

Portugal

2014

February 3, 2015

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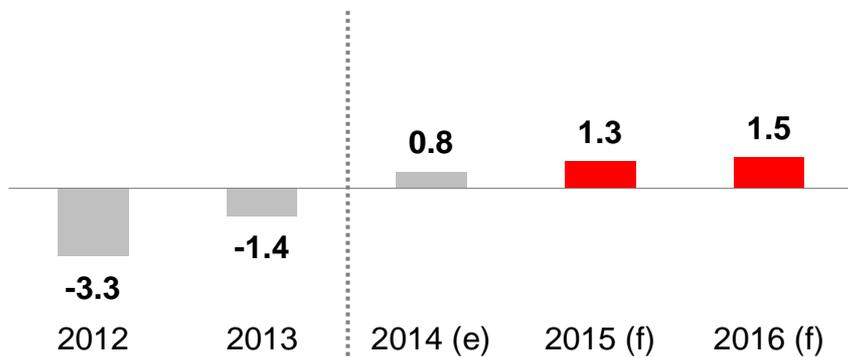
Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

Agenda

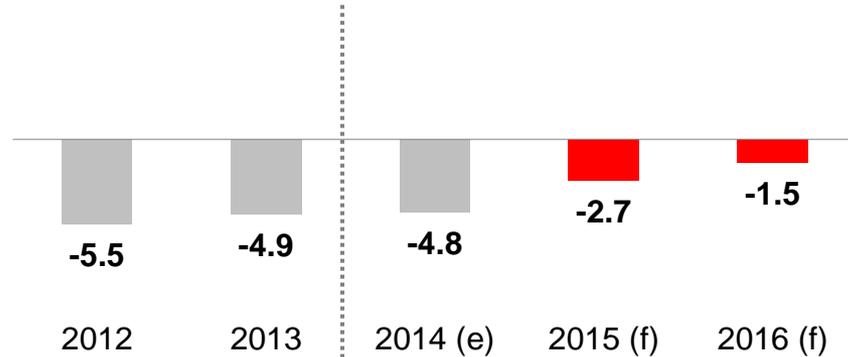
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix

Economic growth is expected to strengthen in 2015

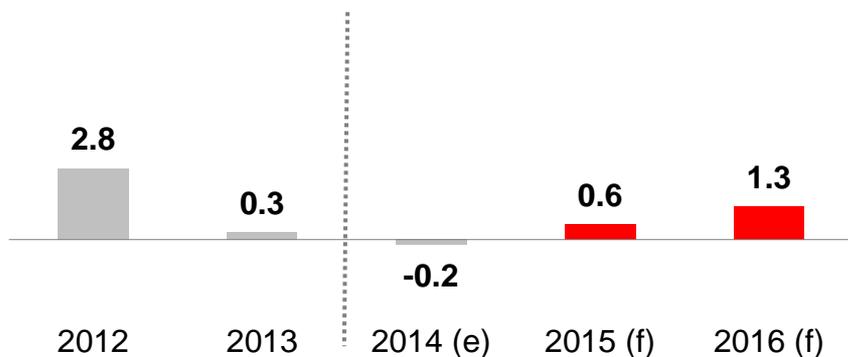
Annual GDP Growth (% , real)



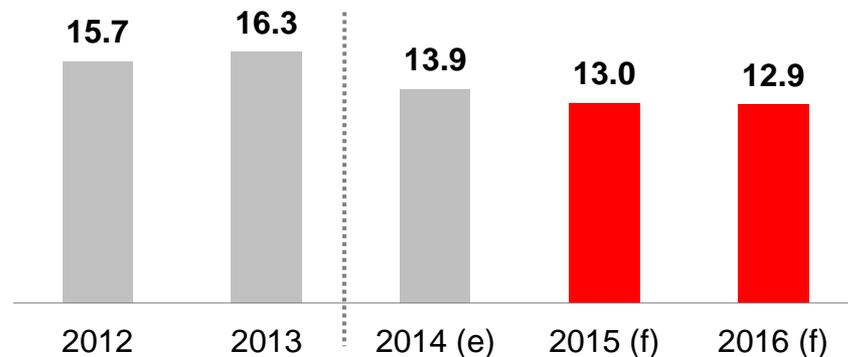
Fiscal Balance (% GDP)



Annual CPI inflation rate (% , annual average)

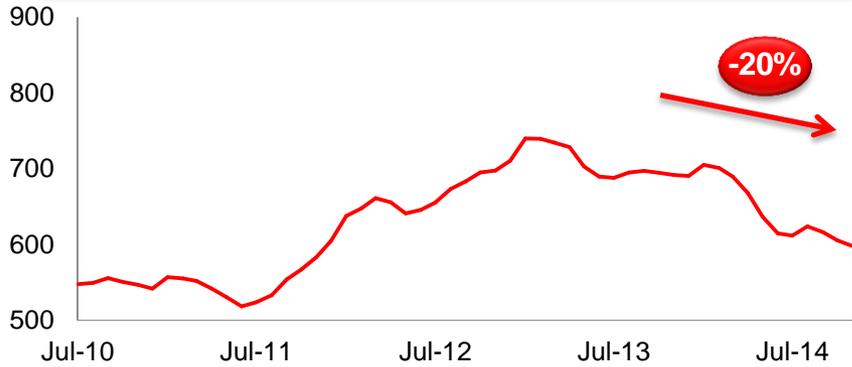


Unemployment Rate (annual average)



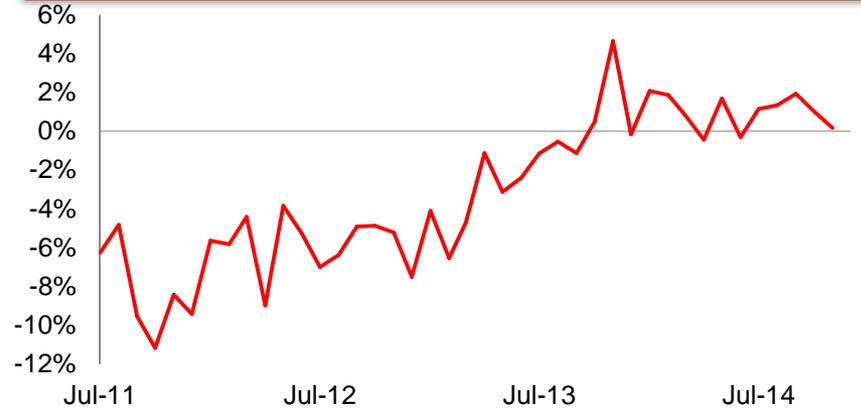
Export growth continues resilient and is underpinning investment

Registered Unemployment (000)



Source: IEFP

Retail Sales (YoY)



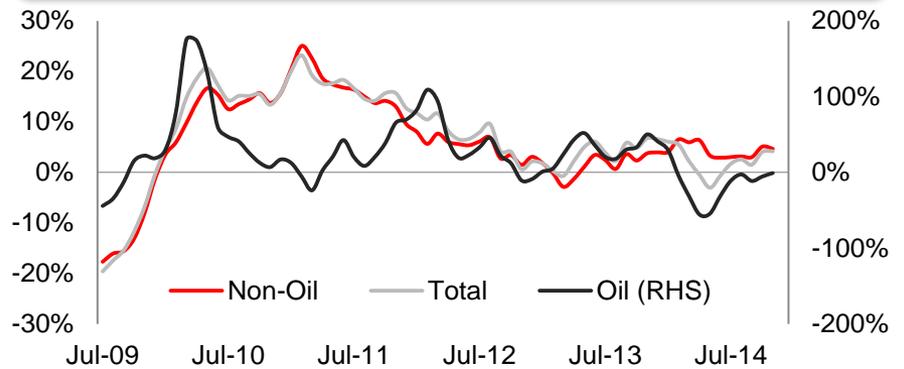
Source: INE

Investment Indicator (YoY)



Source: INE

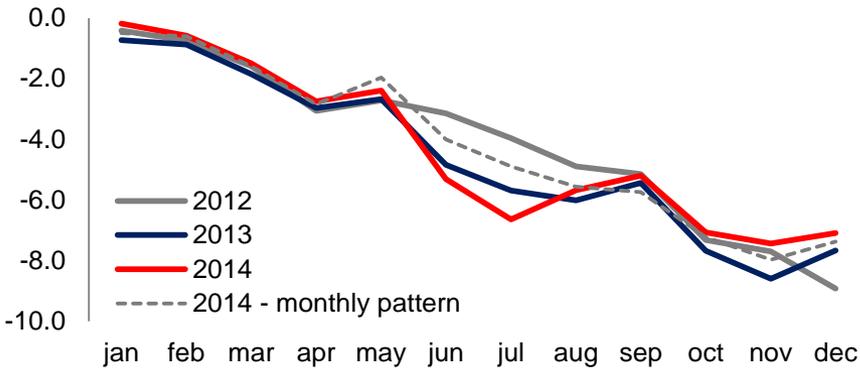
Exports (MA3, YoY)



Source: INE

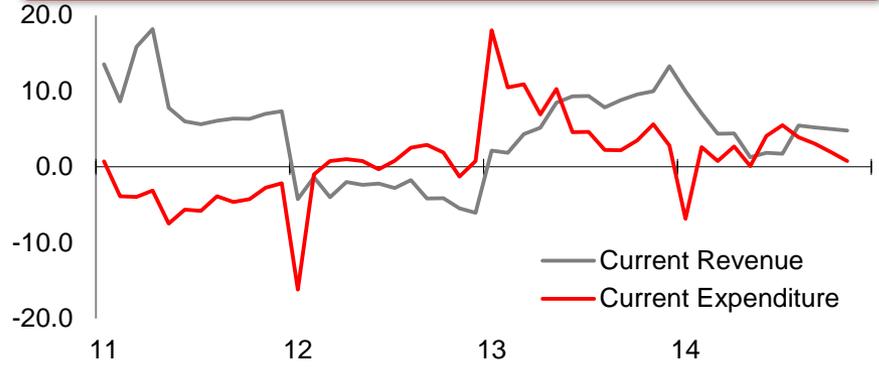
The fiscal deficit is narrowing in line with expectations, given strong revenue growth. The Treasury has issued 5,5bn in 10Y and 30Y bonds, already covering 40% of the 2015 MLT needs

Fiscal Balance (€ bn)



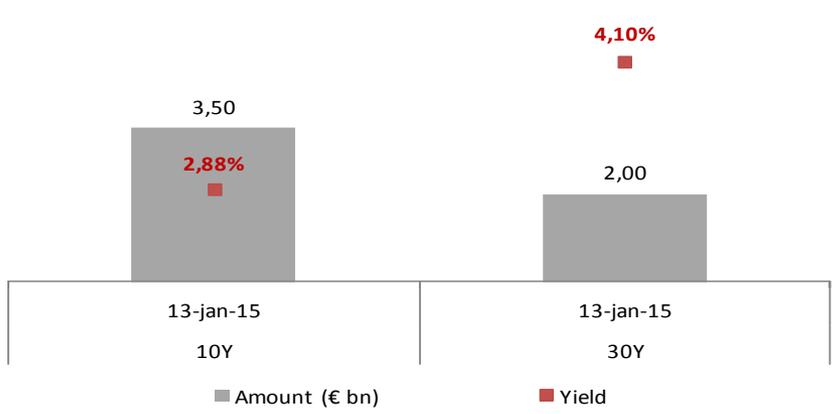
Source: Ministry of Finance

Fiscal Revenue and Public Expenditure (YoY)



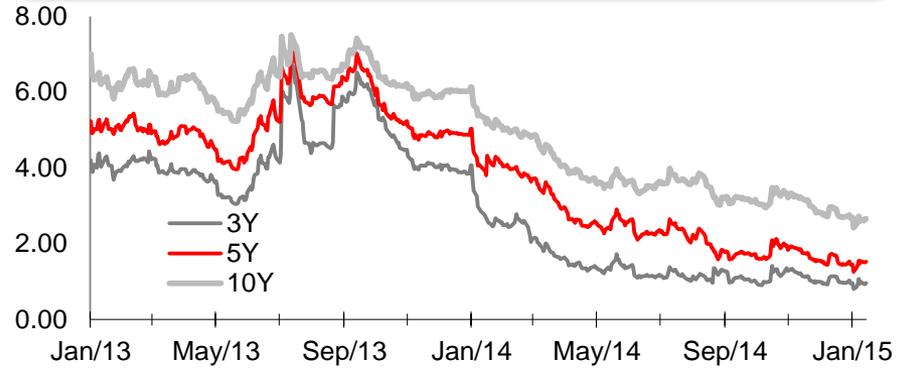
Source: Ministry of Finance

Medium-Long term Issuance in 2015 (bn)



Source: IGCP

Portuguese Government Bond Yields

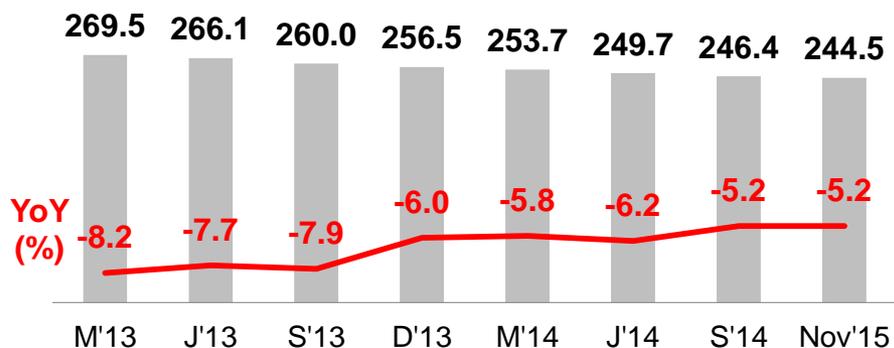


Source: Bloomberg

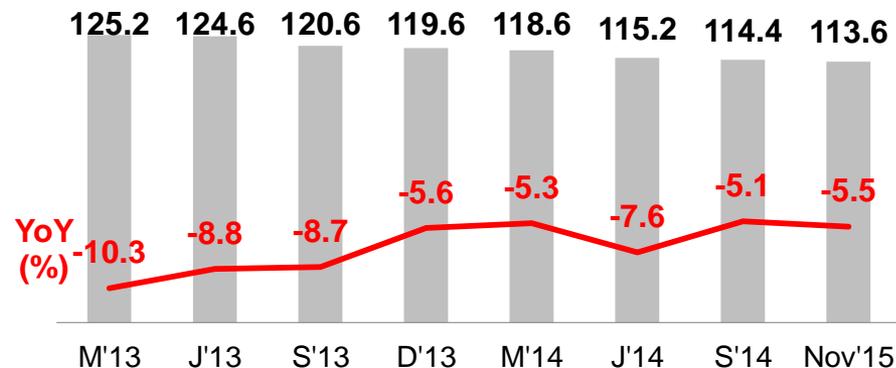
Deposits have increased in the second half of 2014

EURbn.

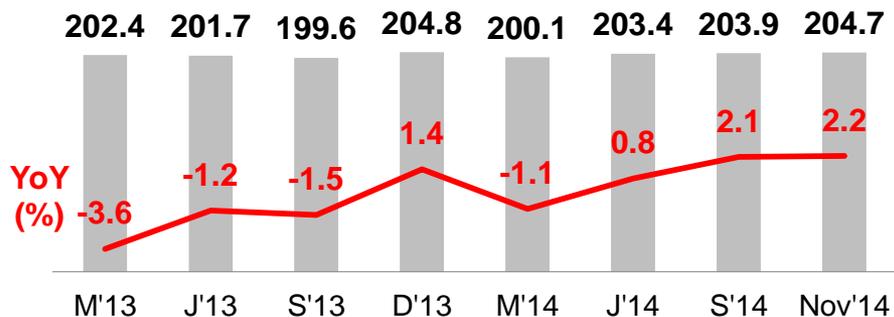
Total Loans



Corporate Loans



Total Deposits



- Deleveraging continues but at more moderate pace
- Some sectors (manufacturing) experience already an increase in bank lending
- Estimated growth of loans in 2015: -0,5%, following c. -5% in 2014
- Deposits have increased to around 205bn, as households continue to save
- Confidence in the system remains unscathed, and deposits are forecast to grow around 1% in 2015

Ongoing recovery is supportive for the banking sector

- Economic activity has continued to expand at a moderate pace, in QoQ terms, even if it poised to decelerate in YoY terms in 4Q. Growth has averaged 0.8% in 2014 and is expected to accelerate to 1.3% in 2015F.
- Domestic demand has continued to strengthen, based on lower unemployment, while resilient export growth continues to support improved capital expenditure by the non-financial corporate sector (as seen in the increase in lending to manufacturing). Risks are symmetrical: upside risks from the decline in oil prices and income effect it will have; downside risks related to the euro area prospects.
- Excluding one-offs, the fiscal deficit in 2014 is expected to comply with the 4.0% of GDP target (4,8% with one-offs), as higher expenditure is being compensated by stronger revenue collection. The 2015 budget target is set at 2.7% of GDP.
- The Treasury, in January 2015, as issued two syndicated benchmarks, 10Y and 30Y, in a total amount of €5.5bn, covering already 40% of the expected bond issues for this year. Demand was strong, with a bid-to-cover ratio of 3 times.
- The banking sector continues to deleverage and is well positioned to benefit from the ongoing economic recovery.

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



<i>EUR</i>	Dec'14	Var. YoY
Business and Results		
Loans	24.3 bn.	-4.7%
Deposits	24.0 bn.	+3.9%*
Total customer funds	29.4 bn.	+6.9%*
Consolidated profit	185.1 m.	+74.1%
Attributable profit	189.0 m.	+65.1%

Other Data		
Employees	5,410	-198
Branches	594	-46
ATMs	1,529	-32

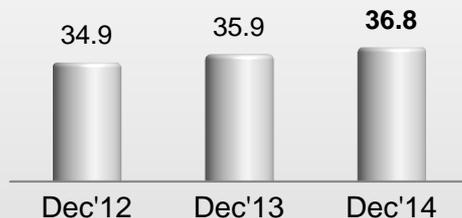
Market Share ⁽¹⁾		
Loans	10.69%	+0.46pp
- Individuals	12.68%	+0.20pp
- Corporates	8.35%	+0.72pp
Deposits	10.40%	+0.75pp

(1) Market share as of November, 2014

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

Balance sheet mix
(in local criteria*)

Mix of Corporates / Total loans (%)



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

Market shares

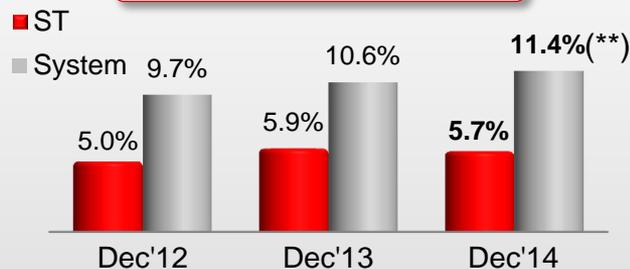
Market shares - Loans



Market share gains in loans to corporates and individuals

Asset quality

Credit at risk ratio

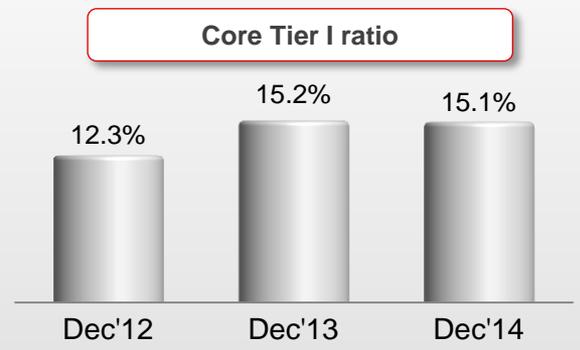


BST's asset quality indicators are better compared to the average of the banking system (**)

(*) Total loans includes commercial paper

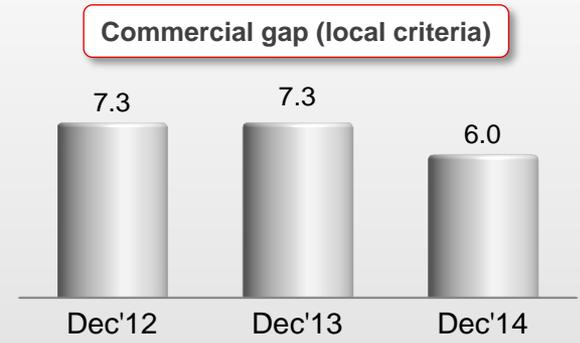
(**) According to the latest available data (Sep/14)

Capital ratios



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

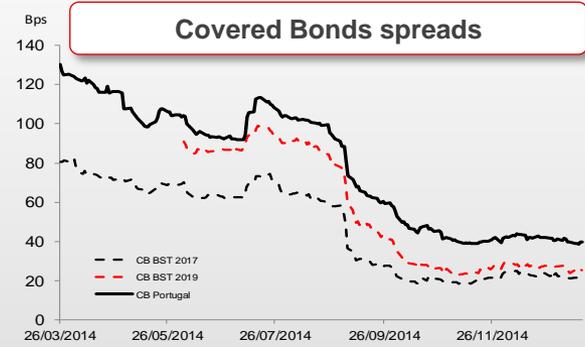
Commercial gap



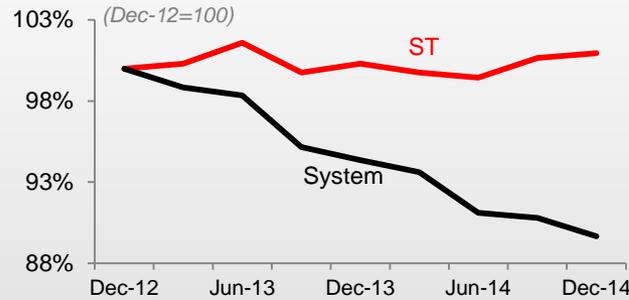
Commercial gap improves in 2014



Reduction in the cost of funds

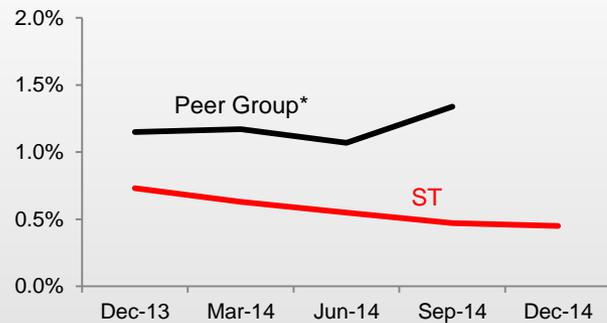


Loans to Corporates



Despite the market deleveraging ST reinforced its position in the segment

Cost of Credit



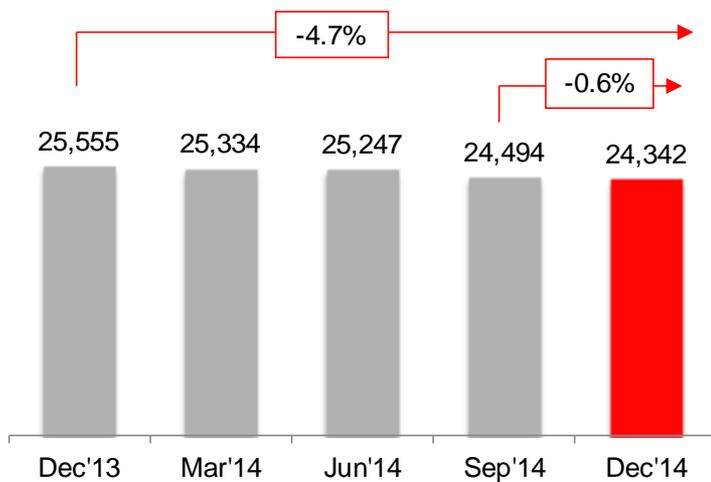
Unlike the market performance ST reduced its cost of credit

* Except BES (NovoBanco)

Corporate Loans (*) flat in 2014 in spite of strong market reduction (-5.5%)

EUR million

Total loans (**)



	Dec'14	YoY (%)	QoQ (%)
Individuals	16,635	-3.1	-0.9
Mortgage	14,794	-3.2	-0.7
Consumer credit	1,381	-0.1	-1.7
Corporates	7,444	-5.3	+0.1
SMEs	2,462	-8.0	-2.0
Corporates	3,388	-0.8	+1.2
Large corporates	1,594	-9.9	+0.9
Total	24,342	-4.7	-0.6
Loans to Corporates (*)	9,847	-0.2	+0.3
Total Loans (*)	26,745	-3.0	-0.5

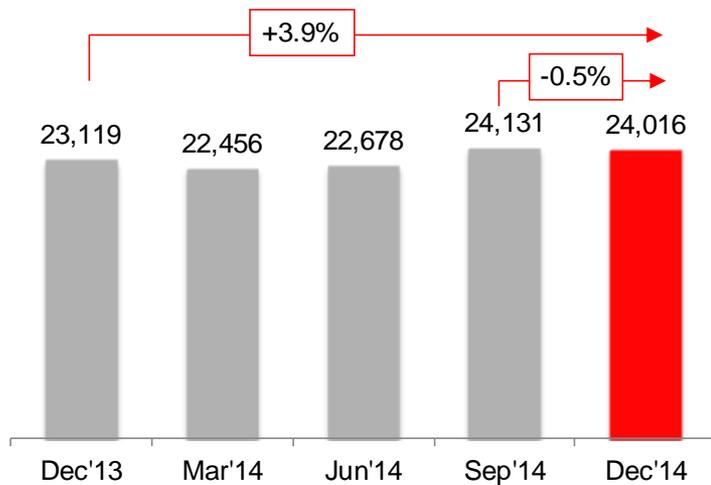
(*) Including commercial paper

(**) Gross credit

After the strong growth in 3Q deposits showed a slight decrease in the last quarter of the year

EUR million

Total deposits*



	Dec'14	YoY (%)	QoQ (%)
Demand	5.280	+17,7	+0,5
Time and Savings	18.736	+0,6	-0,7
Deposits*	24.016	+3,9	-0,5
Securities placed	2.855	+22,6	-24,7
Investment funds and other	2.501	+22,6	+6,6
Total Customer Funds*	29.372	+6,9	-3,0

* Does not include Clearnet deposits (repos SPGB)

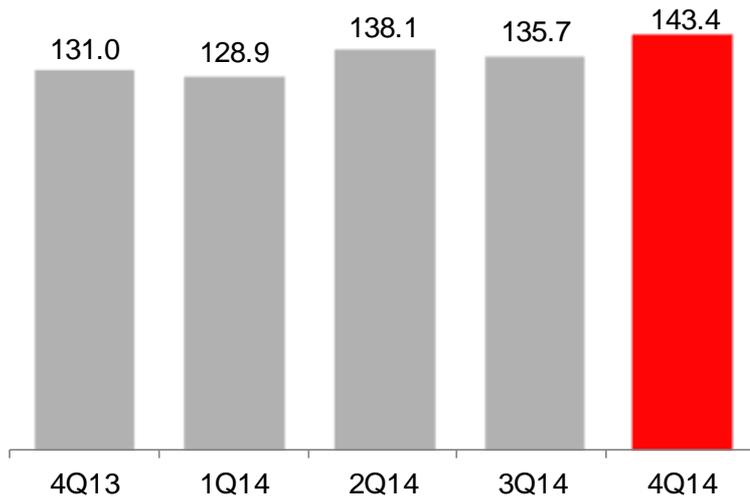
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NII grew 6.3% YoY benefiting from the reduction in the cost of deposits

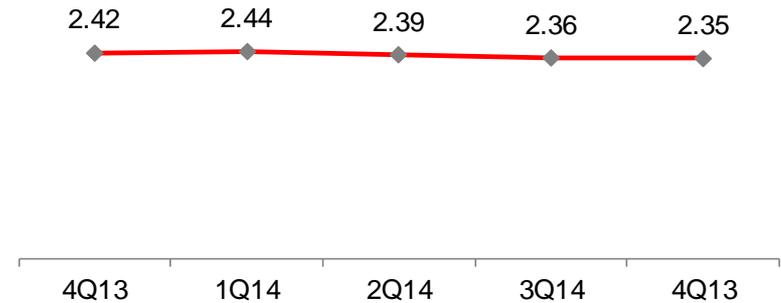
EUR million

Net Interest Income



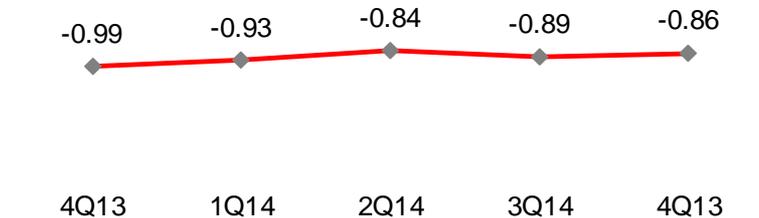
Loan spreads, %

Commercial Banking



Deposit spreads, %

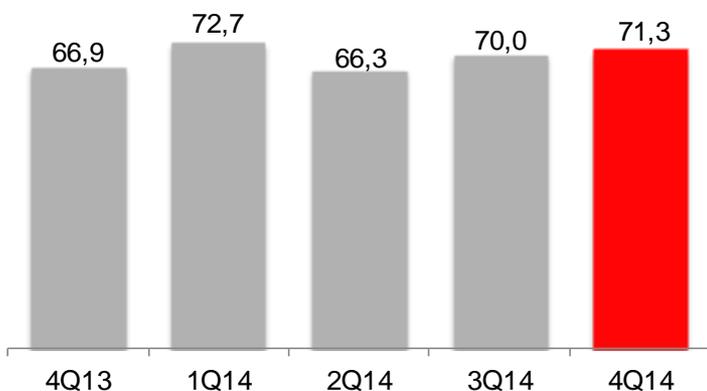
Commercial Banking



Despite the negative evolution yoy, mainly due to regulatory changes, fees in the last 2 quarters recovered

EUR million

Net Fees

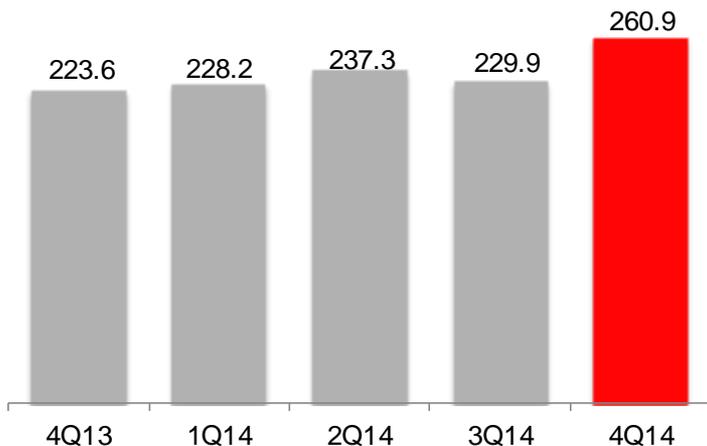


	12M14	12M13	YoY (%)	QoQ (%)
Credit	75.9	86.2	-12.0	-3.2
Credit cards	50.3	52.9	-5.0	+8.1
Mutual funds / AM	18.1	25.7	-29.7	+25.6
Insurance	93.2	93.4	-0.3	+4.6
GBM	61.5	66.9	-8.0	-7.9
Other	(18.7)	(7.4)	+151.8	-0.8
Total	280.2	317.7	-11.8	+1.8

NII and gains on financial transactions evolution (yoy) offset the worst performance of commissions

EUR million

Gross income



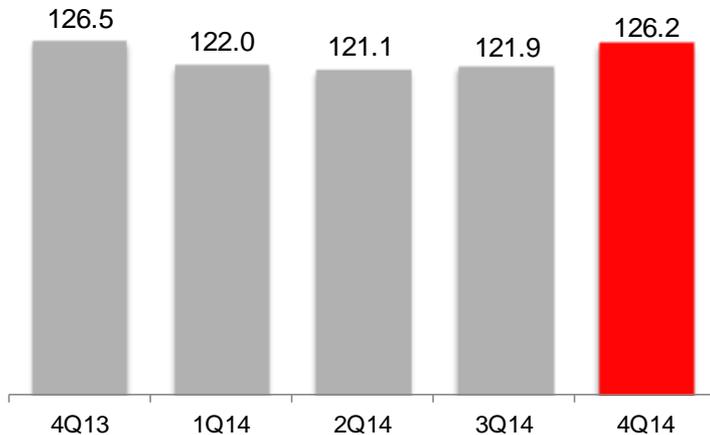
	12M14	12M13	YoY (%)	QoQ (%)
Net interest income	546.1	513.8	+6.3	+5.6
Net Fees	280.2	317.7	-11.8	+1.8
Subtotal	826.3	831.5	-0.6	+4.3
Other ¹	130.0	84.9	+53.2	+90.9
Gross income	956.3	916.4	+4.3	+13.4

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

4Q operating expenses stood at the same level of the homologous period

EUR million

Operating expenses

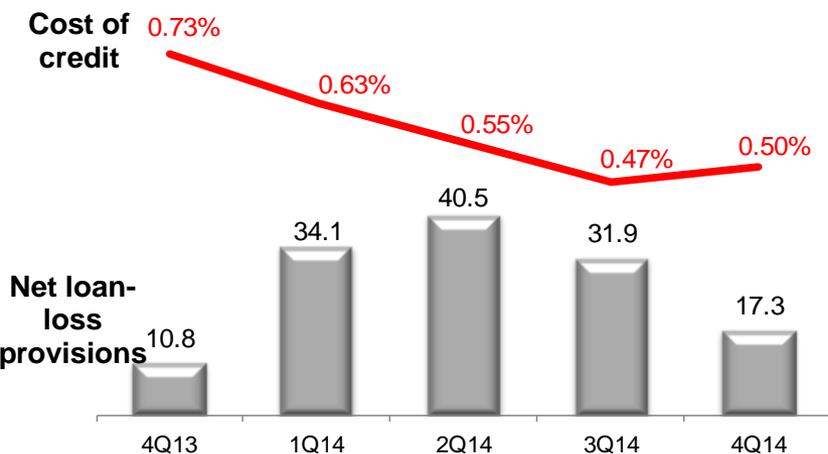


	12M14	12M13	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	419.5	416.7	+0.7	+4.2
Depreciation and amortization	71.7	78.7	-9.0	-0.4
Total	491.1	495.5	-0.9	+3.5
Efficiency ratio (with amortisations)	51.4%	54.1%	-2.7pp	-1.1pp
Number of branches	594	640	-46	-26
Number of employees	5,410	5,608	-198	-105

Cost of credit reduced yoy and NPL coverage ratio is improving

EUR million

LLPs and cost of credit

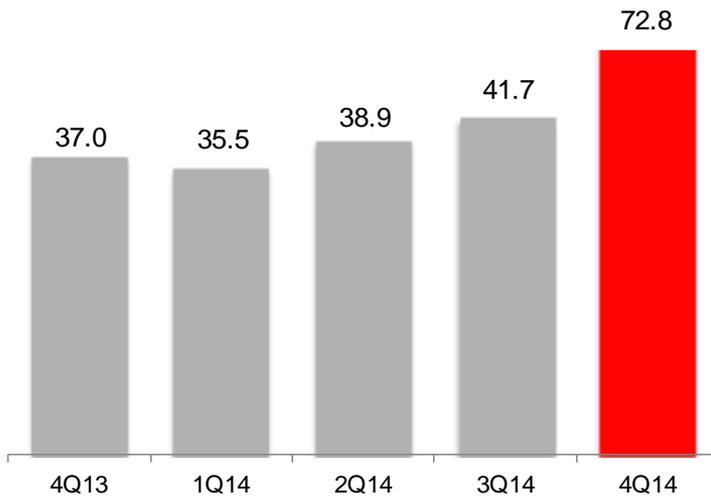


	12M14	12M13	YoY (%)	QoQ (%)
Net Operating Income	465.1	420.9	+10.5	+24.6
LLPs	123.8	192.4	-35.7	-45.7
Net Op. Income after LLPs	341.4	228.6	+49.3	+54.0
NPL Coverage ratio	51,8%	50,0%	+1,8pp	-2,1pp
NPL ratio	8,9%	8,1%	+0,8pp	+0,4pp

Attributable profit increases 65.1% YoY and 74.5% QoQ

EUR million

Attributable profit



	12M14	12M13	YoY (%)	QoQ (%)
Profit before taxes	242.6	150.3	+61.4	+72.2
Tax on profit	57.5	44.0	+30.8	+61.2
Consolidated profit	185.1	106.4	+74.1	+76.1
Attributable profit	189.0	114.4	+65.1	+74.5
Effective tax rate	23.7%	29.2%		

Market Environment & Financial System

- Moderate recovery ongoing, with resilient export growth and likely positive income effects from the decline in oil prices. Unemployment should continue to fall at a gradual pace.
- Recent moderation in the new loan flow, but still above crisis levels. The private sector continues to deleverage, despite less restrictive credit conditions.
- Fiscal targets are on track and the Government is pre-funding its 2015 needs as well as preparing to prepay part of the IMF loans.

Strategy & Business

- Improving market shares in loans to corporates and a more balanced loan book
- To reduce the cost of deposits
- The Bank is continuously adapting its cost structure to the new competitive environment

Capital, Profitability and Results

- Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio reaching 15.1%
- Attributable profit increased 65.1% (ac.yoy) reflecting the increase of revenues and lower operating costs and provisions. Comparing with the previous quarter attributable profit grew 74.5%
- NPL ratio is evolving at a slower pace and cost of credit maintains a downward trend

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Balance sheet

EUR million	Variation			
	31.12.14	31.12.13	Amount	%
Loans and credits*	23,180	24,482	(1,302)	(5.3)
Trading portfolio (w/o loans)	2,082	1,831	252	13.7
Available-for-sale financial assets	7,011	4,724	2,288	48.4
Due from credit institutions*	2,163	2,895	(732)	(25.3)
Intangible assets and property and equipment	729	821	(92)	(11.2)
Other assets	6,450	7,096	(646)	(9.1)
Total assets/liabilities & shareholders' equity	41,616	41,848	(232)	(0.6)
Customer deposits*	24,016	24,191	(174)	(0.7)
Marketable debt securities*	2,855	2,329	526	22.6
Subordinated debt	0	0	(0)	(71.6)
Insurance liabilities	27	75	(48)	(63.6)
Due to credit institutions*	11,538	12,319	(781)	(6.3)
Other liabilities	559	356	204	57.3
Shareholders' equity**	2,620	2,579	41	1.6
Off-balance-sheet funds	2,501	2,041	460	22.5
Mutual funds	1,276	1,050	226	21.5
Pension funds	911	848	63	7.4
Managed portfolios	314	142	172	120.7
Customer funds under management	29,372	28,560	812	2.8

* Includes all stock of concept classified in the balance sheet

** Not including profit of the year

Income Statement

EUR million

	2014	2013	Variation	
			Amount	%
Net interest income	546	514	32	6.3
Net fees	280	318	(38)	(11.8)
Gains (losses) on financial transactions	88	51	37	72.9
Other operating income**	42	34	8	23.8
Gross income	956	916	40	4.3
Operating expenses	(491)	(495)	4	(0.9)
General administrative expenses	(419)	(417)	(3)	0.7
<i>Personnel</i>	(297)	(299)	2	(0.5)
<i>Other general administrative expenses</i>	(122)	(118)	(4)	3.6
Depreciation and amortisation	(72)	(79)	7	(9.0)
Net operating income	465	421	44	10.5
Net loan-loss provisions	(124)	(192)	69	(35.7)
Other income	(99)	(78)	(20)	26.2
Profit before taxes	243	150	92	61.4
Tax on profit	(57)	(44)	(14)	30.8
Profit from continuing operations	185	106	79	74.1
Net profit from discontinued operations	—	—	—	—
Consolidated profit	185	106	79	74.1
Minority interests	(4)	(8)	4	(52.4)
Attributable profit to the Group	189	114	75	65.1

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

Quarterly statements of income

27

EUR million

	1Q 13	2Q 13	3Q 13	4Q 13	1Q 14	2Q 14	3Q 14	4Q 14
Net interest income	117	134	132	131	129	138	136	143
Net fees	85	87	79	67	73	66	70	71
Gains (losses) on financial transactions	23	7	10	11	18	22	13	35
Other operating income**	6	6	7	15	9	11	11	12
Gross income	231	233	228	224	228	237	230	261
Operating expenses	(124)	(122)	(123)	(126)	(122)	(121)	(122)	(126)
General administrative expenses	(104)	(102)	(103)	(107)	(103)	(104)	(104)	(109)
<i>Personnel</i>	(75)	(74)	(74)	(76)	(73)	(73)	(73)	(78)
<i>Other general administrative expenses</i>	(29)	(28)	(29)	(31)	(30)	(31)	(31)	(31)
Depreciation and amortisation	(20)	(20)	(20)	(19)	(19)	(17)	(18)	(18)
Net operating income	107	112	105	97	106	116	108	135
Net loan-loss provisions	(64)	(62)	(56)	(11)	(34)	(40)	(32)	(17)
Other income	(13)	(17)	(6)	(42)	(30)	(29)	(20)	(20)
Profit before taxes	31	32	44	44	42	47	57	97
Tax on profit	(10)	(7)	(12)	(15)	(9)	(9)	(15)	(24)
Profit from continuing operations	21	25	32	29	33	37	42	73
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Consolidated profit	21	25	32	29	33	37	42	73
Minority interests	0	0	(0)	(8)	(2)	(2)	(0)	0
Attributable profit to the Group	21	25	32	37	36	39	42	73

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

