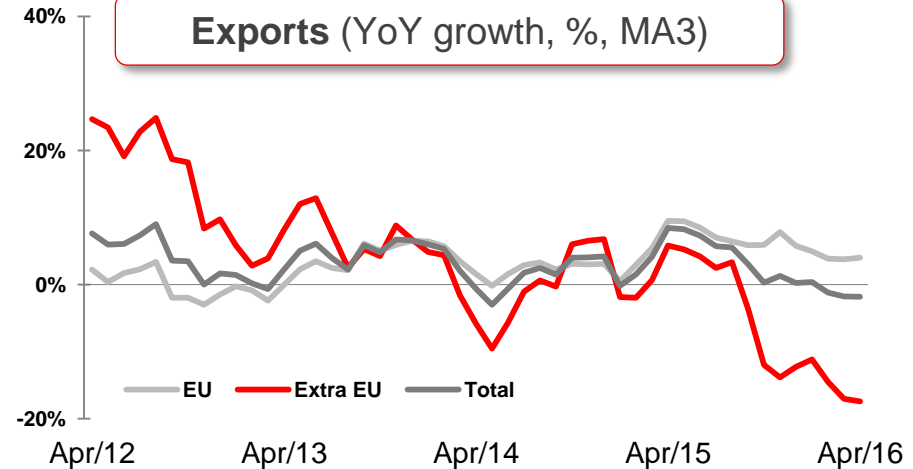
Retail Sales (YoY growth, %)



Investment Indicator (YoY growth, %)

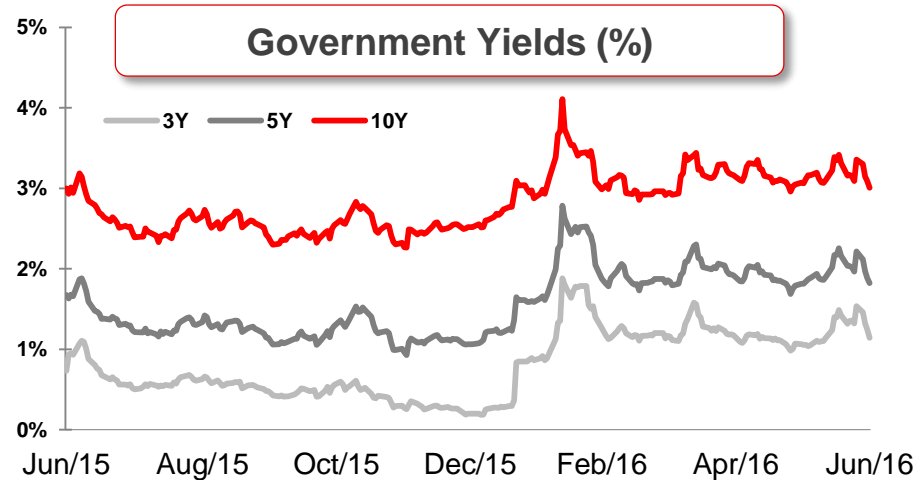
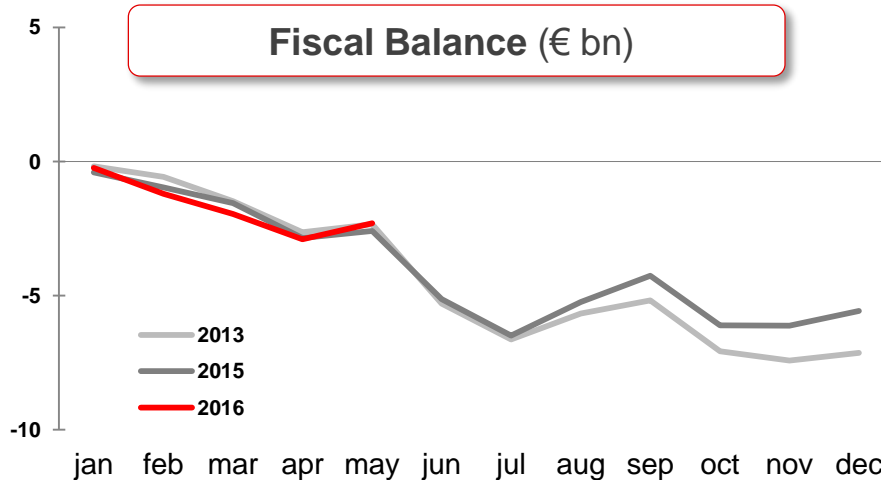
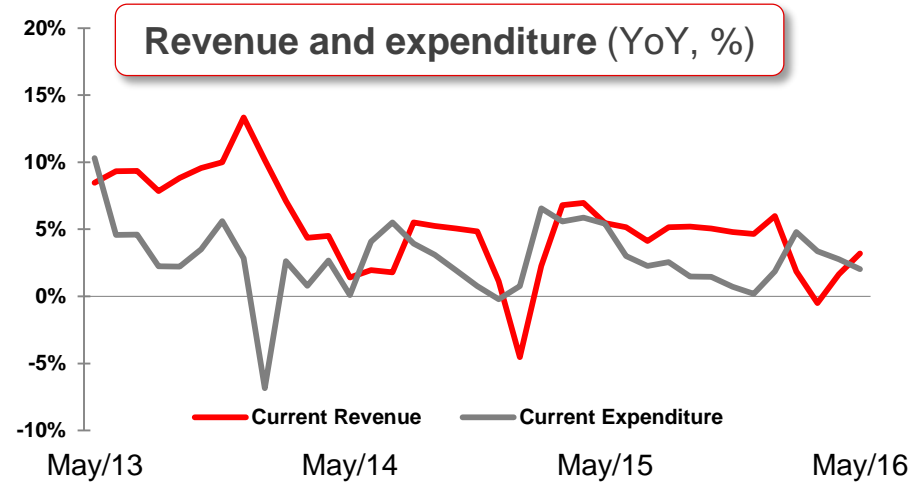
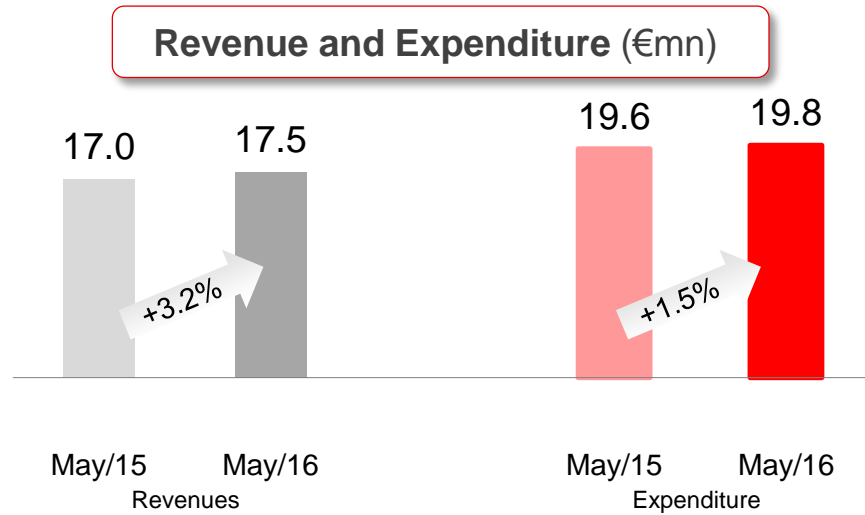


Exports (YoY growth, %, MA3)



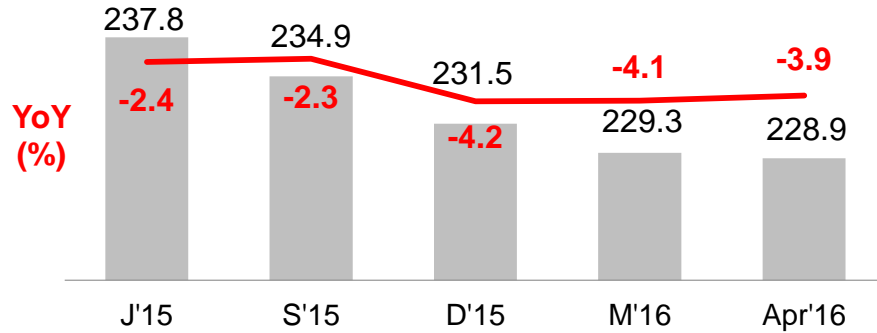
Macro-economic environment

Moderate expenditure growth offset by higher revenue

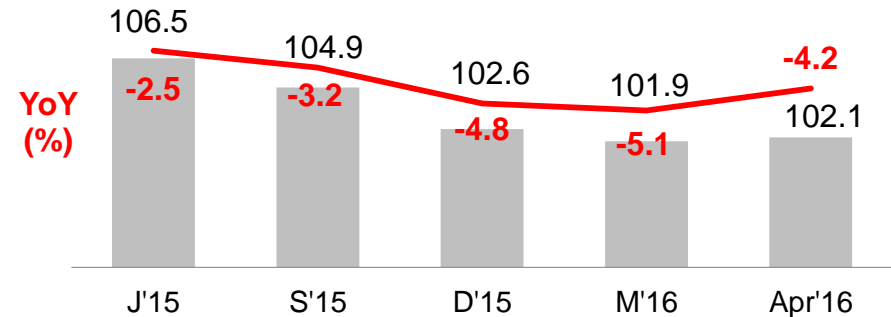


The private sector continues to deleverage

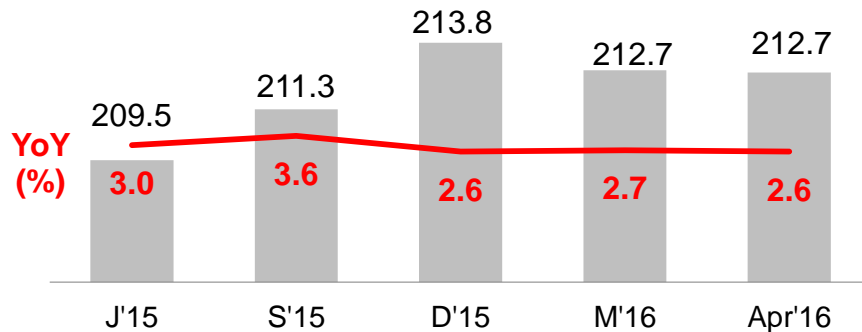
Total loans (€bn)



Corporate loans (€bn)



Total Deposits (€bn)



- Credit maintains its downward trend, especially at the level of corporates. Credit should fall 2-3% in 2016F.
- Deposits remain elevated, and should grow around 1% in 2016F.

Agenda

- Macro-economic environment and financial system

- **Strategy and business**

- Results

- Appendix



Our Franchise

Santander Totta is the 2nd private bank in domestic activity by total assets



<i>EUR</i>	Jun'16	Var. YOY
Business and Results		
Loans	29.9 bn.	+23.1%
Deposits	30.0 bn.	+25.9%
Total customer funds	37.1 bn.	+26.8%
Underlying Consolidated profit	210.8m.	+102.7%
Underlying Attributable profit	209.6m.	+101.4%

Other Data

Employees	6,466	+1,033
Branches	734	+158

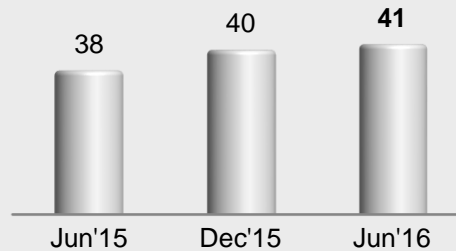
Market Share ⁽¹⁾

Loans	14.38%	+3.42pp
- Individuals	15.37%	+2.66pp
- Corporates	13.12%	+4.34pp
Deposits	13.48%	+3.22pp

Reinforcing our customer focus

Balance sheet mix (in local criteria*)

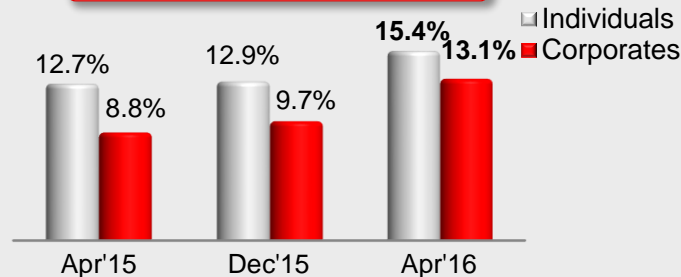
Mix of Corporates / Total loans (%)



Loans to corporates/SMEs already account for 41% of the loan book

Market shares

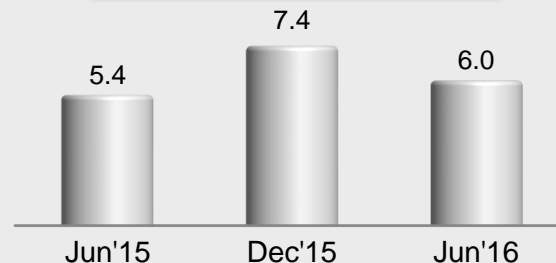
Market shares - Loans



Sustained gains in market share in loans to corporates and individuals

Commercial Gap

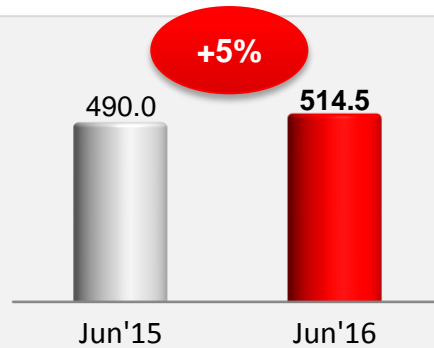
Commercial gap (local criteria)



Commercial gap continues to improve

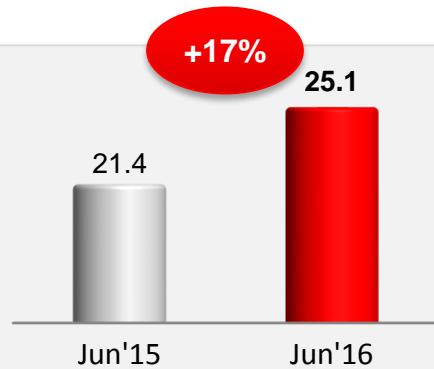
Customers

Retail loyal customers
(k)



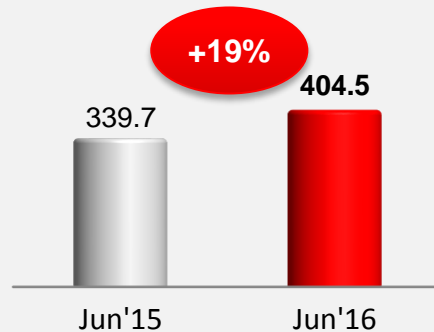
The number of loyal customers is growing above the targets...

Loyal SMEs and Corporate customers
(k)



... while the focus on corporates is reflected in the increase of clients

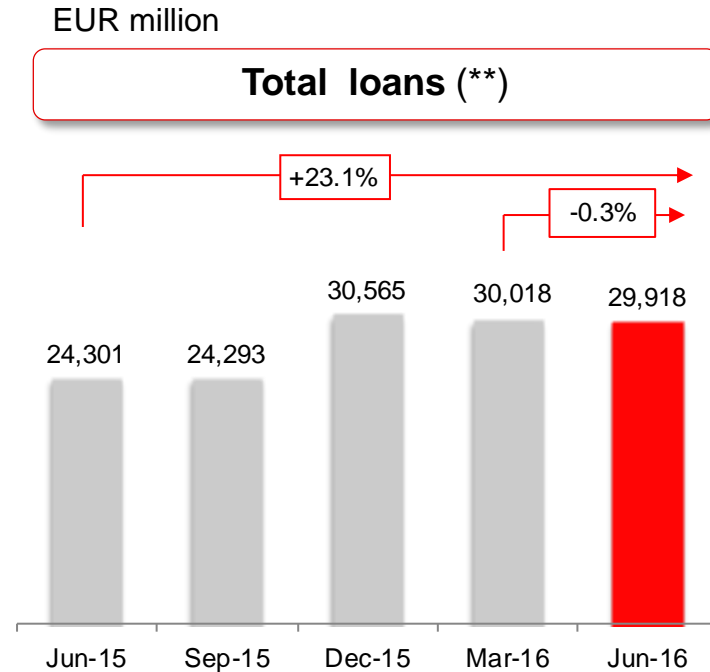
Online digital customers
(k)



The number of digital clients maintains a strong growth

Total loans performance

Increase in the corporate loan book, offset by the redemptions of the mortgage book



	Jun-16	YoY (%)	QoQ (%)
Individuals	19,268	+16.9	-0.8
<i>from which:</i>			
Mortgage	17,045	+16.3	-0.5
Consumer credit	1,890	+36.3	-1.4
Corporates	10,399	+37.2	-0.0
Total	29,918	+23.1	-0.3
Loans to Corporates (*)	14,654	+46.5	+0.9
Total Loans (*)	34,173	+27.9	+0.1

(*) includes commercial paper

Note: Loan to corporates grew 1.4% QoQ adjusted by the sale of credits

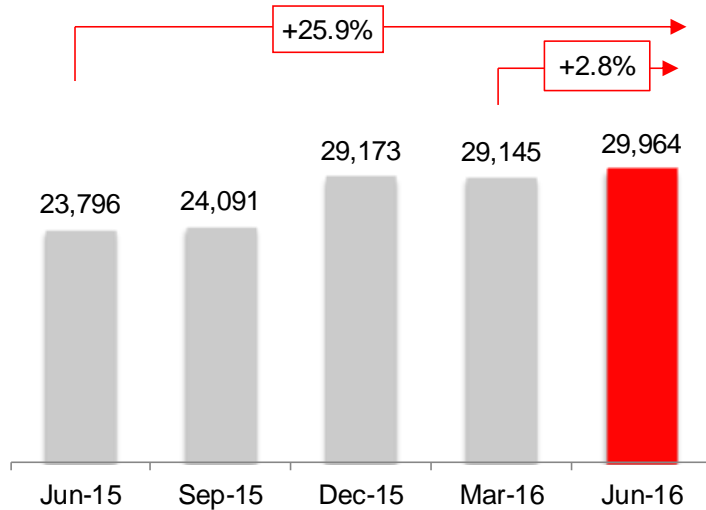
(**) Gross credit

Total customer funds performance

Deposits maintain a sustained growth

EUR million

Total deposits & Financial Insurance



	Jun-16	YoY (%)	QoQ (%)
Demand	10,003	+60.8	+10.8
Time and Savings	17,363	+21.7	-0.7
Total Deposits	27,366	+33.5	+3.2
Financial insurance	2,598	-21.3	-1.4
Deposits & financial insurance	29,964	+25.9	+2.8
Securities placed	4,488	+72.1	-4.5
Investment funds and other	2,686	-6.6	-2.1
Total Customer Funds	37,138	+26.8	+1.5

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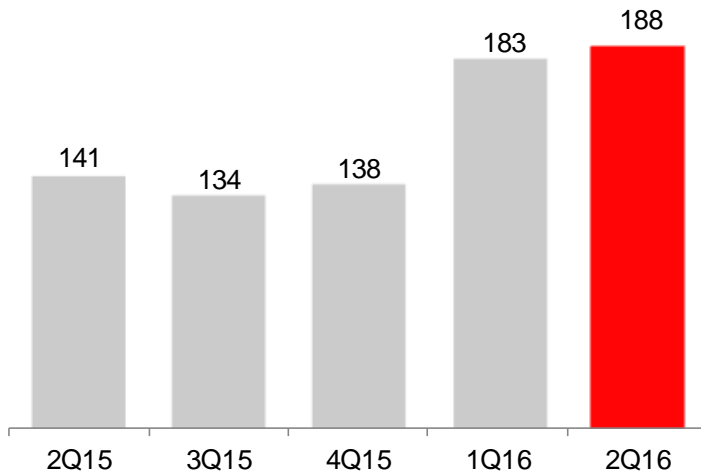


Net interest income and spreads

Positive contribution to NII from the repricing of deposits

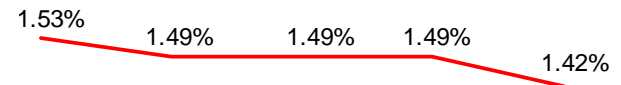
EUR million

Net Interest Income



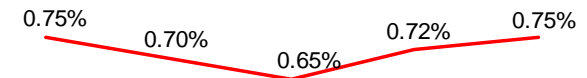
Loan spreads, %

Retail Banking



Deposit spreads, %

Retail Banking

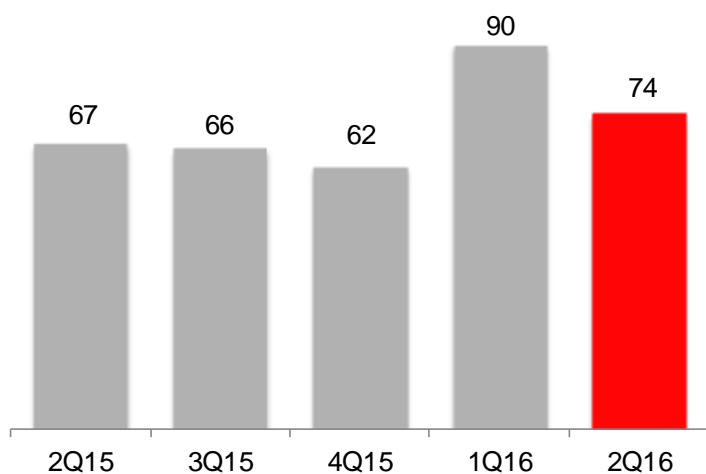


Net fees

Net fees in 2Q affected by calendar effects and one-off revenues in 1Q16

EUR million

Net fees



	1H16	1H15	YoY (%)	QoQ (%)
Credit	38	33	+14.9	-15.4
Credit cards	28	27	+6.9	-15.6
Mutual funds	9	10	-14.7	-3.1
Insurance	45	44	+2.6	-4.5
Other*	44	21	+107.7	-35.3
Total	165	136	+21.5	-17.9

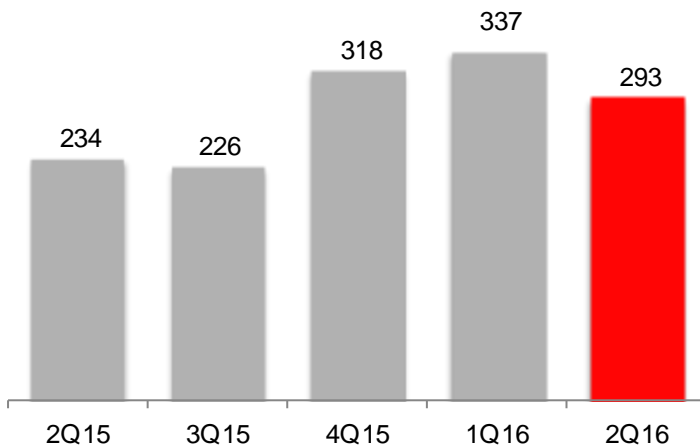
* Increased fees paid to other business units

Gross income

Gross income in 2Q16 reflected lower fees and other revenues

EUR million

Gross Income



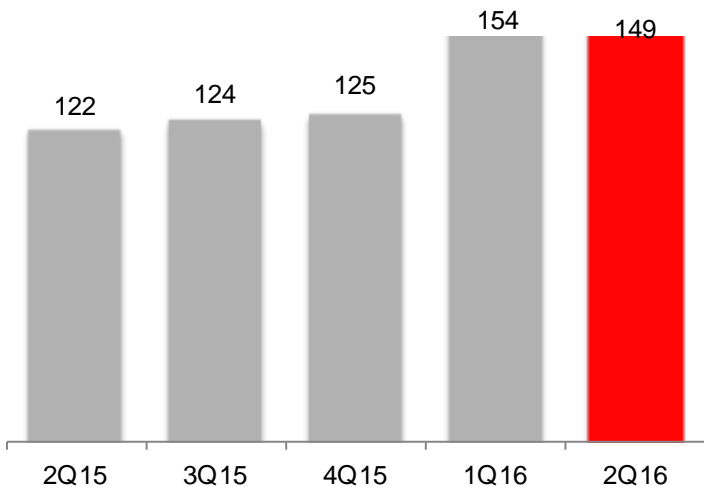
	1H16	1H15	YoY (%)	QoQ (%)
Net interest income	370	283	+30.9	2.8
Net Fees	165	136	+21.5	-17.8
Subtotal	535	419	+27.9	-4.0
Other ¹	95	53	+78.7	-51.2
Gross income	630	472	+33.6	-13.0

Operating expenses

Sustained improvement in operating costs

EUR million

Operating expenses



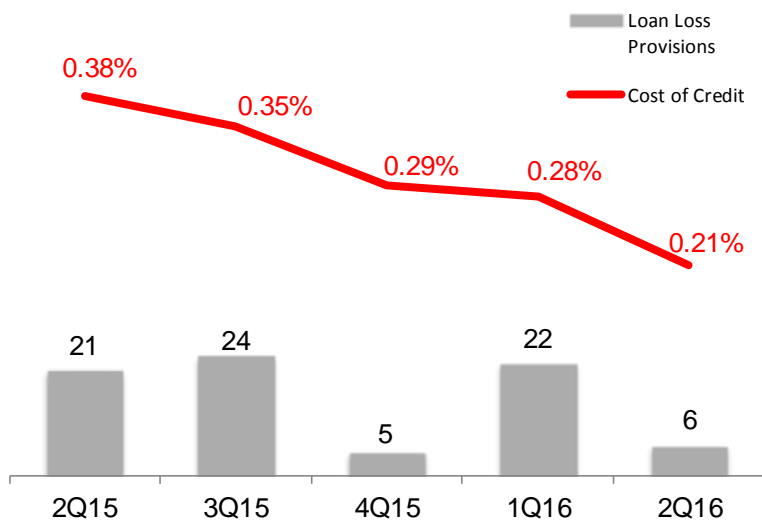
	1H16	1H15	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	285	227	+25.4	-3.2
Depreciation and amortization	18	18	+1.3	2.4
Total	303	245	+23.6	-2.9

Efficiency ratio (with amortisations)	48.1%	52.0%
Number of branches	734	576
Number of employees	6,466	5,433

Net operating income after loan-loss provisions (LLPs)

Gradual reduction of the cost of credit

LLPs and cost of credit



	1H16	1H15	YoY (%)	QoQ (%)
Net Operating Income	327	226	+44.4	-21.4
LLPs	29	43	-33.3	-72.4
Net Op. Income after LLPs	298	183	+62.6	-14.3

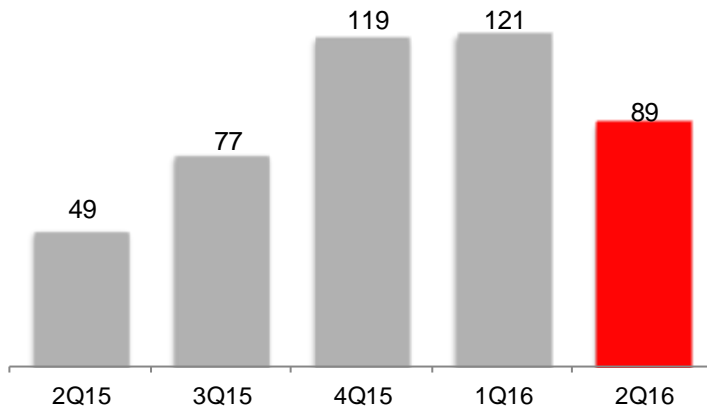
NPL ratio	10.5%	8.8%
NPL coverage ratio	61.9%	54.2%

Attributable profit

Underlying attributable profit in the 1H'16 reached 210mn. YoY profit growth spurred by higher gross income and lower cost of credit

EUR million

Underlying Attributable profit



	1H16	1H15	YoY (%)	QoQ (%)
Underlying Profit before taxes	275	139	+97.8	-26.4
Tax on profit	64	35	+83.4	-26.1
Underlying Consolidated profit	211	104	+102.7	-26.5
Underlying Attributable profit	210	104	+101.4	-26.6
Effective tax rate	23.3%	25.1%		

Conclusions

Market Environment & Financial System

- Activity is slowing down, affected by the pace of exports and investment. Recent wave of external uncertainty (as with UK Referendum) may dampen economic confidence and delay the recovery.
- The fiscal deficit, in 1Q16, was at 3.2% of GDP, down from 5.5% in the same period of last year. However, the effects of some reversal of measures (ie, higher wages in the civil service) will be gradual during the coming quarters.
- Resilient volumes of new loans but the stock of loans continues to decline, albeit at a more moderate pace.

Strategy, Business and Capital

- The acquisition of Banif business further improves market shares in loans to corporates and a more balanced loan book
- Increasing the number of loyal customers
- Capital ratios continue reflecting the sound structure of Santander Totta with the Common Equity Tier 1 ratio (CET1) reaching 15.3% (May 2016)

Results

- Sustained recurrent results of activity, supported by the improvement in NII and reduction in operating costs, despite lower fees and other income in the quarter
- The cost of credit maintains a downward trend

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Balance sheet

EUR million			Variation	
	30-Jun-16	30-Jun-15	Amount	%
Customer loans *	27,889	23,097	4,792	20.7
Financial assets held for trading (w/o loans)	1,763	2,076	(314)	(15.1)
Available-for-sale financial assets	5,951	5,711	239	4.2
Central banks and credit institutions *	2,268	1,753	516	29.4
Tangible and intangible assets	708	693	15	2.1
Other assets	8,305	6,084	2,220	36.5
Total assets/liabilities & shareholders' equity	46,883	39,415	7,468	18.9
Customer deposits *	29,964	23,796	6,168	25.9
Debt securities issued *	4,488	2,608	1,880	72.1
Liabilities under insurance contracts	44	24	19	79.6
Central banks and credit institutions *	8,164	9,794	(1,630)	(16.6)
Other liabilities	1,063	971	92	9.4
Stockholders' equity **	3,160	2,221	940	42.3
Off-balance-sheet funds	2,686	2,876	(190)	(6.6)
Mutual funds	1,389	1,555	(166)	(10.7)
Pension funds	894	910	(16)	(1.8)
Managed portfolios	403	411	(8)	(1.8)
Customer funds under management	37,138	29,281	7,858	26.8

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income statement

EUR million

			Variation	
	1H16	1H15	Amount	%
Net interest income	370	283	87	30.9
Net fees	165	136	29	21.5
Gains (losses) on financial transactions	69	25	44	175.4
Other operating income*	26	28	(2)	(7.6)
Gross income	630	472	158	33.6
Operating expenses	(303)	(245)	(58)	23.6
General administrative expenses	(285)	(227)	(58)	25.4
<i>Personnel</i>	(175)	(144)	(32)	22.0
<i>Other general administrative expenses</i>	(110)	(84)	(26)	31.1
Depreciation and amortisation	(18)	(18)	(0)	1.3
Net operating income	327	226	101	44.4
Net loan-loss provisions	(29)	(43)	14	(33.3)
Other income	(23)	(45)	21	(47.3)
Underlying profit before taxes	275	139	136	97.8
Tax on profit	(64)	(35)	(29)	83.4
Underlying profit from continuing operations	211	104	107	102.7
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	211	104	107	102.7
Minority interests	1	(0)	1	—
Underlying attributable profit to the Group	210	104	106	101.4
Net capital gains and provisions**	(9)	—	(9)	—
Attributable profit to the Group	201	104	97	93.2

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

**Net capital gains and provisions including the charge arising from the change of the temporary criteria in the contribution to the Resolution Fund net of tax.

Quarterly income statements

EUR million

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Net interest income	142	141	134	138	183	188
Net fees	68	67	66	62	90	74
Gains (losses) on financial transactions	15	10	16	123	54	15
Other operating income*	13	16	10	(5)	10	16
Gross income	238	234	226	318	337	293
Operating expenses	(123)	(122)	(124)	(125)	(154)	(149)
General administrative expenses	(114)	(113)	(115)	(116)	(145)	(140)
<i>Personnel</i>	(71)	(72)	(72)	(75)	(88)	(88)
<i>Other general administrative expenses</i>	(42)	(41)	(43)	(41)	(57)	(52)
Depreciation and amortisation	(10)	(9)	(9)	(9)	(9)	(9)
Net operating income	115	112	102	193	183	144
Net loan-loss provisions	(22)	(21)	(24)	(5)	(22)	(6)
Other income	(21)	(23)	23	(10)	(2)	(21)
Underlying profit before taxes	72	67	101	178	158	116
Tax on profit	(17)	(18)	(24)	(58)	(37)	(27)
Underlying profit from continuing operations	55	49	77	120	122	89
Net profit from discontinued operations	—	—	—	—	—	—
Underlying consolidated profit	55	49	77	120	122	89
Minority interests	0	(0)	0	1	1	1
Underlying attributable profit to the Group	55	49	77	119	121	89
Net capital gains and provisions**	—	—	—	—	—	(9)
Attributable profit to the Group	55	49	77	119	121	80

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

**Net capital gains and provisions including the charge arising from the change of the temporary criteria in the contribution to the Resolution Fund net of tax.

Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

Simple | Personal | Fair

