

27 April 2016

PORTUGAL

January – March 2016

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Santander



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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.

Note: March 2016 results and business volumes evolution contained in this presentation reflect the acquisition of Banif in Dec/15.

Agenda

- **Macro-economic environment and financial system**

- Strategy and business

- Results

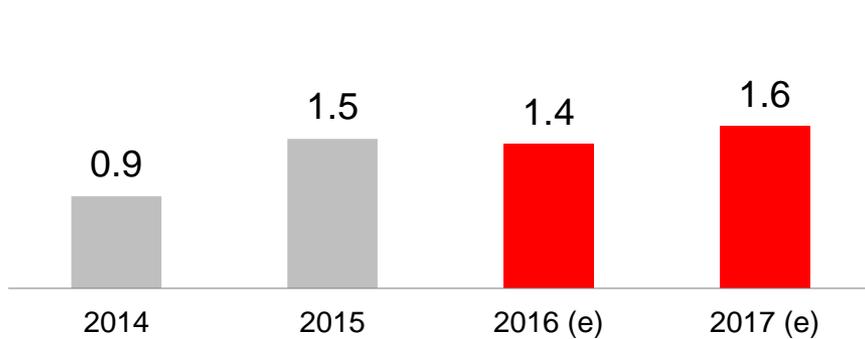
- Appendix



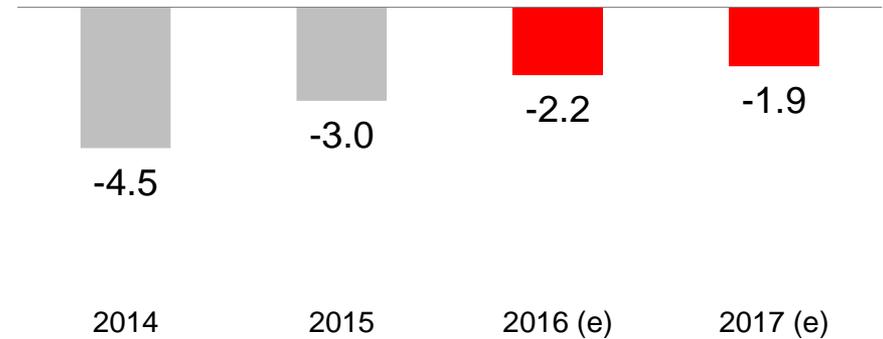
Macro-economic environment

Gradual improvement in economic conditions continues

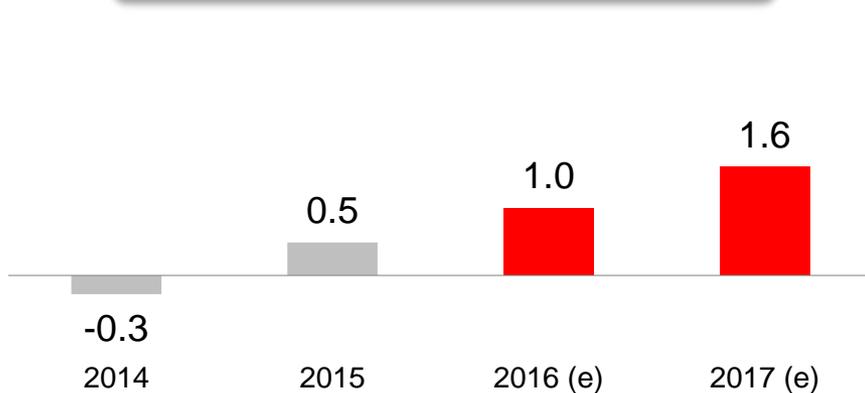
Annual GDP Growth (% , real)



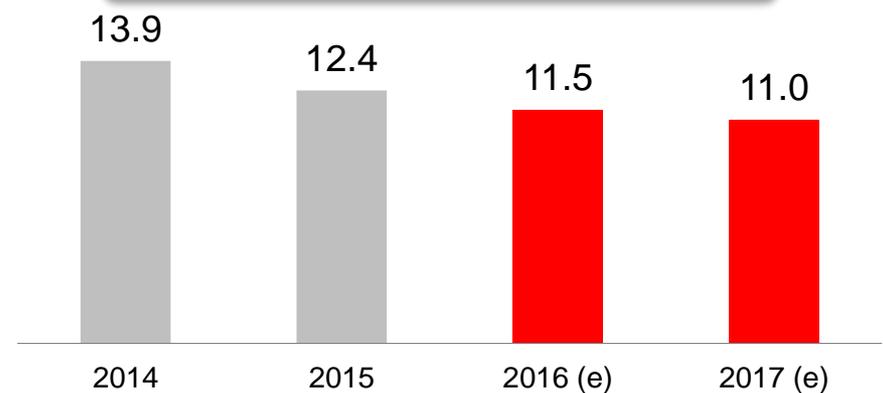
Fiscal Balance (% GDP)



Inflation (annual change, %)



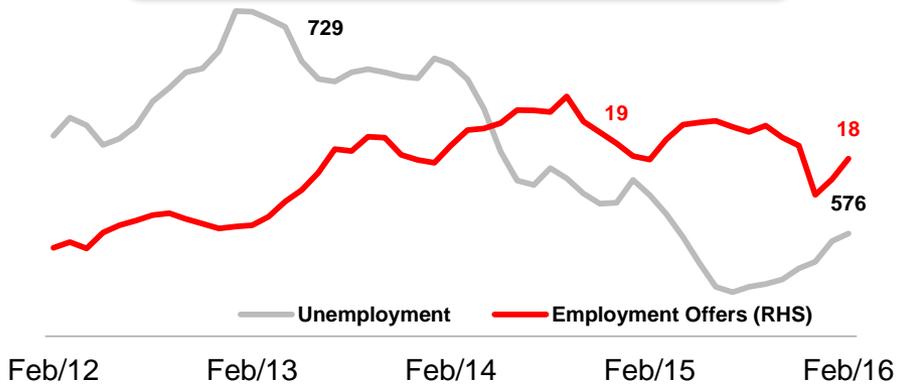
Unemployment (% , annual average)



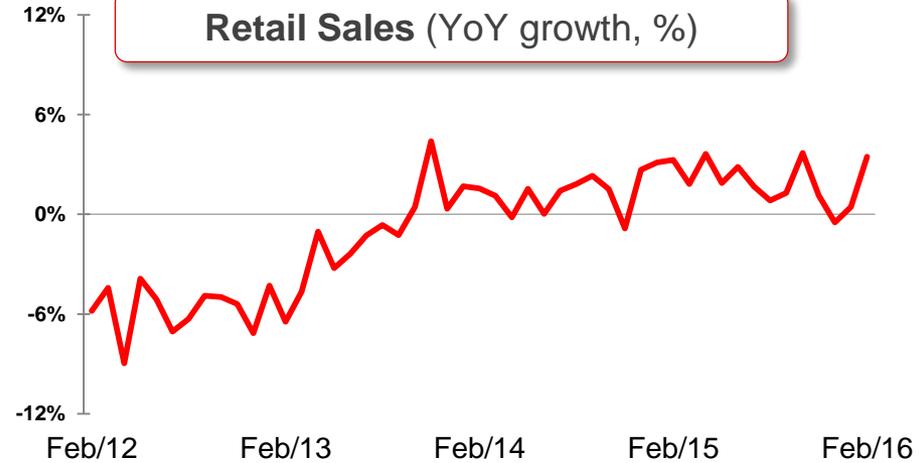
Macro-economic environment

Stable moderate growth of both private consumption and investment

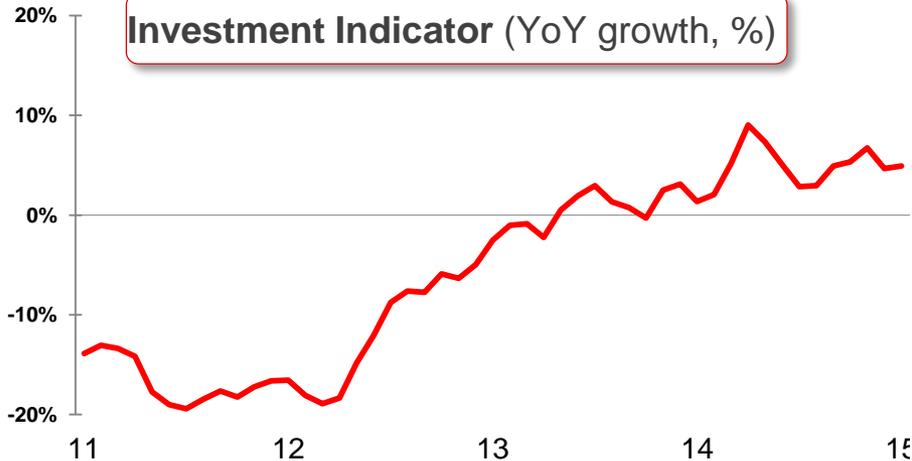
Registered Unemployment (000)



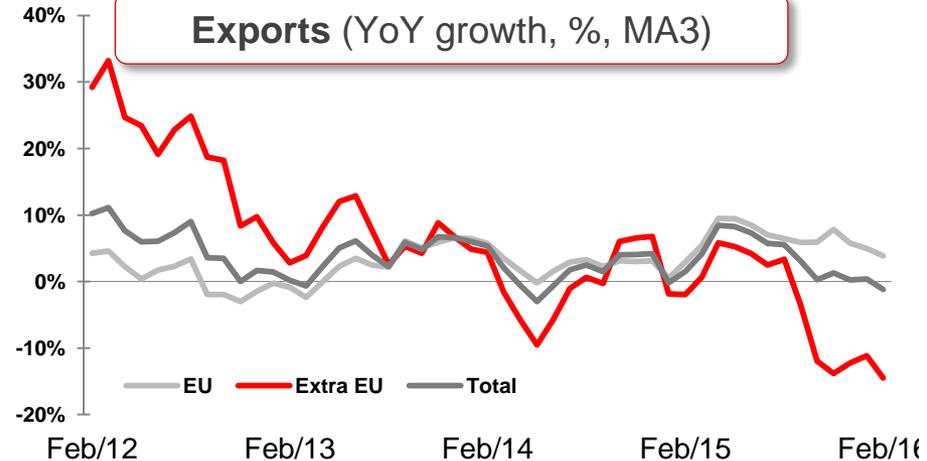
Retail Sales (YoY growth, %)



Investment Indicator (YoY growth, %)



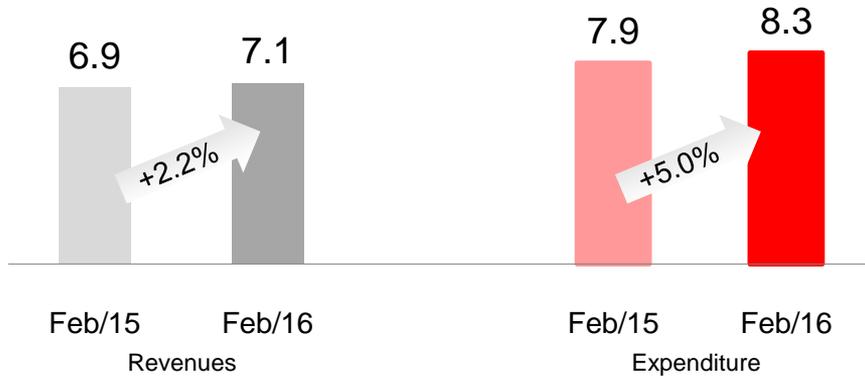
Exports (YoY growth, %, MA3)



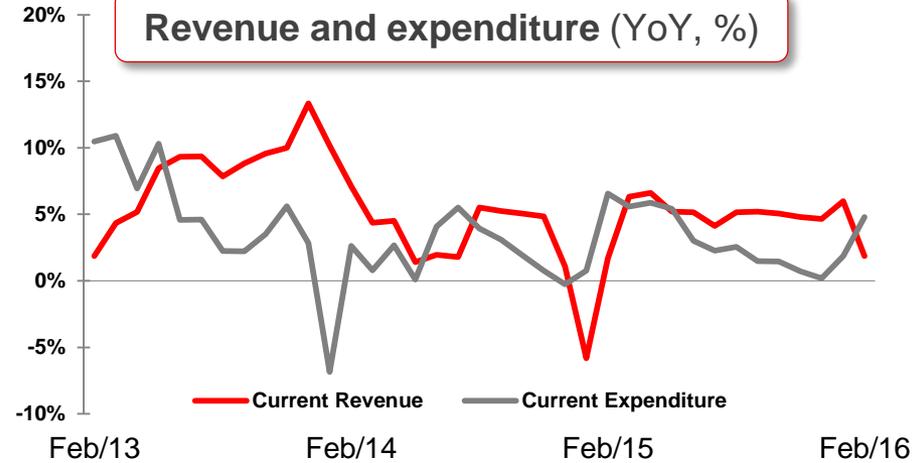
Macro-economic environment

The 2016 Budget has been approved and will be in force from April

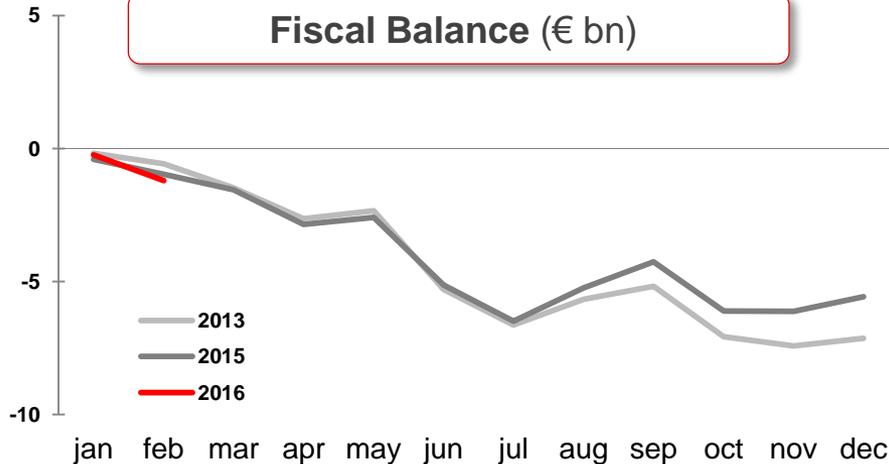
Revenue and Expenditure (€mn)



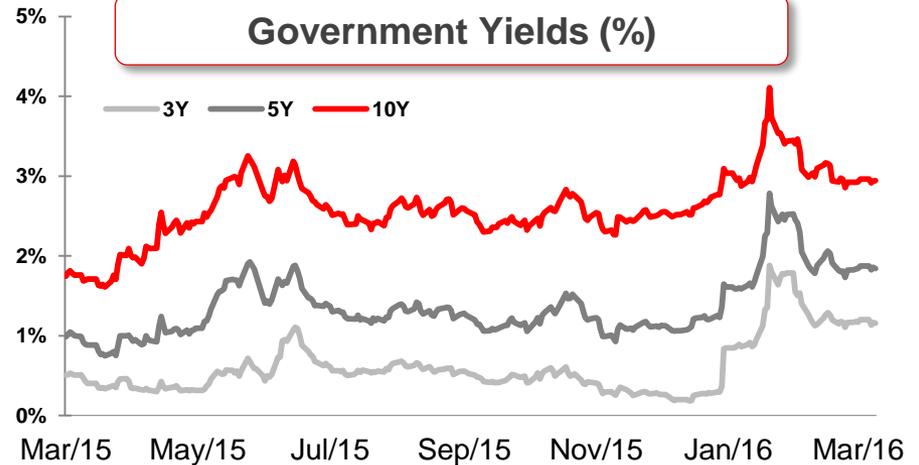
Revenue and expenditure (YoY, %)



Fiscal Balance (€ bn)

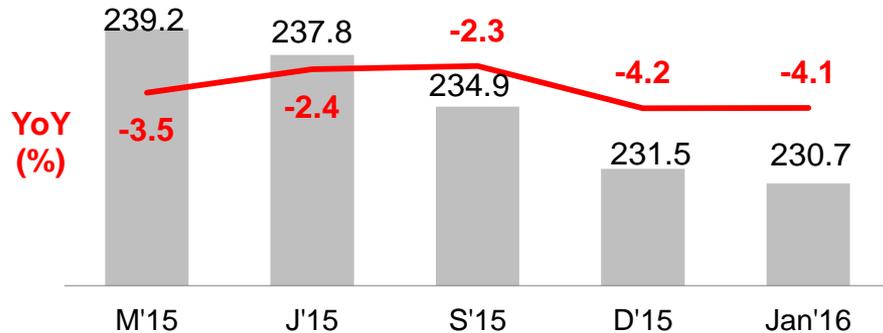


Government Yields (%)

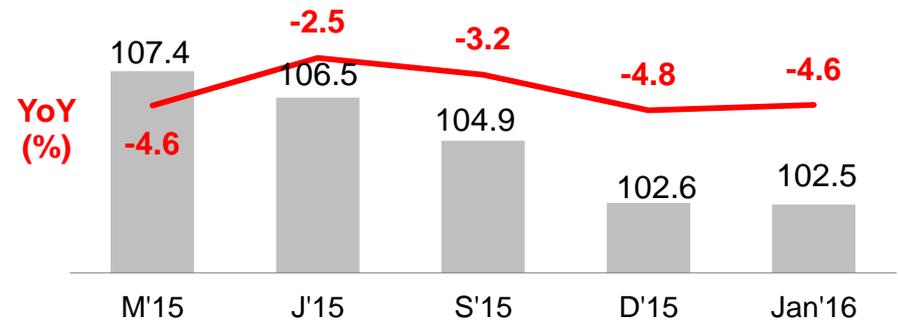


Corporate loans maintain a downward trend

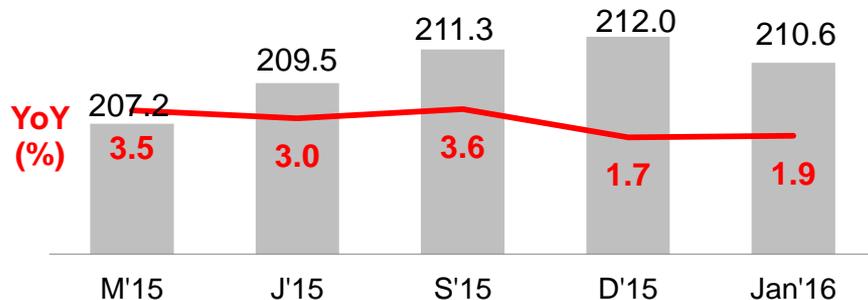
Total loans (€bn)



Corporate loans (€bn)



Total Deposits (€bn)



- Credit maintains its downward trend, especially at the level of corporates. Credit should fall 2-3% in 2016F.
- Deposits remain elevated, and should continue growing around 1% in 2016F.

Agenda

- Macro-economic environment and financial system

- **Strategy and business**

- Results

- Appendix



Our Franchise

Santander Totta is the 2nd private bank in domestic activity by total assets



<i>EUR</i>	Mar'16	Var. YOY
Business and Results		
Loans	30.0 bn.	+23.9%
Deposits	29.1 bn.	+23.9%
Total customer funds	36.6 bn.	+25.6%
Consolidated profit	121.6m.	+121.5%
Attributable profit	120.9 m.	+121.4%

Other Data

Employees	6,579	+1,138
Branches	752	+168

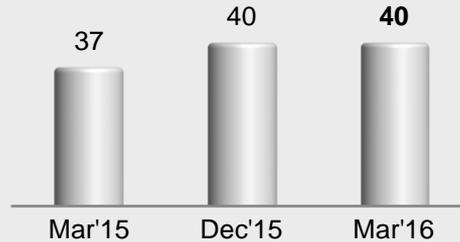
Market Share ⁽¹⁾

Loans	14.23%	+3.31pp
- Individuals	15.37%	+2.67pp
- Corporates	12.80%	+4.08pp
Deposits	13.33%	+3.15pp

Reinforcing our customer focus

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

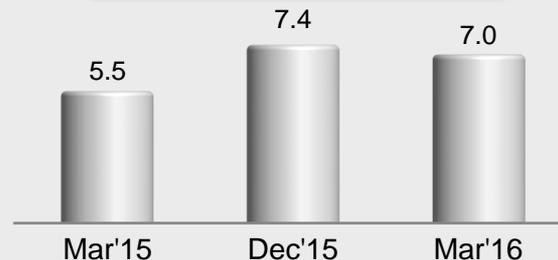
Market shares - Loans



Market share gains YoY in loans to corporates and individuals

Commercial Gap

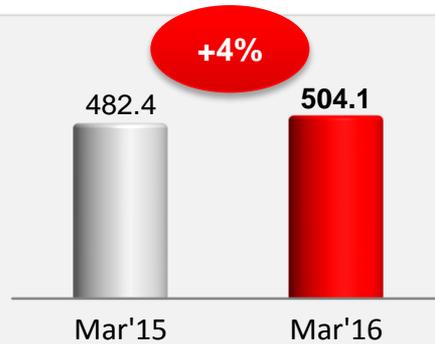
Commercial gap (local criteria)



Commercial gap continues to improve

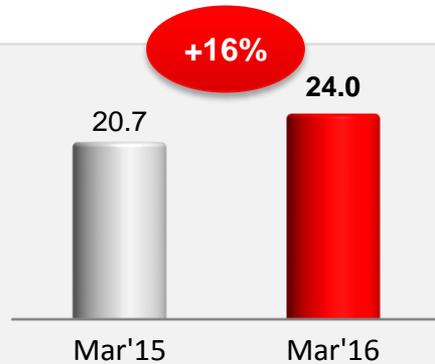
Customers

Retail loyal customers
(k)



The number of loyal customers is growing above the targets...

Loyal SMEs and Corporate customers
(k)



... and the increase in of corporate customers reflects our focus in that segment

Online digital customers
(k)



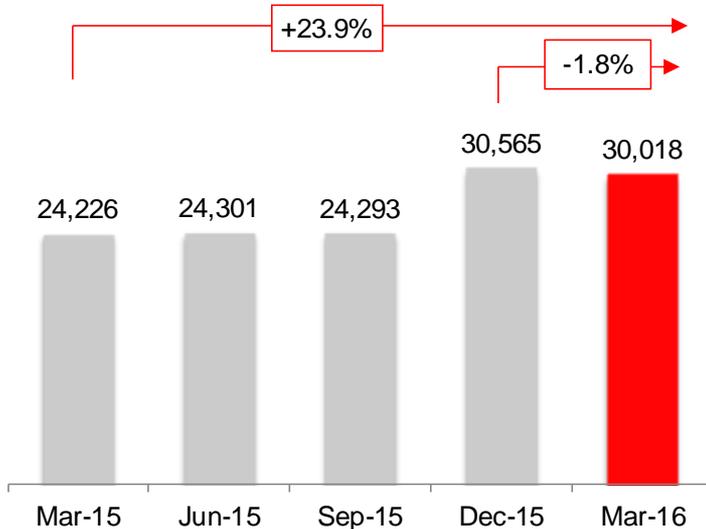
The number of digital clients maintains a strong growth

Total loans performance

The acquisition of Banif business leverages ST position in the credit market

EUR million

Total loans (**)



	Mar-16	YoY (%)	QoQ (%)
Individuals	19,426	+17.5	-0.5
<i>from which:</i>			
Mortgage	17,136	+16.5	-0.5
Consumer credit	1,916	+40.1	-1.1
Corporates	10,402	+39.6	-3.3
Total	30,018	+23.9	-1.8
Loans to Corporates (*)	14,522	+48.2	-0.9
Total Loans (*)	34,138	+28.5	-0.9

(*) includes commercial paper

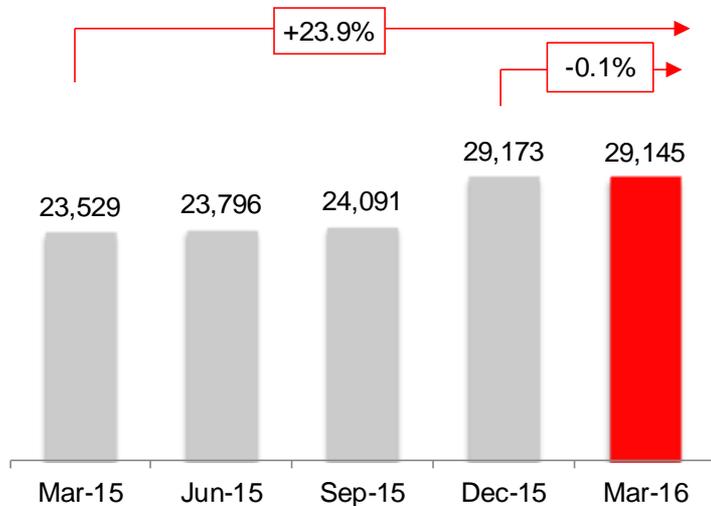
(**) Gross credit

Total customer funds performance

... as well as in terms of customer funds

EUR million

Total deposits & Financial Insurance



	Mar-16	YoY (%)	QoQ (%)
Demand	9,024	+71.0	+5.7
Time and Savings	17,487	+19.1	-1.0
Total Deposits	26,511	+32.8	+1.2
Financial insurance	2,634	-26.1	-11.5
Deposits & financial insurance	29,145	+23.9	-0.1
Securities placed	4,700	+72.0	-5.9
Investment funds and other	2,745	-4.4	-3.4
Total Customer Funds	36,590	+25.6	-1.1

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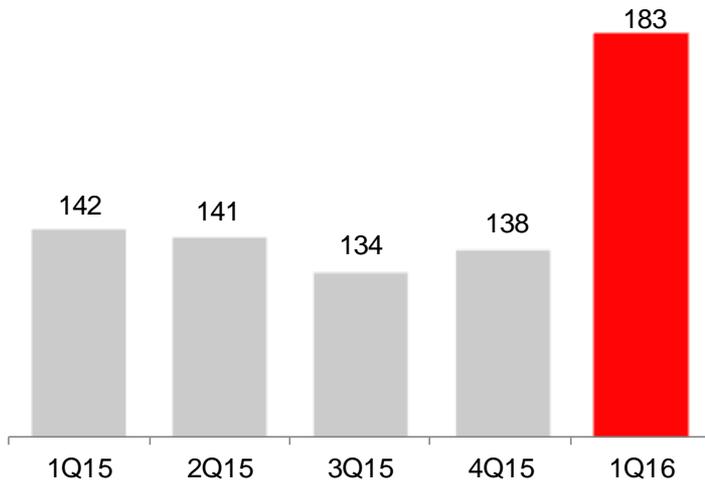


Net interest income and spreads

Repricing of deposits continue to contribute favourably to NII

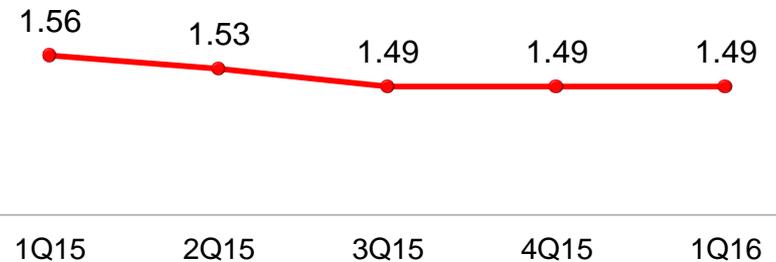
EUR million

Net Interest Income



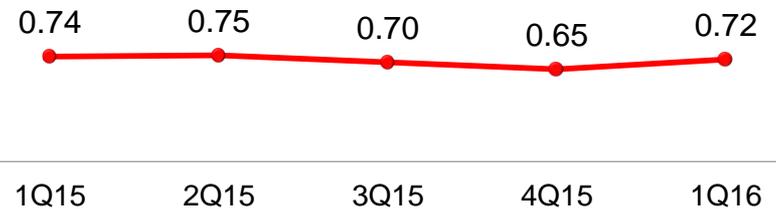
Loan spreads, %

Retail Banking



Deposit spreads, %

Retail Banking

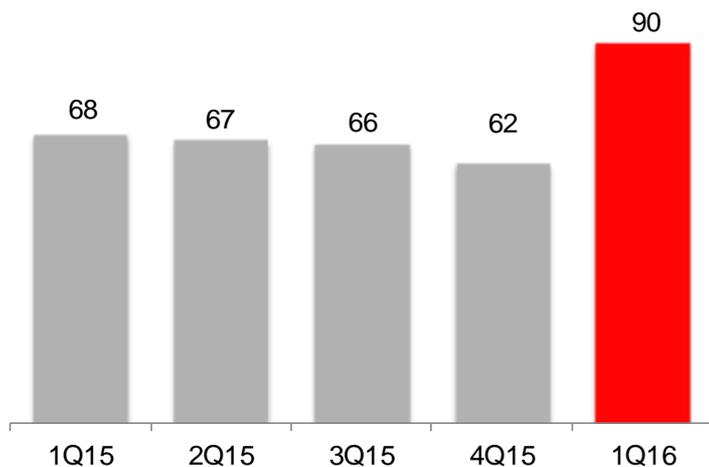


Net fees

Improved credit commissions, on top of the acquired business of former Banif

EUR million

Net fees



	3M16	3M15	YoY (%)	QoQ (%)
Credit	21	17	+19.8	+38.2
Credit cards	15	13	+19.1	+21.6
Mutual funds	4	5	-7.0	-5.9
Insurance	23	22	+4.3	+3.8
Other*	27	11	+140.0	>200
Total	90	68	+32.2	+46.5

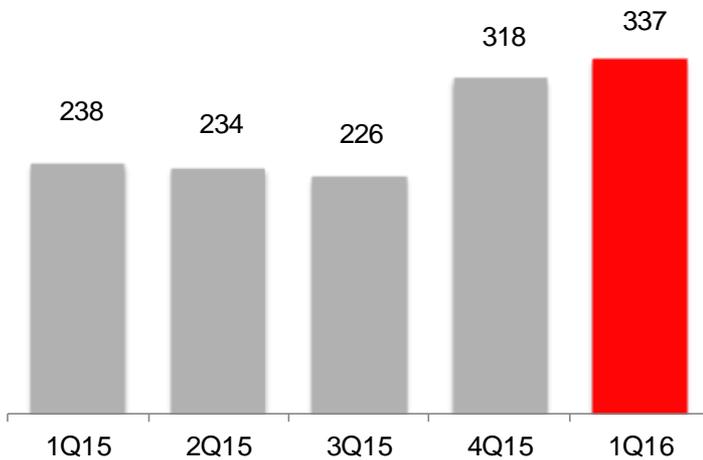
* Increased fees paid to other business units

Gross income

Gross income increased YoY

EUR million

Gross Income



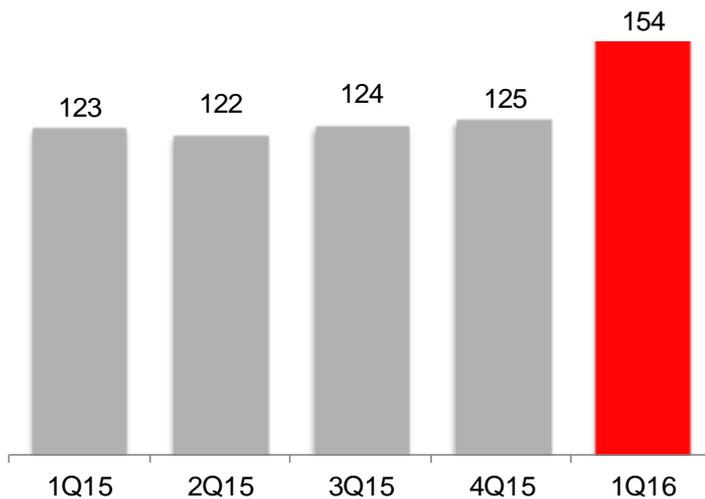
	3M16	3M15	YoY (%)	QoQ (%)
Net interest income	183	142	+28,4	32,1
Net Fees	90	68	+32,2	46,5
Subtotal	273	211	+29,6	+36,6
Other ¹	64	27	+133,5	-46,0
Gross income	337	238	+41,5	+5,9

Operating expenses

The efficiency ratio continues to improve, despite the higher costs associated with the integration of the acquired business

EUR million

Operating expenses



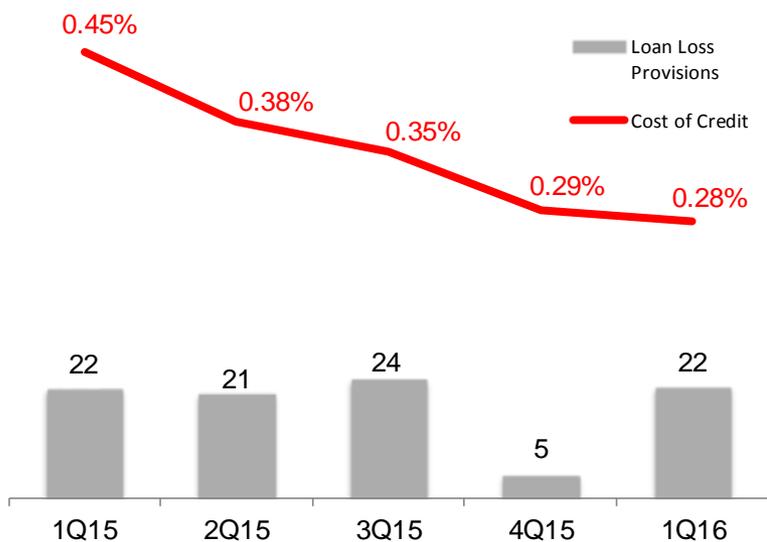
	3M16	3M15	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	145	114	+27.2	25.0
Depreciation and amortization	9	10	-4.9	-1.0
Total	154	123	+24.8	+23.1

Efficiency ratio (with amortisations)	45.7%	51.8%
Number of branches	752	584
Number of employees	6,579	5,441

Net operating income after loan-loss provisions (LLPs)

Gradual reduction of the cost of credit

LLPs and cost of credit



	3M16	3M15	YoY (%)	QoQ (%)
Net Operating Income	183	115	+59.6	-5.2
LLPs	22	22	+2.1	-
Net Op. Income after LLPs	161	93	+73.2	-14.7

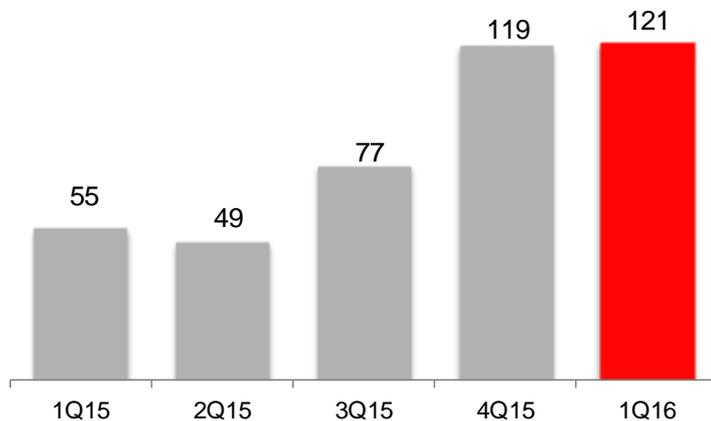
NPL ratio	8.6%	9.0%
NPL coverage ratio	87.7%	52.4%

Attributable profit

Attributable profit in the 3M'16 reached 121mn

EUR million

Attributable profit



	3M16	3M15	YoY (%)	QoQ (%)
Profit before taxes	158	72	+121.3	-11.2
Tax on profit	37	17	+120.5	-36.9
Consolidated profit	122	55	+121.5	+1.3
Attributable profit	121	55	+121.4	+1.2
Effective tax rate	23.2%	23.3%		

Conclusions

Market Environment & Financial System

- Activity continues to expand at a moderate pace, with GDP growing around 1.2% YoY.
- The 2016 Budget is in force since April 1st, 2016, and aims to reduce the deficit to 2.2% of GDP, from 3.0% in 2015 (excluding one-offs). Higher expenditure is covered by higher indirect taxes.
- Improving volumes of new loans to households and corporates, but insufficient to offset the natural erosion of the stock of loans.

Strategy, Business and Capital

- The acquisition of Banif business further improves market shares in loans to corporates and a more balanced loan book
- Increasing the number of loyal customers
- Capital ratios continue reflecting the sound structure of Santander Totta with the Common Equity Tier 1 ratio (CET1) reaching 13.6%

Results

- Results evolution reflects the business acquired in Dec-15
- The cost of credit maintains a downward trend

Agenda

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

Balance sheet

EUR million

			Variation	
	31-Mar-16	31-Mar-15	Amount	%
Loans and credits*	27,655	23,045	4,610	20.0
Trading portfolio (w/o loans)	1,761	2,160	(399)	(18.5)
Available-for-sale financial assets	6,158	6,877	(719)	(10.5)
Due from credit institutions*	2,936	2,173	763	35.1
Intangible assets and property and equipment	702	700	1	0.2
Other assets	8,435	5,857	2,578	44.0
Total assets/liabilities & shareholders' equity	47,647	40,813	6,834	16.7
Customer deposits*	29,146	23,529	5,617	23.9
Marketable debt securities*	4,700	2,732	1,968	72.1
Subordinated debt	(0)	(0)	0	(90.7)
Insurance liabilities	45	30	16	53.1
Due to credit institutions*	9,643	11,043	(1,400)	(12.7)
Other liabilities	1,183	888	296	33.3
Stockholders' equity**	2,929	2,591	338	13.0
Off-balance-sheet funds	2,745	2,870	(125)	(4.4)
Mutual funds	1,444	1,530	(86)	(5.6)
Pension funds	902	962	(60)	(6.2)
Managed portfolios	399	379	21	5.4
Customer funds under management	36,591	29,131	7,460	25.6

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income statement

EUR million

	1Q16	1Q15	Variation	
			Amount	%
Net interest income	183	142	40	28.4
Net fees	90	68	22	32.2
Gains (losses) on financial transactions	54	15	39	263.0
Other operating income**	10	13	(2)	(19.1)
Gross income	337	238	99	41.5
Operating expenses	(154)	(123)	(31)	24.8
General administrative expenses	(145)	(114)	(31)	27.2
<i>Personnel</i>	(88)	(71)	(16)	22.5
<i>Other general administrative expenses</i>	(57)	(42)	(15)	35.2
Depreciation and amortisation	(9)	(10)	0	(4.9)
Net operating income	183	115	68	59.6
Net loan-loss provisions	(22)	(22)	(0)	2.1
Other income	(2)	(21)	19	(89.2)
Profit before taxes	158	72	87	121.3
Tax on profit	(37)	(17)	(20)	120.5
Profit from continuing operations	122	55	67	121.5
Net profit from discontinued operations	—	—	—	—
Consolidated profit	122	55	67	121.5
Minority interests	1	0	0	149.1
Attributable profit to the Group	121	55	66	121.4

Quarterly income statements

EUR million

	1Q15	2Q15	3Q15	4Q15	1Q16
Net interest income	142	141	134	138	183
Net fees	68	67	66	62	90
Gains (losses) on financial transactions	15	10	16	123	54
Other operating income**	13	16	10	(5)	10
Gross income	238	234	226	318	337
Operating expenses	(123)	(122)	(124)	(125)	(154)
General administrative expenses	(114)	(113)	(115)	(116)	(145)
<i>Personnel</i>	(71)	(72)	(72)	(75)	(88)
<i>Other general administrative expenses</i>	(42)	(41)	(43)	(41)	(57)
Depreciation and amortisation	(10)	(9)	(9)	(9)	(9)
Net operating income	115	112	102	193	183
Net loan-loss provisions	(22)	(21)	(24)	(5)	(22)
Other income	(21)	(23)	23	(10)	(2)
Profit before taxes	72	67	101	178	158
Tax on profit	(17)	(18)	(24)	(58)	(37)
Profit from continuing operations	55	49	77	120	122
Net profit from discontinued operations	—	—	—	—	—
Consolidated profit	55	49	77	120	122
Minority interests	0	(0)	0	1	1
Attributable profit to the Group	55	49	77	119	121

Thank you

Our purpose is to help people and businesses prosper.

Our culture is based on the belief that everything we do should be

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