

26th April 2017

PORTUGAL

January – March 2017

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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.



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Strategy and business

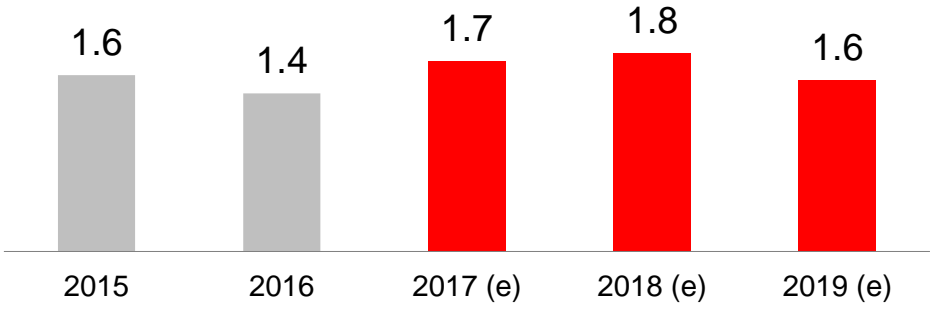
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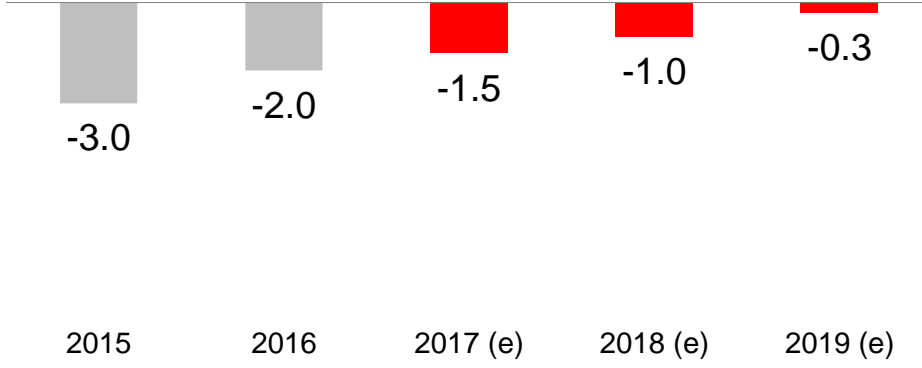
Macro-economic environment

GDP growing at a faster pace

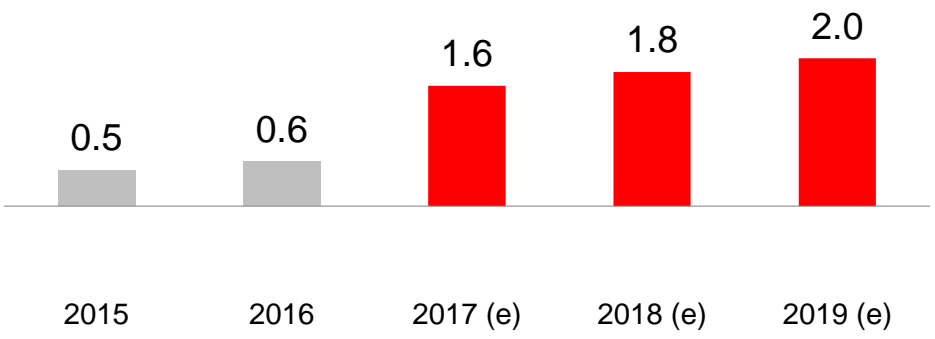
Annual GDP Growth (% , real)



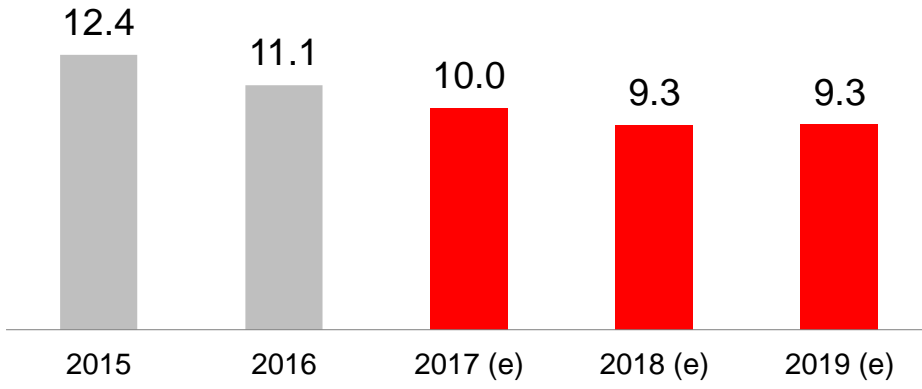
Fiscal Balance (% GDP)



Inflation (annual change, %)

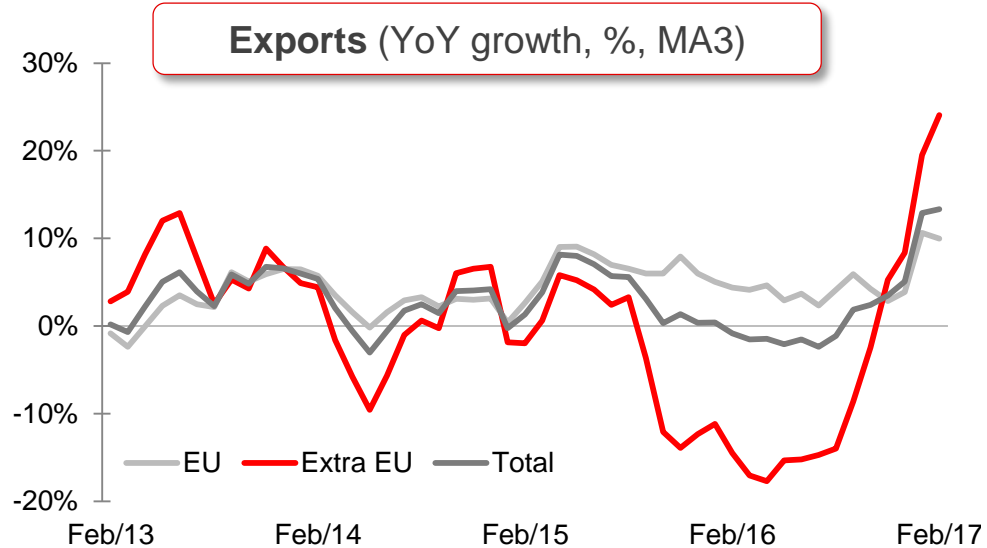
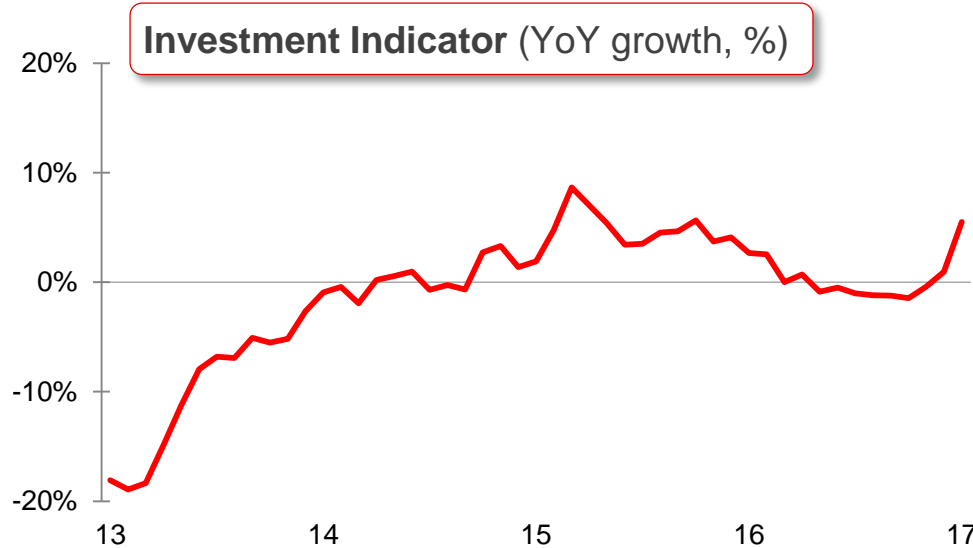
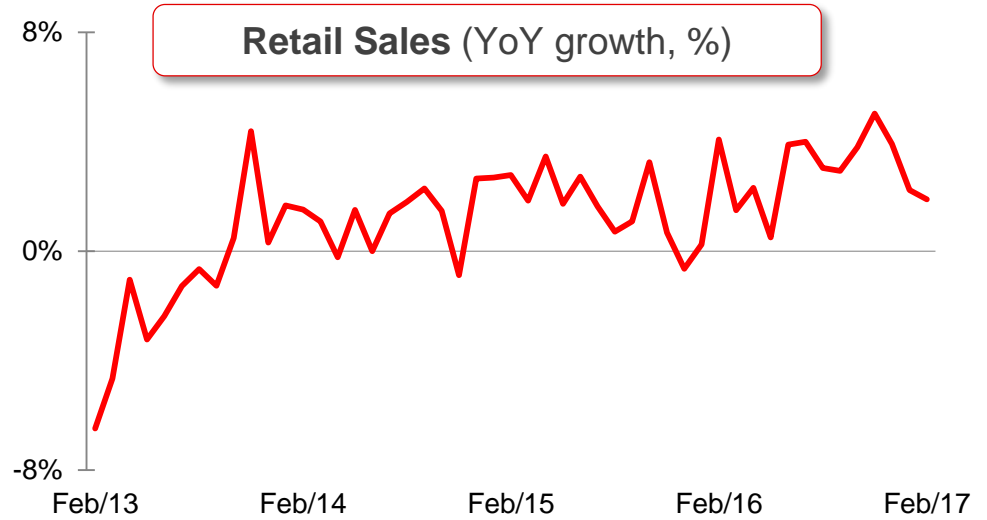
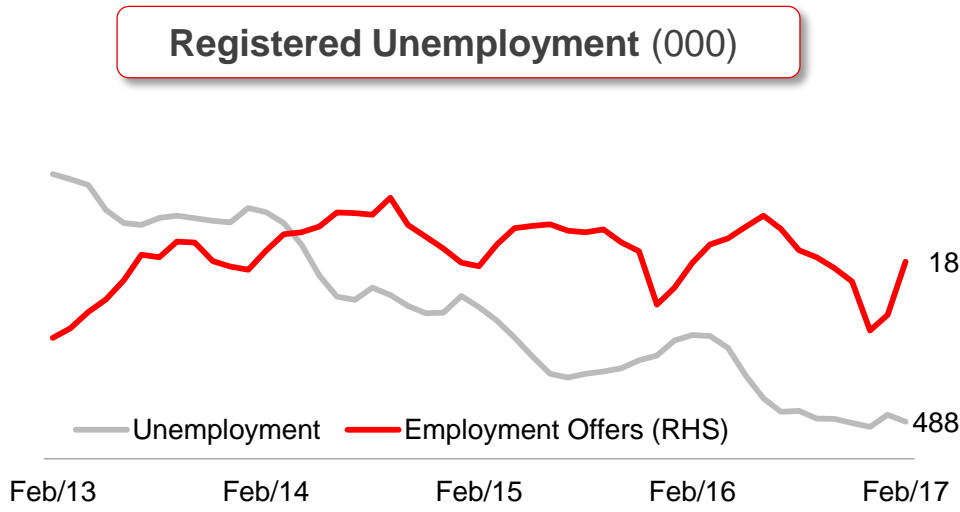


Unemployment (% , annual average)



Macro-economic environment

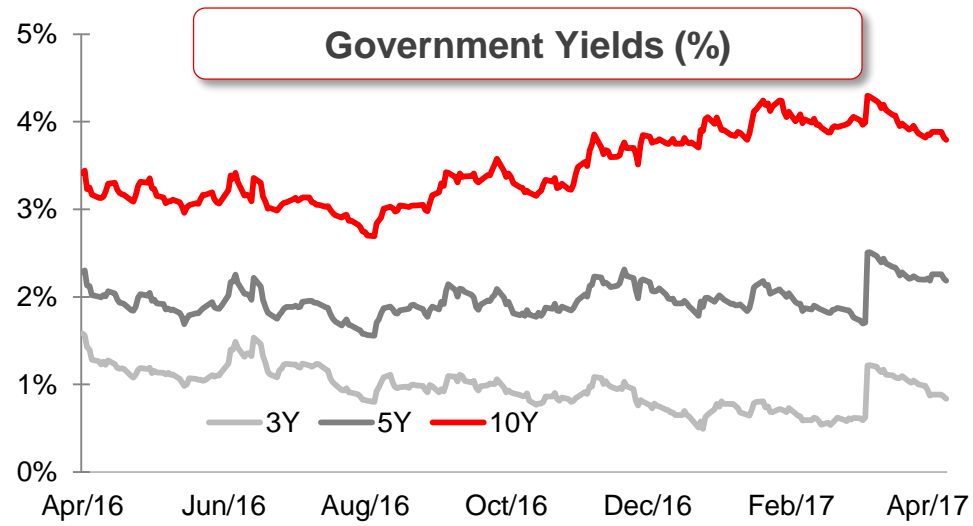
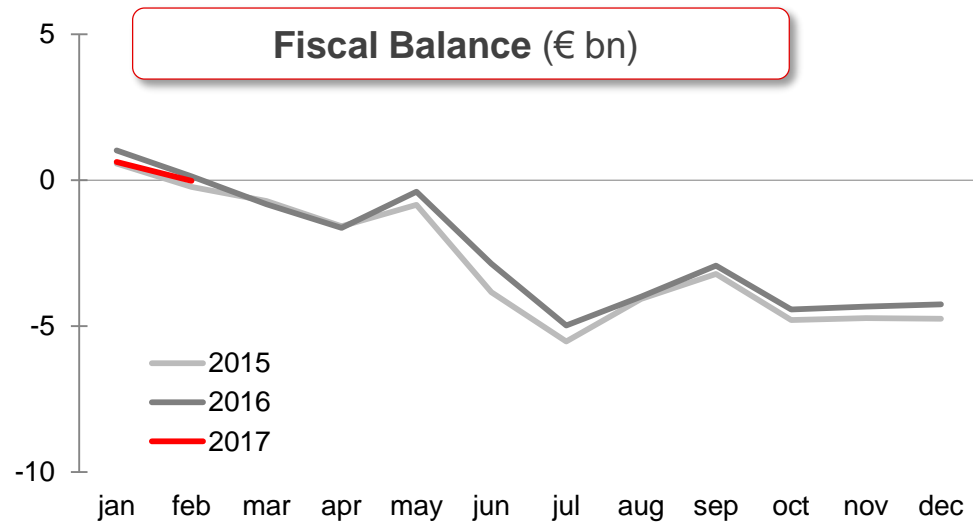
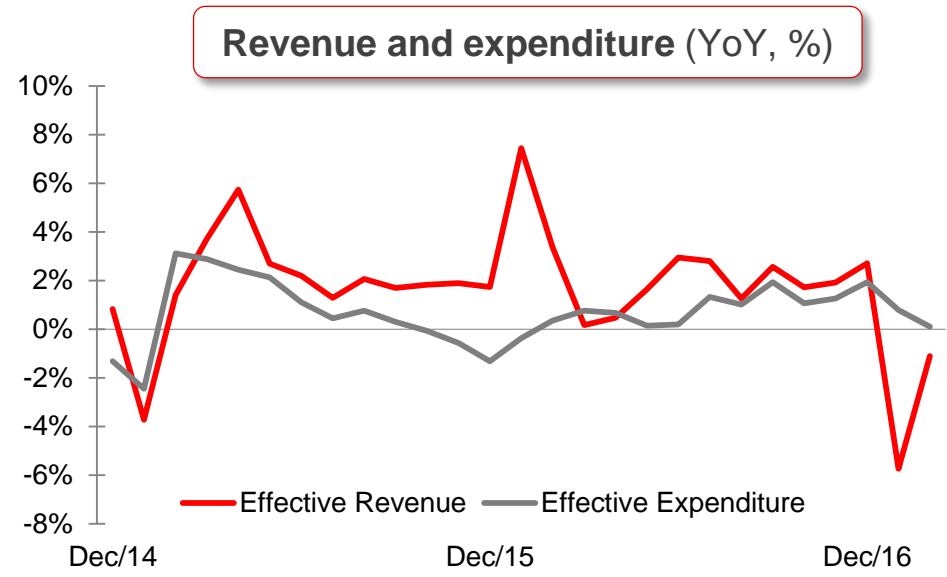
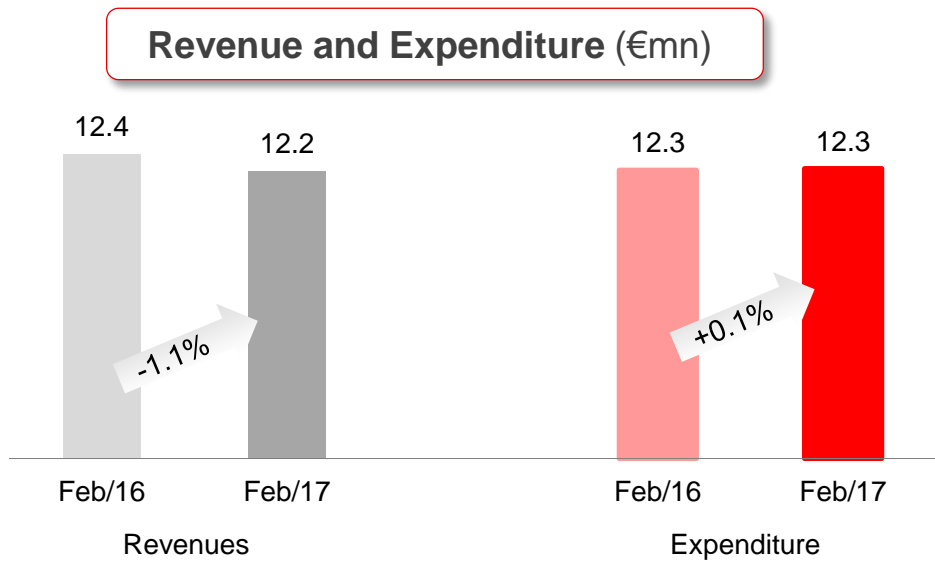
Investment and exports are recovering



Source: Statistics Portugal, Ministry of Finance and Santander Totta estimates

Macro-economic environment

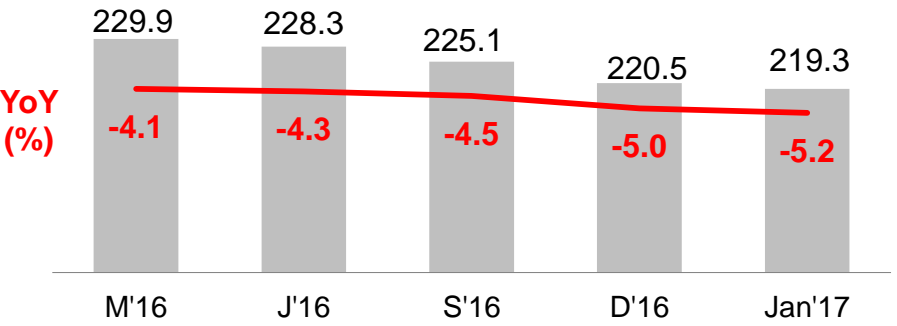
Fiscal aggregates in line with the 2017 targets



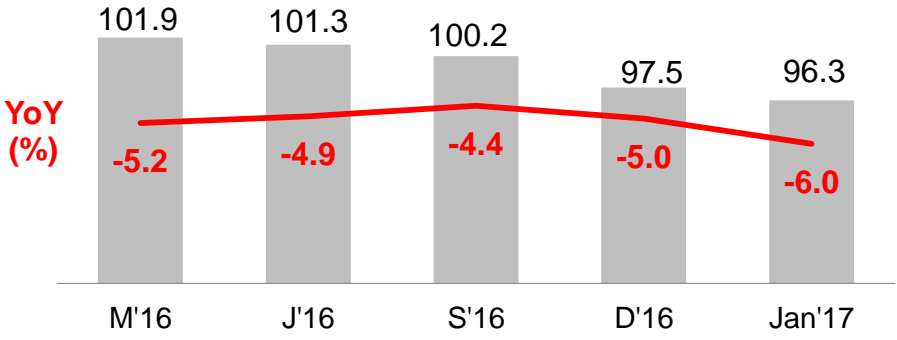
Note: Cash basis data for the General Government
 Source: Ministry of Finance and Santander Totta estimates

The loan book continued to decline, as the system writes-off impaired loans

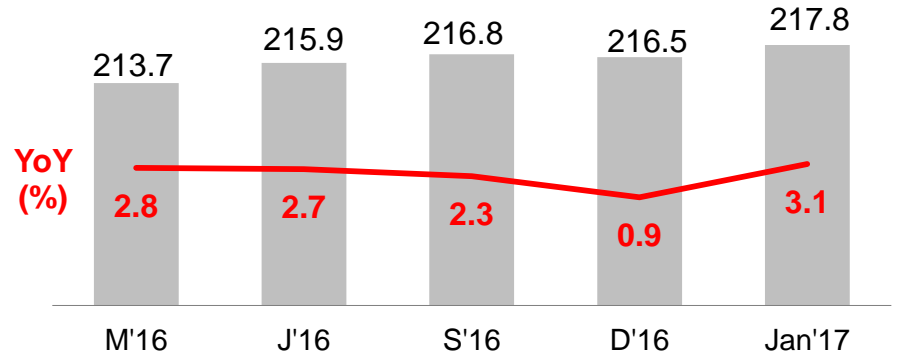
Total loans (€bn)



Corporate loans (€bn)



Total Deposits (€bn)



- The deleveraging process is ongoing, as the banking sector increased the pace of balance sheet cleanup. Total loans could decline c. 3.5% in 2017(E), following -5% in 2016.
- Deposits remain resilient, and could grow around 2% in 2017(E), after c.1% in 2016.



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












STRATEGIC PRIORITIES

Keep on gaining profitable market share

Optimise the cost of funds

Improve efficiency and cost of credit

Adjust the capital structure to the new regulatory requirements

KEY DATA	1Q'17	Var. YoY
 Gross loans ¹	28,770	-4.2%
 Customer funds ¹	36,298	-0.8%
 Attributable profit ¹	125	+3.8%
 RoTE	15,3%	-190 bps
 Efficiency ratio	47.2%	153 bps
 Loans' market share ²	14.4%	21bps
 Deposits' market share ²	13.7%	32 bps
 Loyal customers ³	660	+24.9%
 Digital customers ³	524	+33.5%
 Branches	627	-16.6%
 Employees	6,232	-5.3%



Improved customer experience due to innovative products and services

Mortgages



Santander Totta's new mortgage loans campaign is based on the diversity of solutions tailored to each type of client

Corporates



Santander Totta offers an extensive know-how in financial support for projects with European funding incentives



A new line of credit of € 1.6 billion to support SME



Under the Santander Advance program the Santander Advance Box with an area of 60 m² and a modern image and design is a new concept of proximity between the bank, corporates, universities and institutional partners - a space to share good practices and ideas. The Santander Advance Box travels to several locations in the country, demonstrating our non-financial solutions to corporates and entrepreneurs.

Digital services

NetBanco



App Santander Totta



SmartWatch



Digital services that allow the client to simplify her day-to-day operations, with security and cost saving: digital documents, digital account opening, net alerts, SMS and e-mail



The model of the “Branch of the Future” was created in Lisbon, in 2016, for an Improved Customer Experience

Cards

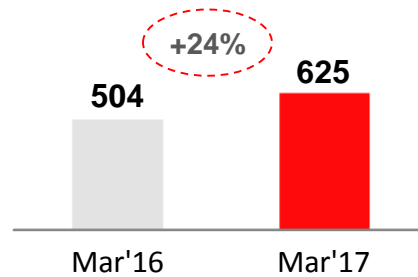
Using 11213 card for paying Property tax in ATM, clients will benefit from a 1% cashback





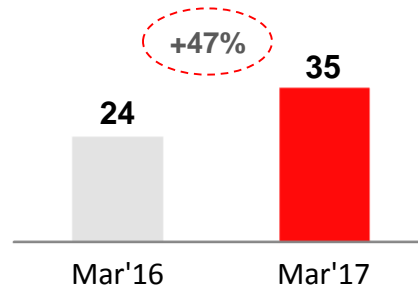
Dynamic growth in the most valuable client segments

Loyal individuals (thousands)



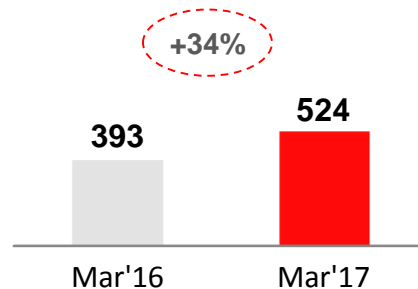
- The number of loyal customers is growing above the targets...

Loyal companies (thousands)



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

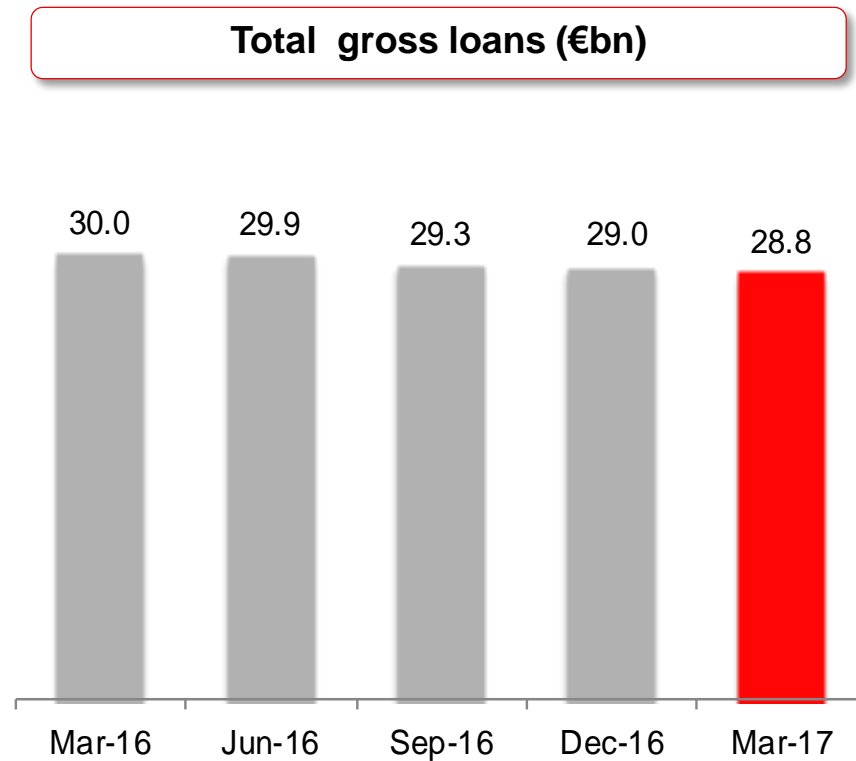
Digital customers (thousands)



- The number of digital clients maintains a strong growth



The loan book to individuals stabilized. Loan evolution affected by portfolio sales

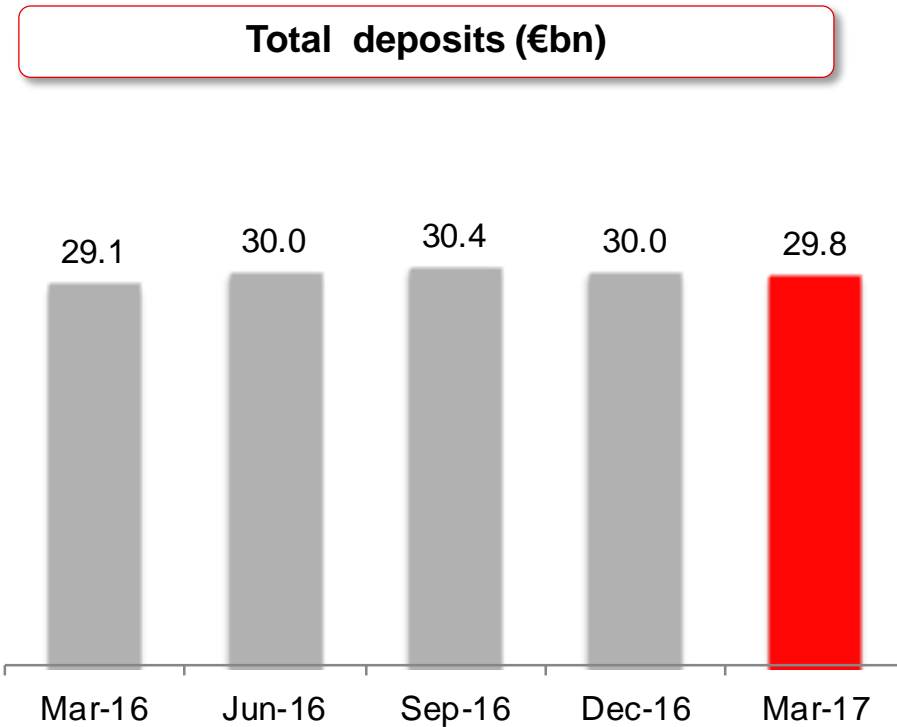


	Mar-17	YoY (%)	QoQ (%)
Individuals	19,012	-2.2	-0.0
<i>from which:</i>			
Mortgage	17,029	-1.2	-0.0
Consumer credit	1,503	-1.8	+0.5
Corporates	9,460	-7.3	-1.6
Total	28,770	-4.2	-0.9
Loans to Corporates (*)	13,806	-3.5	-0.1
Total Loans (*)	33,116	-3.0	-0.3

(*) includes commercial paper



Deposits continued to grow YoY, despite lower interest rates



	Mar-17	YoY (%)	QoQ (%)
Demand	11,214	+21.2	+0.6
Time and Savings	16,050	-7.0	-2.3
Total Deposits	27,264	+2.8	-1.1
Financial insurance	2,521	-4.3	+3.5
Deposits & financial insurance	29,784	+2.2	-0.7
Securities placed	3,628	-22.8	-4.7
Investment funds and other	2,886	+5.1	+4.2
Total Customer Funds	36,298	-0.8	-0.8



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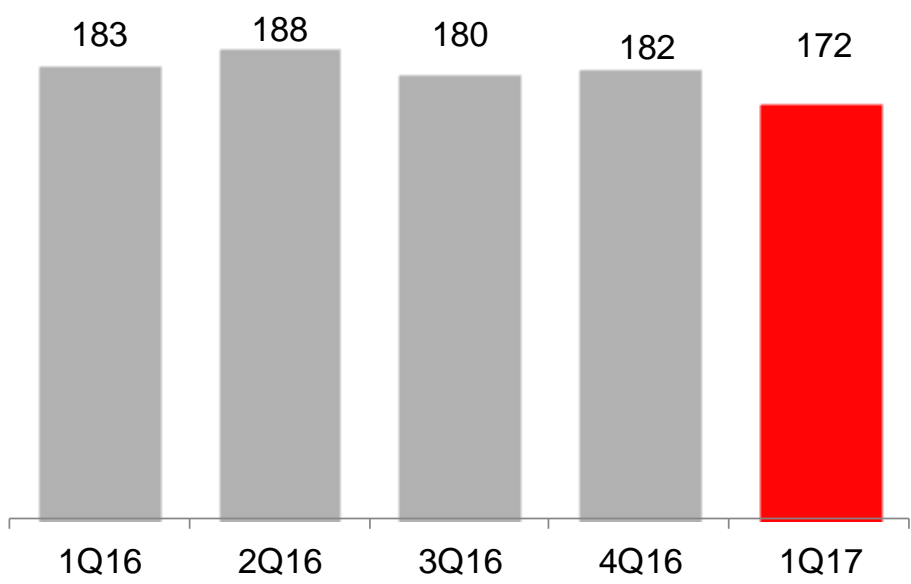
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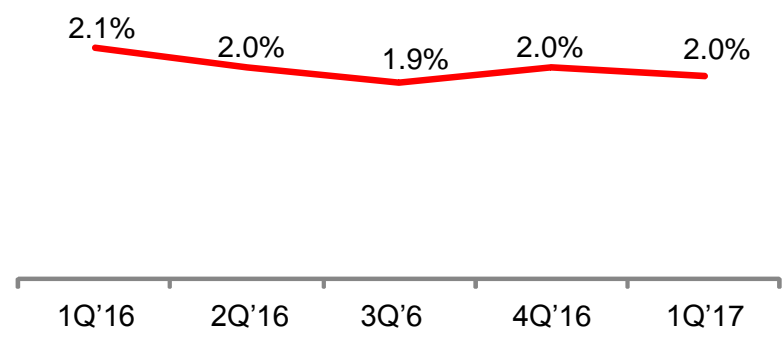
Net interest income

Lower NII, as lower interest rates also feed through the loan book

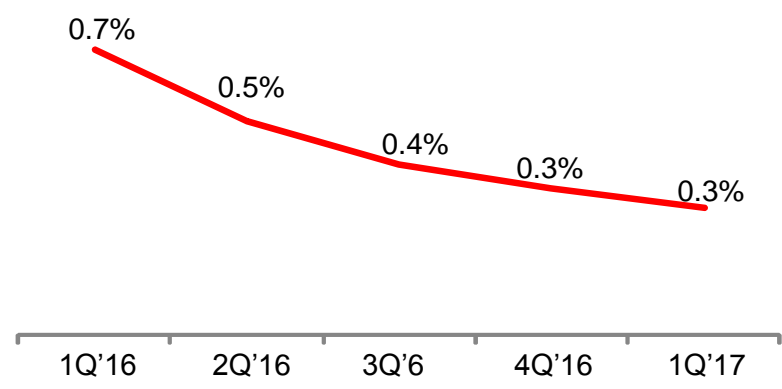
Net Interest Income (€MM)



Yield on loans (%)



Cost of deposits (%)



NIM ¹ (%)	
1Q16	1.51
2Q16	1.59
3Q16	1.55
4Q16	1.59
1Q17	1.51

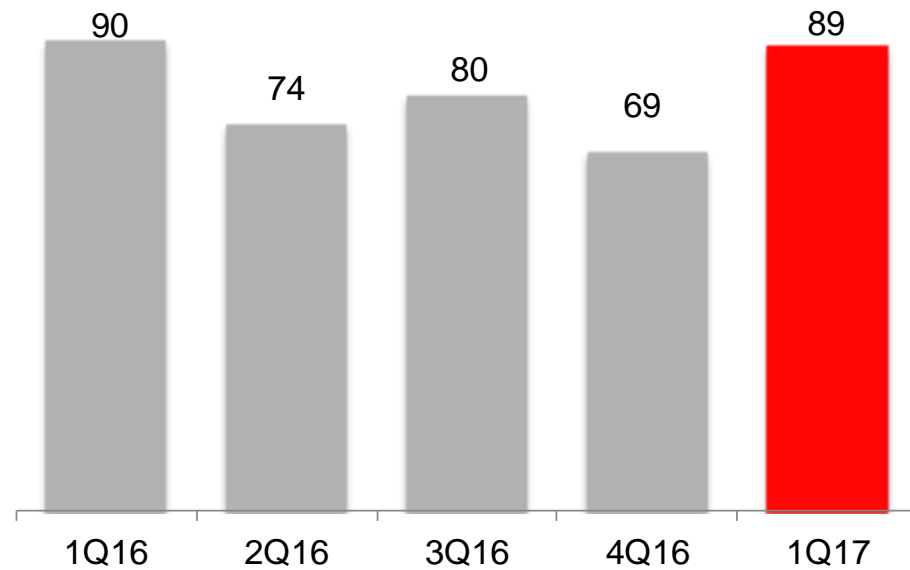
Official interest rate ² (%)	
1Q16	0,04
2Q16	0.00
3Q16	0.00
4Q16	0.00
1Q17	0.00

(1) Group criteria; (2) Quarter average.



Fees grow 29% QoQ, especially those related to credit

Net Fees (€MM)

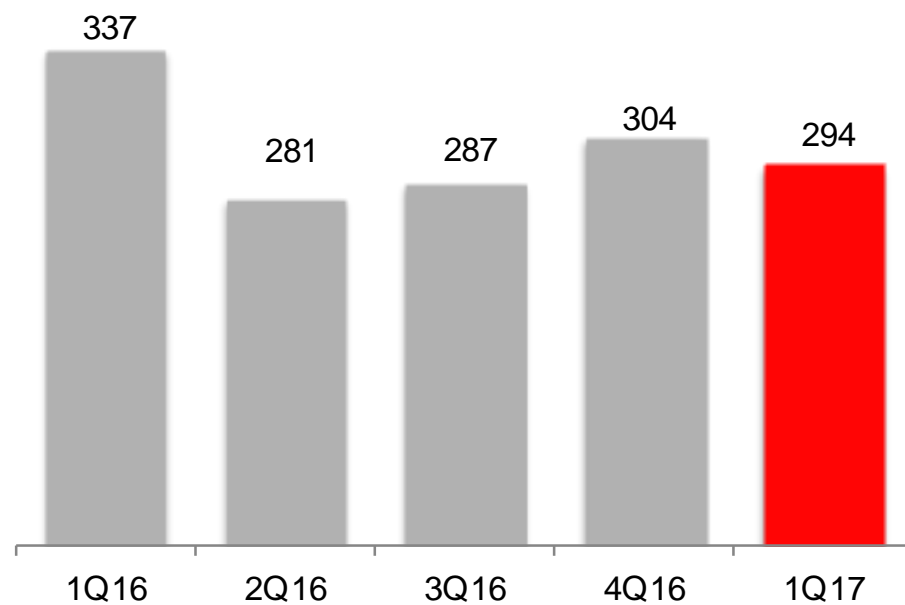


	3M17	3M16	YoY (%)	QoQ (%)
Credit	23	25	-7.0	+34.4
Credit cards	20	16	+23.1	+17.2
Mutual funds	4	4	-1.1	+12.0
Insurance	25	23	+7.3	+9.7
Other*	17	22	-21.1	+102.5
Total	89	90	-1.2	+29.2



Revenues impacted by ALCO portfolio sales in 2016

Gross Income (€MM)



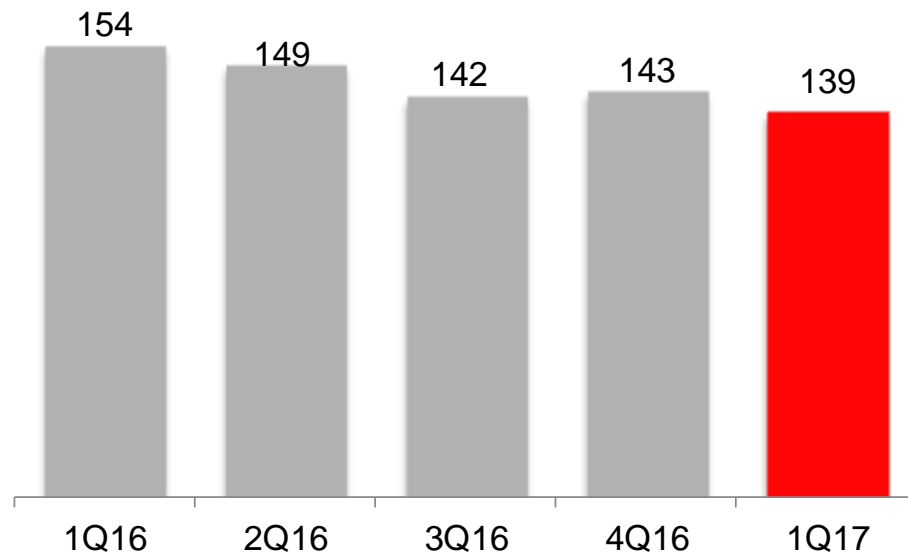
	3M17	3M16	YoY (%)	QoQ (%)
Net interest income	172	183	-6.1	-5.7
Net Fees	89	90	-1.2	+29.2
Subtotal	261	273	-4.5	+3.9
Other ¹	33	64	-48.7	-38.3
Gross income	294	337	-12.9	-3.5

(1) Other includes Gains (losses) on financial transactions and Other operating income



Better efficiency reflected in lower costs

Operating expenses (€MM)



	3M17	3M16	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	129	145	-11.0	-3.4
Depreciation and amortization	10	9	+6.6	-3.5
Total	139	154	-9.9	-3.4

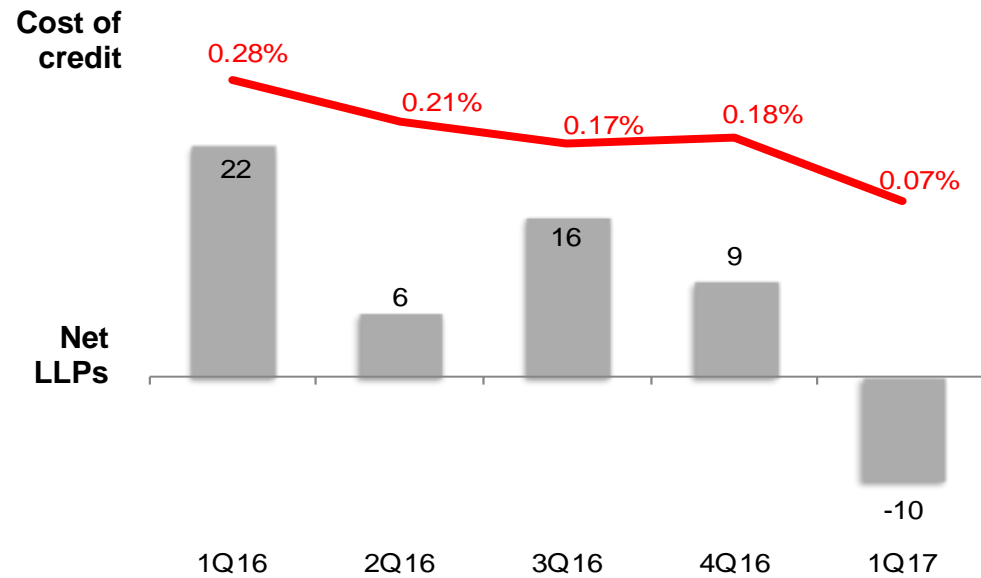
Efficiency ratio (with amortisations)	47.2%	45.7%
Number of branches	627	752
Number of employees	6,232	6,579



Net operating income after loan-loss provisions (LLPs)

Loan portfolio management behind the improved cost of credit and lower NPL ratio, after it peaked at 10.5% following Banif's integration

LLPs and Cost of credit (€MM; %)

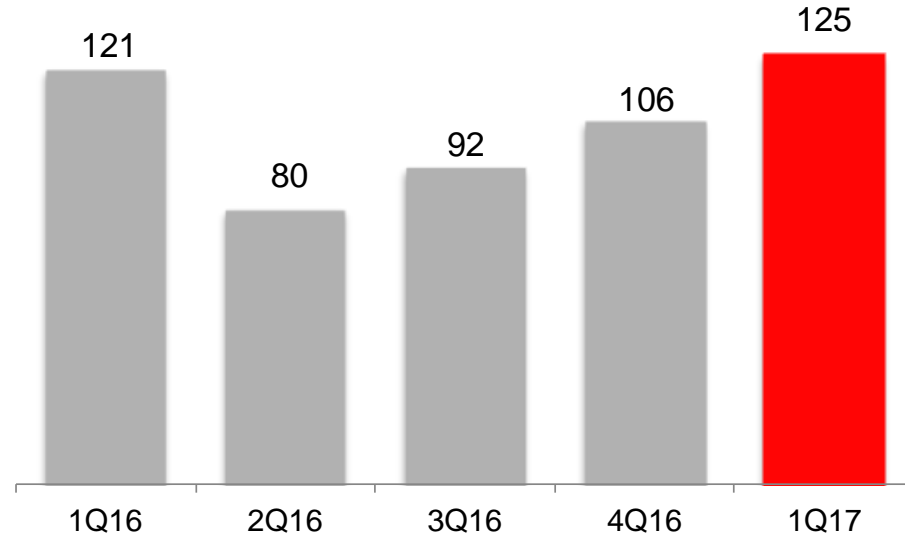


	3M17	3M16	YoY (%)	QoQ (%)
Net Operating Income	155	183	-15.3	-3.5
LLPs	-10	22	-	-
Net Op. Income after LLPs	165	161	+2.8	+9.0
NPL ratio	8.5%	8.6%		
NPL coverage ratio	61.7%	87.7%		



Attributable profit grows YoY

Attributable profit (€MM)



	3M17	3M16	YoY (%)	QoQ (%)
Underlying Profit before taxes	151	158	-4.7	+3.2
Tax on profit	25	37	-32.5	-37.5
Underlying consolidated profit	126	122	+3.7	+18.4
Underlying att. Profit	125	121	+3.8	+18.4
Non-recurring	-	-	-	-
Attributable profit to the Group	125	121	+3.8	+18.4
Effective tax rate	16.5%	23.2%		



Market Environment & Financial System

- Activity is accelerating, supported by improving investment and export growth, with GDP growth approaching 2%.
- The Government aims a target of 1.5% of GDP for the fiscal deficit in 2017, following 2.0% in 2016.
- Despite resilient volumes of new loans, the stock of credit continues to decline, also influenced by the balance sheet clean-up by some institutions.
- The low level of interest rates has not dented deposits.

Strategy & Business

- To continue increasing the number of loyal customers, based on the different levers (1|2|3 and Advance)
- To continue the balance sheet rebalancing towards corporates.
- Capital ratios continue reflecting the sound structure of Santander Totta with the Common Equity Tier 1 ratio (CET1) reaching 15.3%

Results

- Sustained recurrent results of activity, supported by the reduction in operating costs and cost of credit.
- Higher levels of new loans to households and corporates are contributing to a gradual recovery of the credit book, as well as to higher fee income.
- Revenues and profit impacted by ALCO portfolio sales in 2016.



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EUR million			Variation	
	31-mar-17	31-mar-16	Amount	%
Customer loans	27 215	27 655	(441)	(1,6)
Cash, central banks and credit institutions	3 544	4 198	(654)	(15,6)
Debt securities	10 786	11 915	(1 129)	(9,5)
<i>o/w: available for sale</i>	4 538	6 055	(1 517)	(25,1)
Other financial assets	1 612	1 886	(274)	(14,5)
Other assets	1 945	1 992	(47)	(2,4)
Total assets	45 102	47 647	(2 544)	(5,3)
Customer deposits	29 784	29 146	638	2,2
Central banks and credit institutions	7 256	9 643	(2 386)	(24,7)
Debt securities issued	3 628	4 700	(1 072)	(22,8)
Other financial liabilities	325	360	(35)	(9,8)
Other liabilities	704	864	(160)	(18,6)
Total liabilities	41 697	44 713	(3 016)	(6,7)
Total equity	3 405	2 933	472	16,1
Other managed and marketed customer funds	2 886	2 745	141	5,1
Mutual funds	1 513	1 444	69	4,8
Pension funds	942	902	40	4,4
Managed portfolios	431	399	31	7,9

Income statement



EUR million	Variation			
	1Q17	1Q16	Amount	%
Net interest income	172	183	(11)	(6,1)
Net fees	89	90	(1)	(1,2)
Gains (losses) on financial transactions	34	54	(20)	(36,3)
Other operating income	(1)	10	(12)	—
Gross income	294	337	(43)	(12,9)
Operating expenses	(139)	(154)	15	(9,9)
General administrative expenses	(129)	(145)	16	(11,0)
<i>Personnel</i>	(83)	(88)	4	(5,1)
<i>Other general administrative expenses</i>	(46)	(57)	11	(19,9)
Depreciation and amortisation	(10)	(9)	(1)	6,6
Net operating income	155	183	(28)	(15,3)
Net loan-loss provisions	10	(22)	33	—
Other income	(14)	(2)	(12)	525,9
Underlying profit before taxes	151	158	(8)	(4,7)
Tax on profit	(25)	(37)	12	(32,5)
Underlying profit from continuing operations	126	122	4	3,7
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	126	122	4	3,7
Minority interests	1	1	(0)	(23,4)
Underlying attributable profit to the Group	125	121	5	3,8
Net capital gains and provisions	—	—	—	—
Attributable profit to the Group	125	121	5	3,8

Income statement



EUR million

	1Q16	2Q16	3Q16	4Q16	1Q17
Net interest income	183	188	180	182	172
Net fees	90	74	80	69	89
Gains (losses) on financial transactions	54	15	4	39	34
Other operating income	10	4	23	14	(1)
Gross income	337	281	287	304	294
Operating expenses	(154)	(149)	(142)	(143)	(139)
General administrative expenses	(145)	(140)	(133)	(133)	(129)
<i>Personnel</i>	(88)	(88)	(80)	(83)	(83)
<i>Other general administrative expenses</i>	(57)	(52)	(52)	(50)	(46)
Depreciation and amortisation	(9)	(9)	(9)	(10)	(10)
Net operating income	183	132	145	161	155
Net loan-loss provisions	(22)	(6)	(16)	(9)	10
Other income	(2)	(21)	(5)	(5)	(14)
Underlying profit before taxes	158	104	124	146	151
Tax on profit	(37)	(24)	(31)	(40)	(25)
Underlying profit from continuing operations	122	81	93	106	126
Net profit from discontinued operations	—	—	—	—	—
Underlying consolidated profit	122	81	93	106	126
Minority interests	1	1	1	1	1
Underlying attributable profit to the Group	121	80	92	106	125
Net capital gains and provisions	—	—	—	—	—
Attributable profit to the Group	121	80	92	106	125

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**

