

Portugal

Q3 2013 Results

Lisbon, October 24th 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.

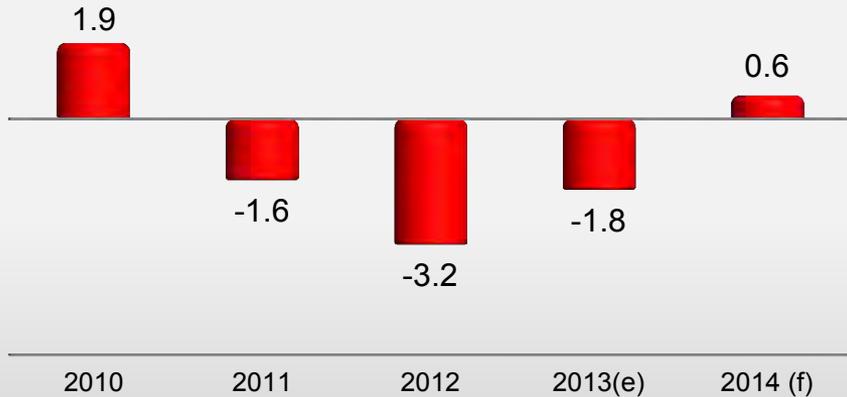
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- **Macroeconomic Outlook and Financial System**
- **Business Growth**
- **Q3 2013 Results**
- **Annexes**

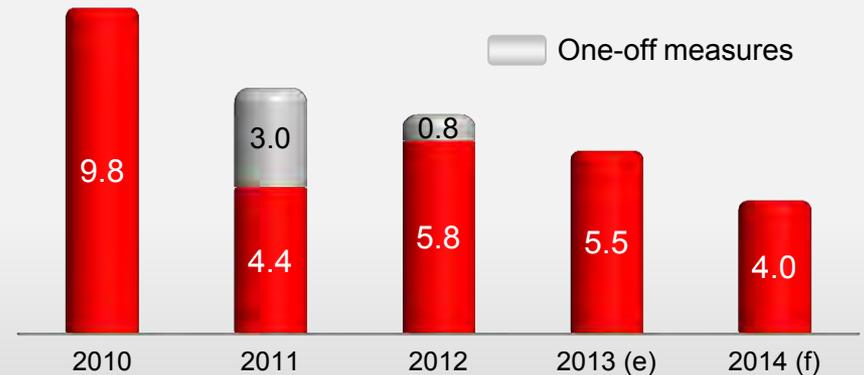
Portugal: Macroeconomic Outlook

The economy has passed the trough, initiating a mild recovery...

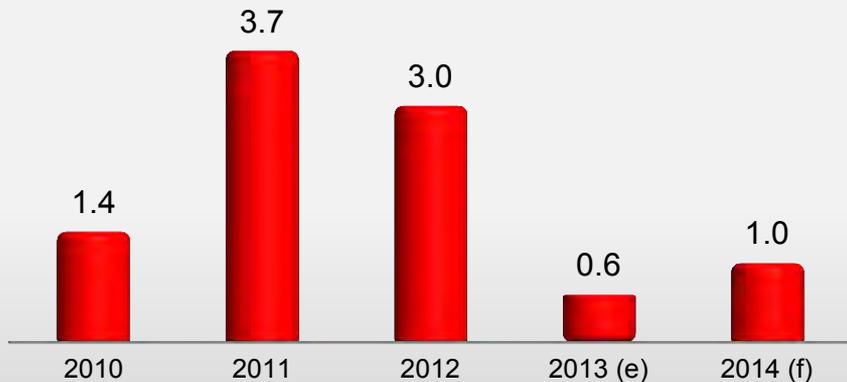
GDP (YoY, %)



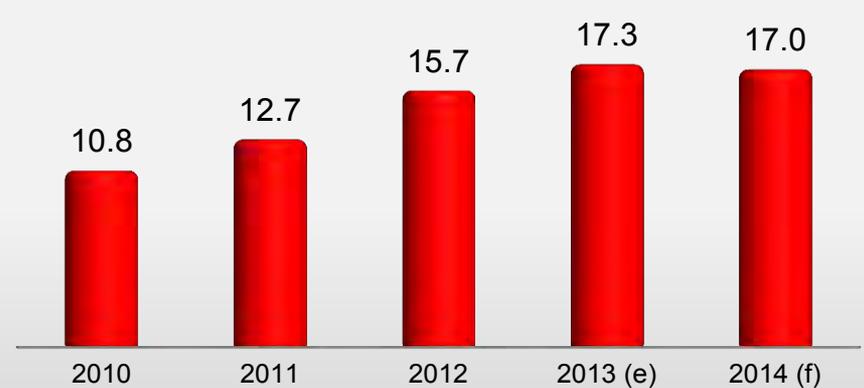
Fiscal Deficit (% GDP)



CPI Inflation (YoY, %)

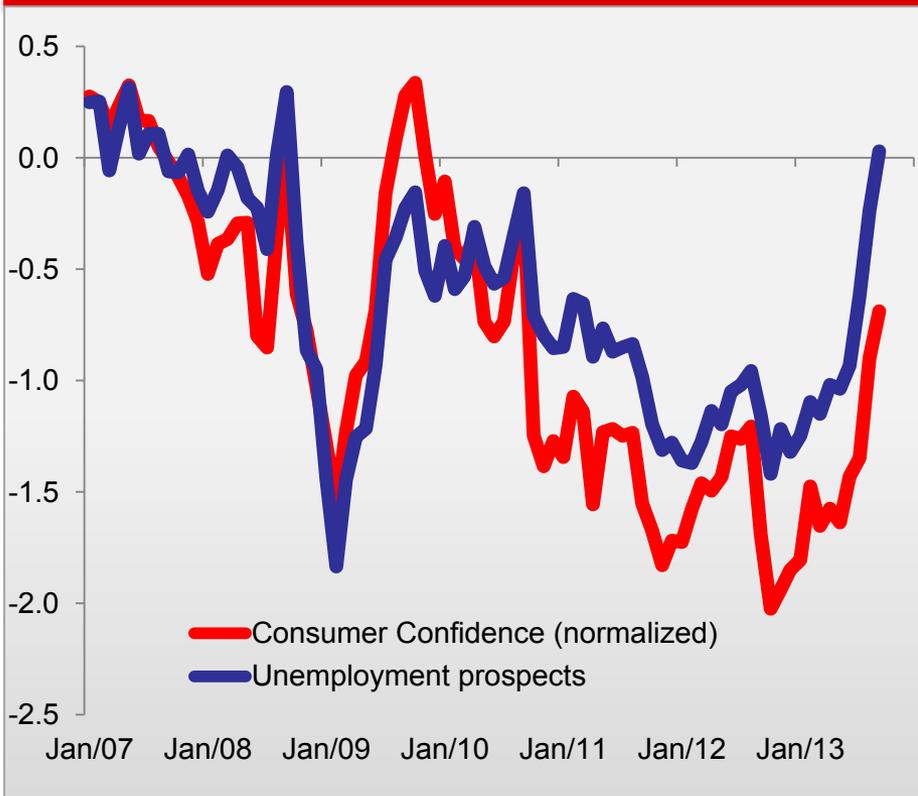


Unemployment (%)



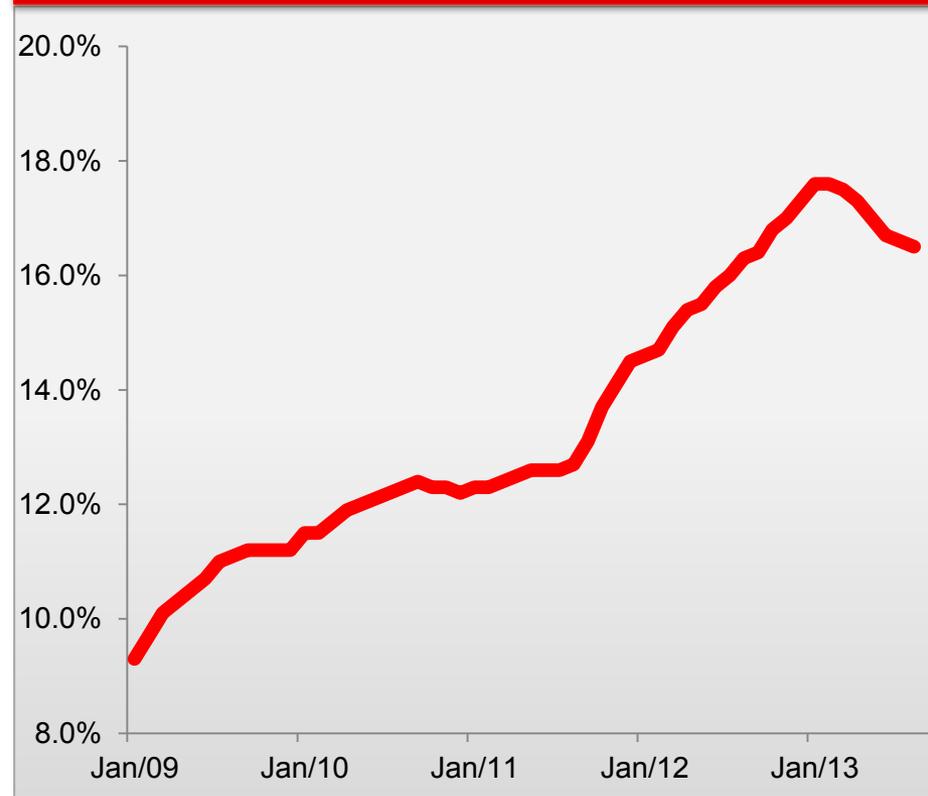
... largely supported by a stabilization of domestic demand, as indicated by the improvement in consumer confidence and the recent mild decline in unemployment

Consumer Confidence



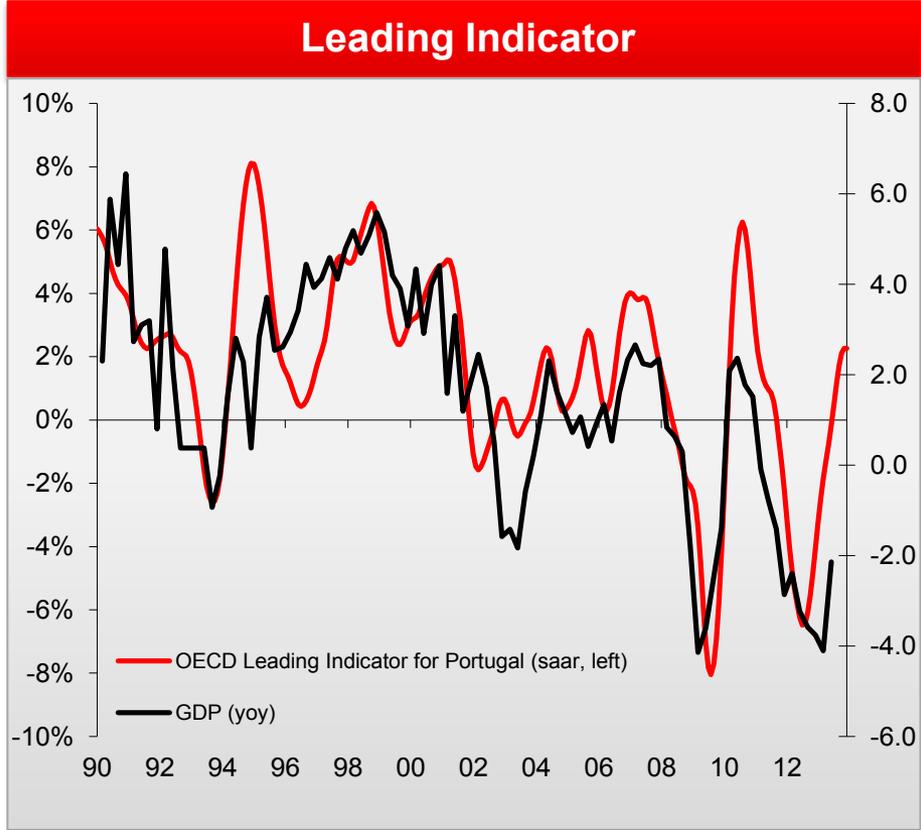
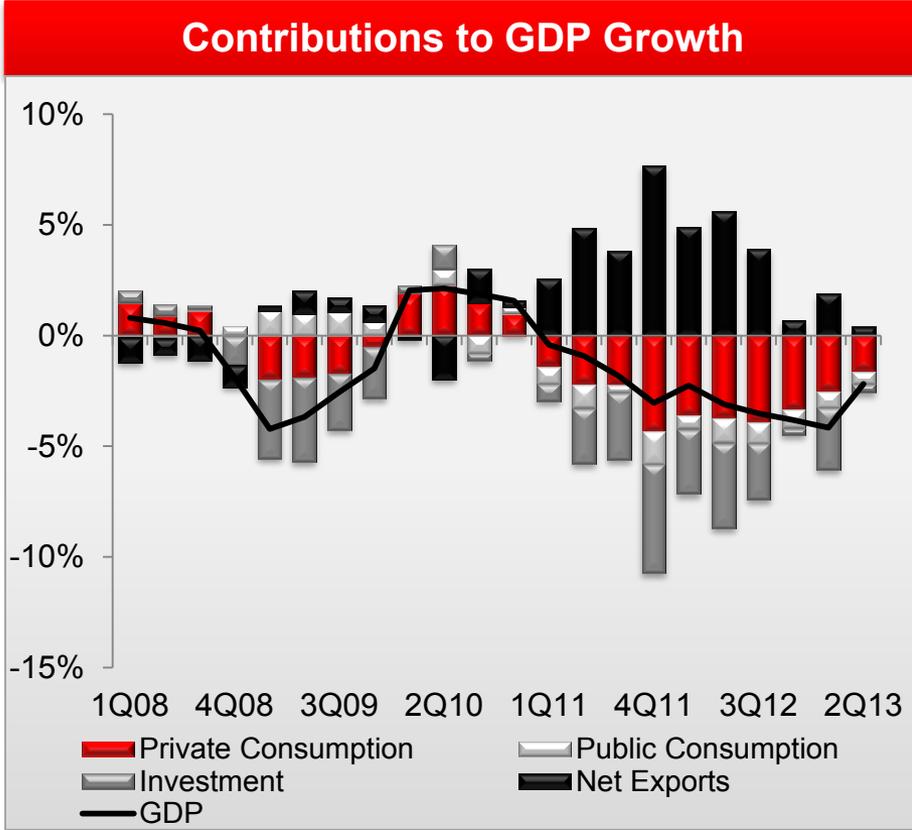
Source: INE (normalized series)

Unemployment Rate



Source: Eurostat

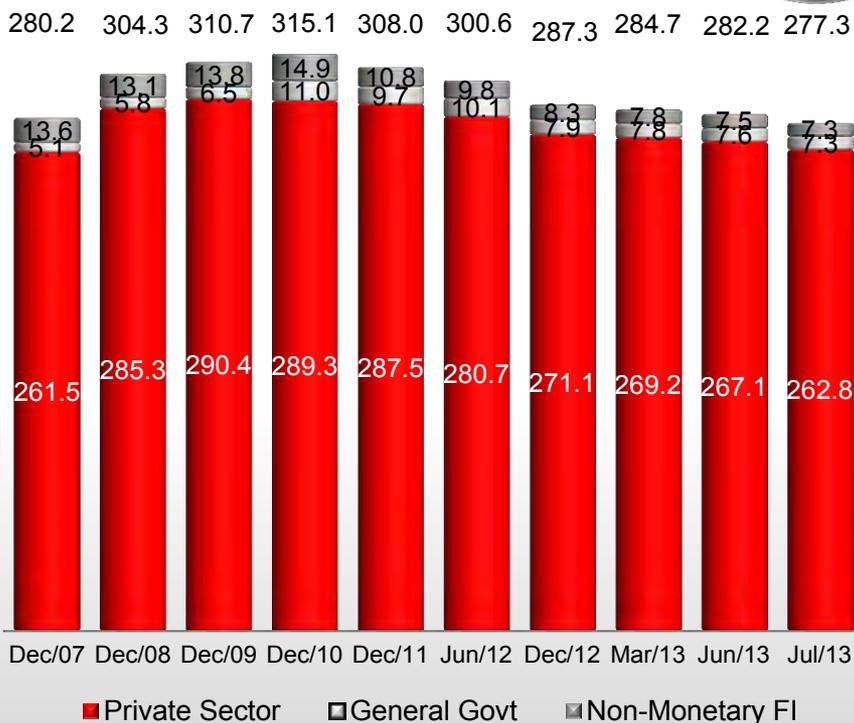
The stabilization of domestic demand is being reflected into a lesser negative contribution to GDP growth.
 The OECD leading indicator continues to point to a stronger pace of recovery.



The pace of deleveraging is moderating, but demand for new loans remains subdued

Credit (€ bn)

Var YoY
-6,8%

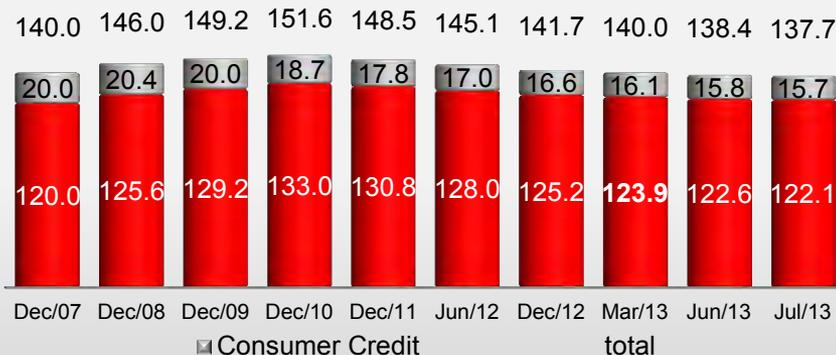


Private Sector includes Households and Non-financial corporates (including commercial paper)

Source: Bank of Portugal, Santander Totta

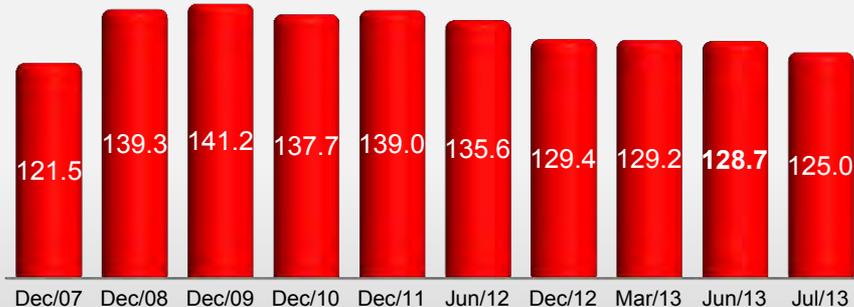
Households (€ bn)

Var YoY
-4,7%



Non-financial corporates (€ bn)

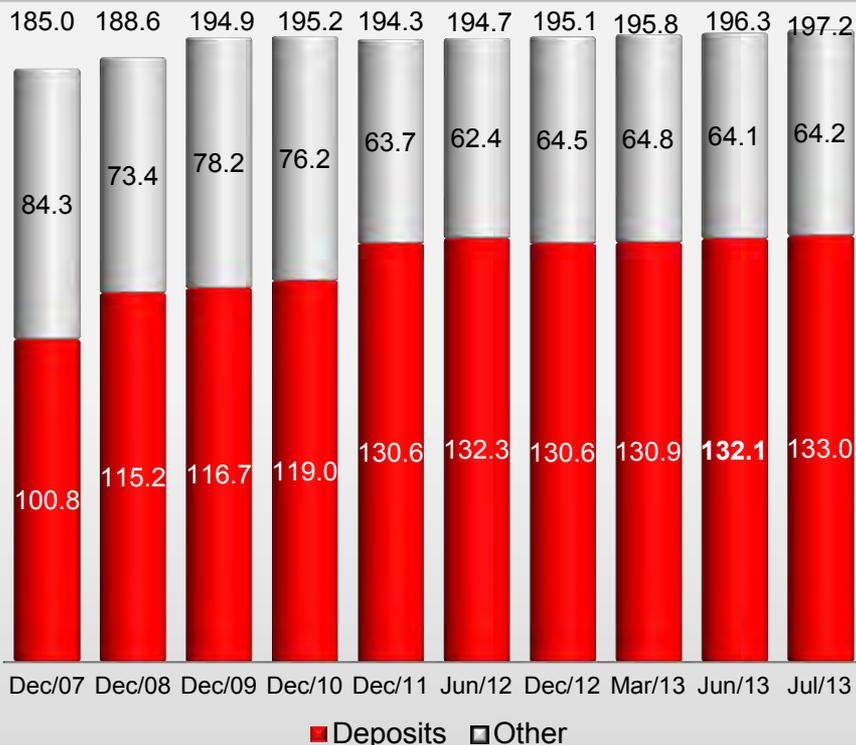
Var YoY
-6,9%



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

Household Resources (€ bn)

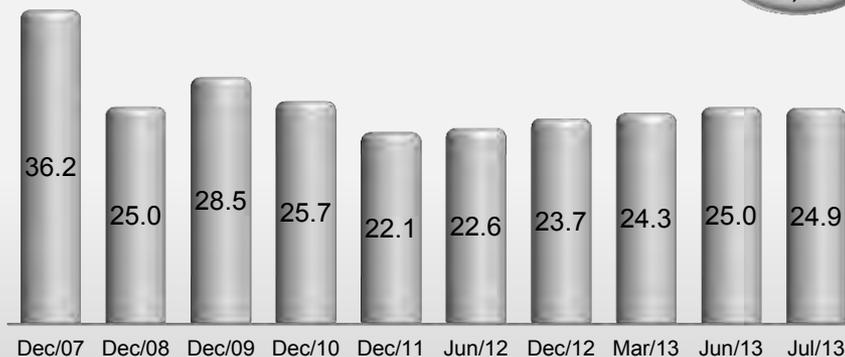
Var YoY
+1,1%



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

Mutual Funds (€ bn)

Var YoY
+9,6%



Retail Bonds + Financial Insurance (€ bn)

Var YoY
-1,3%



Economic conditions likely improved in 3Q

- Following a strong growth in 2Q, with the largest QoQ increase in GDP in the whole of the euro area, quantitative and qualitative indicators continue to point to sustained growth in 3Q, although at a more moderate pace.
- Domestic demand benefits from: (i) less negative assessment of unemployment prospects; and (ii) the stabilization of incomes. Businessmen also report indications of stabilizing investment, following several years of contraction.
- While risks remain biased on the downside, GDP is expected to have turned around, posting a contraction of 1,8% in 2013 and growing 0,6% in 2014.

Successful conclusion of the 8th and 9th reviews of the Adjustment Program

- In early October, the EC/ECB/IMF concluded that **“The program remains broadly on track, with the authorities determined to achieve its objectives. (...) The program’s 2013 fiscal deficit target of 5.5 percent of GDP is within reach. (...) The authorities have reaffirmed their commitment to the 4 percent of GDP deficit target for 2014.”** More importantly, **“There are early signs of a recovery in economic activity. (...)** Significant external adjustment is ongoing, with Portugal gaining export market share for the third year in a row.”

2014 State Budget aims to reduce the deficit to 4.0% of GDP

- The 2014 Budget is based on measures to cut expenditure, by €3,7bn, mostly focused on wages and pensions (justified on the basis of convergence of conditions with the private sector). These measures will likely be assessed by the Constitutional Court, therefore implying a risk for the fiscal consolidation process.

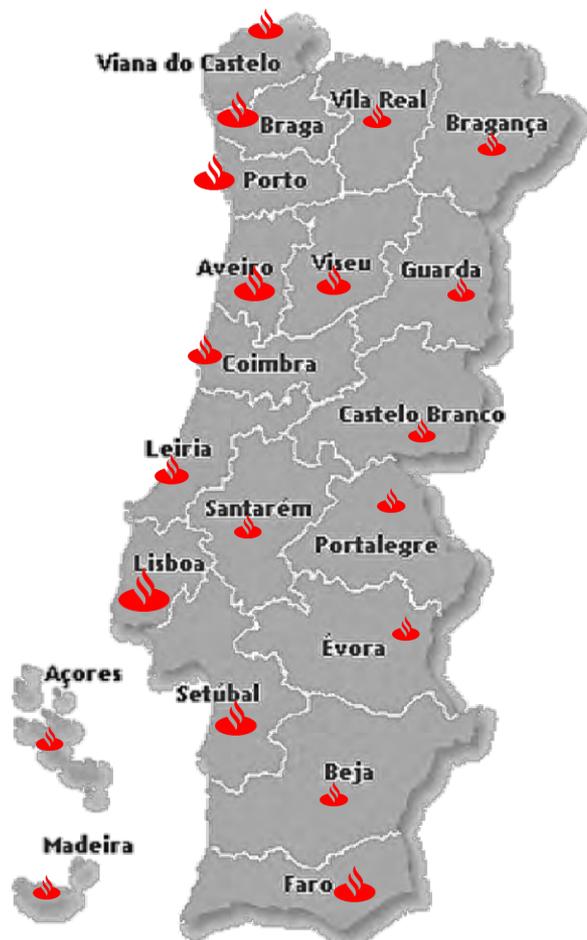
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Our Franchise

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

Santander Totta branches



EUR million	Sep 13	Mkt. Share*
Loans	26,926**	9.7%
Deposits	24,185	10.2%
Total Resources	28,603***	10.2%
Pension Funds	776	5.5%
Attributable Profit	77	
Branches	647	11.0%_(APB)
Employees	5,627	

(*) As at Jun3 (activity in Portugal)

(**) Includes guarantees

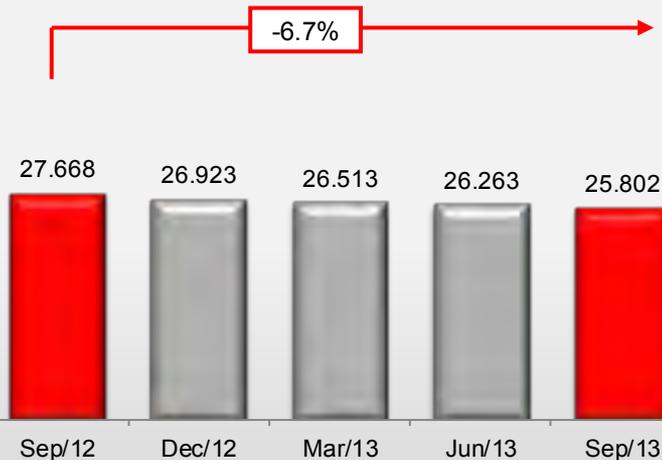
(***) Includes customer deposits, securities, mutual and pension funds

Business: loans performance

The deleveraging of the private sector is reflected in the gradual reduction of the loan book

Million Euros

Total Loans (*)

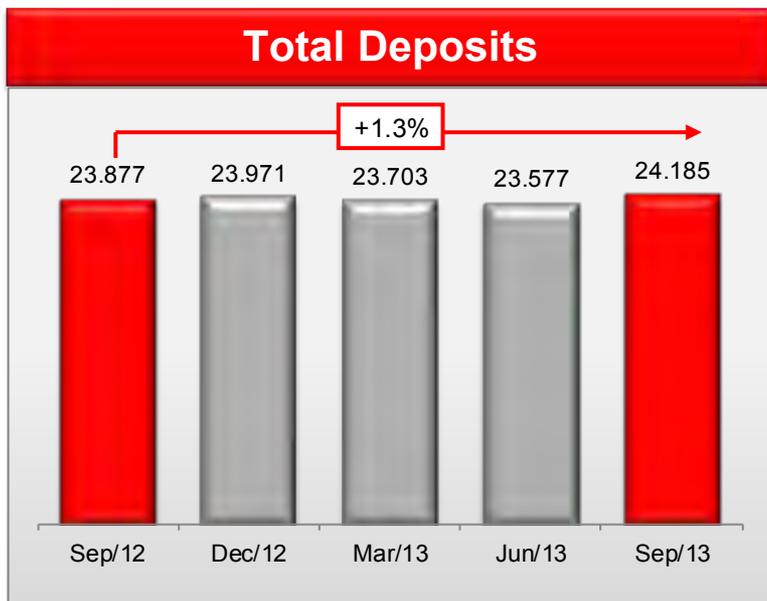


	Sep/13 Volume (M n Eur)	% Var.2013/2012
Individuals	17,332	-3.4%
<i>from which</i>		
Mortgage	15,414	-3.0%
Consumer credit	1,387	-3.8%
Corporates	7,958	-13.9%
<i>from which</i>		
Small business	2,722	-17.3%
Corporates	3,520	-14.5%
Large corporates	1,716	-6.7%
Total (*)	25,802	-6.7%

(*) Gross credit

BST continues to gain market share in deposits

Million Euros



	Sep/13 Volume (M n Eur)	% Var.2013/2012
Customer deposits	24,185	+1.3%
Securities	2,375	-36.8%
Retail	300	-27.9%
EMTN's and others	2,075	-37.9%
Mutual funds and Pension Funds	2,043	-16.3%
Total	28,603	-4.9%
Total Resources (without EMTN's and others)	26,528	-0.8%

Business: market share dynamics

Market share	Jun13 share, %	chg., pp 13/12
Loans to individuals	12.4%	+0.1
Mortgage credit (production)	14.0%	-0.2
Mortgage credit (stock)	13.0%	+0.2
Consumer credit	8.4%	-0.5
Loans to corporates	6.5%	-0.2
Credit cards	9.5%	+0.2
Total Loans	9.7%	+0.2
Deposits	10.2%	+0.4
Deposits + Invest. Funds	10.1%	+0.3
Insurance (stock)	10.9%	-1.4

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

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Results: net interest income vs commissions

Net interest income showed a slight reduction over the last quarter reflecting the decline in loans

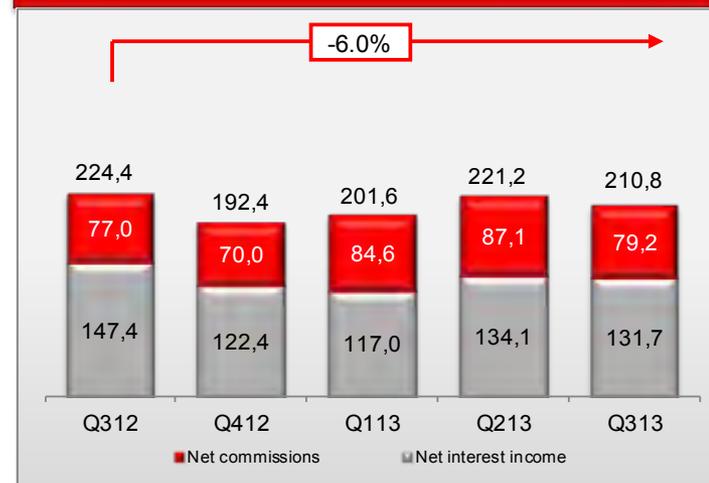
Loan spreads – Retail Banking



Balance Sheet Resources spreads – Retail Banking



Net Interest Income(*) + Net Commissions



Million Euros

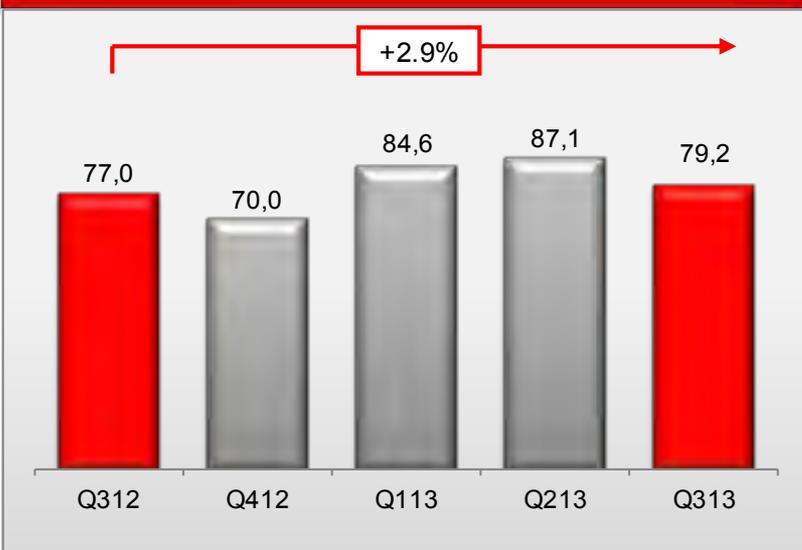
	Volume (Mn Eur)		%
	Sep/13	Sep/12	
Net interest income	382.8	447.2	-14.4%
Net commissions	250.8	258.4	-2.9%
Total	633.7	705.6	-10.2%

Results: commissions

Commissions evolved favourably over the same quarter in the previous year

Million Euros

Net Commissions



	Volume (Mn Eur)		%
	Sep/13	Sep/12	
Credit	45.3	49.9	-9.4%
Credit cards	40.8	47.1	-13.4%
Mutual funds / Asset management	19.8	19.7	+0.7%
Insurance	70.7	73.3	-3.4%
Other	29.0	34.4	-15.7%
Commercial banking	205.5	224.3	-8.4%
GBM	55.8	47.5	+17.5%
Other	(10.5)	(13.4)	-21.9%
Total	250.8	258.4	-2.9%

Results: administrative expenses and depreciation

Operating expenses decreased 2,6% yoy

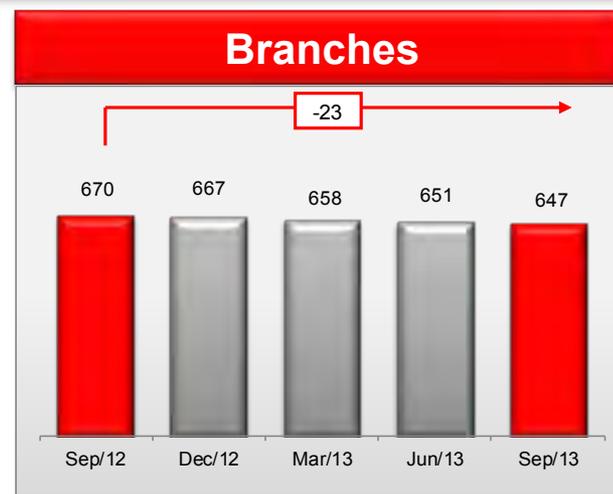
Million Euros

Total operating expenses



	Volume (Mn Eur)		% Var.2013/2012
	Sep/13	Sep/12	
Administrative expenses	309.6	318.2	-2.7%
Personnel expenses	223.0	229.3	-2.8%
Other expenses	86.6	88.9	-2.6%
Depreciation	59.4	60.5	-1.8%
Total	369.0	378.7	-2.6%

Branches

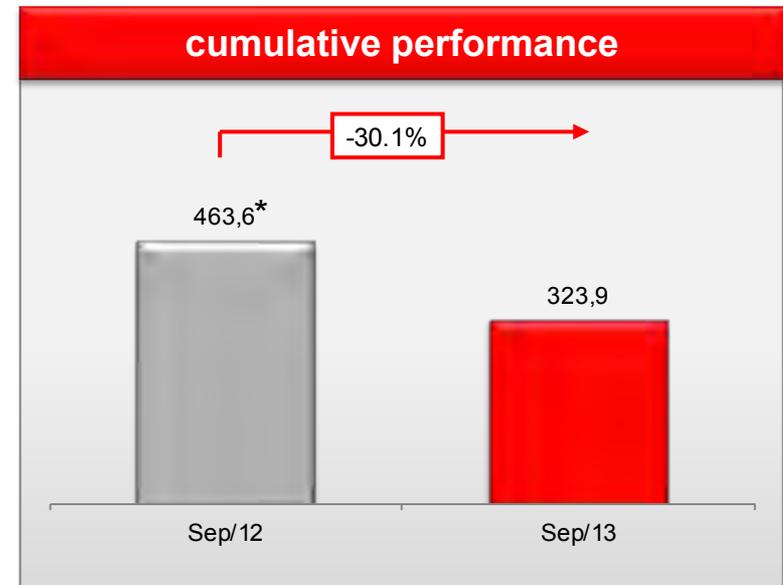
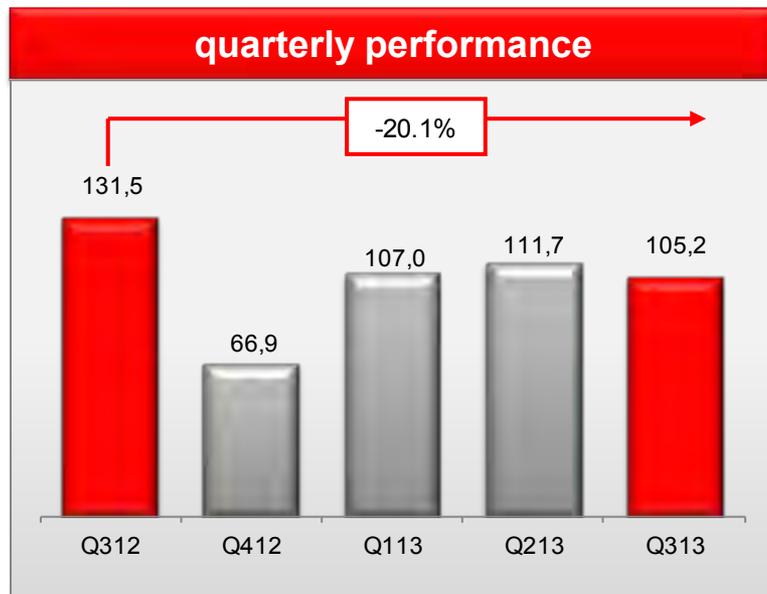


Results: net operating income

Net operating income decreased slightly over the last quarter

Million Euros

Net operating income

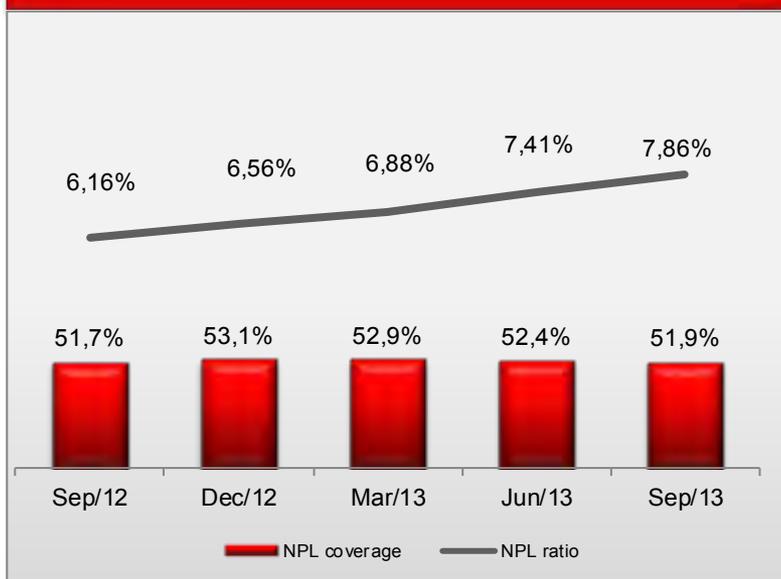


* Includes gains in the securitization tender-offers

Results: asset quality levels

**NPL ratio increased, but BST maintained high coverage ratios.
Lower Risk Premium**

NPL ratio and NPL coverage

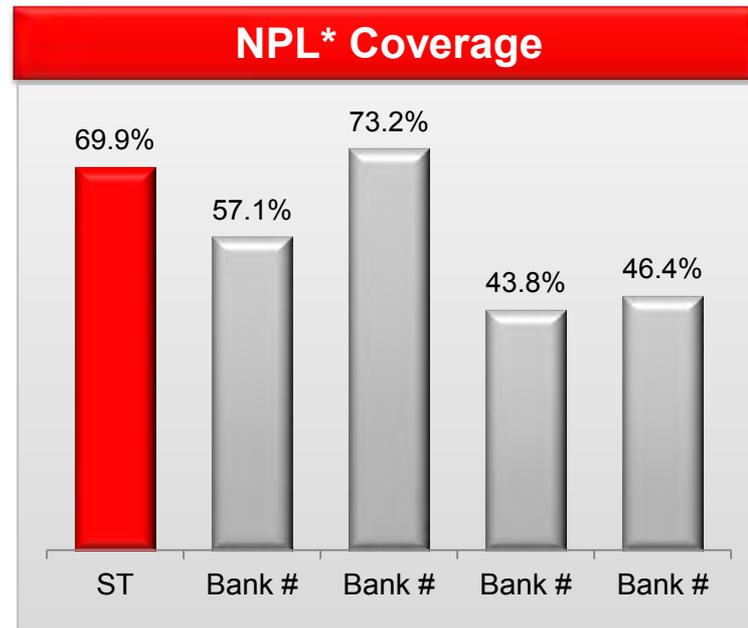
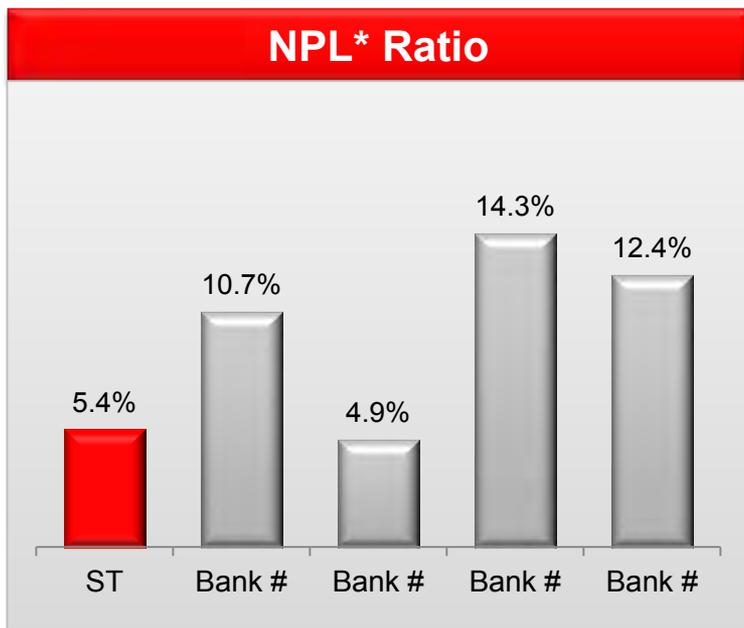


Loan Loss Provisions and Risk Premium



Results: asset quality levels

In local criteria the NPL and coverage ratios are significantly better compared to the average of the banking system



(*) "Credit at risk" - includes total value of credit with capital or interest past due (more than 90 days), restructured credit and credits of an insolvent or bankrupt debtor

Source: Press Releases

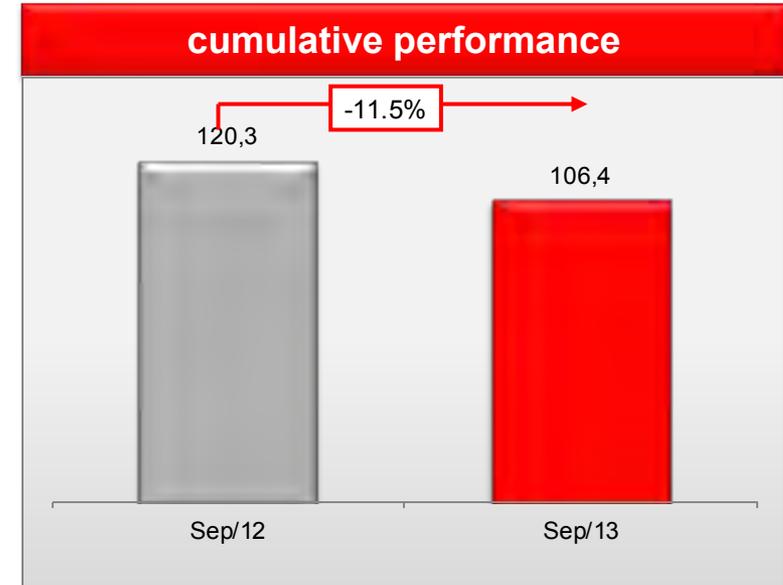
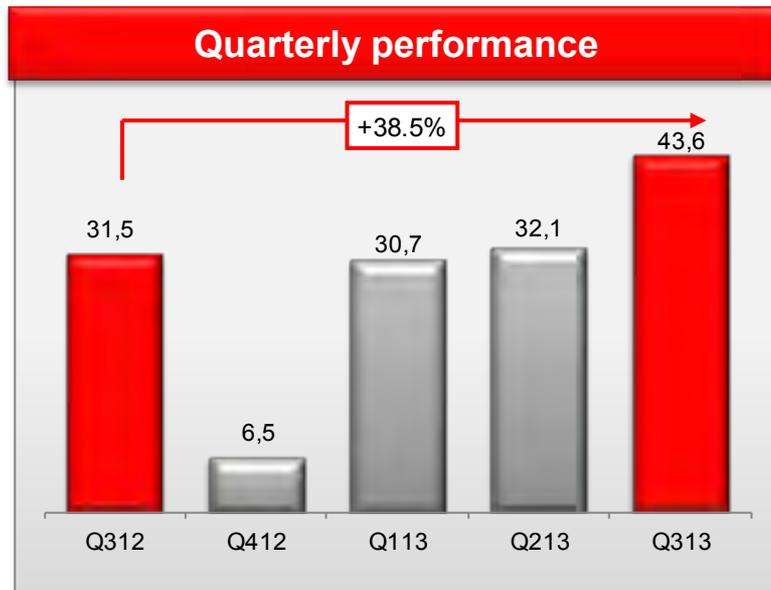
As of Jun/13. Local criteria

Results: profit before taxes and MI

The decrease in provisions led to an improvement in PBT and MI

Million Euros

Profit before taxes and MI

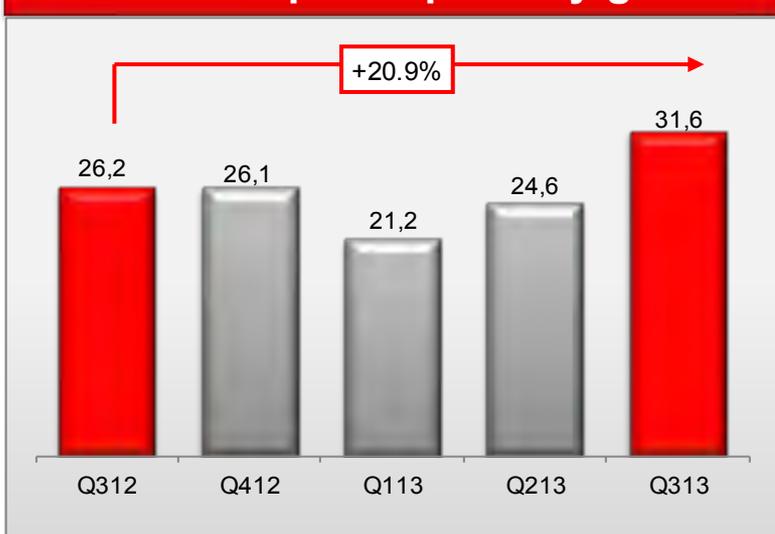


Results: net income

Net attributable income has continued to improve despite the difficult economic conditions. Although the outlook is positive

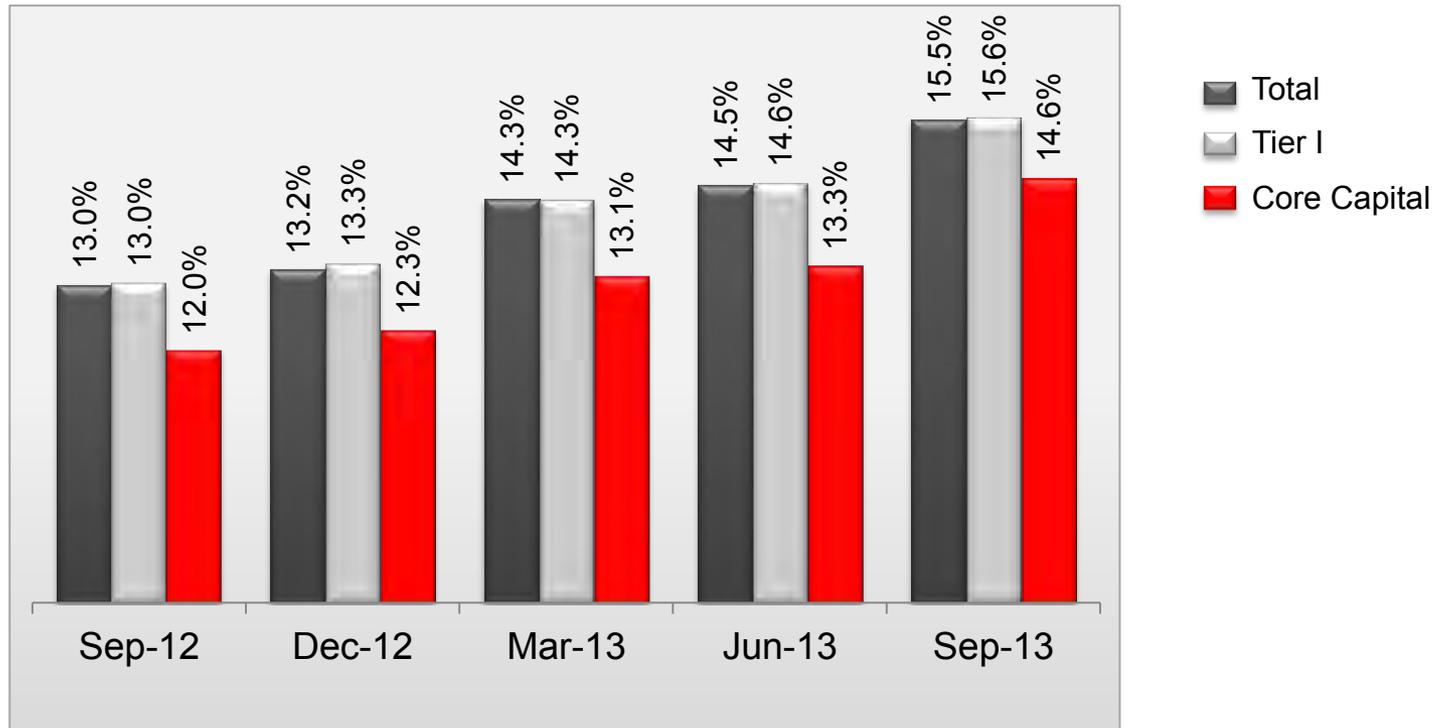
Million Euros

Attributable profit quarterly growth



(million euros)	Sep/13	Sep/12	% Var.2013/2012
Income before taxes & MI	106.4	120.3	-11.5%
Taxes	(29.0)	(24.2)	+19.5%
Minority Interest	0.0	0.1	-70.4%
Attributable Profit	77.4	96.0	-19.3%

Solid capitalization levels



Conclusions

- **Activity has continued to expand, at a moderate but likely sustainable pace, which is also reflected in the minor reduction in unemployment, supporting the stabilization of domestic demand. Net exports continue to contribute positively to GDP growth.**
- **The Government remains focused on reducing the fiscal deficit to 4.0% of GDP in 2014, while the 2013 execution is on track to meet the 5.5% target, supported by the better performance of tax revenues**
- **Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio set at 14.6% and Tier I at 15.6%, significantly above from 12.0% and 13.0% in September 2012**
- **Costs maintain a downward trend**
- **The decrease in provisions led to an improvement in profit before taxes and minority interests**
- **The recession continues to impact asset quality indicators but NPL and coverage ratios continue to compare very favourably with peer's according to the latest available data**

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Income statement as of Sep13

EUR million	Variation			
	9M 13	9M 12	Amount	%
Net interest income	383	447	(64)	(14.4)
Net fees	251	258	(8)	(2.9)
Gains (losses) on financial transactions	40	109	(69)	(63.3)
Other operating income*	19	28	(9)	(31.1)
Gross income	693	842	(149)	(17.7)
Operating expenses	(369)	(379)	10	(2.6)
General administrative expenses	(310)	(318)	9	(2.7)
<i>Personnel</i>	(223)	(229)	6	(2.8)
<i>Other general administrative expenses</i>	(87)	(89)	2	(2.6)
Depreciation and amortisation	(59)	(60)	1	(1.8)
Net operating income	324	464	(140)	(30.1)
Net loan-loss provisions	(182)	(328)	147	(44.7)
Other income	(36)	(15)	(21)	138.3
Profit before taxes	106	120	(14)	(11.5)
Tax on profit	(29)	(24)	(5)	19.5
Profit from continuing operations	77	96	(19)	(19.4)
Net profit from discontinued operations	—	—	—	—
Consolidated profit	77	96	(19)	(19.4)
Minority interests	0	0	(0)	(70.4)
Attributable profit to the Group	77	96	(19)	(19.3)

Quarterly income statement

EUR million

	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13
Net interest income	147	152	147	122	117	134	132
Net fees	90	91	77	70	85	87	79
Gains (losses) on financial transactions	70	7	32	(0)	23	7	10
Other operating income*	10	17	1	2	6	6	7
Gross income	318	267	258	195	231	233	228
Operating expenses	(126)	(126)	(126)	(128)	(124)	(122)	(123)
General administrative expenses	(106)	(106)	(106)	(107)	(104)	(102)	(103)
<i>Personnel</i>	(76)	(76)	(76)	(77)	(75)	(74)	(74)
<i>Other general administrative expenses</i>	(30)	(29)	(30)	(31)	(29)	(28)	(29)
Depreciation and amortisation	(20)	(20)	(20)	(21)	(20)	(20)	(20)
Net operating income	191	141	132	67	107	112	105
Net loan-loss provisions	(131)	(91)	(106)	(65)	(64)	(62)	(56)
Other income	(16)	(5)	6	4	(13)	(17)	(6)
Profit before taxes	44	45	31	7	31	32	44
Tax on profit	(12)	(7)	(5)	20	(10)	(7)	(12)
Profit from continuing operations	32	38	26	26	21	25	32
Net profit from discontinued operations	—	—	—	—	—	—	—
Consolidated profit	32	38	26	26	21	25	32
Minority interests	(0)	0	0	(0)	0	0	(0)
Attributable profit to the Group	32	38	26	26	21	25	32

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

Balance sheet as of Sep13

EUR million			Variation	
	30.09.13	30.09.12	Amount	%
Loans and credits*	24,712	26,759	(2,047)	(7.6)
Trading portfolio (w/o loans)	1,788	1,894	(106)	(5.6)
Available-for-sale financial assets	4,662	5,736	(1,074)	(18.7)
Due from credit institutions*	2,761	3,695	(934)	(25.3)
Intangible assets and property and equipment	896	399	497	124.5
Other assets	6,610	5,446	1,164	21.4
Total assets/liabilities & shareholders' equity	41,429	43,929	(2,500)	(5.7)
Customer deposits*	24,185	23,877	308	1.3
Marketable debt securities*	2,375	3,759	(1,384)	(36.8)
Subordinated debt	0	0	(0)	(49.6)
Insurance liabilities	88	77	11	13.7
Due to credit institutions*	11,880	13,503	(1,623)	(12.0)
Other liabilities	358	254	104	40.9
Shareholders' equity**	2,544	2,459	85	3.4
Off-balance-sheet funds	2,043	2,440	(397)	(16.3)
Mutual funds	1,141	1,611	(471)	(29.2)
Pension funds	776	764	12	1.6
Managed portfolios	126	65	61	94.4
Customer funds under management	28,603	30,076	(1,473)	(4.9)

* Includes all stock of concept classified in the balance sheet

** Not including profit of the year

