Portugal
Q1 2011

Lisbon, April 28th 2011

Santander

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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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- ❑ Business growth
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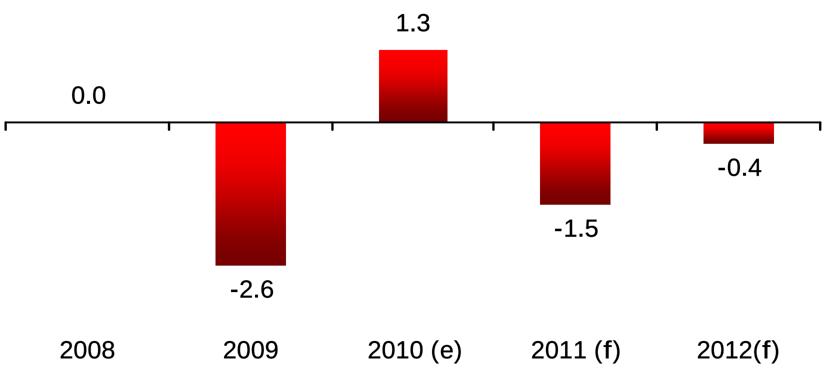
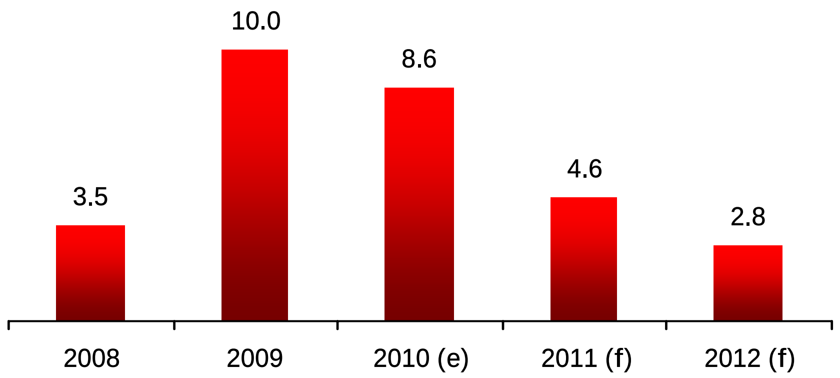
Macroeconomic Outlook

More negative risks to activity, as the economic and financial adjustment process will advance faster

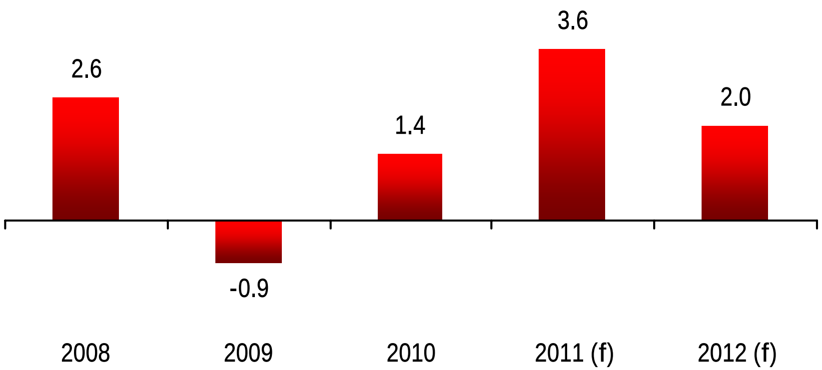
GDP (YoY, at 2006 Prices)



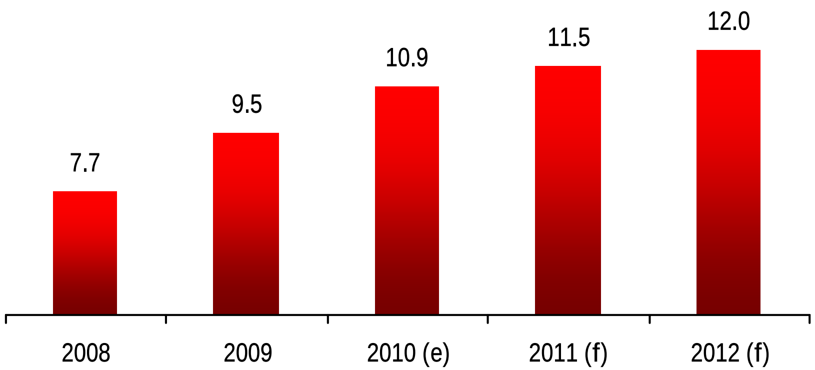
Fiscal Deficit (% GDP)



CPI Inflation (%)



Unemployment (%)



Macroeconomic Outlook

Lower activity in 1Q2011

GDP has likely continued to decelerate in 1Q2011, with offsetting trends in aggregate demand:

- Private consumption likely contracted, correcting the anticipation of auto purchases into December last year, while households also adjusted to lower disposable income
- Investment is expected to have contracted, given tight conditions in financial markets and subdued prospects for demand
- Net external demand is likely to have had a significant contribution to GDP growth
  - Exports are performing well in the first months of 2010 (close to 20% YoY in nominal terms)
  - Imports will likely contract significantly, as a result of both the winding off of the impacts from the anticipation of auto purchases and the acquisition of a submarine

Unfavorable revisions to the 2010 fiscal deficit, the rejection of the updated Stability and Growth Programme by Parliament and the ensuing political uncertainty resulted in successive downgrades of ratings of the Republic and banks

Event calendar

The Government, in March, announced a new package, with additional measures for 2011 (on the expenditure side) and the details of the measures to be adopted in 2012 and 2013 to bring down the deficit to 3.0% and 2.0% of GDP, respectively

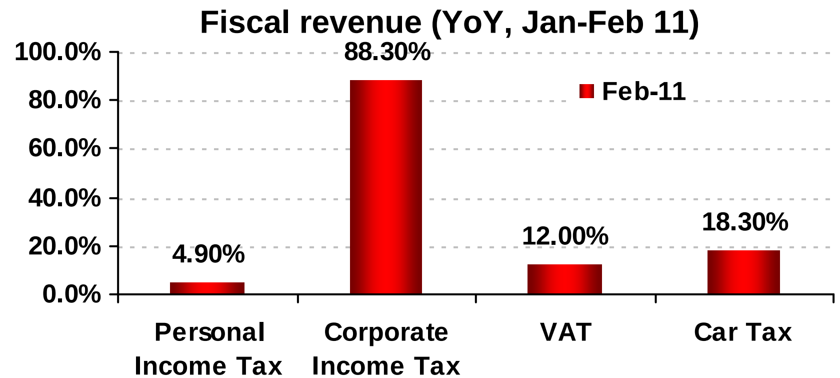
The opposition voted down the package, the Government resigned and successive downgrades of the sovereign and banks culminated in the Government asking for financial assistance from the EU/IMF

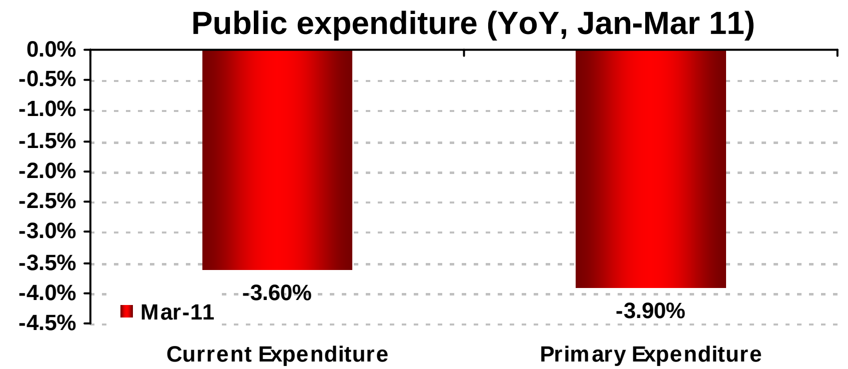
May 10	Jul 10	Oct/Dec 10	Jan 11	Mar/Apr 11	May 11	June 11
Budget 2010	New measures (I) Higher taxes (PIT, CIT and VAT)	New Measures (II) Review of social expenditure	Budget 2011	New Measures (III) Higher taxes Lower expenditure (11 Mar)	Support package approved by May 16	General Elections (June 5)
				Parliament rejects new measures Government resigns (23 Mar)		New Government
				Downgrades of Republic (BBB-) and Banks (15 Mar – 15 Apr)		Support Package in place
				Revised 2010 deficit estimates (31 Mar)		
				Government requests financial assistance from EFSF (6 April)		

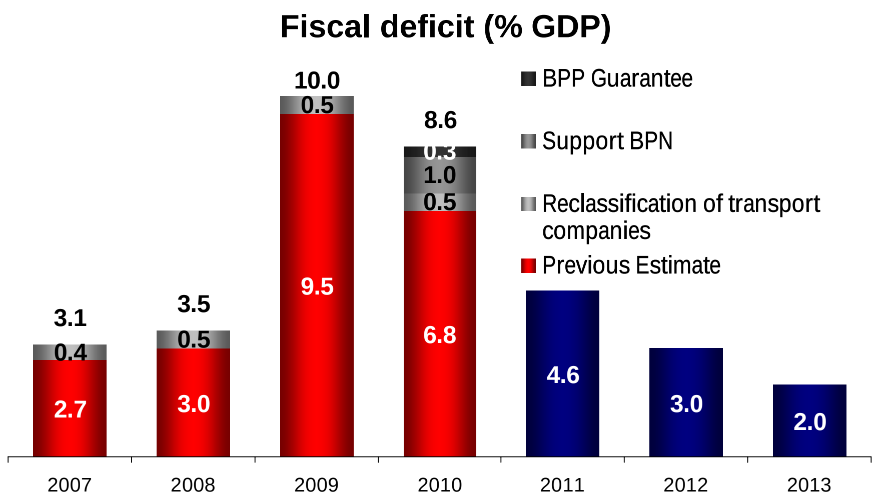
Fiscal developments

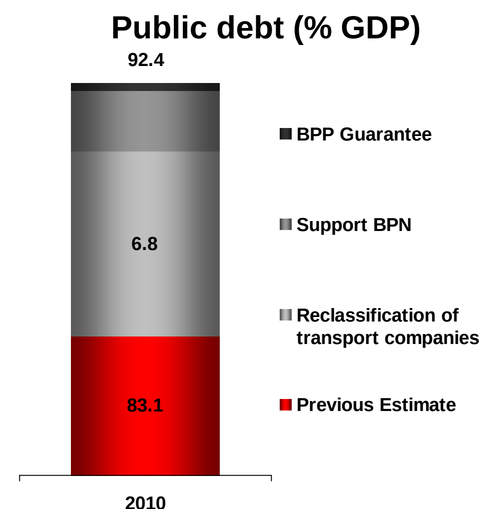
While available data shows the deficit was falling, with a reduction in expenditure, the 2010 deficit was revised to 8.6% of GDP, due to the consolidation of transport companies in the Government sector. Public debt was also revised upwards

The Government and the opposition (leading the polls) have reinforced their commitment to the fiscal targets agreed with the EU/ECB









Adjustment under the EFSF

Adjustment will likely take place under four main areas of intervention

Fiscal Adjustment	Support to the Financial System	Restructuring of State-Owned Companies	Structural Reforms
Further reductions in current expenditure, especially transfers (households, other Public Administrations)	Deleveraging	Higher efficiency Lower debt	Labour Market Lower severance pay Revision of unemployment benefit
Tax changes (higher taxes on consumption, broader tax base, possible change in taxes on labour)	Liquidity	Restructuring of the transport sector (higher prices, lower subsidies, more efficiency)	Increased competition in services
Reorganization of the Central Government	Recapitalization	Privatizations	Justice Education

Measures already announced in the rejected package

Measures likely to be the main subject in the adjustment package

Conclusions

Future developments dependent on the financial assistance programme

- The adjustment package will likely keep the fiscal targets already agreed with the EU/IMF (4.6%, 3.0% and 2.0% of GDP in 2011, 2012 and 2013)
- The key issues, rather than the fiscal measures (more likely focused on expenditure and the restructuring of the Government), will be the structural reforms in labor markets and justice aiming at ensuring the sustainability of public debt by the end of the adjustment package
- The financial sector will also likely be the recipient of a special package, aiming at increasing the liquidity of the sector. A source of capital may be provided, to assist in the deleveraging process
  - While no details are available, one specific bank has committed to reducing its credit/deposit ratio by 45pp, to 120%, by the end of 2012
  - The Bank of Portugal imposed a minimum core Tier 1 ratio of 8%

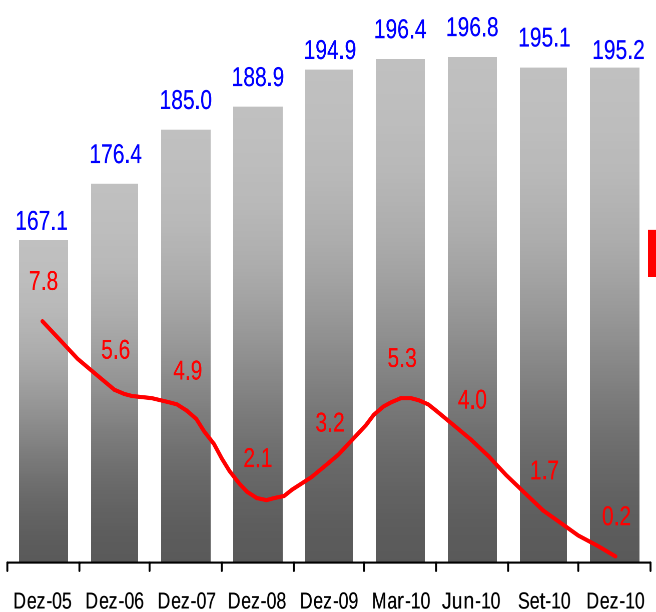
- GDP, credit and deposit developments during the coming quarters will be highly dependent on the details of the adjustment programe
  - In 2011, GDP is expected to contract by 1.5%, with risks tilted on the downside, especially at the level of investment, as the rescue measures are put into place
  - Net exports should continue to have a positive contribution to GDP growth, given the resilience of Portugal's main trading partners

Financial System: Resources from households

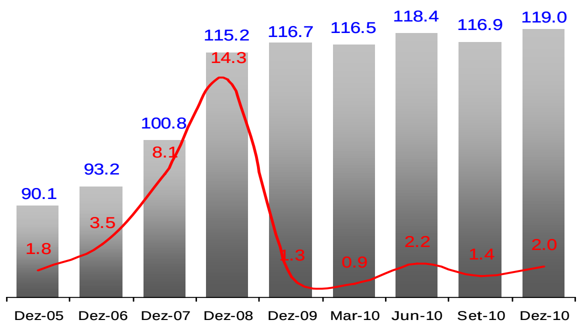
Resources stabilized, although the switch into on-balance resources continued

€bn

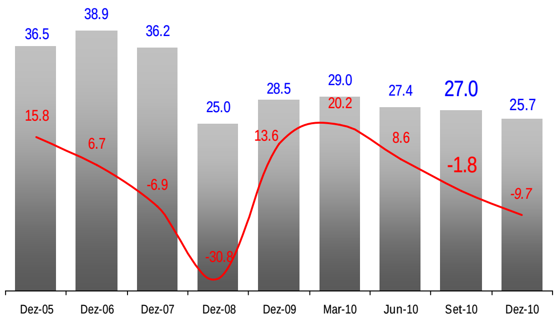
Resources (Deps+MF+Bonds+Insurance)



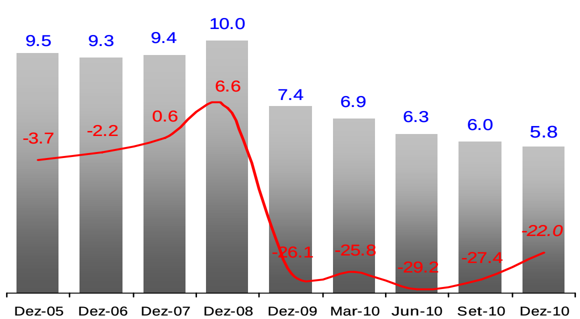
Deposits



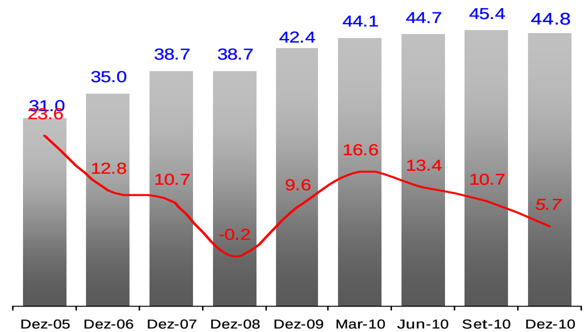
Mutual Funds



Retail Bonds



Insurance



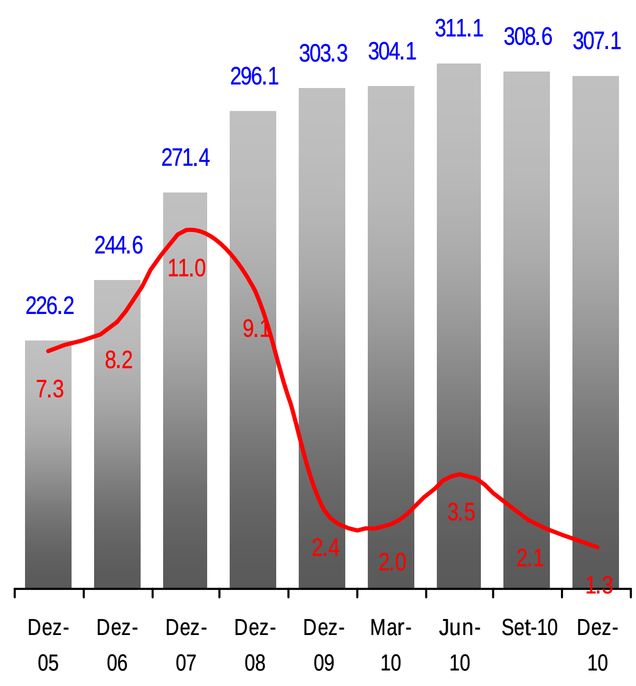
Volume YoY, %

Financial System: Credit

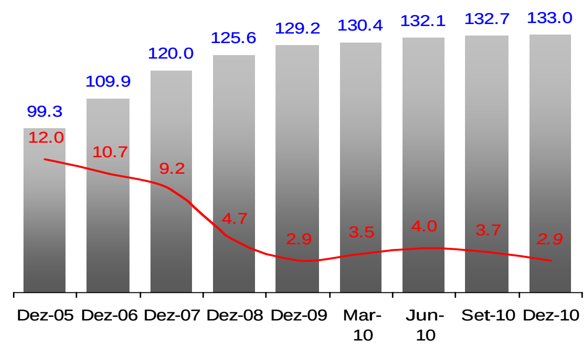
Total credit continued to fall in 4Q, from the peak in 2Q, as special operations with the Public Sector terminate, and credit to corporates is reduced

€bn

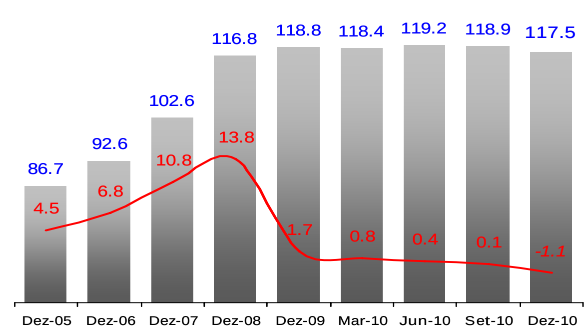
Credit (*)



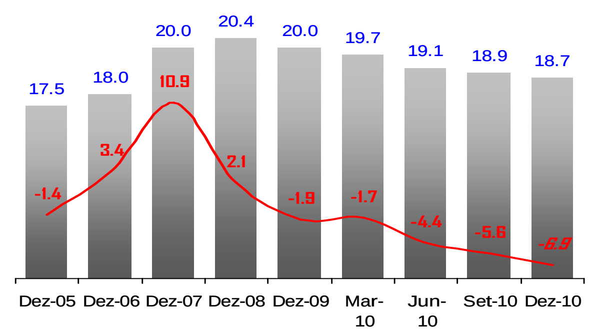
Mortgages (*)



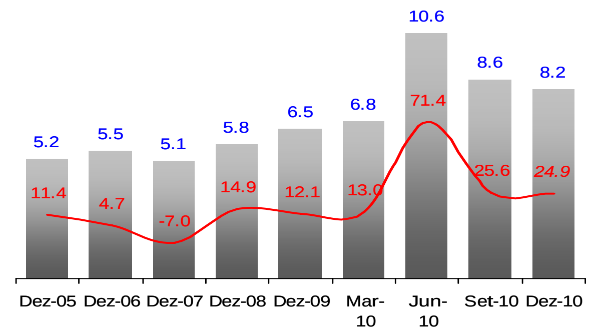
Corporates (*)



Consumer Credit (*)



Public Sector



Volume *YoY, %*

*** Adjusted for securitization**

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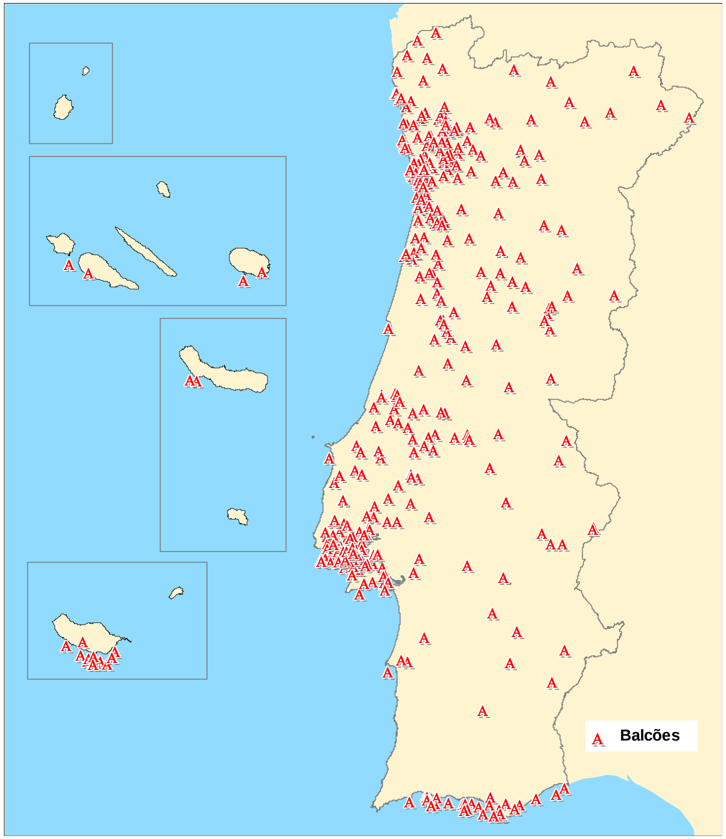
Our Franchise

Santander Totta is the 3rd private bank in Portugal by total assets

Santander Totta branches



Million Eur	Mar11	Mkt share(*)
Loans	**31,848**	**9.7%**
Deposits	**21,929**	**9.1%**
Total Resources	**33,551**	**9.9%**
Pension Funds	**1,314**	**6.8%**
Net income	**90**	**28.9%(E)**
Branches	**758**	**11.6%(APB)**
Employees	**6,172**	**-**

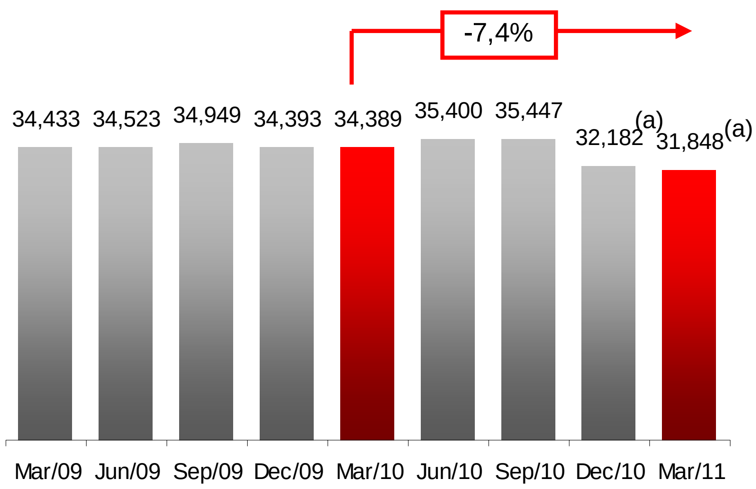
(*) As at Dec/10 (activity in Portugal)

Business: loans performance

Deleveraging process in due course

Million Euro

Total Loans(*)



	Mar/11 Volume (Mn Eur)	% Var.2011/2010
Individuals	**18,617**	**-0.1%**
from which		
Mortgage	16,404	0.4%
Consumer credit	1,593	-2.9%
Corporates	**11,303**	**-17.9%**
from which		
Small business	4,046	-1.3%
Corporates	5,227	-12.1% (a)
Large corporates	2,030	-45.5% (a)
Guarantees and Other	**1,928**	**-2.9%**
Total	**31,848**	**-7.4%**

(*) Includes: gross credit, securitizations and guarantees.

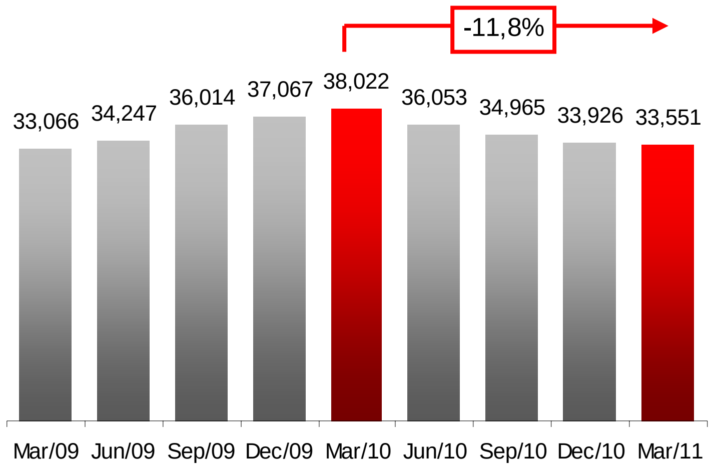
(a) Due to a change from Loans to Financial markets

Business: customer funds performance

Deposits increase substantially but don't offset the negative impact of securities and mutual funds

Million Euro

Total Customer funds



	Mar/11 Volume (Mn Eur)	% Var.2011/2010
Customer deposits	21,929	32.0%
Securities	7,122	-42.6%
Mutual funds and Pension Funds	4,365	-21.3%
Insurance and Other	135	-96.1%
Total	**33,551**	**-11.8%**

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Business: market share dynamics

Market share	Dec10 share, %	chg., pp 10/09
Loans to individuals	12.2%	-0.1 pp
Mortgage credit (production)	11.5%	-1.1 pp
Mortgage credit (stock)	12.7%	-0.1 pp
Consumer credit	8.7%	+0.1 pp
Loans to corporates	6.2%	+0.5 pp
Credit cards	9.3%	-2.0 pp
Total Loans	9.7%	+0.2 pp
Deposits	9.1%	+0.7 pp
Deposits + Invest. Funds	9.7%	+0.4 pp
Insurance (stock)	10.4%	-0.6 pp
Net income (E)	**28.9%**	-0.7 pp

Source: Bank of Portugal - Monetary Statistics – activity in Portugal

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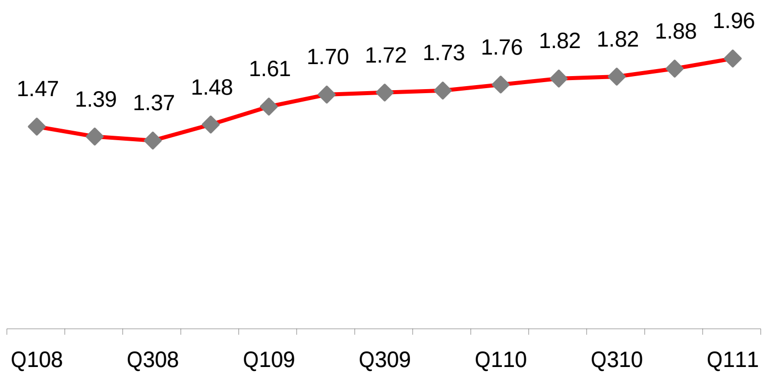
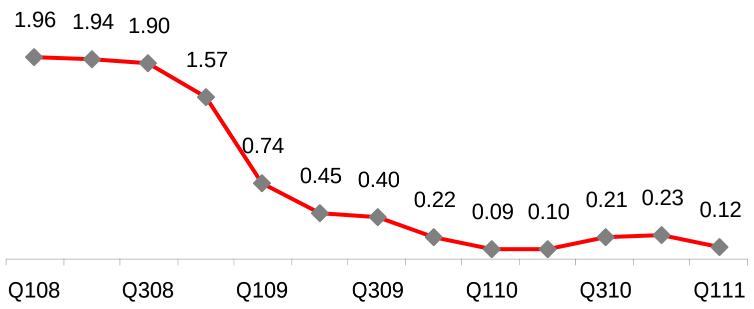
Results: spreads

Widening of loan spread while deposit spread increases slightly

Loans spreads – Retail banking



Balance Sheet Resources spreads – Retail banking

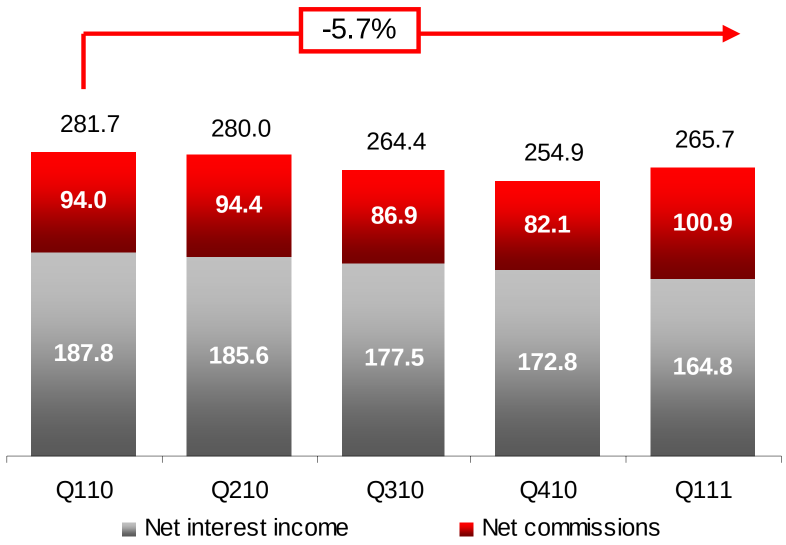


Results: net interest income vs commissions

Net interest income decreases due to higher cost funding while commissions maintains a better performance

Million Euro

Net interest inc.(*) + Net commissions



	Volume (Mn Eur)		
	Mar/11	Mar/10	% Var.2011/2010
Net interest income	164.8	187.8	-12.2%
Net commissions	100.9	94.0	7.4%
Total	**265.7**	**281.7**	**-5.7%**

* Without dividends

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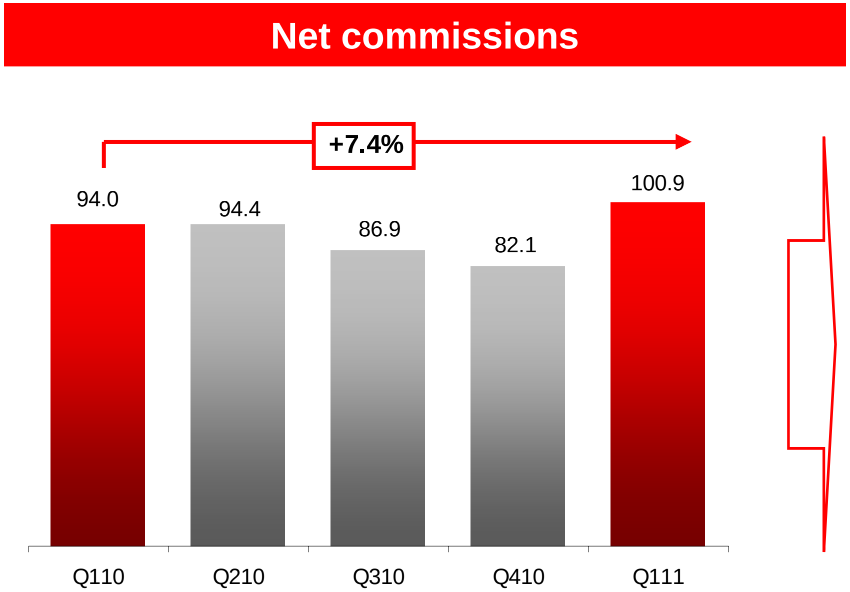
Results: commissions

Commissions grow 7.4% highlighted by GBM and credit cards

Million Euro



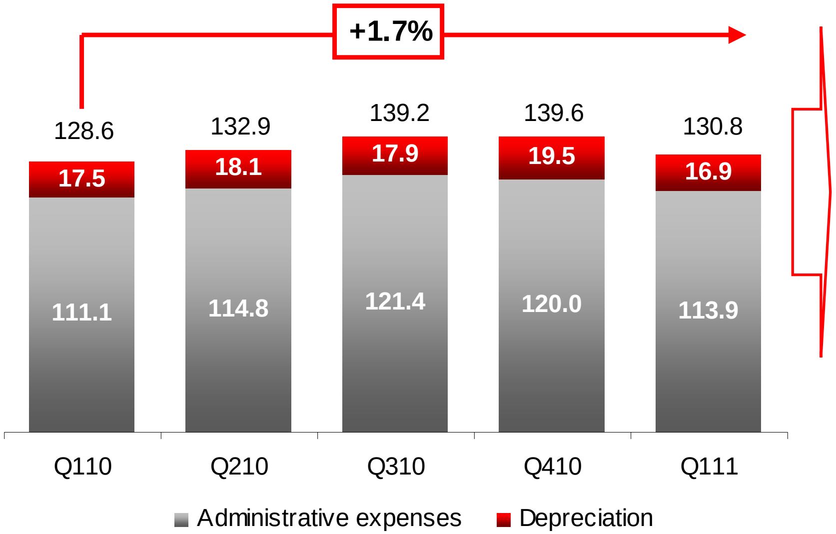
	Volume (Mn Eur) Mar/11	Mar/10	% Var.2011/2010
Credit	19.1	21.4	-10.7%
Credit cards	14.4	13.8	4.3%
Mutual funds / Asset management	9.6	12.2	-21.3%
Insurance	25.5	29.8	-14.4%
Other	12.8	11.4	12.3%
Commercial banking	**81.4**	**88.6**	**-8.1%**
GBM	26.4	18.6	42.2%
Other	(7.0)	(13.2)	0.1%
Total	**100.9**	**94.0**	**7.4%**

Results: administrative expenses and depreciation

Operating expenses continue under a strict control policy

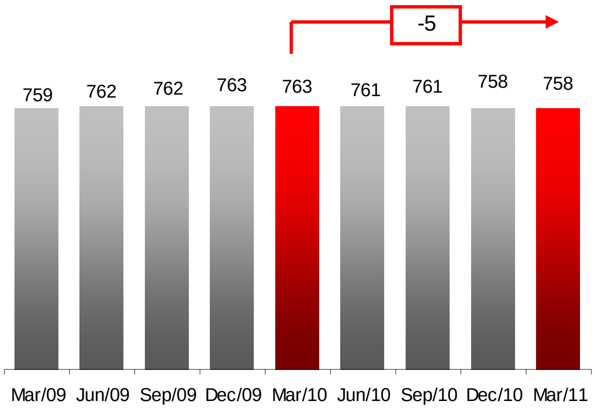
Million Euro

Total operating expenses



	Volume (Mn Eur) Mar/11	Mar/10	% Var.2011/2010
Administrative expenses	113.9	111.1	2.6%
Personnel expenses	78.8	76.8	2.6%
Other expenses	35.1	34.3	2.4%
Depreciation	16.9	17.5	-3.5%
Total	**130.8**	**128.6**	**1.7%**

Branches



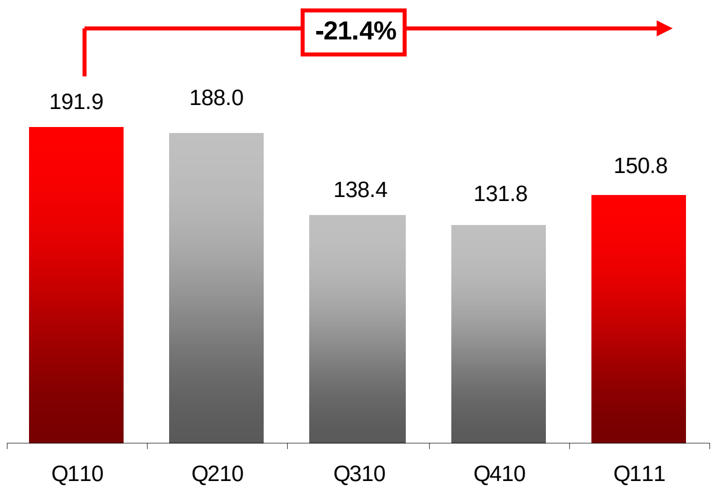
Results: net operating income

Net operating income down 21.4%

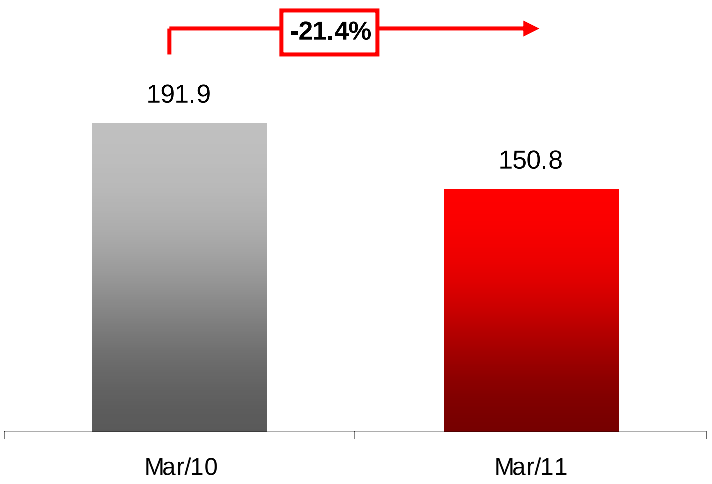
Million Euro

Net operating income

quarterly performance



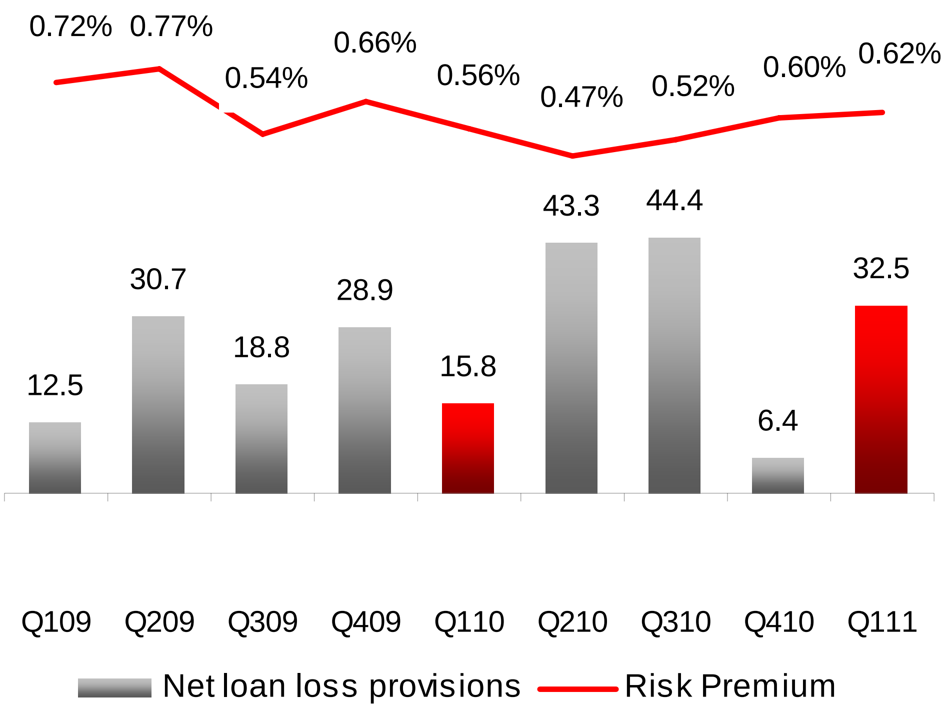
cumulative performance



Results: Loan Loss Provisions and Risk Premium

Risk Premium remains at moderate levels

Loan Loss Provisions and Risk Premium

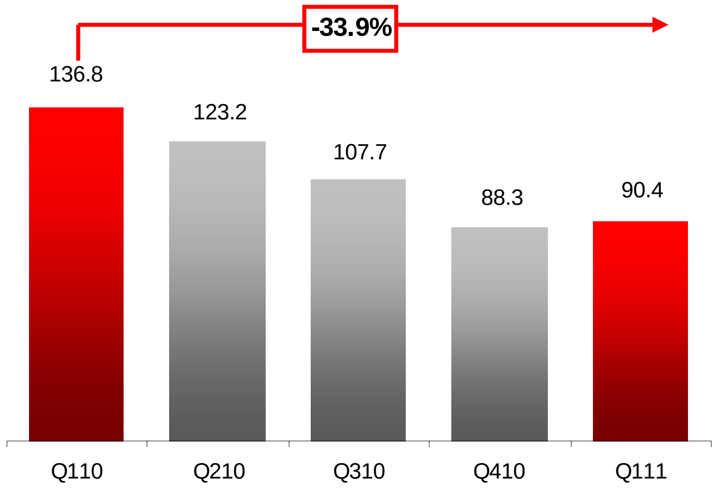


Results: net income

Net income decreases 33.9% due to NII fall and higher provisions

Million Euro

Net income quarterly growth



Million Euro

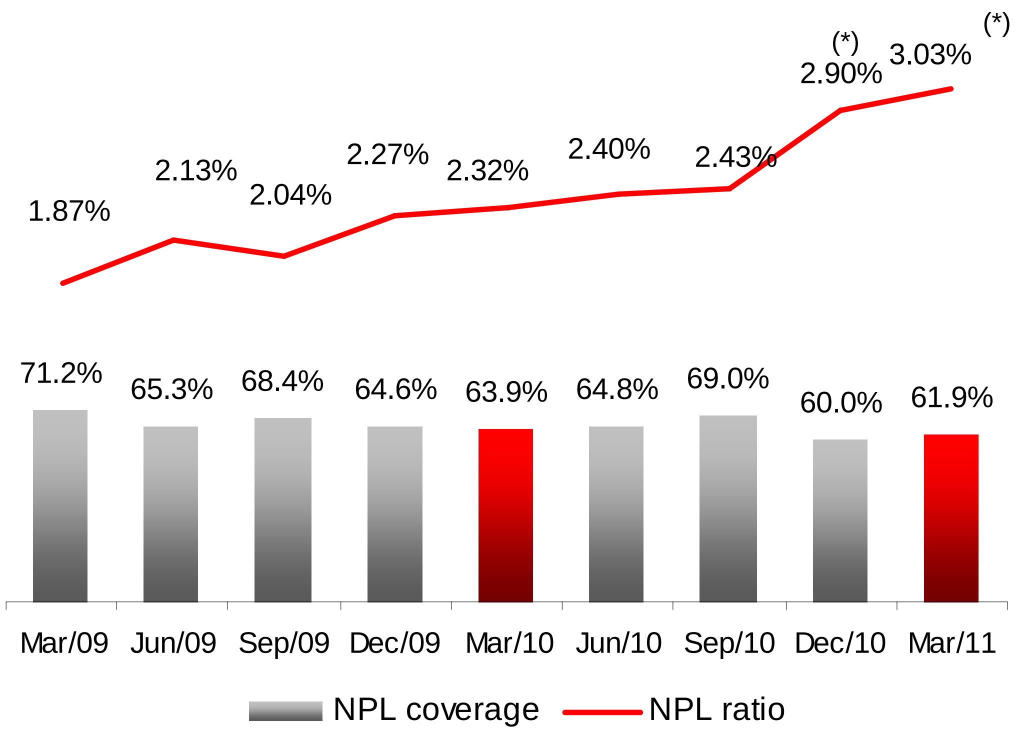
Net income

(million euros)	Mar/11	Mar/10	% Var.2011/2010
Income before taxes & MI	**109.7**	**168.4**	**-34.9%**
Taxes	(19.0)	(31.3)	-39.4%
Minority Interest	(0.3)	(0.3)	+3.6%
Net income	**90.4**	**136.8**	**-33.9%**

Results: asset quality levels

NPL's ratio is 3.0% but 64% of the portfolio and 62% of NPL have real estate guarantee

NPL ratio and NPL coverage

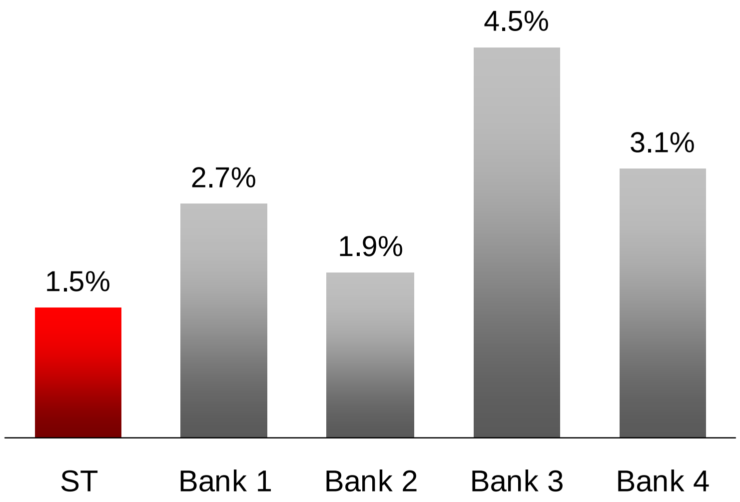


(a) Due to a change from Loans to Financial markets

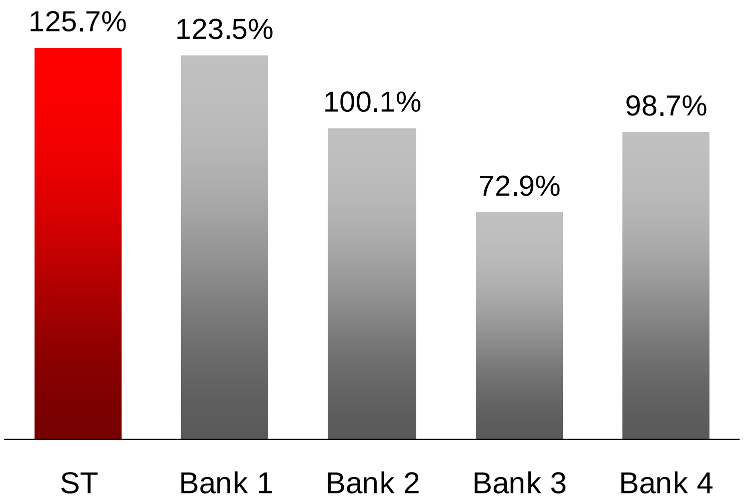
Results: asset quality levels

ST performance compares favourably with its peers

NPL ratio



NPL coverage

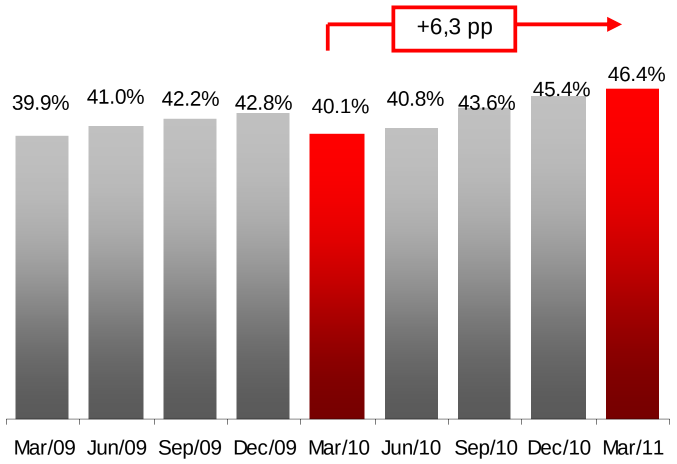


As of Dec/10. Local criteria

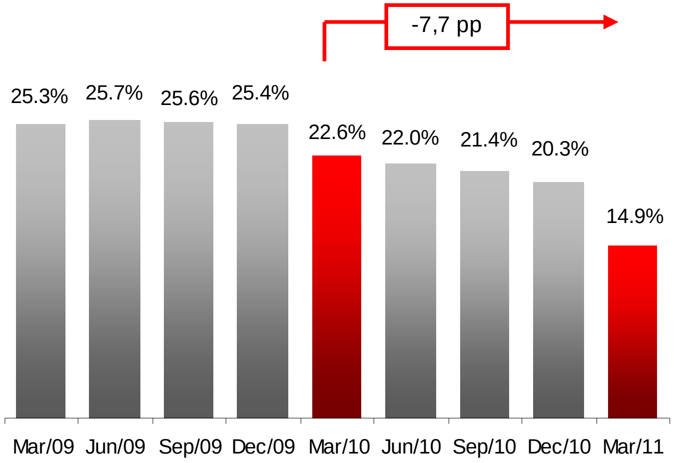
Results: ratios

Despite the adverse economic environment we maintain resilient efficiency and profitability

Efficiency (%)



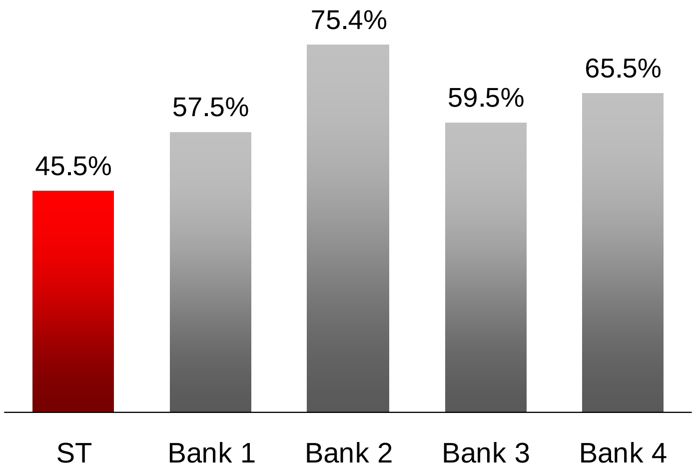
ROE (%)



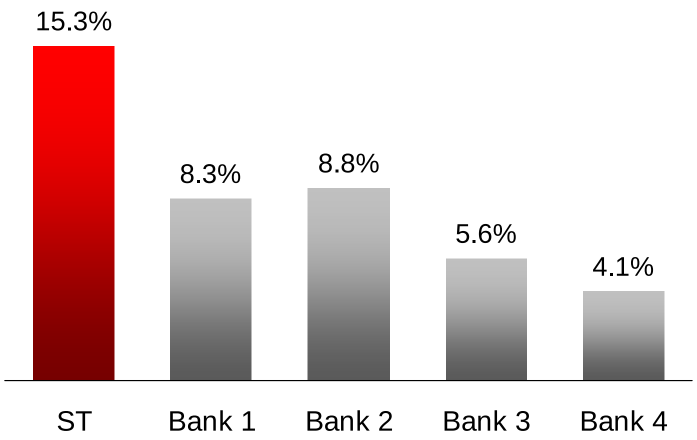
Results: ratios

ST remains best in class among Portuguese banks

Efficiency (%)



ROE (%)



As of Dec/10. Local criteria

Conclusions

- **Portugal is negotiating a rescue package with the EFSF and IMF, to ensure liquidity and funding until 2013/14**
- **Results were driven by the decrease in NII and higher provisions, despite the positive performance in commissions**
- **Net interest income down 12.2% due to the increase in the cost of funding**
- **Despite the adverse economic environment, ST maintains levels of credit quality better than the average of the sector and resilient solvency, efficiency and profitability**
- **Net income decreases 33.9%**

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Income statement as of Mar11

EUR million	Q1 11	Q1 10	Variation Amount	Variation %
Net interest income	**165**	**188**	**(23)**	**(12,2)**
Net fees	101	94	7	7,4
Gains (losses) on financial transactions	8	25	(17)	(68,6)
Other operating income*	8	14	(6)	(41,6)
Gross income	**282**	**320**	**(39)**	**(12,1)**
Operating expenses	(131)	(129)	(2)	1,7
General administrative expenses	(114)	(111)	(3)	2,6
Personnel	*(79)*	*(77)*	*(2)*	*2,6*
Other general administrative expenses	*(35)*	*(34)*	*(1)*	*2,4*
Depreciation and amortisation	(17)	(17)	1	(3,5)
Net operating income	**151**	**192**	**(41)**	**(21,4)**
Net loan-loss provisions	(32)	(16)	(17)	105,6
Other income	(9)	(8)	(1)	12,6
Profit before taxes	**110**	**168**	**(59)**	**(34,9)**
Tax on profit	(19)	(31)	12	(39,4)
Profit from continuing operations	**91**	**137**	**(46)**	**(33,8)**
Net profit from discontinued operations	—	—	—	—
Consolidated profit	**91**	**137**	**(46)**	**(33,8)**
Minority interests	0	0	0	3,8
Attributable profit to the Group	**90**	**137**	**(46)**	**(33,9)**

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

Quarterly income statement

EUR million

	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
Net interest income	**188**	**186**	**178**	**173**	**165**
Net fees	94	94	87	82	101
Gains (losses) on financial transactions	25	29	4	9	8
Other operating income*	14	12	9	7	8
Gross income	**320**	**321**	**278**	**271**	**282**
Operating expenses	(129)	(133)	(139)	(140)	(131)
General administrative expenses	(111)	(115)	(121)	(120)	(114)
Personnel	*(77)*	*(79)*	*(83)*	*(82)*	*(79)*
Other general administrative expenses	*(34)*	*(36)*	*(38)*	*(38)*	*(35)*
Depreciation and amortisation	(17)	(18)	(18)	(20)	(17)
Net operating income	**192**	**188**	**138**	**132**	**151**
Net loan-loss provisions	(16)	(43)	(44)	(6)	(32)
Other income	(8)	(1)	37	(8)	(9)
Profit before taxes	**168**	**144**	**131**	**117**	**110**
Tax on profit	(31)	(20)	(23)	(29)	(19)
Profit from continuing operations	**137**	**123**	**108**	**88**	**91**
Net profit from discontinued operations	—	—	—	—	—
Consolidated profit	**137**	**123**	**108**	**88**	**91**
Minority interests	0	0	0	0	0
Attributable profit to the Group	**137**	**123**	**108**	**88**	**90**

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

Balance sheet as of Mar11

EUR million	31.03.11	31.03.10	Variation Amount	Variation %
Loans and credits*	29,744	32,317	(2,574)	(8.0)
Trading portfolio (w/o loans)	1,411	1,533	(122)	(7.9)
Available-for-sale financial assets	4,584	7,786	(3,202)	(41.1)
Due from credit institutions*	3,932	4,604	(672)	(14.6)
Intangible assets and property and equipment	472	487	(15)	(3.1)
Other assets	6,656	4,961	1,696	34.2
Total assets/liabilities & shareholders' equity	**46,798**	**51,687**	**(4,889)**	**(9.5)**
Customer deposits*	21,929	16,609	5,320	32.0
Marketable debt securities*	7,122	12,413	(5,291)	(42.6)
Subordinated debt	0	253	(253)	(99.8)
Insurance liabilities	83	3,187	(3,103)	(97.4)
Due to credit institutions*	14,208	15,626	(1,418)	(9.1)
Other liabilities	843	992	(149)	(15.0)
Shareholders' equity**	2,613	2,607	6	0.2
Off-balance-sheet funds	**4,500**	**8,747**	**(4,247)**	**(48.6)**
Mutual funds	3,051	4,158	(1,107)	(26.6)
Pension funds	1,314	1,389	(75)	(5.4)
Managed portfolios	135	127	8	6.0
Savings-insurance policies	—	3,073	(3,073)	(100.0)
Customer funds under management	**33,551**	**38,022**	**(4,471)**	**(11.8)**

*** Includes all stock of concept classified in the balance sheet**

**** Not including profit of the year**

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