

Portugal

January – September 2014

November 4th, 2014

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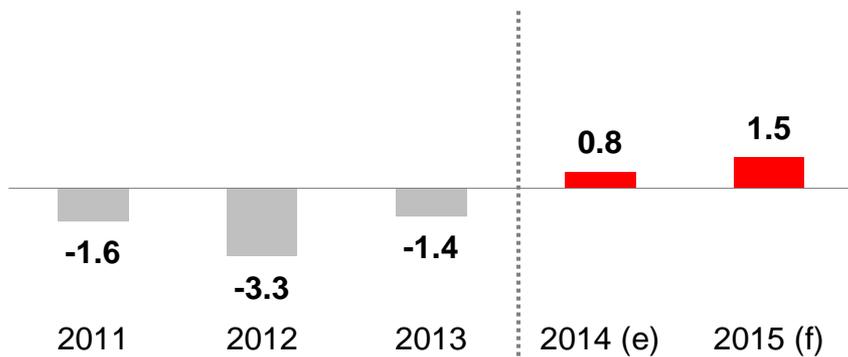
Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

Agenda

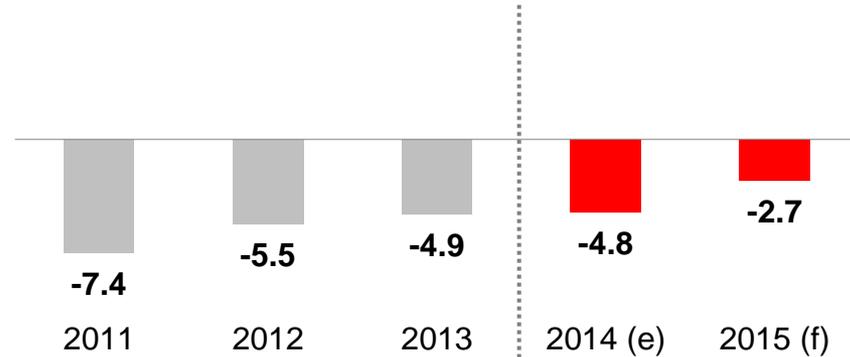
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix

Ongoing growth is leading to a gradual decline in unemployment

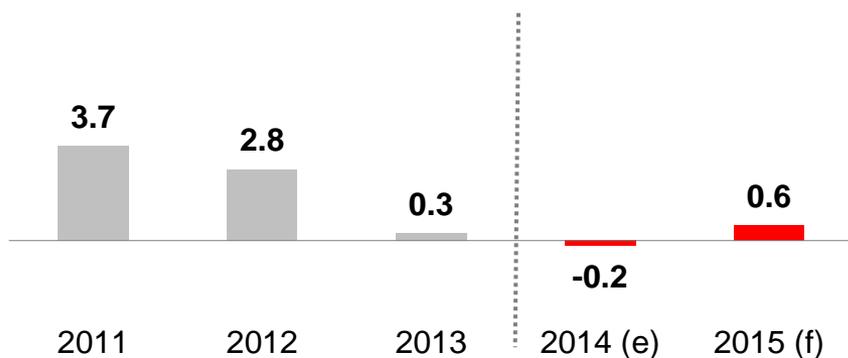
Annual GDP Growth (% , real)



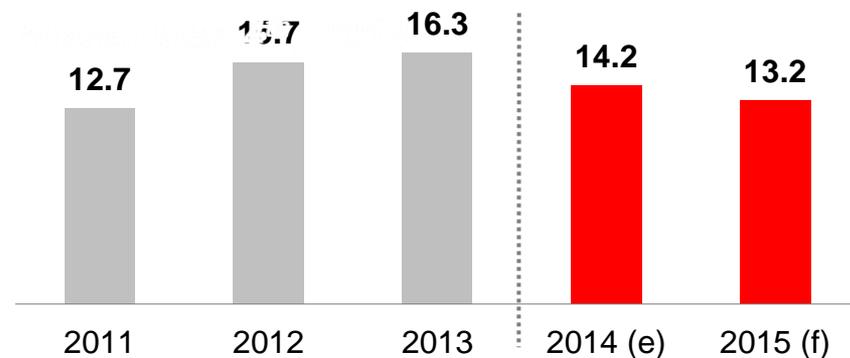
Fiscal Balance (% GDP)



Annual CPI inflation rate (% , annual average)

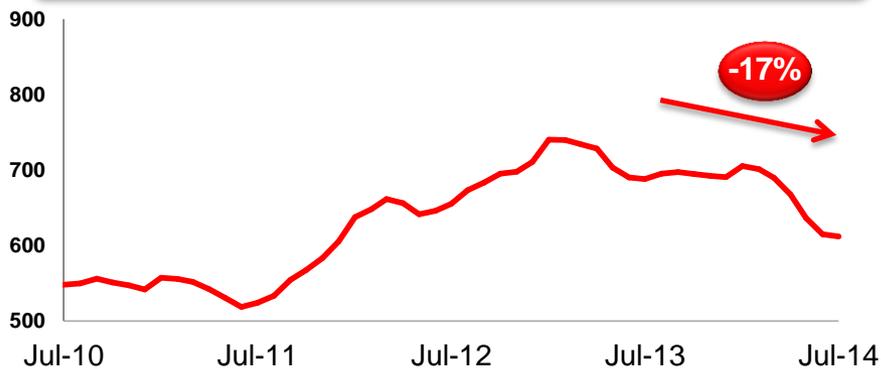


Unemployment Rate (annual average)



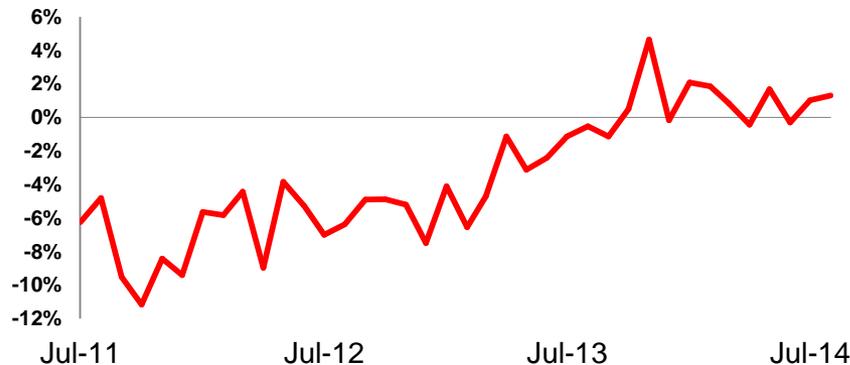
Domestic demand is improving moderately, underpinned by still resilient export growth

Registered Unemployment (000)



Source: IEFP

Retail Sales (YoY)



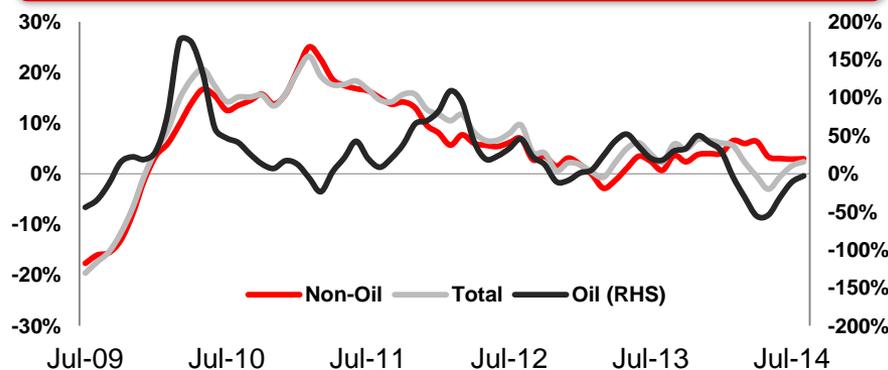
Source: INE

Investment Indicator (YoY)



Source: INE

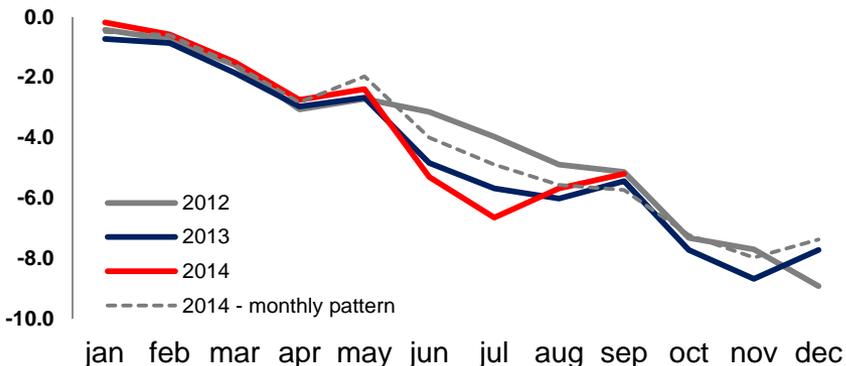
Exports (MA3, YoY)



Source: INE

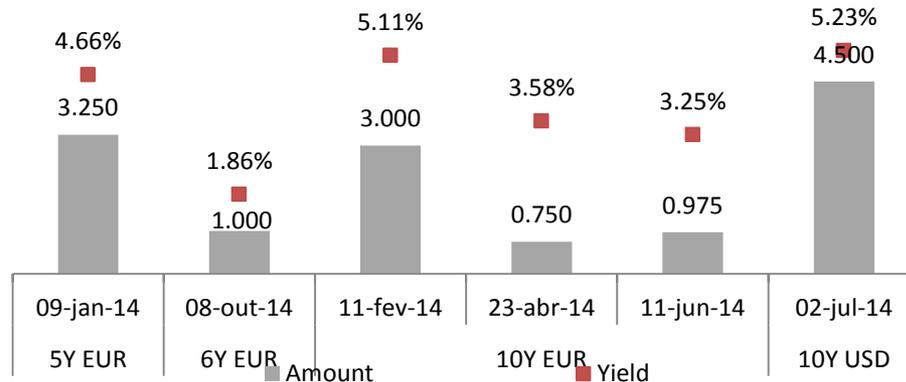
Higher revenue, associated with stronger domestic demand, is offsetting the expenditure dynamics, affected by the CC rulings

Fiscal Balance (€ bn)



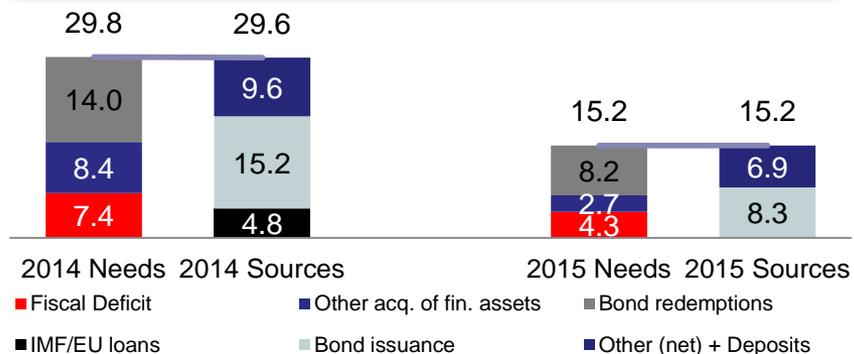
Source: Ministry of Finance

Medium-Long term Issuance in 2014 (bn)



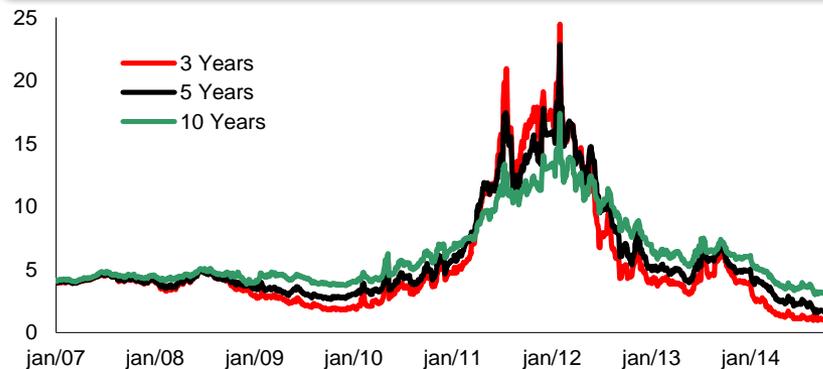
Source: IGCP

Funding Needs and Financing Plan (€ bn)



Source: IGCP

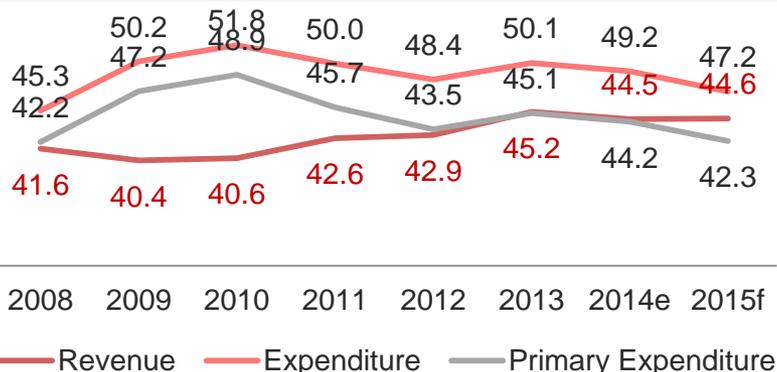
Portuguese Government Bond Yields



Source: Bloomberg

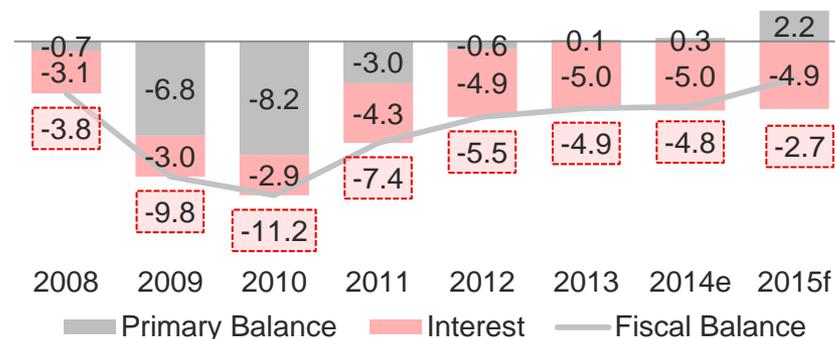
The 2015 Budget aims to bring down the deficit to 2,7% of GDP, while the primary surplus is forecast to increase to 2,2% of GDP, bringing down public debt

Revenue and Expenditure (% GDP)



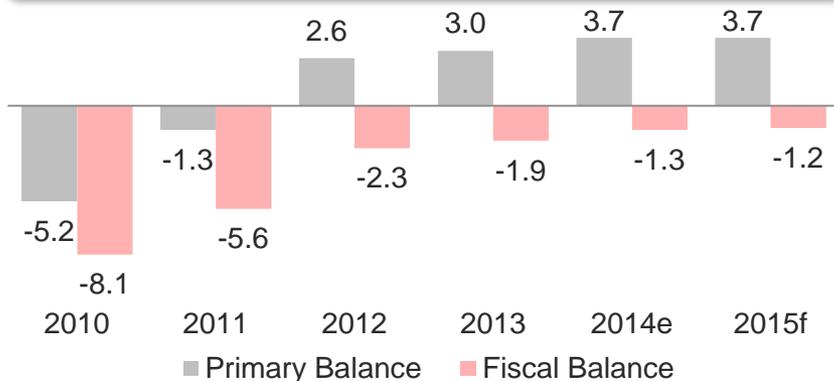
Source: Ministry of Finance

Fiscal Balance (% GDP)



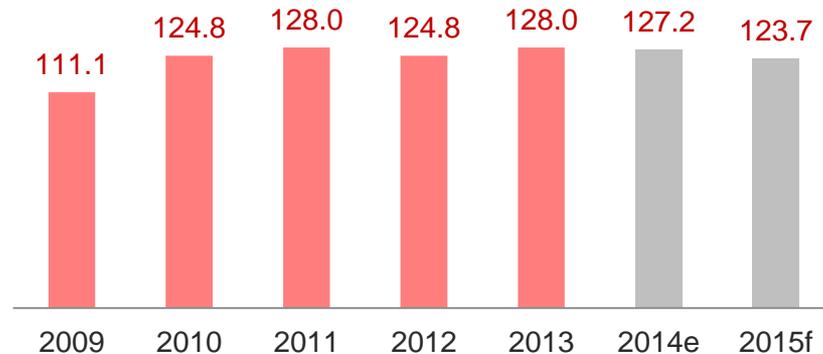
Source: Ministry of Finance

Cyclically Adjusted Fiscal Balance (% GDP)



Fiscal data adjusted by the business cycle
Source: Ministry of Finance

Public Debt (% GDP)

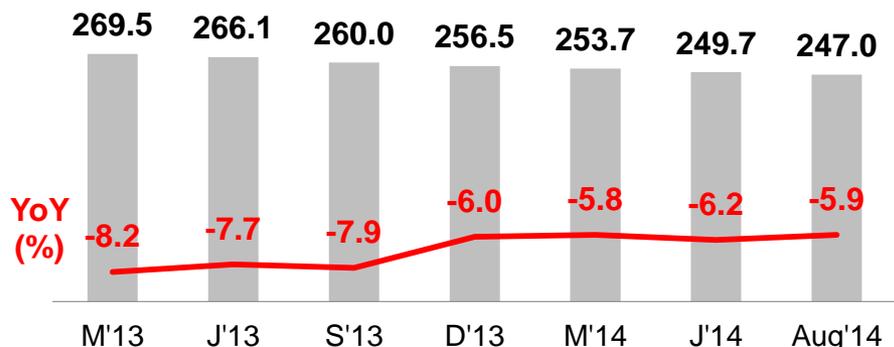


Source: Ministry of Finance

Bank loans decline, but a slower pace. In 2Q, the assumption of State-Owned Enterprises' debt by the Government is resulting in increased volatility in data

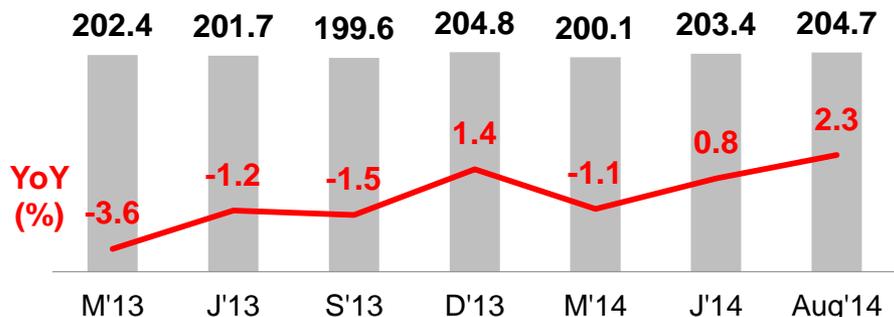
EURbn.

Total loans



- Deleveraging is continuing, at a progressively more moderate pace
- The recent redefinition of the General Government perimeter, under SEC2010, is affecting data for the non-financial sector
- Estimated growth of loans in 2014: -4,9%

Total deposits



- Deposits have been flat around €200bn.
- The Resolution of BES into Novo Banco didn't materially affect deposits

Macro developments underpin the financial system

- Economic activity recovered in 2Q14, following the reinitiation of activity by the Sines refinery, as well as by AutoEuropa. Domestic demand continues to recover gradually, in line with the decline in unemployment.
- Growth is estimated to have continued resilient in 3Q, supported by lower unemployment, and also by the payment in full of wages to the Civil Service and of pensions, following the rulings by the Constitutional Court. Exports have also recovered, providing some ground for higher capital expenditure.
- 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 tapped the market for a 6-year bond, issuing €1bn, at 1.86% yield. In 2015, the Treasury aims to issue €8.2bn in TBonds.
- The resolution of BES into Novo Banco didn't have a material impact on overall deposits, neither in credit dynamics, but risks are for higher volatility in the near future.

Agenda

- Macro-economic environment and financial system
- **Strategy and business**
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Santander Totta is the 3rd private bank in domestic activity by total assets



<i>EUR</i>	Sep'14	Var. YoY
Business and Results		
Loans	24.5 bn.	-5.1%
Deposits	24.1 bn.	+4.2%*
Total customer funds	30.3 bn.	+9.8%*
Consolidated profit	111.9 m.	+44.5%
Attributable profit	116.2 m.	+50.0%

Other Data		
Employees	5,515	-85
Branches	620	-27
ATMs	1,541	-56

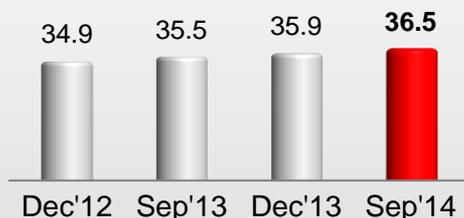
Market Share ⁽¹⁾		
Loans	10.54%	+0.43pp
- Individuals	12.69%	+0.25pp
- Corporates	8.02%	+0.58pp
Deposits	10.37%	+0.39pp

(1) Market share as of August, 2014

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

Balance sheet mix
(in local criteria*)

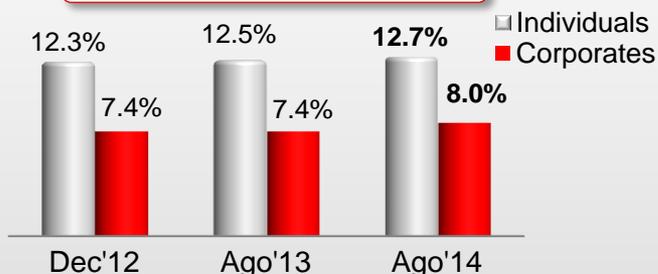
Mix of Corporates / Total loans (%)



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

Market shares

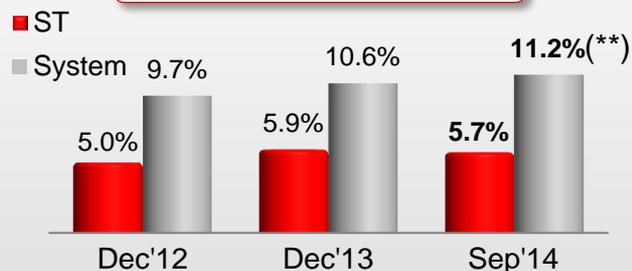
Market shares - Loans



Market share gains in loans to corporates and individuals

Asset quality

Credit at risk ratio

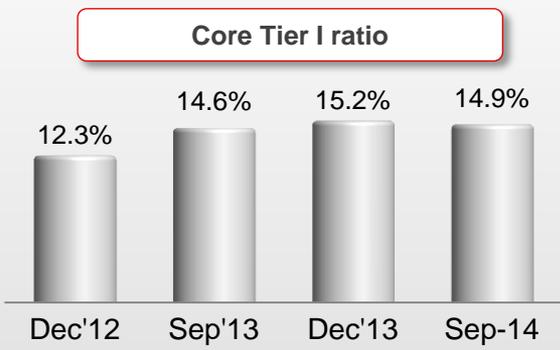


BST's asset quality indicators are better compared to the average of the banking system (**)

(*) Total loans includes commercial paper

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

Capital ratios



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

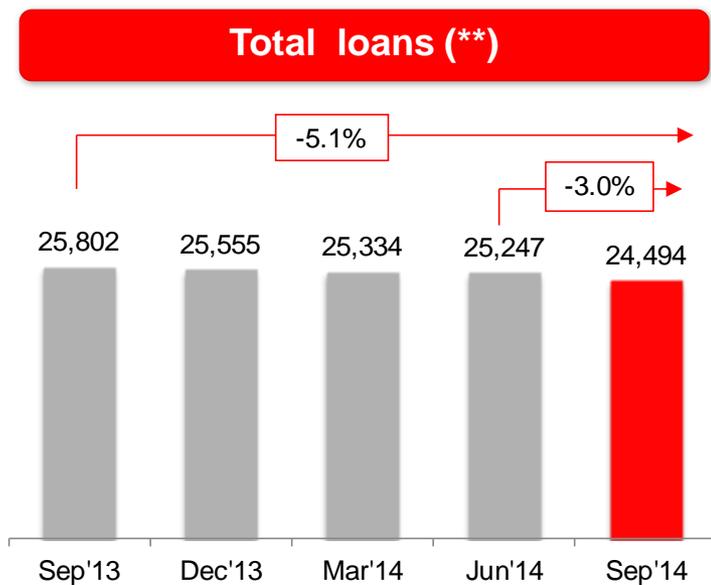
Commercial gap



Commercial gap improves in 2014

Corporate Loans ^(**) are recovering in 2014 in spite of strong market reduction

EUR million



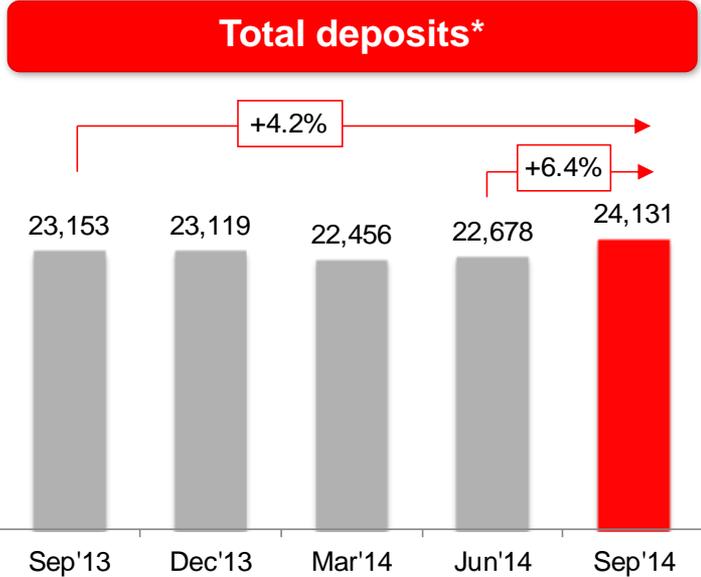
	Sep'14	YoY (%)	QoQ (%)
Individuals	16,779	-3.2	-0.7
Mortgage	14,904	-3.3	-0.7
Consumer credit	1,405	+1.3	-0.8
Corporates	7,440	-6.5	-2.6
SMEs	2,513	-7.7	-2.8
Corporates	3,347	-4.9	-0.8
Large corporates	1,580	-7.9	-6.0
Total	24,494	-5.1	-3.0
Loans to Corporates (*)	9,820	-0.7	+1.2
Total Loans (*)	26,874	-3.1	-1.6

(*) Including commercial paper

(**) Gross credit

Deposits rose 6.4% in the quarter benefitting from a flight to quality

EUR million



	Sep'14	YoY (%)	QoQ (%)
Demand	5,255	+15.9	+14.8
Time and Savings	18,875	+1.4	+4.3
Deposits*	24,130	+4.2	+6.4
Securities placed	3,793	+59.7	-0.5
Investment funds and other	2,347	+14.9	-2.0
Total Customer Funds*	30,270	+9.8	+4.8

* Does not include Clearnet deposits (repos SPGB)

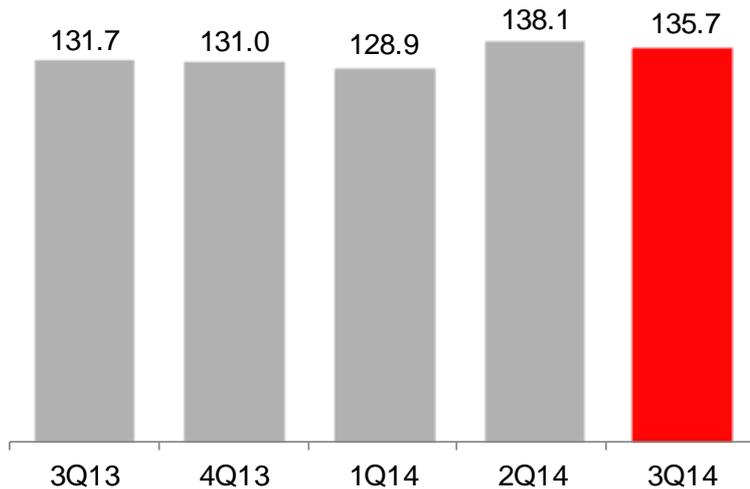
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NII stabilizes over the last quarter

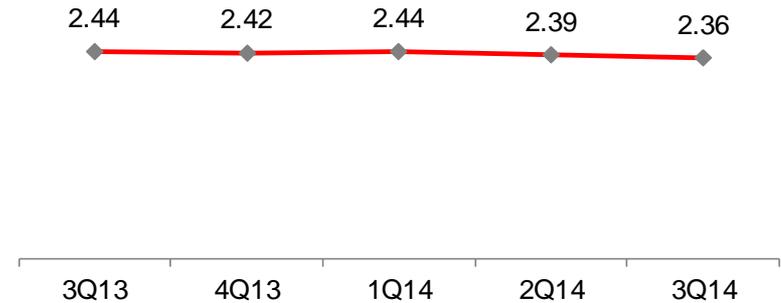
EUR million

Net Interest Income



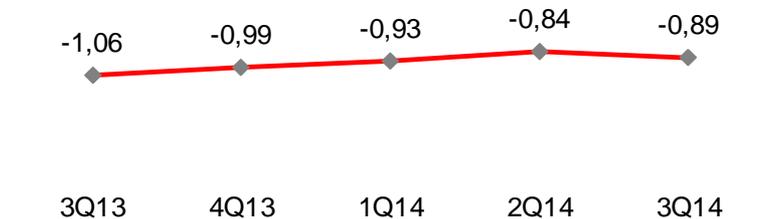
Loan spreads, %

Commercial Banking



Deposit spreads, %

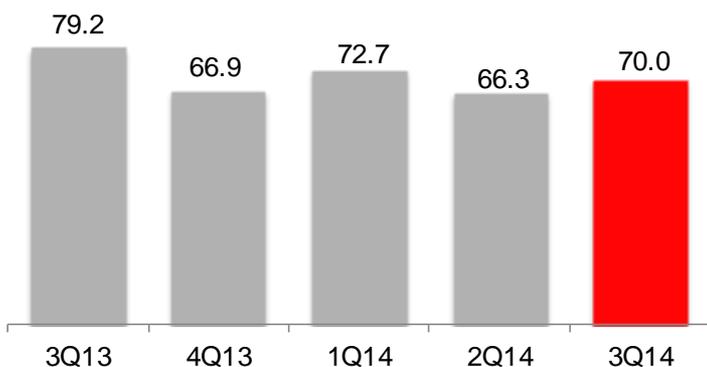
Commercial Banking



Despite the negative evolution yoy, mainly due to regulatory changes, fees recovered vis-à-vis the last quarter

EUR million

Net Fees

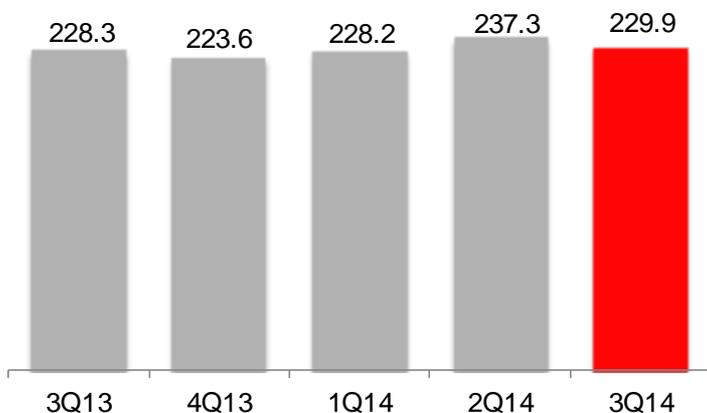


	9M14	9M13	YoY (%)	QoQ (%)
Credit	57.2	67.2	-14.8	+7.0
Credit cards	36.4	40.8	-10.6	+8.0
Mutual funds / AM	12.7	19.8	-35.8	-2.8
Insurance	68.8	70.7	-2.7	+0.2
GBM	45.5	55.2	-17.6	+41.4
Other	(11.7)	(2.8)	>200	+94.2
Total	209.0	250.8	-16.7	+5.6

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

EUR million

Gross income



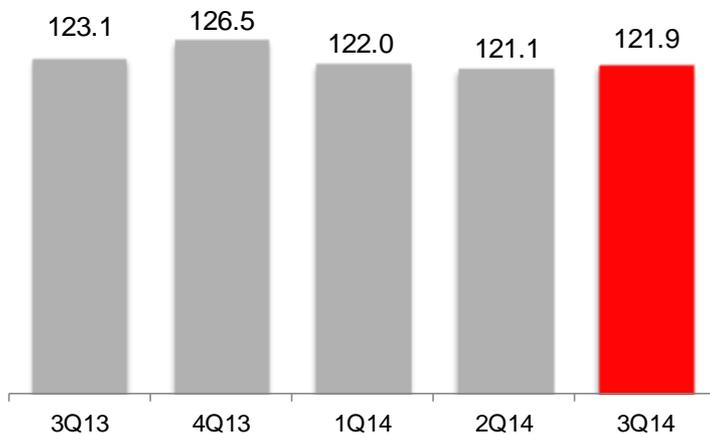
	9M14	9M13	YoY (%)	QoQ (%)
Net interest income	402.7	382.8	+5.2	-1.7
Net Fees	209.0	250.8	-16.7	+5.6
Subtotal	611.7	633.7	-3.5	+0.7
Other ¹	83.8	59.2	+41.5	-26.5
Gross income	695.4	692.8	+0.4	-3.1

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

Quarterly operating expenses remain stable in 2014

EUR million

Operating expenses

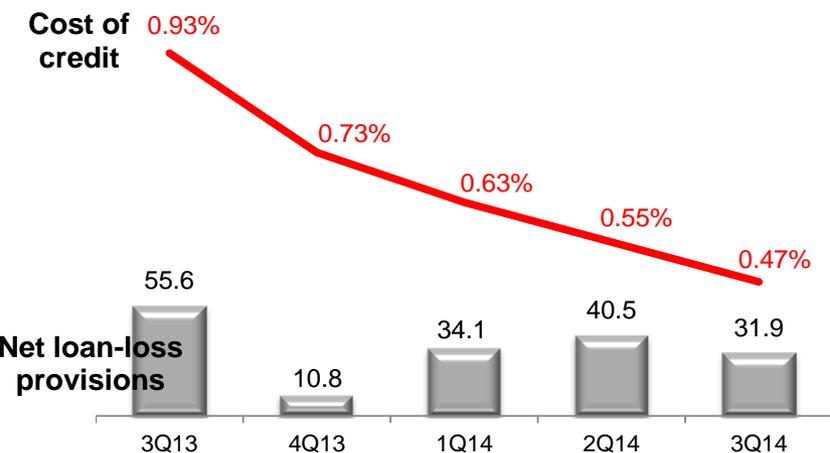


	9M14	9M13	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	310.8	309.6	+0.4	+0.3
Depreciation and amortization	54.1	59.4	-8.8	+2.7
Total	365.0	369.0	-1.1	+0.6
Efficiency ratio (with amortisations)	52.5%	53.3%	-0.8pp	1.5pp
Number of branches	620	647	-27	-6
Number of employees	5,515	5,600	-85	+0

Cost of credit maintains a downward trend and NPL coverage ratio is improving

EUR million

LLPs and cost of credit

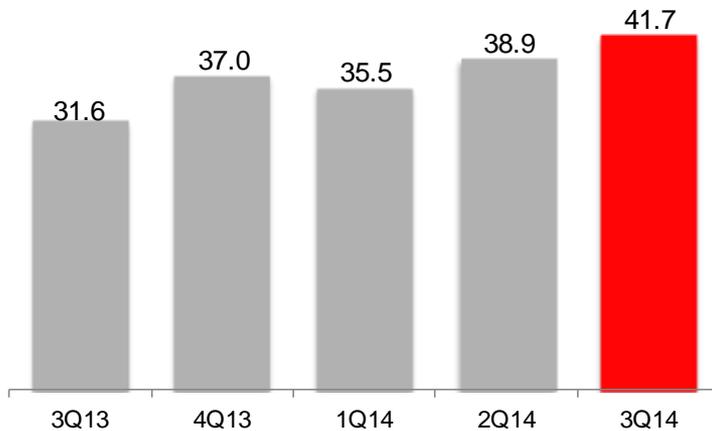


	9M14	9M13	YoY (%)	QoQ (%)
Net Operating Income	330.5	323.9	+2.0	-7.0
LLPs	106.5	181.6	-41.4	-21.3
Net Op. Income after LLPs	224.0	142.3	+57.4	+0.6
NPL Coverage ratio	53.9%	51.9%	+2.0pp	+0.8pp
NPL ratio	8.5%	7.9%	+0.6pp	+0.3pp

Attributable profit increases 50.0% YoY and 7.2% QoQ

EUR million

Attributable profit



	9M14	9M13	YoY (%)	QoQ (%)
Profit before taxes	145.3	106.4	+36.5	+20.9
Tax on profit	33.4	29.0	+15.1	+58.3
Consolidated profit	111.9	77.5	+44.5	+11.5
Attributable profit	116.2	77.4	+50.0	+7.2
Effective tax rate	23.0%	27.2%		

Market Environment & Financial System

- Economic growth continues at a gradual pace, with unemployment falling back to 2011 levels.
- New production on loans continues to strengthen, but the reclassification of some state-owned enterprises is leading to a faster decline in the stock of loans.
- Despite the recent rulings by the Constitutional Court, that require offsetting measures, the Government remains confident it will meet the 2014 deficit targets.

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 and Profitability

- Strong growth in customer deposits over last quarter
- Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio reaching 14.9%
- Attributable profit increased 50.0% (ac.yoy) reflecting the stabilization of revenues and lower operating costs and provisions. Comparing with the previous quarter attributable profit grew 7.2%
- 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	
	30.09.14	30.09.13	Amount	%
Loans and credits*	23,333	24,712	(1,380)	(5.6)
Trading portfolio (w/o loans)	1,998	1,788	210	11.7
Available-for-sale financial assets	8,060	4,662	3,398	72.9
Due from credit institutions*	2,466	2,761	(295)	(10.7)
Intangible assets and property and equipment	749	896	(147)	(16.4)
Other assets	6,708	6,610	98	1.5
Total assets/liabilities & shareholders' equity	43,313	41,429	1,884	4.5
Customer deposits*	24,131	24,185	(54)	(0.2)
Marketable debt securities*	3,793	2,375	1,418	59.7
Subordinated debt	0	0	0	209.7
Insurance liabilities	80	88	(8)	(8.9)
Due to credit institutions*	12,070	11,880	191	1.6
Other liabilities	620	358	262	73.1
Shareholders' equity**	2,619	2,544	75	2.9
Off-balance-sheet funds	2,347	2,043	304	14.9
Mutual funds	1,246	1,141	105	9.2
Pension funds	849	776	73	9.4
Managed portfolios	252	126	126	99.5
Customer funds under management	30,271	28,603	1,668	5.8

* Includes all stock of concept classified in the balance sheet

** Not including profit of the year

Income Statement

EUR million			Variation	
	9M 14	9M 13	Amount	%
Net interest income	403	383	20	5.2
Net fees	209	251	(42)	(16.7)
Gains (losses) on financial transactions	53	40	13	33.5
Other operating income**	31	19	11	58.1
Gross income	695	693	3	0.4
Operating expenses	(365)	(369)	4	(1.1)
General administrative expenses	(311)	(310)	(1)	0.4
<i>Personnel</i>	(219)	(223)	4	(1.7)
<i>Other general administrative expenses</i>	(92)	(87)	(5)	5.8
Depreciation and amortisation	(54)	(59)	5	(8.8)
Net operating income	330	324	7	2.0
Net loan-loss provisions	(106)	(182)	75	(41.4)
Other income	(79)	(36)	(43)	119.6
Profit before taxes	145	106	39	36.5
Tax on profit	(33)	(29)	(4)	15.1
Profit from continuing operations	112	77	34	44.5
Net profit from discontinued operations	—	—	—	—
Consolidated profit	112	77	34	44.5
Minority interests	(4)	0	(4)	—
Attributable profit to the Group	116	77	39	50.0

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

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

