

Portugal

First Half 2015

July 30, 2015



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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.

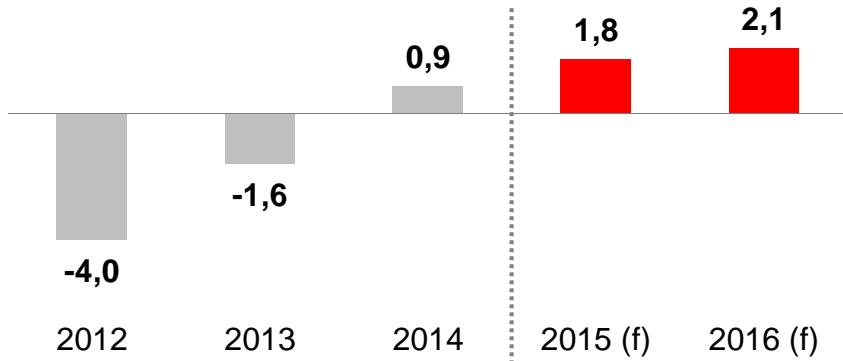
Agenda

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

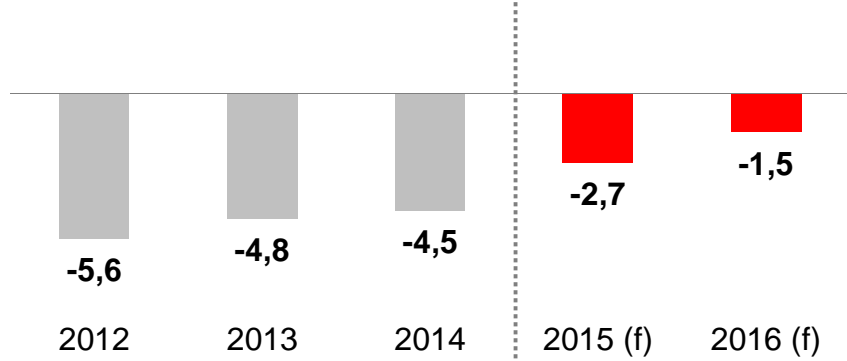
Macro-economic environment

Activity continues to grow at a solid pace, supporting job creation

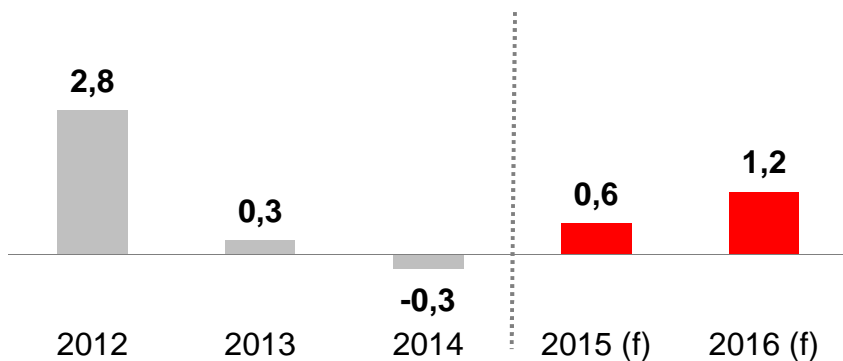
Annual GDP Growth (% , real)



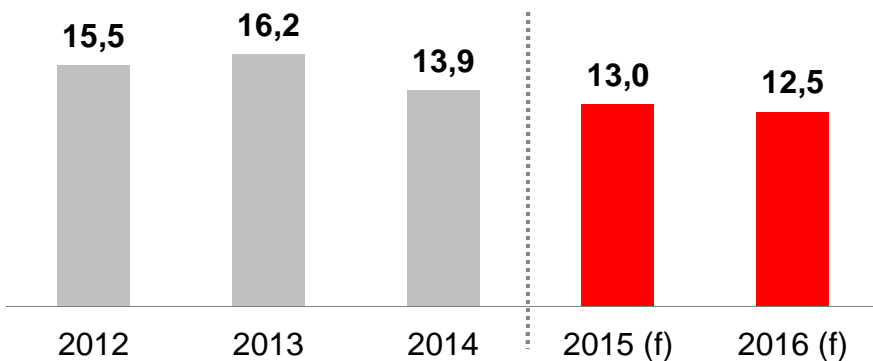
Fiscal Balance (% GDP)



Annual CPI inflation rate (% , annual average)

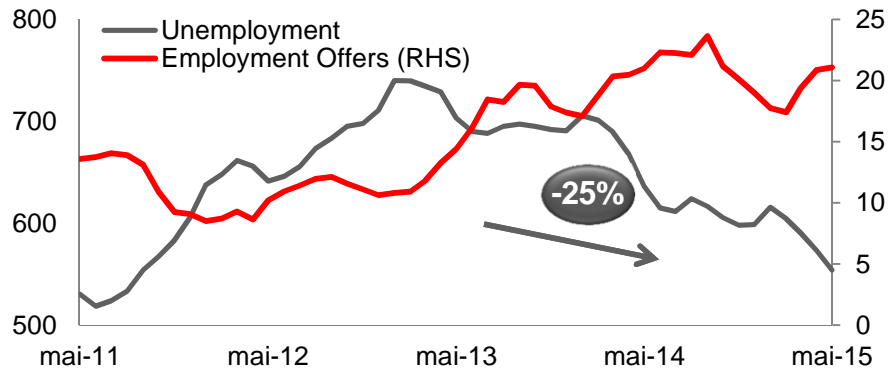


Unemployment Rate (annual average)



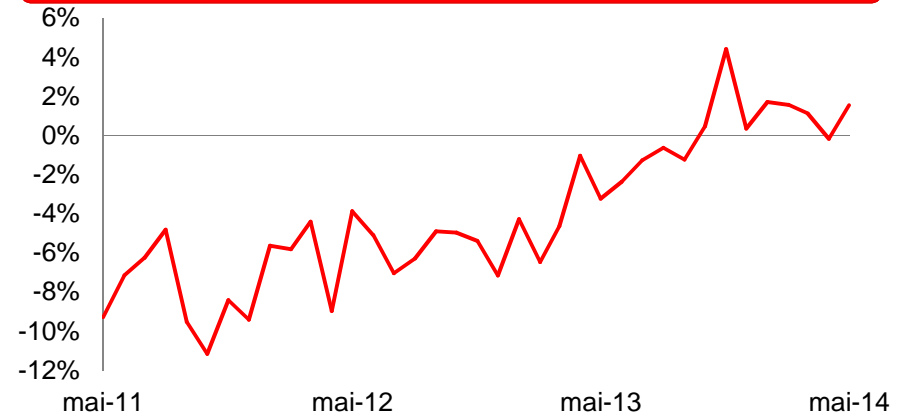
Resilient export growth is supporting investment

Registered Unemployment and Job Offers (000)



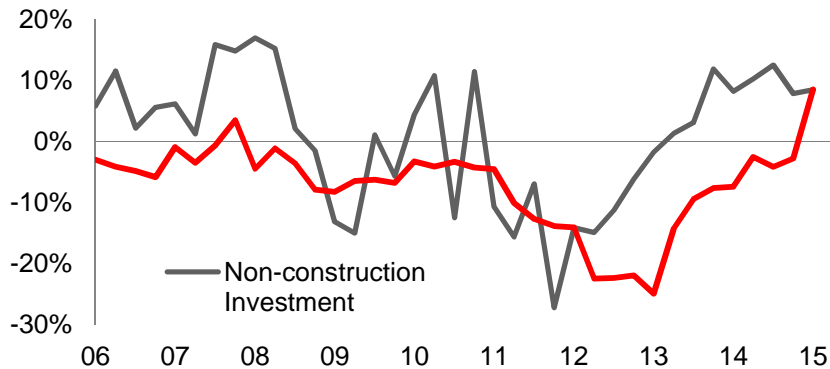
Source: IEFP

Retail Sales (YoY)



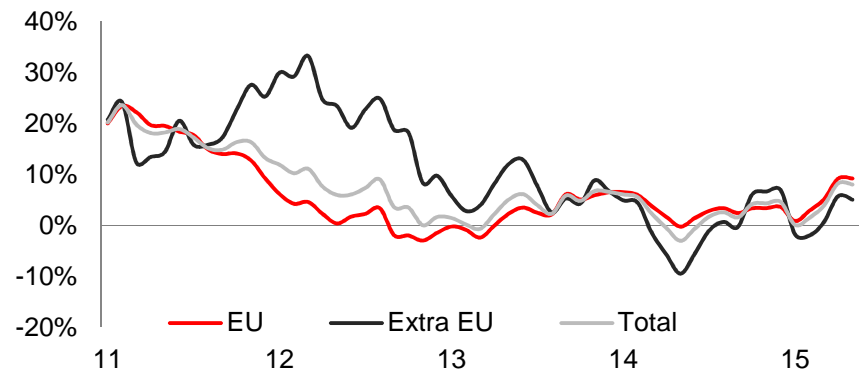
Source: INE

Investment (YoY)



Source: INE

Exports (MA3, YoY)

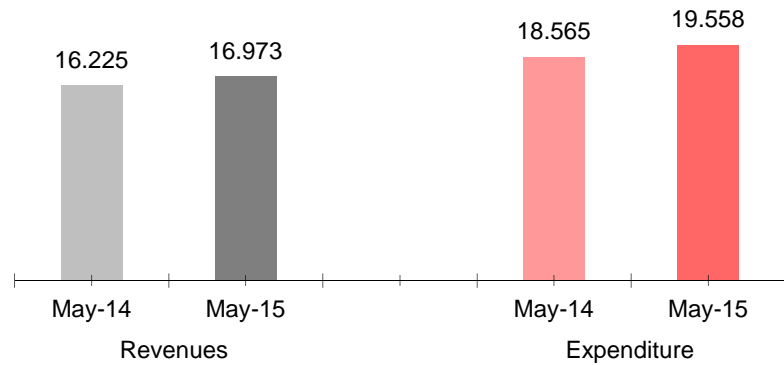


Source: INE

Macro-economic environment

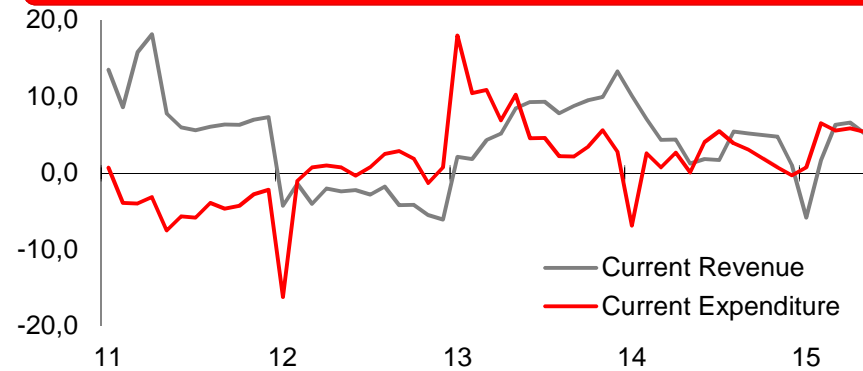
Fiscal developments in 1Q are affected by the partial reposition of wages and pensions. The Government paid an additional €1.8bn to the IMF, early redeeming 29% of the €28bn initial loan.

Total Revenues and Expenditure (€ mn)



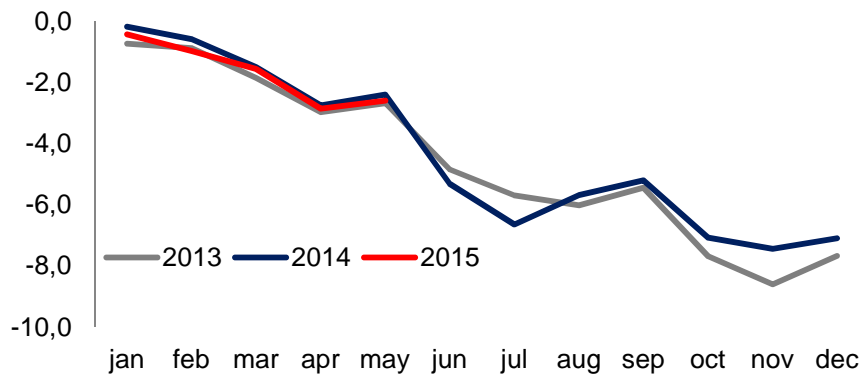
Source: Ministry of Finance

Fiscal Revenue and Public Expenditure (YoY)



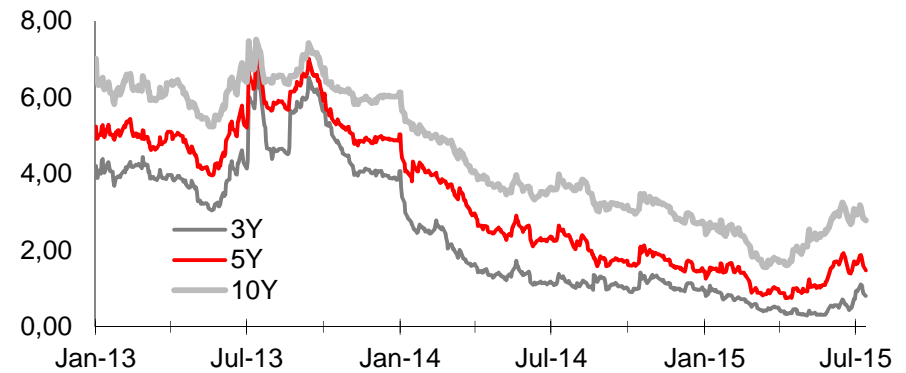
Source: Ministry of Finance

Fiscal Balance (€ bn)



Source: Ministry of Finance

Portuguese Government Bond Yields



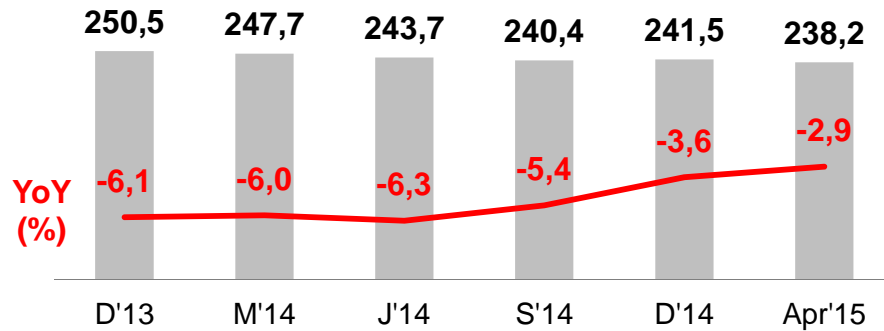
Source: Bloomberg

Financial system: Loan and deposit growth

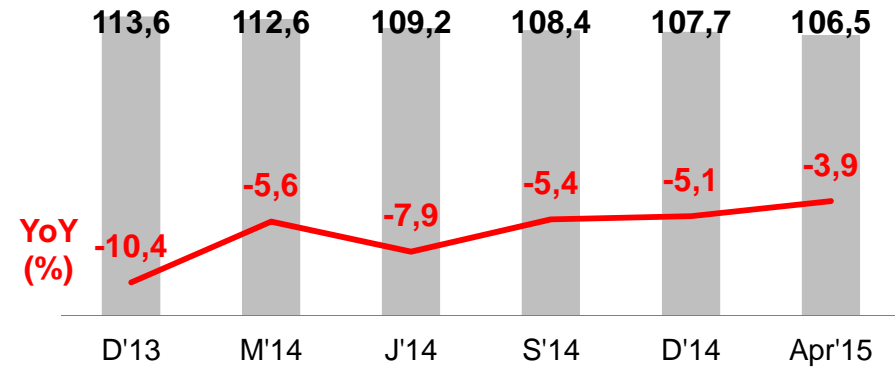
Deposits have been stable in the early months of 2015.

EURbn.

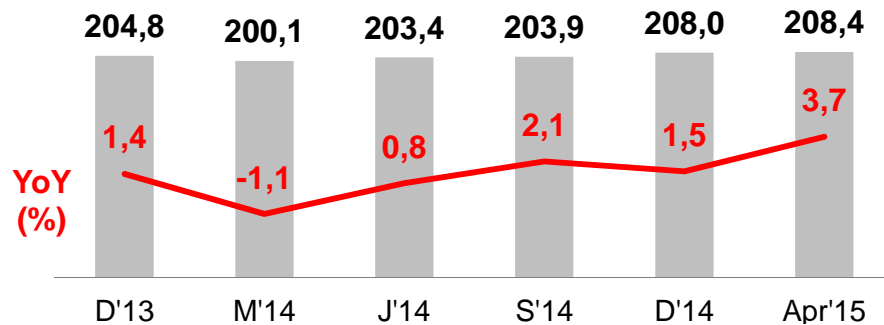
Total Loans



Corporate Loans



Total Deposits



- Credit continues to fall, although at a more moderate pace.
- Estimated growth of loans in 2015: -3,5%, following c. -5% in 2014.
- Deposits have remain close to the historical maxima, above €208bn.
- Confidence in the system remains unscathed, and deposits are forecast to grow around 1% in 2015.

Better economic prospects but challenges remain

- GDP should have accelerated slightly in 2Q, to 1.7% YoY, supported by resilient domestic demand and strong export growth. This is in line with our forecast of GDP growth of 1.8% in 2015 (slightly revised upwards).
- The non-financial corporate sector continues to increase capital expenditure, with all components of investment rising in 1Q15, for the first time in almost a decade. The latest Investment Survey also points to stronger intentions to continue to invest in 2015 (+2.5%, revised from -2.2% previously), largely explained by a more upbeat view on demand prospects.
- Fiscal developments, in 1Q15, reflect the partial reposition of wages and pensions, given the Constitutional Court rulings of last year. These effects should abate in the second half of the year. Revenue dynamics are positive, but a further reduction in the deficit in 2Q is required to meet the target of 2.7% of GDP for the full year.
- The loan book continues to decline, but at a more moderate pace, as the non-financial corporate sector continues focused on deleveraging and relying on self-funding, despite easier credit conditions and lower interest rates.

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



<i>EUR</i>	Jun'15	Var. YoY
Business and Results		
Loans	24,3 bn.	-3.7%
Deposits	23,8 bn.	+4.9%*
Total customer funds	29,3 bn.	+1.4%*
Consolidated profit	107,1 m.	+52.2%
Attributable profit	107,1 m.	+44.0%

Other Data		
Employees	5,399	-116
Branches	576	-50
ATMs	1,512	-32

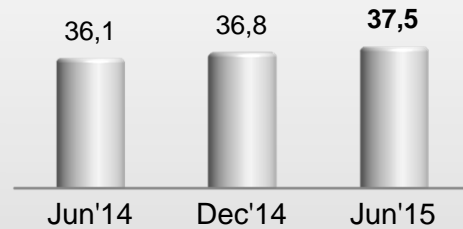
Market Share ⁽¹⁾		
Loans	11.16%	+0.88pp
- Individuals	12.86%	+0.33pp
- Corporates	9.06%	+0,99pp
Deposits	10.39%	+0.89pp

(1) Market share as of May, 2015

* The variation yoy does not include Clearnet deposits (repos SPGB)

Balance sheet mix
mix
(in local criteria*)

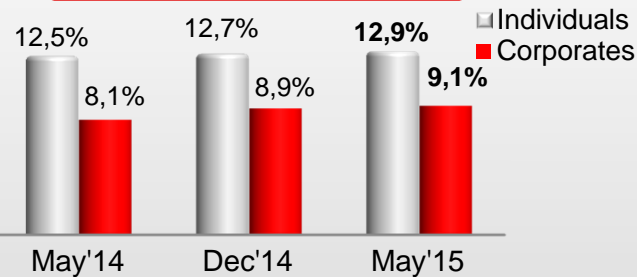
Mix of Corporates / Total loans (%)



Loans to corporates/SMEs are increasing its relative weight in loan portfolio

Market shares

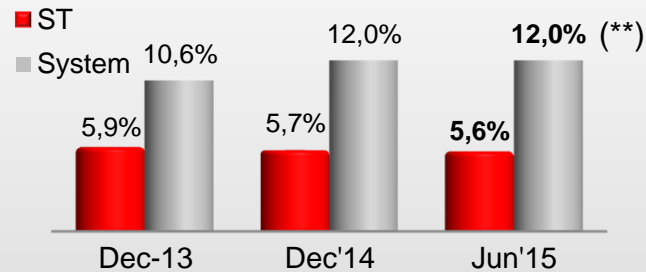
Market shares - Loans



Market share gains yoy in loans to corporates and individuals

Asset quality

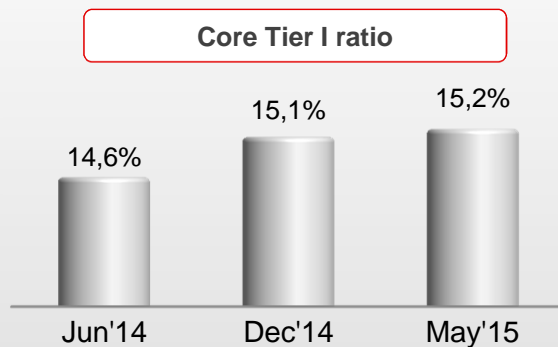
Credit at risk ratio



BST's asset quality indicators have been improving even compared to the average of the banking system (**)

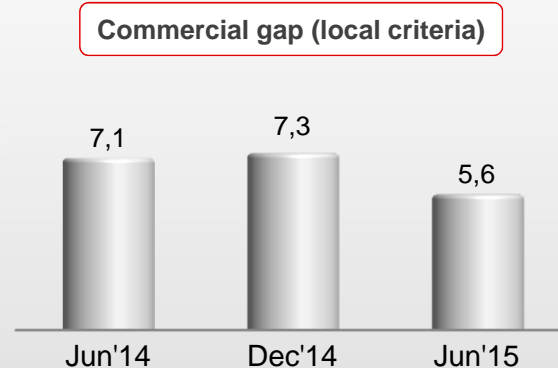
(*) Total loans includes commercial paper
(**) According to the latest available data (Dec/14)

Capital ratios



Capital ratios' evolution continues to reflect the sound structure of the Bank

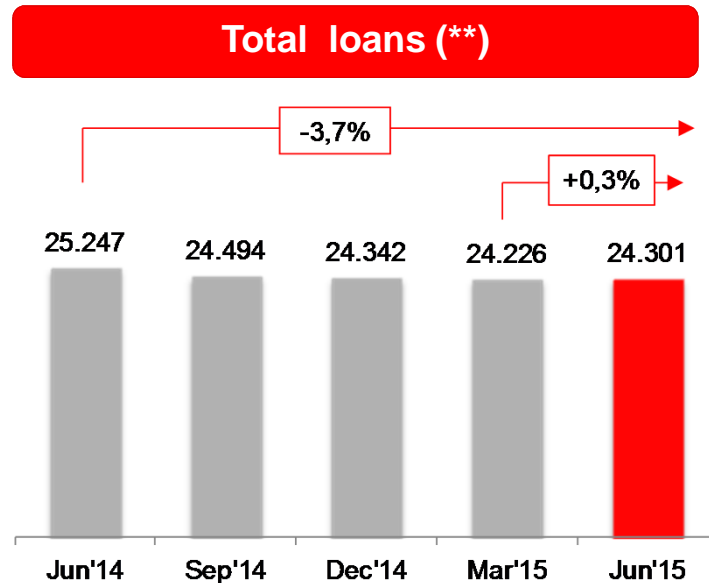
Commercial gap



Commercial gap continues to improve

Loans rose slightly in 2Q (1st. time in five years)

EUR million



	Jun'15	YoY (%)	QoQ (%)
Individuals	16.482	-2,5	-0,3
<i>from which:</i>			
Mortgage	14.657	-2,3	-0,4
Consumer credit	1.387	-2,0	+1,4
Corporates	7.578	-0,8	+1,7
SMEs	2.404	-7,1	+0,8
Corporates	3.533	+4,7	-0,7
Large corporates	1.642	-2,3	+8,6
Total	24.301	-3,7	+0,3
Loans to Corporates (*)	10.005	+3,1	+2,1
Total Loans (*)	26.728	-2,1	+0,6

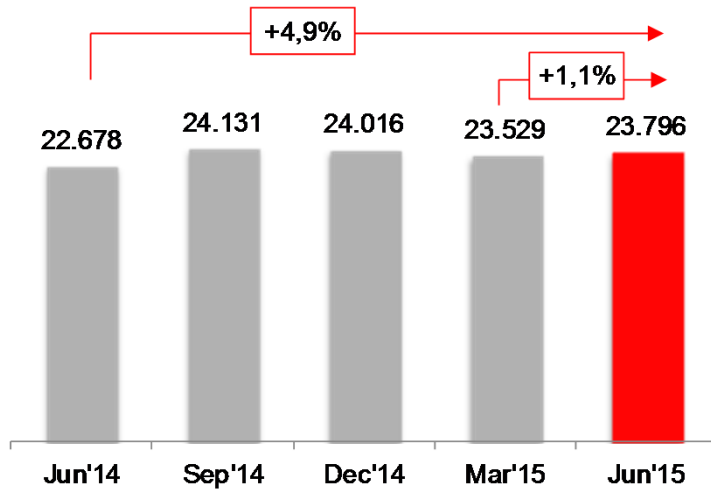
(*) Including commercial paper

(**) Gross credit

Deposits and off balance sheet resources showed a positive evolution yoy and qoq

EUR million

Total deposits*



	Jun'15	YoY (%)	QoQ (%)
Demand	6.012	+31,3	+13,9
Time and Savings	17.784	-4,8	-2,6
Deposits	23.796	+2,3	+1,1
Securities placed	2.608	-31,6	-4,5
Investment funds and other	2.876	+20,0	+0,2
Total Customer Funds	29.280	-0,6	+0,5
Deposits*	23.796	+4,9	+1,1
Total Customer Funds*	29.280	+1,4	+0,5

* Does not include Clearnet deposits (repos SPGB)

Agenda

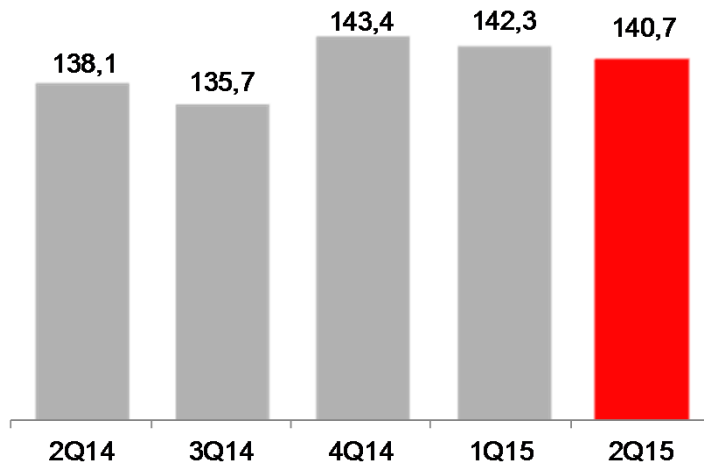
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Net Interest Income and Spreads

NII in 1H increased 6% yoy reflecting lower cost of deposits

EUR million

Net Interest Income



Loan spreads, %



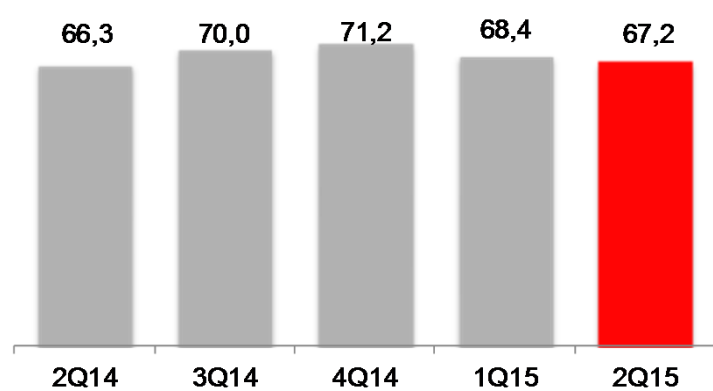
Deposit spreads, %



Commissions in the 2Q increased 1.4% compared to the same quarter last year

EUR million

Net Fees



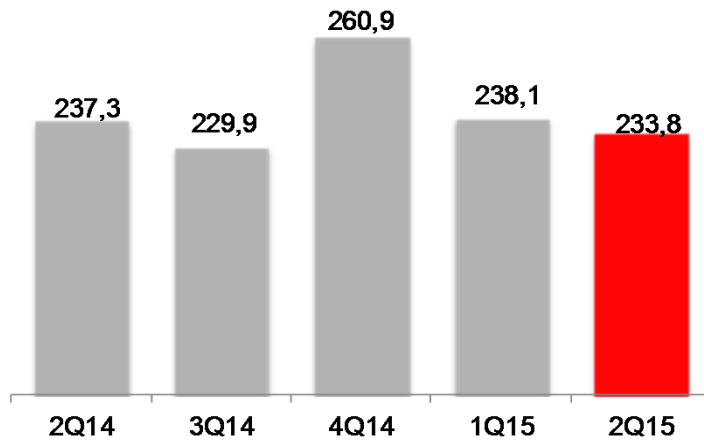
	1H15	1H14	YoY (%)	QoQ (%)
Credit	40,3	37,7	+6,9	-0,1
Credit cards	23,2	23,6	-2,0	+8,6
Mutual funds / AM	10,3	8,5	+22,3	+14,7
Insurance	44,3	45,5	-2,8	-1,2
GBM	29,2	28,0	+4,1	-33,4
Other *	(11,7)	(4,4)	+166,6	-43,7
Total	135,6	139,0	-2,4	-1,7

* Increased fees paid to other business units

Gross income in 1H15 increased 1.4% yoy due to higher NII

EUR million

Gross income



	1H15	1H14	YoY (%)	QoQ (%)
Net interest income	283,0	267,0	+6,0	-1,1
Net Fees	135,6	139,0	-2,4	-1,7
Subtotal	418,6	406,0	+3,1	-1,3
Other ¹	53,2	59,5	-10,6	-5,5
Gross income	471,8	465,5	+1,4	-1,8

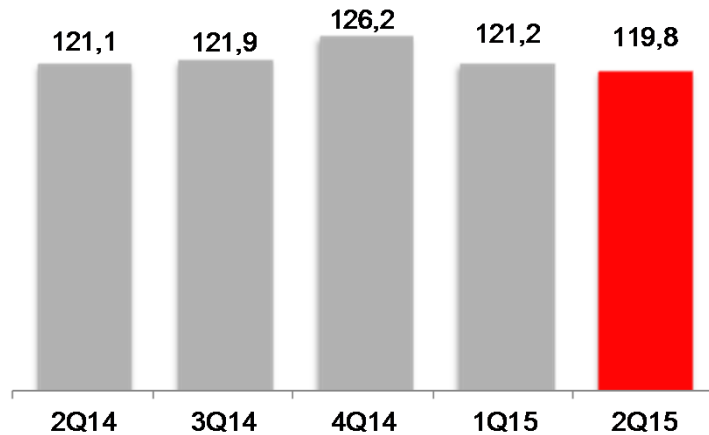
(1) "Other" includes gains (losses) on financial transactions and other operating income

Operating expenses

Operating expenses had a positive evolution which was reflected in the improvement of the efficiency ratio

EUR million

Operating expenses



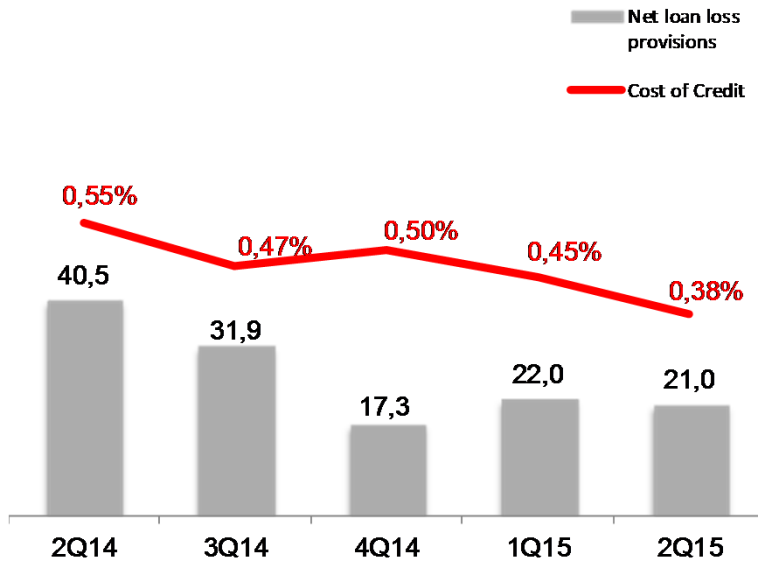
	1H15	1H14	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	211,1	206,6	+2,2	-0,4
Depreciation and amortization	29,9	36,5	-18,2	-6,2
Total	241,0	243,1	-0,9	-1,1

Efficiency ratio (with amortisations)	51,1%	52,2%	-1,1pp	+0,2pp
Number of branches	576	626	-50	-8
Number of employees	5.399	5.515	-116	-9

The cost of credit has been constantly decreasing

EUR million

LLPs and cost of credit

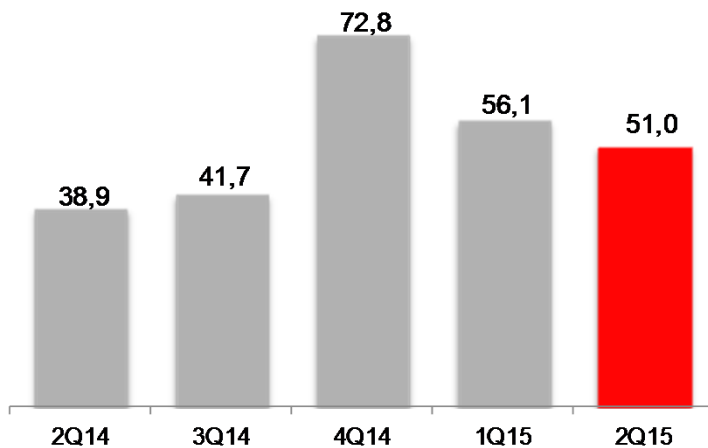


	1H15	1H14	YoY (%)	QoQ (%)
Net Operating Income	230,8	222,4	+3,8	-2,5
LLPs	42,9	74,6	-42,4	-4,6
Net Op. Income after LLPs	187,9	147,8	+27,1	-2,1
NPL Coverage ratio	54,2%	53,1%	+1,1pp	+1,8pp
NPL ratio	8,8%	8,2%	+0,6pp	-0,2pp

Attributable profit in the 1H2015 increased by 44% yoy

EUR million

Attributable profit



	1H15	1H14	YoY (%)	QoQ (%)
Profit before taxes	143,3	88,8	+61,4	-5,6
Tax on profit	36,2	18,4	+96,7	+8,8
Consolidated profit	107,1	70,4	+52,2	-10,0
Attributable profit	107,1	74,4	+44,0	-9,0
Effective tax rate	25,3%	20,7%		

Market Environment & Financial System

- Economic activity continues to expand at a sustained pace, with growth being pushed by both domestic and external demand. GDP is on track to growth of 1.8% in 2015E.
- The Government continues to anticipate the payment of the IMF loans, with an additional payment of €1.8bn. So far, the Government paid back €7.6bn of the €26.5bn loan from the IMF.
- The non-financial corporate sector continues to deleverage, despite stronger willingness to increase capital expenditure in 2015.

Strategy, Business & Capital

- Improving market shares in loans to corporates and a more balanced loan book, without losing individual clients
- Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio reaching 15.2% in May'15
- The Bank is continuously adapting its cost structure to the new competitive environment

Profitability & Results

- NII maintains a positive evolution yoy reflecting mainly the reduction in the cost of deposits
- Attributable profit in 1H15 increased 44.0% yoy as a consequence of the increase of revenues and lower operating costs and provisions
- NPL ratio is evolving at a slower pace and cost of credit maintains a downward trend

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Balance Sheet

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EUR million	Variation			
	30.06.15	30.06.14	Amount	%
Loans and credits*	23.097	24.111	(1.014)	(4,2)
Trading portfolio (w/o loans)	2.076	1.880	196	10,4
Available-for-sale financial assets	5.711	7.119	(1.407)	(19,8)
Due from credit institutions*	1.934	2.491	(557)	(22,3)
Intangible assets and property and equipment	693	763	(69)	(9,1)
Other assets	5.903	6.276	(374)	(6,0)
Total assets/liabilities & shareholders' equity	39.415	42.640	(3.225)	(7,6)
Customer deposits*	23.796	23.253	543	2,3
Marketable debt securities*	2.608	3.811	(1.202)	(31,6)
Subordinated debt	0	0	(0)	(95,0)
Insurance liabilities	24	80	(56)	(69,7)
Due to credit institutions*	9.791	12.271	(2.480)	(20,2)
Other liabilities	971	922	49	5,4
Stockholders' equity**	2.224	2.302	(78)	(3,4)
Off-balance-sheet funds	2.876	2.396	480	20,0
Mutual funds	1.555	1.311	245	18,7
Pension funds	910	864	46	5,4
Managed portfolios	411	222	189	85,3
Customer funds under management	29.281	29.460	(180)	(0,6)

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income Statement

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EUR million			Variation	
	1Q 15	1Q 14	Amount	%
Net interest income	283	267	16	6,0
Net fees	136	139	(3)	(2,4)
Gains (losses) on financial transactions	25	40	(15)	(36,8)
Other operating income**	28	20	8	42,0
Gross income	472	465	6	1,4
Operating expenses	(241)	(243)	2	(0,9)
General administrative expenses	(211)	(207)	(5)	2,2
<i>Personnel</i>	(147)	(146)	(1)	0,4
<i>Other general administrative expenses</i>	(64)	(60)	(4)	6,5
Depreciation and amortisation	(30)	(37)	7	(18,2)
Net operating income	231	222	8	3,8
Net loan-loss provisions	(43)	(75)	32	(42,4)
Other income	(45)	(59)	14	(24,5)
Profit before taxes	143	89	55	61,4
Tax on profit	(36)	(18)	(18)	96,7
Profit from continuing operations	107	70	37	52,2
Net profit from discontinued operations	—	—	—	—
Consolidated profit	107	70	37	52,2
Minority interests	(0)	(4)	4	(99,2)
Attributable profit to the Group	107	74	33	44,0

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



Quarterly statements of income

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EUR million

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15
Net interest income	129	138	136	143	142	141
Net fees	73	66	70	71	68	67
Gains (losses) on financial transactions	18	22	13	35	15	10
Other operating income**	9	11	11	12	13	16
Gross income	228	237	230	261	238	234
Operating expenses	(122)	(121)	(122)	(126)	(121)	(120)
General administrative expenses	(103)	(104)	(104)	(109)	(106)	(105)
<i>Personnel</i>	(73)	(73)	(73)	(78)	(73)	(74)
<i>Other general administrative expenses</i>	(30)	(31)	(31)	(31)	(33)	(32)
Depreciation and amortisation	(19)	(17)	(18)	(18)	(15)	(14)
Net operating income	106	116	108	135	117	114
Net loan-loss provisions	(34)	(40)	(32)	(17)	(22)	(21)
Other income	(30)	(29)	(20)	(20)	(21)	(23)
Profit before taxes	42	47	57	97	74	70
Tax on profit	(9)	(9)	(15)	(24)	(17)	(19)
Profit from continuing operations	33	37	42	73	56	51
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	33	37	42	73	56	51
Minority interests	(2)	(2)	(0)	0	0	(0)
Attributable profit to the Group	36	39	42	73	56	51

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

