

Portugal

Q2 2013 Results

Lisbon, July 30th 2013

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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.

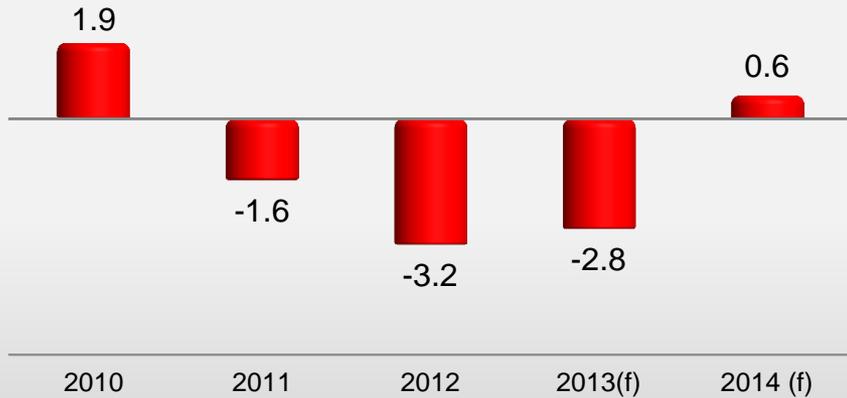
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- **Macroeconomic Outlook and Financial System**
- **Business Growth**
- **Q2 2013 Results**
- **Annexes**

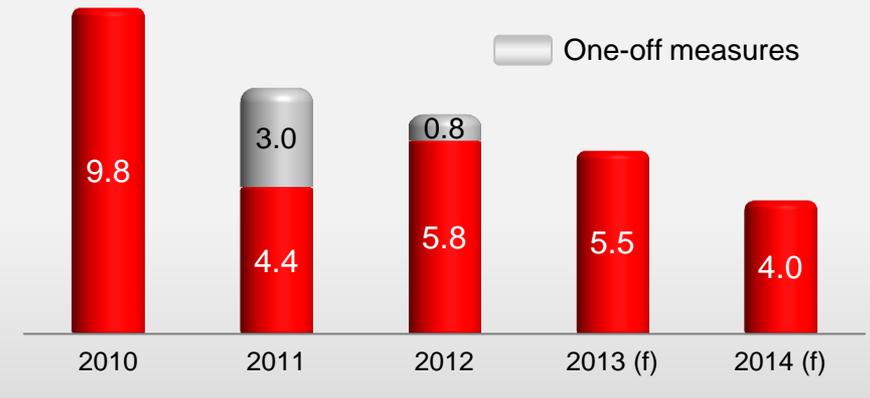
Portugal: Macroeconomic Outlook

Overall economic conditions remain weak and subject to high uncertainty

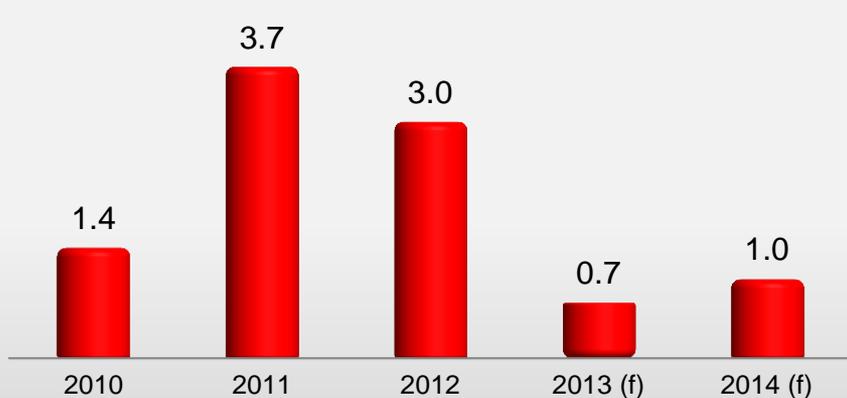
GDP (YoY, %)



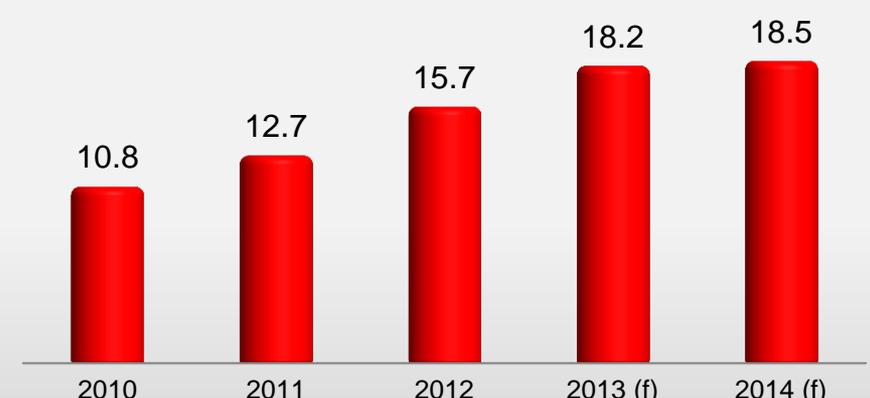
Fiscal Deficit (% GDP)



CPI Inflation (YoY, %)

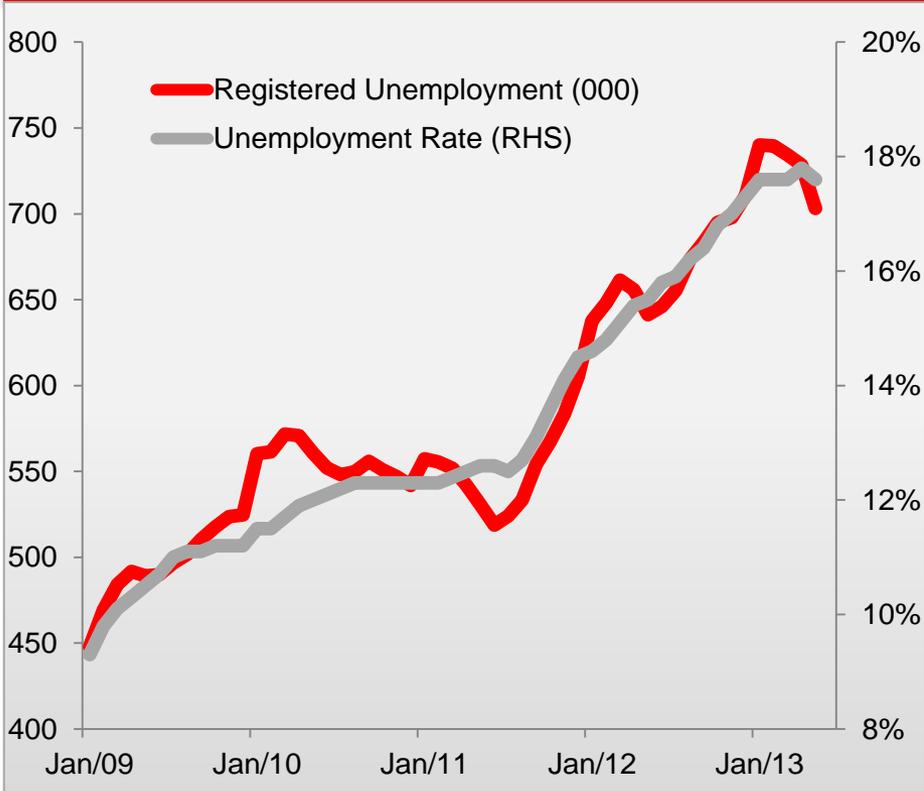


Unemployment (%)



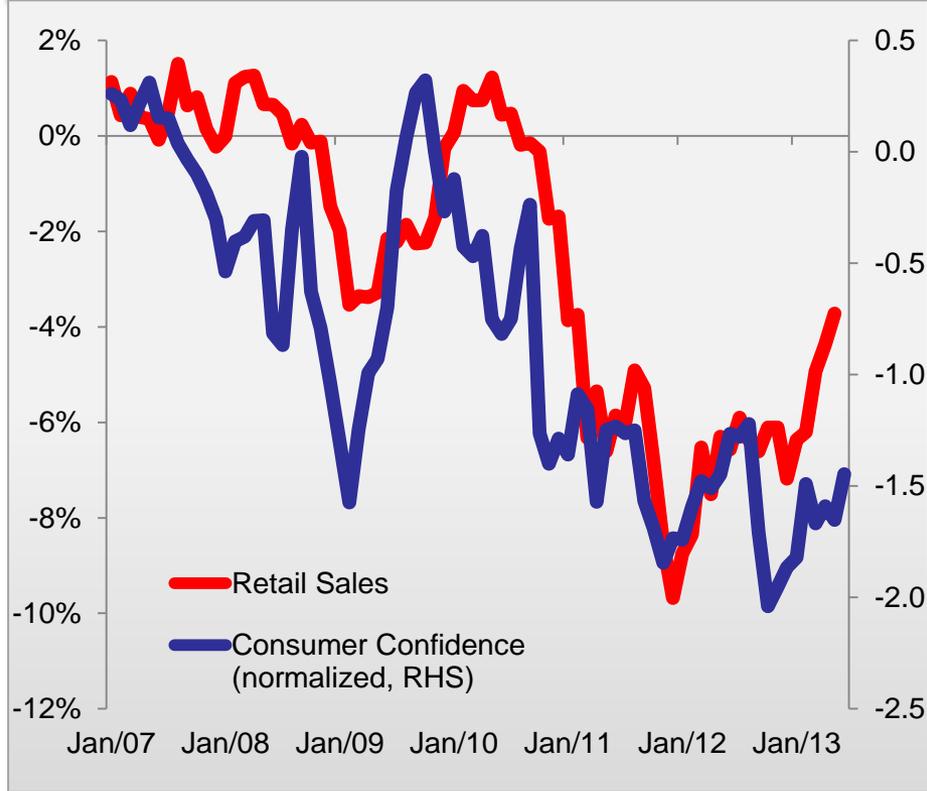
The most recent data point to a slight improvement of conditions in domestic demand. Unemployment has receded slightly from the recent maxima, while retail sales are falling at a slower pace, in line with the pick-up in confidence

Registered Unemployment and Unemployment Rate



Source: IEFP, Eurostat

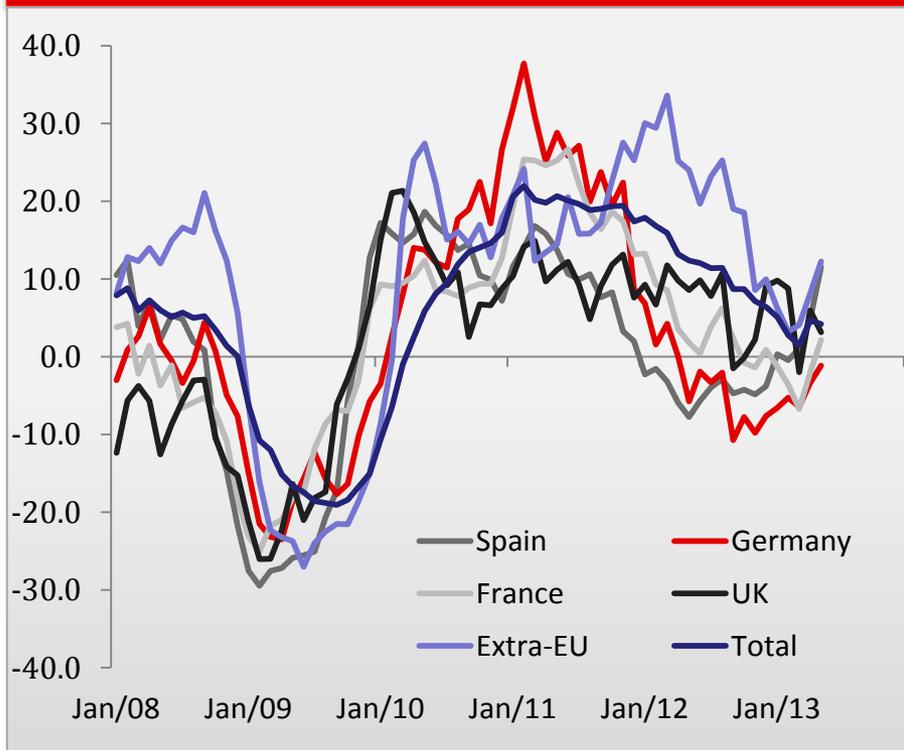
Retail Sales vs Consumer Confidence



Source: Banco de Portugal

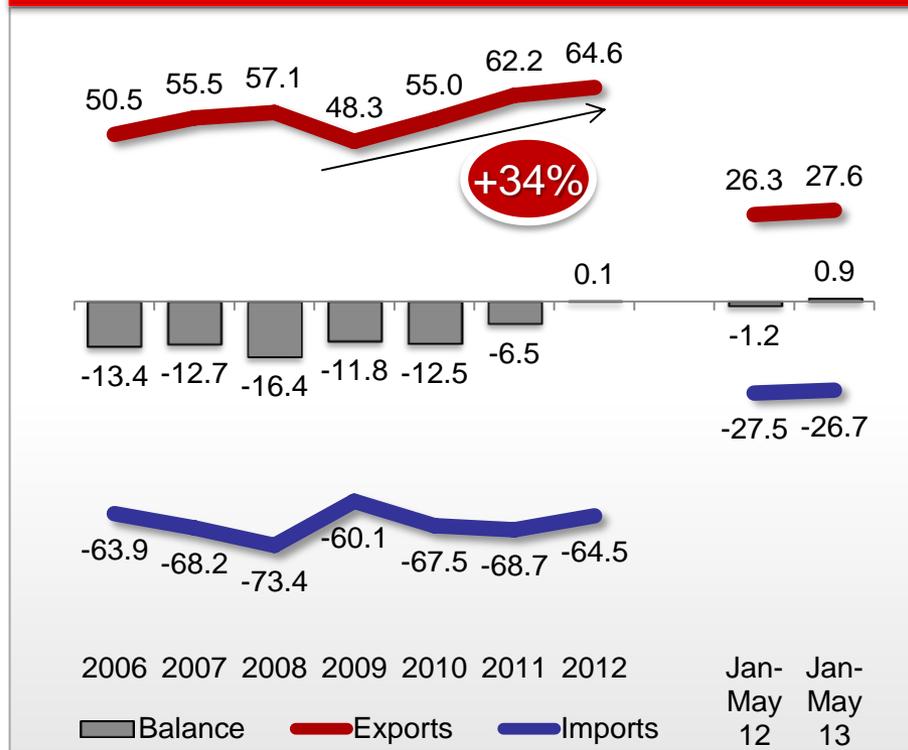
External demand continues to surprise on the upside, with exports accelerating in 2Q2013. Until May, the surplus in the balance of goods and services has increased to almost €1bn

Exports (3Month MA, YoY)



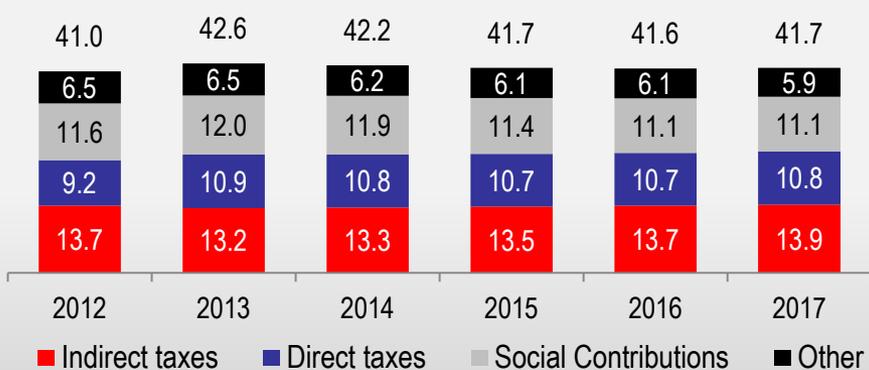
Source: INE

Balance of Goods and Services (€ bn)

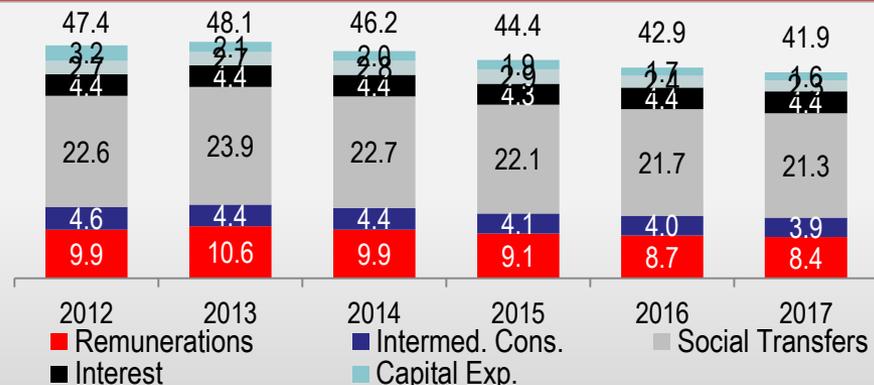


The Government has presented its strategy to bring down the fiscal deficit and ensure a sustained reduction of public debt

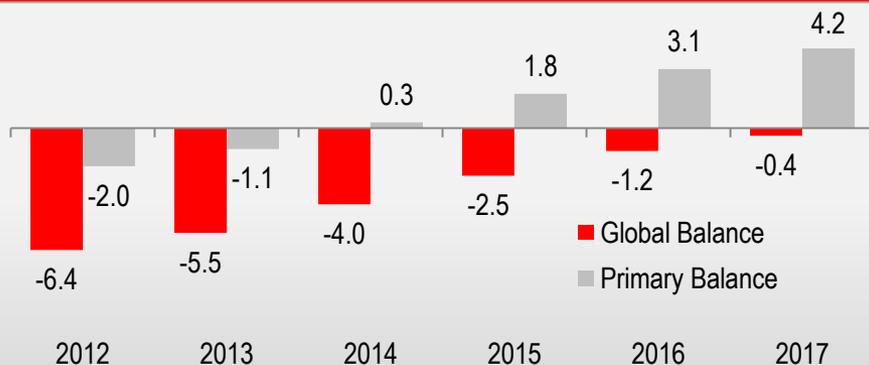
Revenue (% GDP)



Expenditure (% GDP)



Fiscal Balance (% GDP)



Public Debt (% GDP)

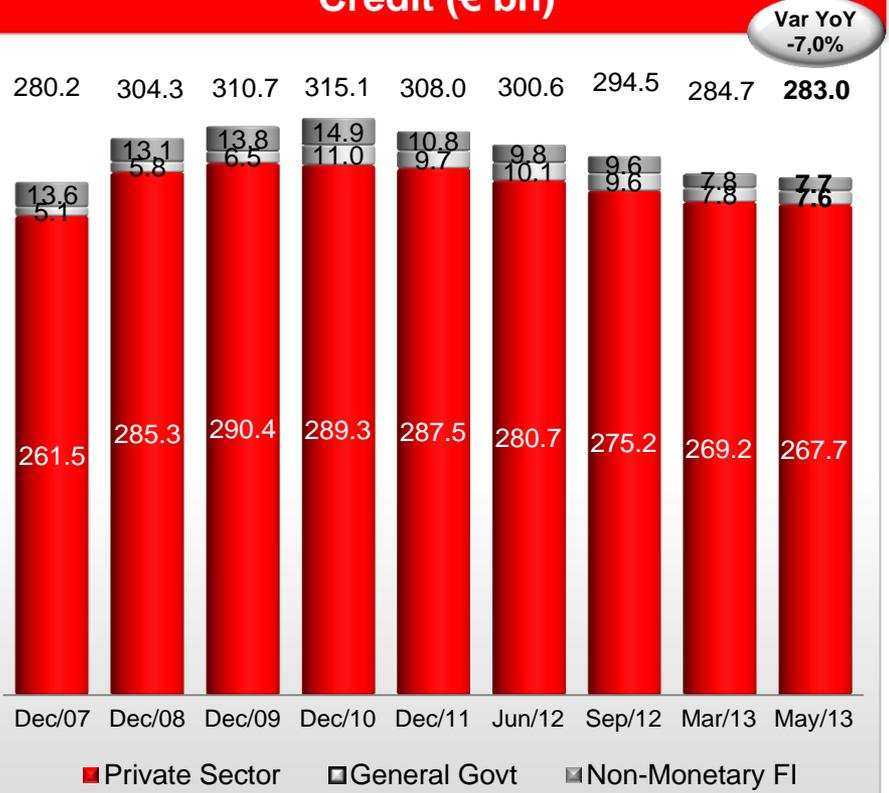


Source: Ministry of Finance

Financial System: Credit to the private sector

The pace of reduction of loans to the corporate sector is slowing

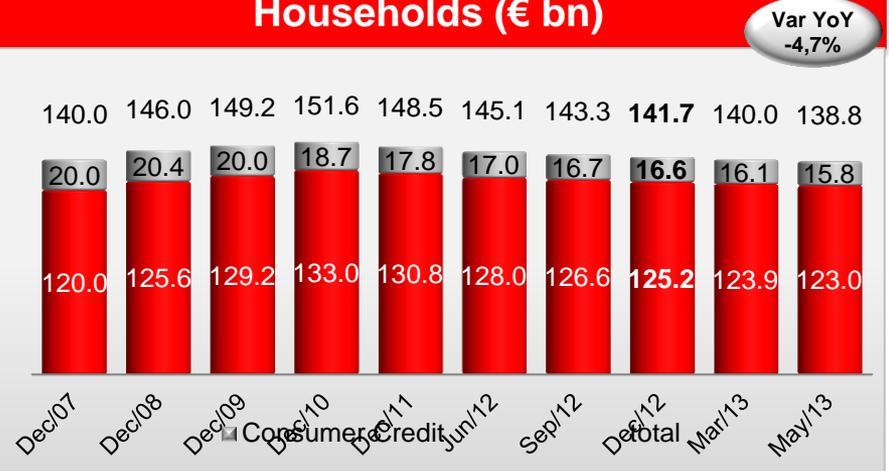
Credit (€ bn)



Private Sector includes Households and Non-financial corporates (including commercial paper)

Source: Bank of Portugal, Santander Totta

Households (€ bn)



Non-financial corporates (€ bn)

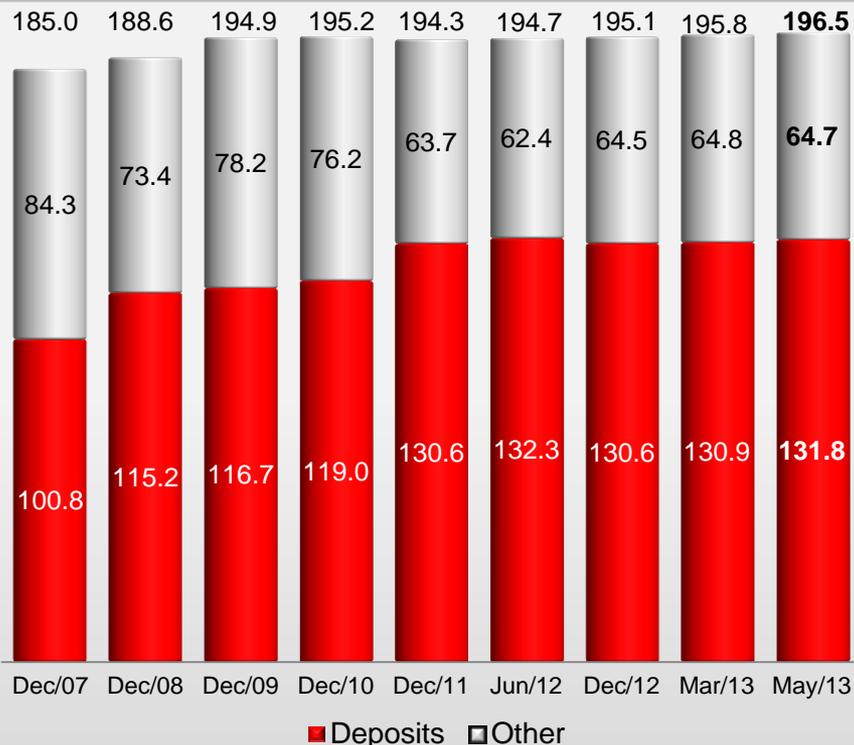


Financial System: Resources from households

Deposits continue to grow, in line with the increase in households' savings rate

Household Resources (€ bn)

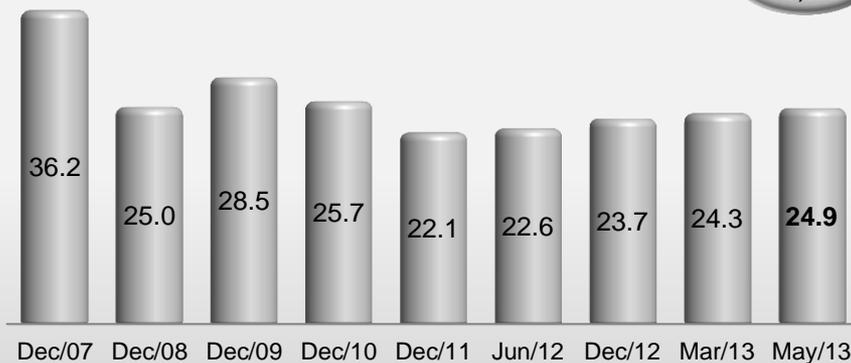
Var YoY +1,3%



Other includes Mutual Funds, Retail Bonds and Financial Insurance
 Source: Bank of Portugal, APFIPP, Santander Totta

Mutual Funds (€ bn)

Var YoY +9,9%



Retail Bonds + Financial Insurance (€ bn)

Var YoY -1,4%



Economic conditions likely improved in 2Q

- Economic data point to a mild improvement in activity in 2Q, following several quarters of contractions. The economy may be bottoming, albeit at subdued levels. Private consumption and investment may have recovered somewhat, while external demand has picked up at a faster pace.
- Nevertheless, the overall trend for the full year remains broadly unchanged, with GDP still expected to contract around 2,8%, and unemployment poised to increase to above 18%.

Political uncertainty increased, but focus remains on concluding the Adjustment Program

- Following the resignation of Finance Minister Gaspar, there was a divide between PSD and CDP, the two coalition parties.
- The call by the President for a “national salvation” agreement between the current ruling parties and PS (the three parties which signed the MoU) to conclude the Program and ensure a quiet transition to market access ended without an understanding.
- As such, the President has reaffirmed the Government keeps all powers and legitimacy to conclude the legislature and approved the reshuffling agreed between the two parties in the coalition.

Fiscal strategy aims to bring down the fiscal deficit to 0,2% of GDP in 2016

- The reduction in the fiscal deficit is to be achieved by further expenditure cuts, as requested by the Troika following the 7th review. The Government is yet to fully detail its script to reform the State, but initial measures aim to reduce the size of the Civil Service, as well as to curb social transfers, by means of reviewing the Public Pension Fund (which is more generous than Social Security).

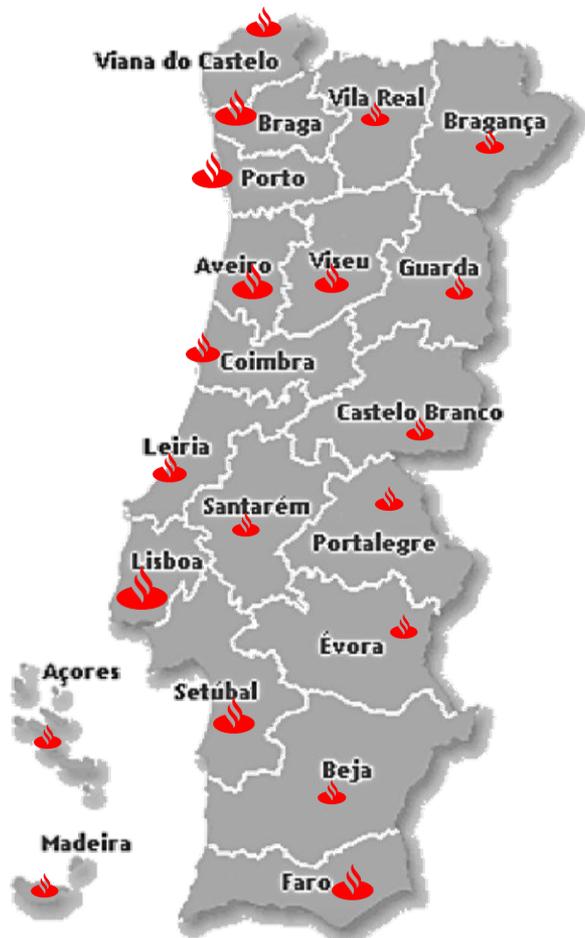
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Our Franchise

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

Santander Totta branches



EUR million	Jun 13	Mkt. Share*
Loans	26,263	9.6%
Deposits	23,577	10.1%
Total Resources	28,131	10.2%
Pension Funds	768	5.5%
Attributable Profit	46	
Branches	651	11.0%(APB)
Employees	5,636	

(*) As at Mar/13 (activity in Portugal)

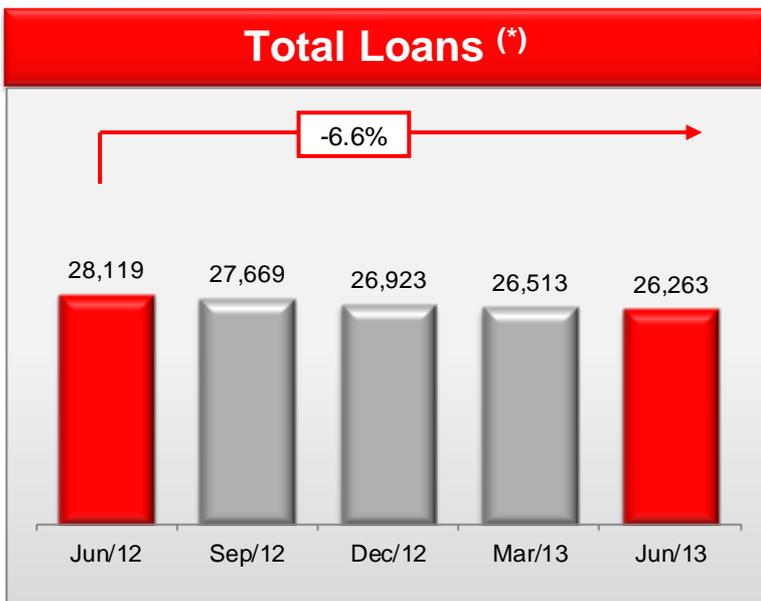
(**) Includes guarantees

Business: loans performance

Loans in all segments continue to fall YoY but loans to corporates and larges corporates stabilized vs the previous quarter

Million Euros

Total Loans (*)



	Jun/13 Volume (M n Eur)	% Var.2013/2012
Individuals	17,481	-3.5%
<i>from which</i>		
Mortgage	15,536	-3.0%
Consumer credit	1,404	-5.6%
Corporates	8,464	-10.9%
<i>from which</i>		
Small business	2,898	-15.7%
Corporates	3,762	-11.5%
Large corporates	1,804	-0.7%
Total	26,263	-6.6%

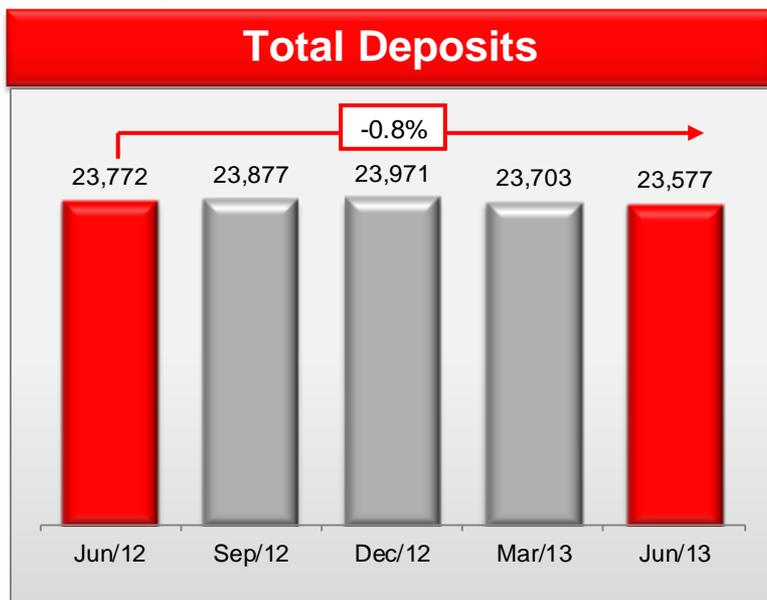
Note: The loan figures don't include commercial paper that increased 26% yoy

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

Business: customer funds performance

Despite a slight reduction in deposits, BST has gained market share

Million Euros



	Jun/13 Volume (M n Eur)	% Var.2013/2012
Customer deposits	23,577	-0.8%
Securities	2,396	-38.5%
Retail	312	-25.7%
EMTN's and others	2,084	-28.2%
Mutual funds and Pension Funds	2,158	-4.7%
Total	28,131	-6.0%
Total Resources (without EMTN's and others)	26,047	-0.3%

Business: market share dynamics

Market share	Mar13 share, %	chg., pp 13/12
Loans to individuals	12.4%	+0.1
Mortgage credit (production)	13.7%	+0.4
Mortgage credit (stock)	12.9%	+0.2
Consumer credit	8.4%	-0.5
Loans to corporates	6.5%	+0.0
Credit cards	9.3%	-0.1
Total Loans	9.6%	+0.2
Deposits	10.1%	+0.8
Deposits + Invest. Funds	10.1%	+0.6
Insurance (stock)	11.3%	-1.2

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

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Results: net interest income vs commissions

Net interest income improved over last quarter reflecting lower cost of funding

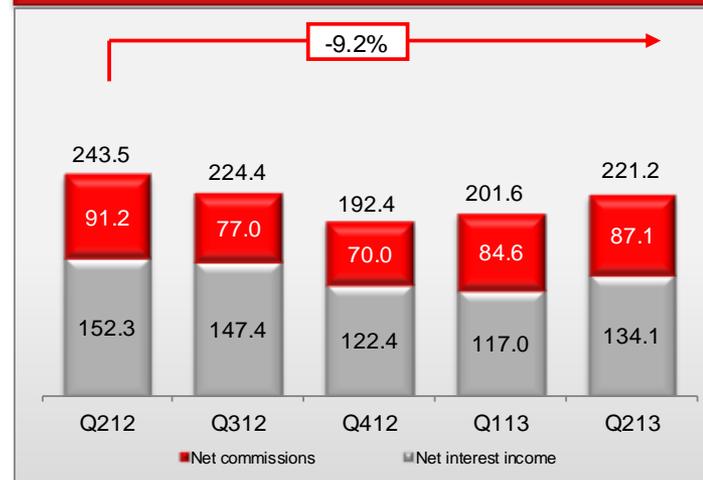
Loan spreads – Retail Banking



Balance Sheet Resources spreads – Retail Banking



Net Interest Income(*) + Net Commissions



Million Euros

	Volume (Mn Eur)		% Var.2013/2012
	Jun/13	Jun/12	
Net interest income	251.2	299.8	-16.2%
Net commissions	171.7	181.4	-5.4%
Total	422.8	481.2	-12.1%

Results: commissions

Despite the YoY reduction, commissions increased in the last two quarters mainly due to GBM

Million Euros

Net Commissions



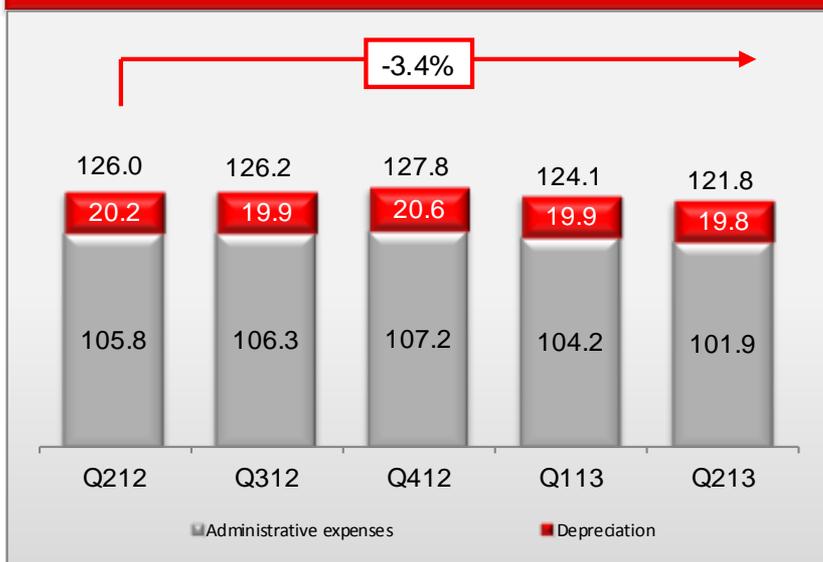
	Volume (Mn Eur)		%
	Jun/13	Jun/12	
Credit	30.2	34.1	-11.4%
Credit cards	26.2	31.2	-16.2%
Mutual funds / Asset management	14.1	13.7	+2.7%
Insurance	45.9	51.3	-10.4%
Other	22.2	22.6	-1.6%
Commercial banking	138.7	152.9	-9.3%
GBM	39.6	37.0	+6.9%
Other	(6.5)	(8.5)	-23.8%
Total	171.7	181.4	-5.3%

Results: administrative expenses and depreciation

Operating expenses maintain its downward trend

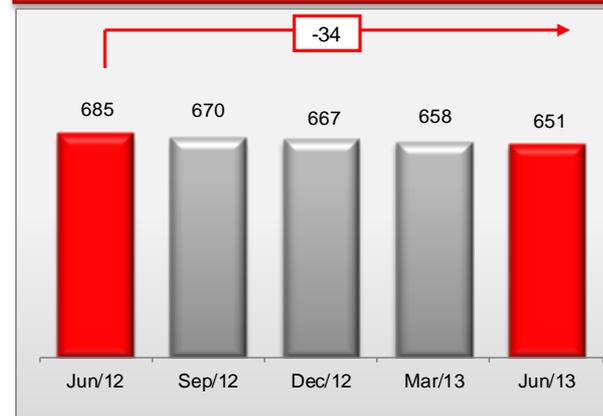
Million Euros

Total operating expenses



	Volume (Mn Eur)		%
	Jun/13	Jun/12	
Administrative expenses	206.2	211.9	-2.7%
Personnel expenses	149.0	152.9	-2.6%
Other expenses	57.2	59.0	-3.1%
Depreciation	39.7	40.6	-2.2%
Total	245.9	252.5	-2.6%

Branches



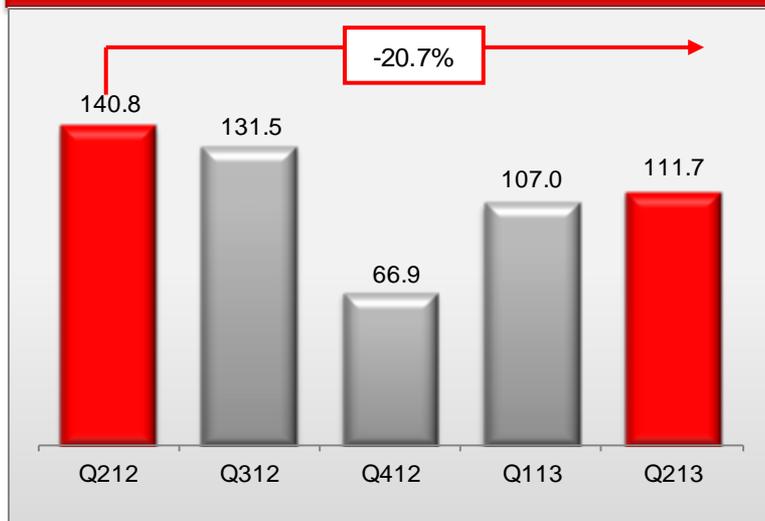
Results: net operating income

Net operating income evolved favourably in the last two quarters with higher gross income and lower operating expenses

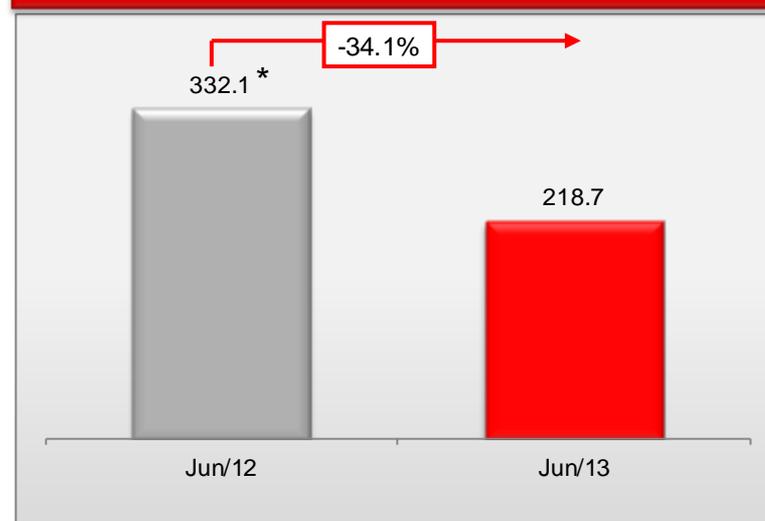
Million Euros

Net operating income

quarterly performance



cumulative performance



* Includes gains in the securitization tender-offers