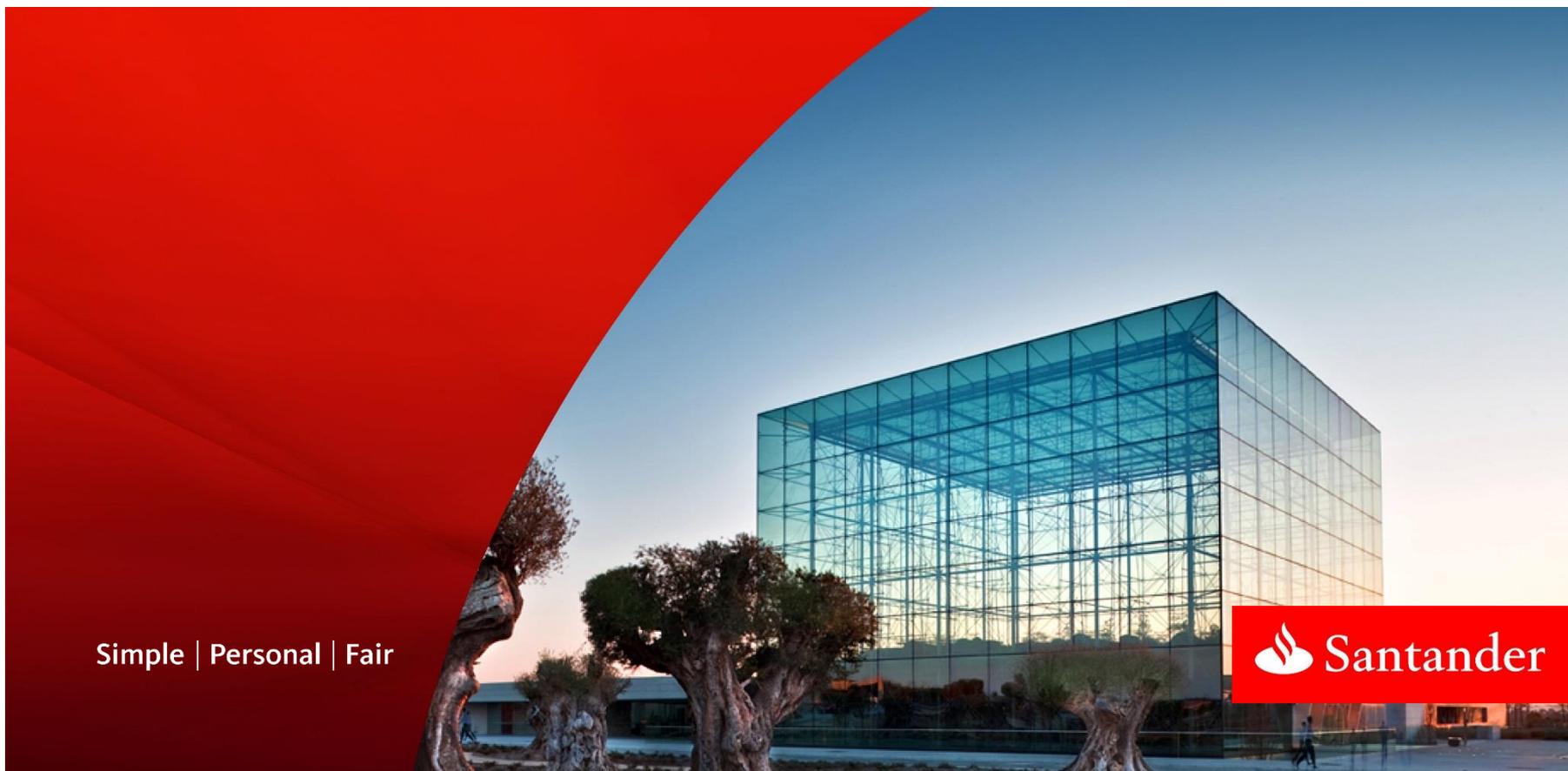


PORTUGAL

January – September 2016

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Note: Statements as to historical performance, historical share price or financial accretion are not intended to mean that future performance, historical share price or future earnings (including earnings per share) for any period will necessarily match or exceed those of any prior year. Nothing in this presentation should be construed as a profit forecast.

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: 2016 Results and business volumes contained in this presentation reflect the acquisition of Banif in Dec/15.

Agenda

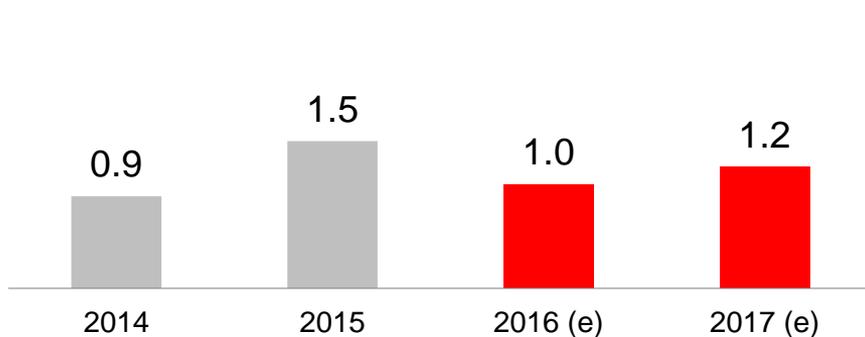
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix



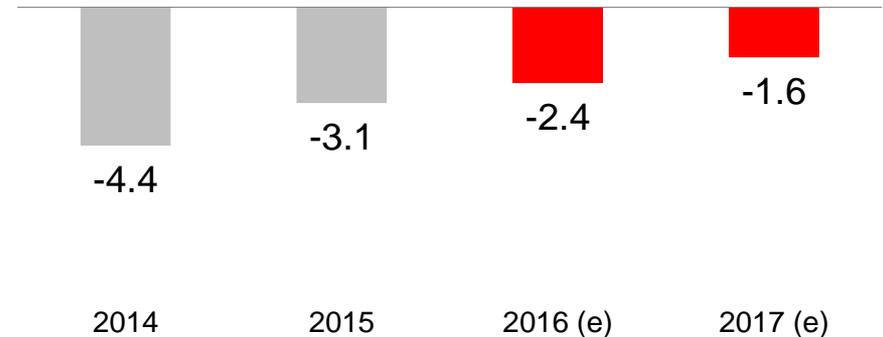
Macro-economic environment

Moderate growth ahead, under increased uncertainty

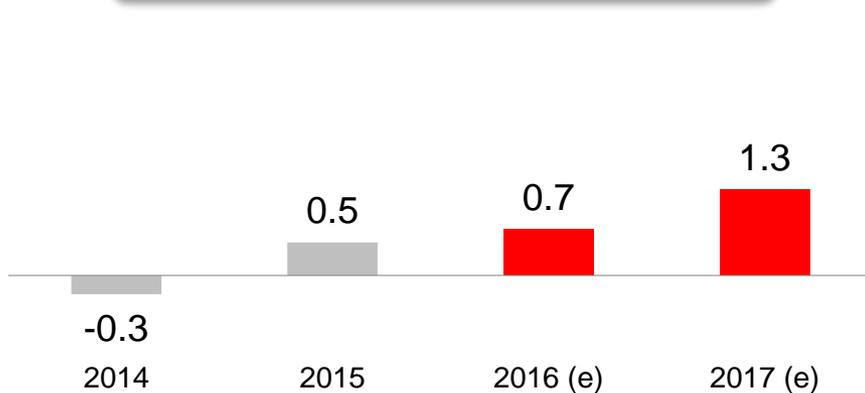
Annual GDP Growth (% , real)



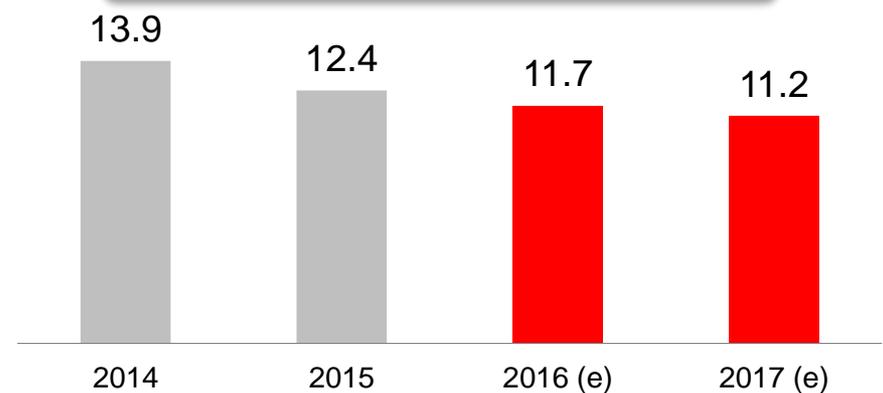
Fiscal Balance (% GDP)



Inflation (annual change, %)



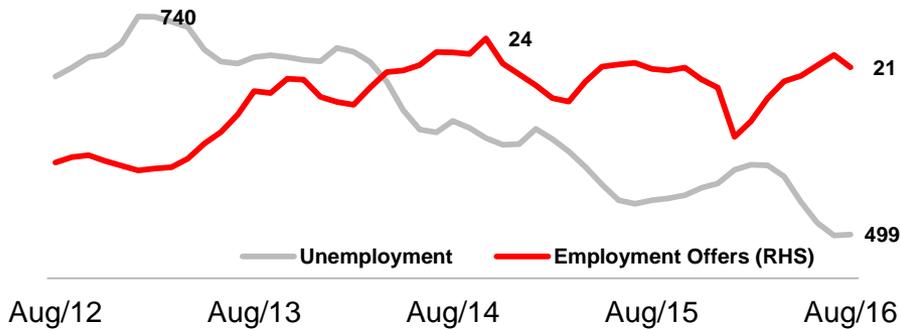
Unemployment (% , annual average)



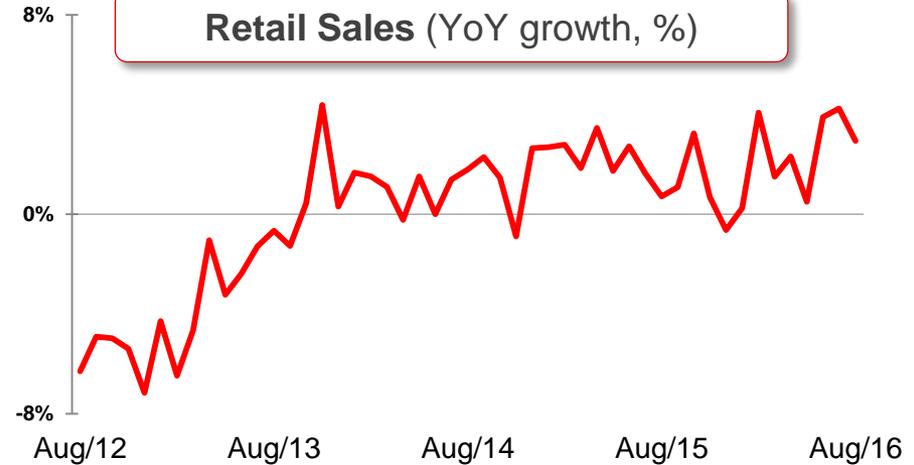
Macro-economic environment

Gradual decline in unemployment in line with resilient domestic demand

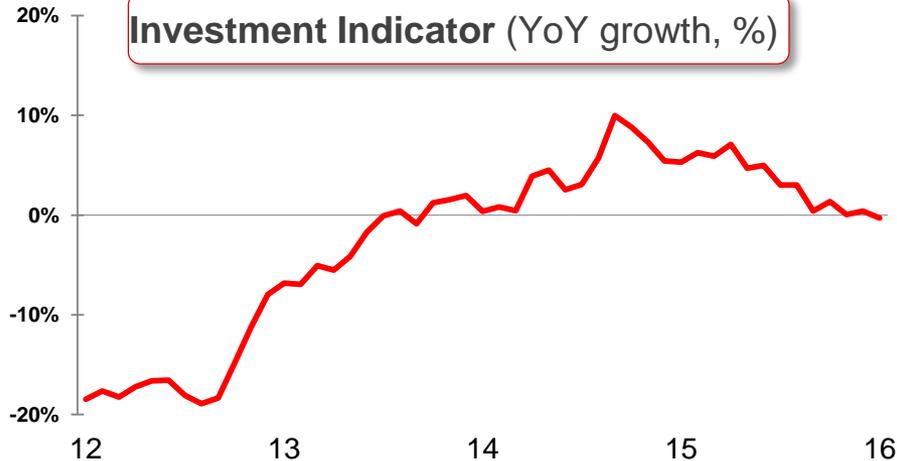
Registered Unemployment (000)



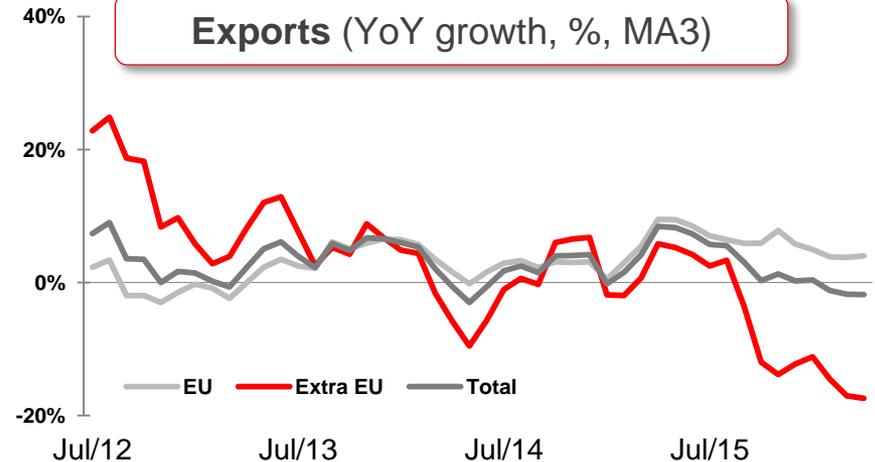
Retail Sales (YoY growth, %)



Investment Indicator (YoY growth, %)

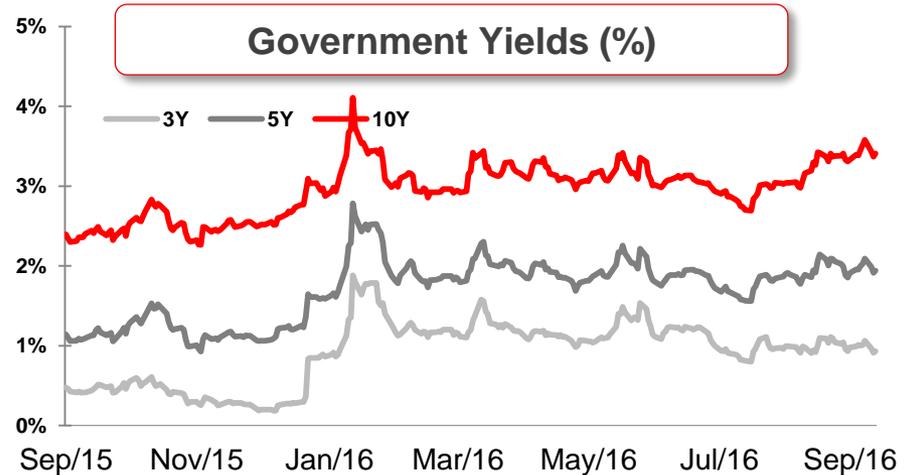
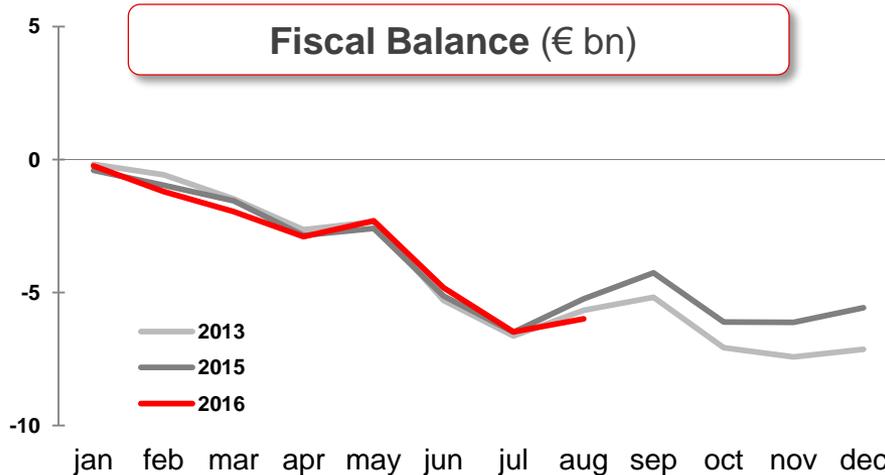
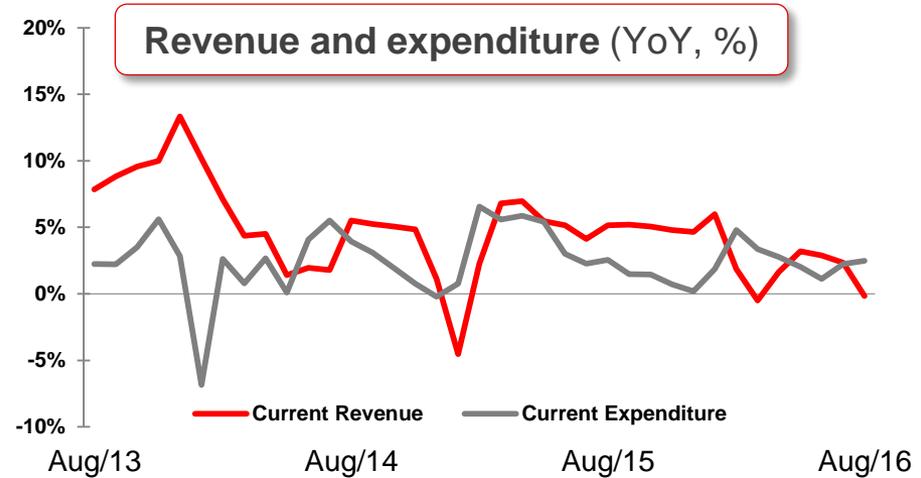
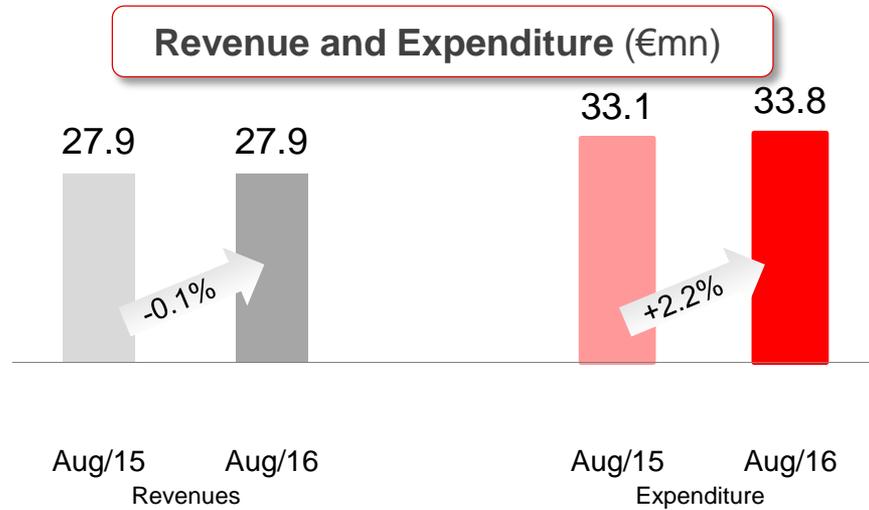


Exports (YoY growth, %, MA3)



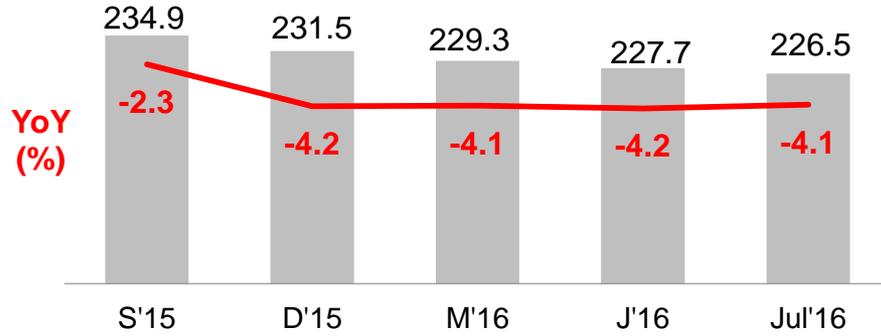
Macro-economic environment

Moderate expenditure growth from wage repositioning in the Civil Service

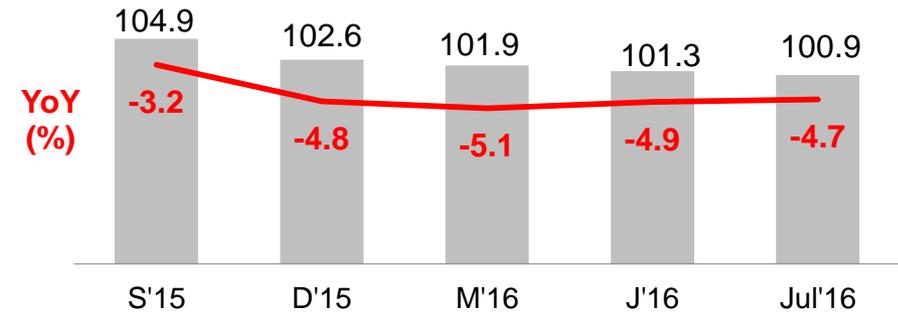


Strong deposit growth despite low interest rate levels

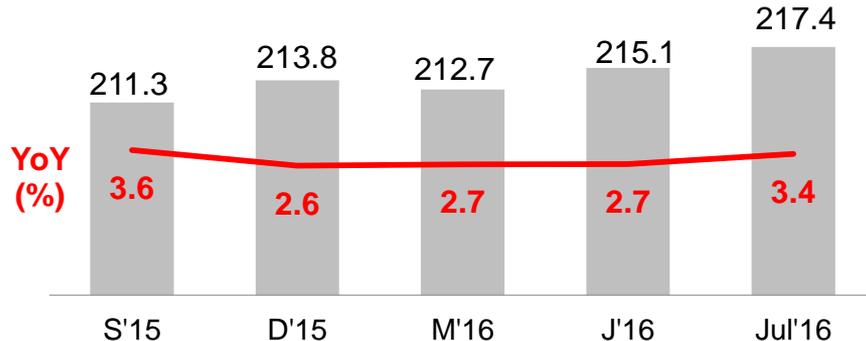
Total loans (€bn)



Corporate loans (€bn)



Total Deposits (€bn)



- Credit maintains its downward trend, especially at the level of corporates. Credit should fall c.4% in 2016F.
- Deposits remain elevated, and should grow around 3% 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>	Sep'16	Var. YOY
Business and Results		
Loans	29.3 bn.	+20.4%
Deposits	30.4 bn.	+26.1%
Total customer funds	37.3 bn.	+26.5%
Underlying Consolidated profit	303.8m.	+67.8%
Underlying Attributable profit	301.9m.	+67.0%

Other Data

Employees	6,393	+970
Branches	727	+152

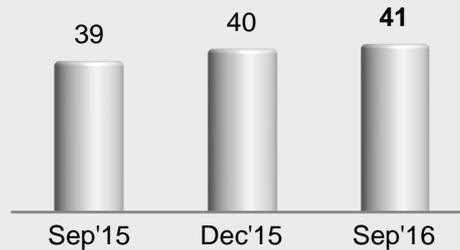
Market Share ⁽¹⁾

Loans	14.47%	+3.19pp
- Individuals	15.39%	+2.47pp
- Corporates	13.30%	+4.04pp
Deposits	13.69%	+3.14pp

Reinforcing our customer focus

Balance sheet mix
(in local criteria*)

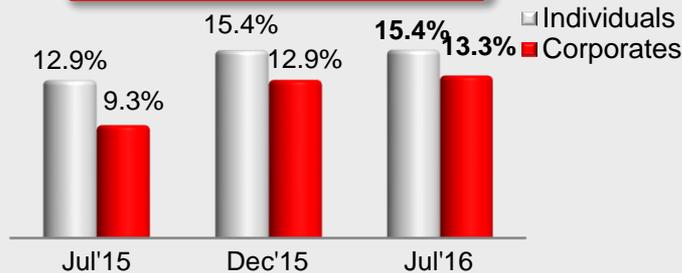
Mix of Corporates / Total loans (%)



Loans to corporates/SMEs already account for 41% of the loan book

Market shares

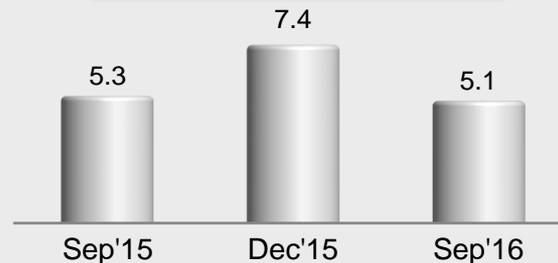
Market shares - Loans



Sustained gains in market share in loans to corporates and individuals

Commercial Gap

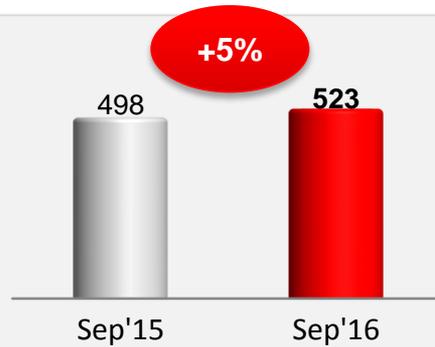
Commercial gap (local criteria)



Commercial gap continues to improve

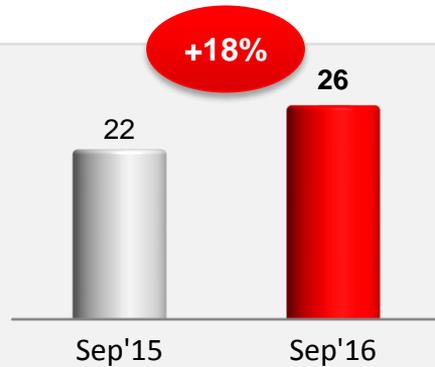
Customers

Retail loyal customers
(k)



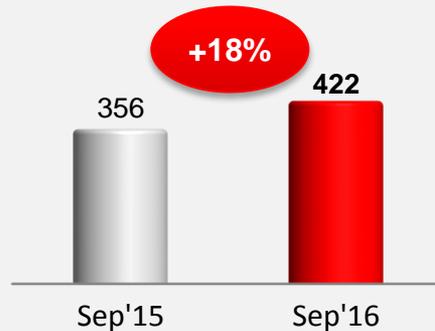
The number of loyal customers is growing above the targets...

Loyal SMEs and Corporate customers
(k)



... while the focus on corporates is reflected in the increase of clients

Online digital customers
(k)



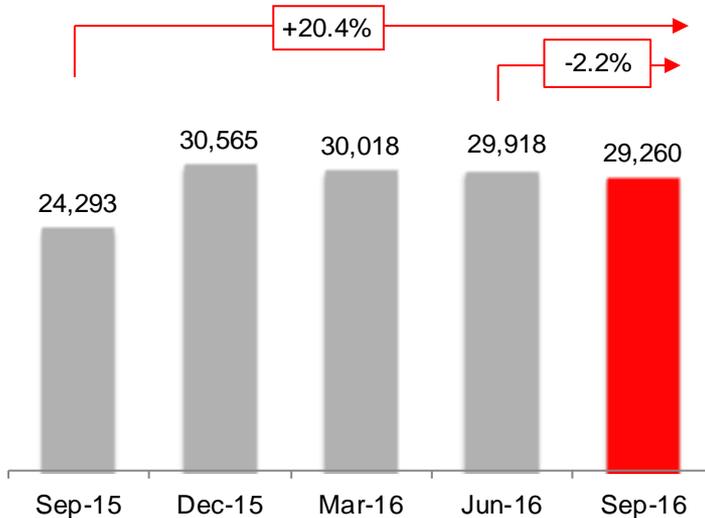
The number of digital clients maintains a strong growth

Total loans performance

Slight decline in the loan book

EUR million

Total loans (**)



	Sep-16	YoY (%)	QoQ (%)
Individuals	19,137	+16.3	-0.7
<i>from which:</i>			
Mortgage	16,947	+15.9	-0.6
Consumer credit	1,868	+34.4	-1.2
Corporates	10,198	+35.6	-1.9
Total	29,260	+20.4	-2.2
Loans to Corporates (*)	14,528	+40.0	-0.9
Total Loans (*)	33,590	+23.7	-1.7

(*) includes commercial paper

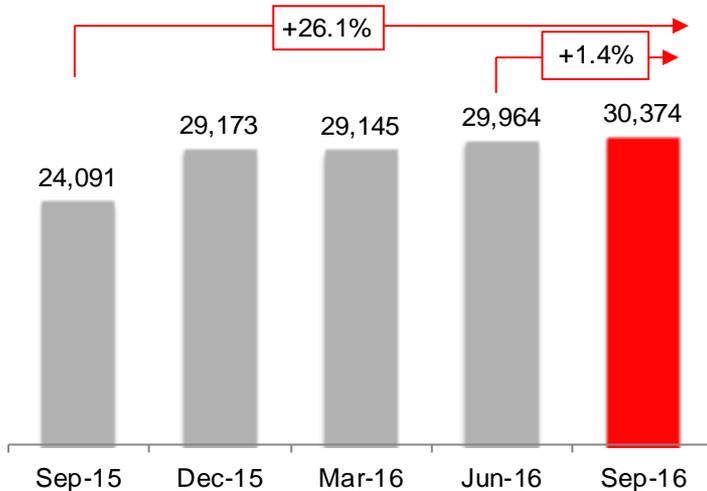
(**) Gross credit

Total customer funds performance

Continued increase in customer deposits

EUR million

Total deposits & Financial Insurance



	Sep-16	YoY (%)	QoQ (%)
Demand	10,951	+70.1	+9.5
Time and Savings	16,881	+16.6	-2.8
Total Deposits	27,832	+33.1	+1.7
Financial insurance	2,542	-20.0	-2.2
Deposits & financial insurance	30,374	+26.1	+1.4
Securities placed	4,221	+64.5	-5.9
Investment funds and other	2,656	-5.2	-1.1
Total Customer Funds	37,251	+26.5	+0.3

Agenda

- Macro-economic environment and financial system
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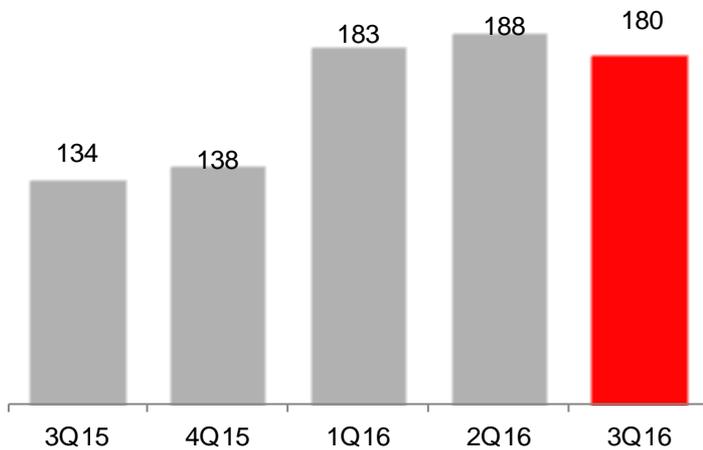


Net interest income and spreads

NII affected by the gradual decline in loan spreads

EUR million

Net Interest Income



Loan spreads, %

Retail Banking



Deposit spreads, %

Retail Banking

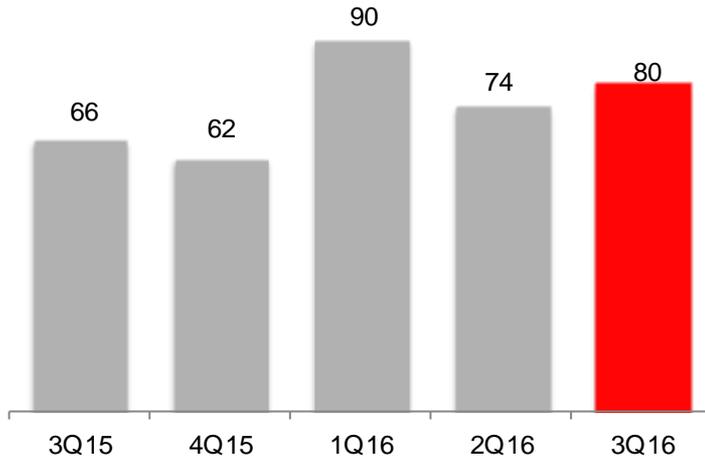


Net fees

Improvement in fees, which continue to improve, ex-one offs

EUR million

Net fees



	9M16	9M15	YoY (%)	QoQ (%)
Credit	57	50	+14.0	+5.8
Credit cards	44	40	+10.5	+22.0
Mutual funds	13	15	-13.2	-0.4
Insurance	68	67	+1.6	+2.0
Other*	62	30	+110.4	+8.9
Total	245	202	+21.3	+7.6

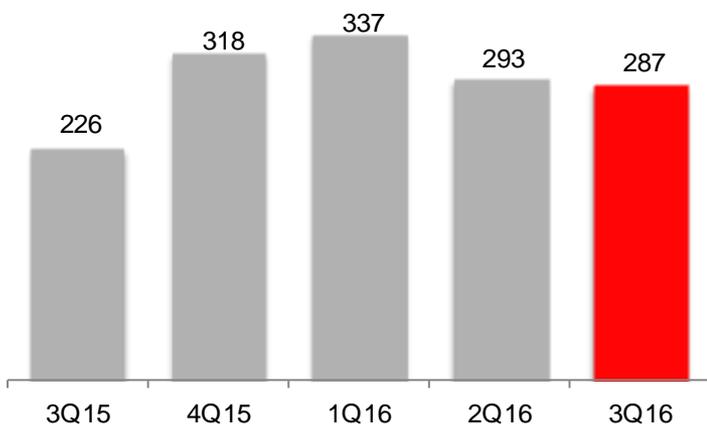
* Increased fees paid to other business units

Gross income

Gross income growth YoY, with highlight for NII and gains on financial transactions

EUR million

Gross Income



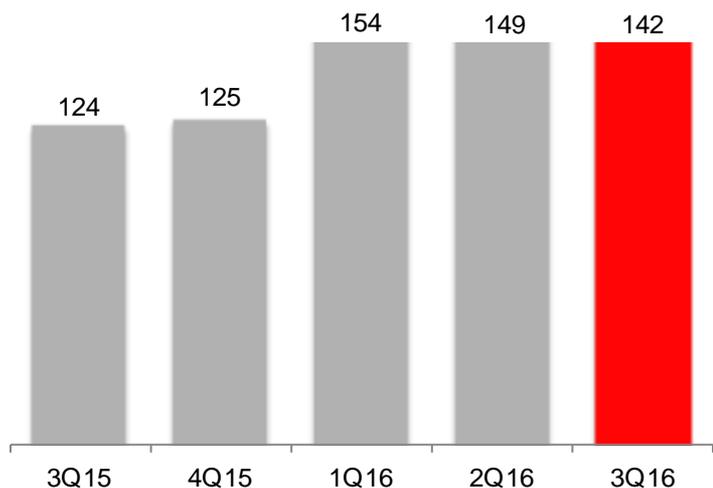
	9M16	9M15	YoY (%)	QoQ (%)
Net interest income	551	417	+32.1	-4.0
Net Fees	245	202	+21.3	7.6
Subtotal	795	619	+28.6	-0.7
Other ¹	122	79	+53.9	-14.9
Gross income	917	698	+31.5	-2.2

Operating expenses

Sustained improvement in operating costs

EUR million

Operating expenses



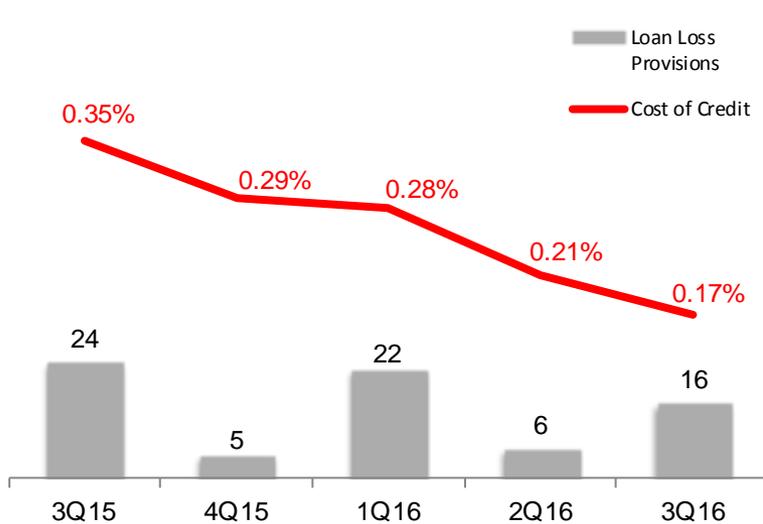
	9M16	9M15	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	418	342	+22.0	-5.3
Depreciation and amortization	28	27	+3.1	1.1
Total	445	369	+20.6	-4.9

Efficiency ratio (with amortisations)	48.6%	52.9%
Number of branches	727	575
Number of employees	6,393	5,423

Net operating income after loan-loss provisions (LLPs)

The cost of credit continues to decline

LLPs and cost of credit



	9M16	9M15	YoY (%)	QoQ (%)
Net Operating Income	472	328	+43.7	+0.5
LLPs	44	67	-33.8	+150.9
Net Op. Income after LLPs	427	261	+63.5	-6.2

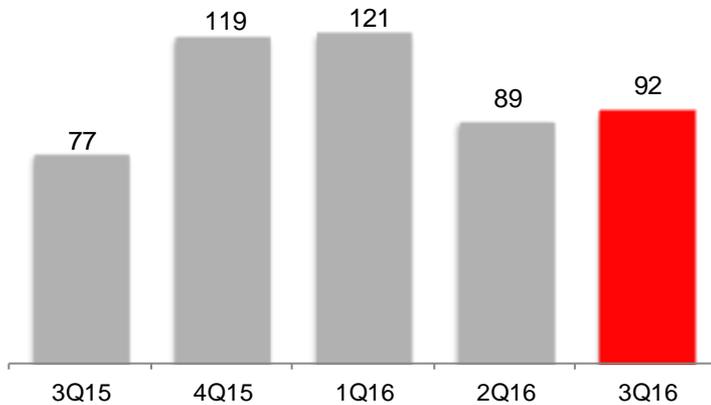
NPL ratio	9.4%	8.9%
NPL coverage ratio	57.8%	56.2%

Attributable profit

Attributable profit in 9M'16 increased to 302mn

EUR million

Underlying Attributable profit



	9M16	9M15	YoY (%)	QoQ (%)
Underlying Profit before taxes	399	240	+65.9	+6.2
Tax on profit	95	59	+60.2	+13.3
Underlying Consolidated profit	304	181	+67.8	+4.1
Underlying Attributable profit	302	181	+67.0	+4.0
Effective tax rate	23.8%	24.6%		

Conclusions

Market Environment & Financial System

- Activity has stabilized at moderate levels. Growth should pick up gradually in 2017, supported by resilient domestic demand, while exports may be affected by Brexit
- The Government aims a target of 1.6% of GDP for the fiscal deficit in 2017, following 2.4% in 2016. Higher indirect taxation will offset the increase in spending in wages, while other current primary expenditure is to be cut
- Resilient volumes of new loans but the stock of loans continues to decline, albeit at a more moderate pace

Strategy, Business and Capital

- The acquisition of Banif business has levered 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 15.8%

Results

- Sustained recurrent results of activity, supported by the improvement in fees and reduction in operating costs
- The cost of credit maintains a downward trend

Agenda

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Balance sheet

EUR million			Variation	
	30-Sep-16	30-Sep-15	Amount	%
Customer loans *	27,595	23,029	4,565	19.8
Financial assets held for trading (w/o loans)	1,718	1,801	(84)	(4.6)
Available-for-sale financial assets	5,868	5,736	133	2.3
Central banks and credit institutions *	2,104	1,715	390	22.7
Tangible and intangible assets	696	696	(1)	(0.1)
Other assets	8,456	6,381	2,074	32.5
Total assets/liabilities & shareholders' equity	46,436	39,358	7,078	18.0
Customer deposits *	30,374	24,091	6,283	26.1
Debt securities issued *	4,221	2,566	1,656	64.5
Liabilities under insurance contracts	39	22	17	78.1
Central banks and credit institutions *	7,415	9,384	(1,970)	(21.0)
Other liabilities	1,054	920	134	14.5
Stockholders' equity **	3,333	2,376	958	40.3
Off-balance-sheet funds	2,655	2,801	(145)	(5.2)
Mutual funds	1,356	1,489	(133)	(8.9)
Pension funds	900	906	(6)	(0.6)
Managed portfolios	400	406	(6)	(1.6)
Customer funds under management	37,251	29,457	7,794	26.5

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income statement

EUR million			Variation	
	9M16	9M15	Amount	%
Net interest income	551	417	134	32.1
Net fees	245	202	43	21.3
Gains (losses) on financial transactions	73	41	32	77.3
Other operating income*	49	38	11	28.5
Gross income	917	698	220	31.5
Operating expenses	(445)	(369)	(76)	20.6
General administrative expenses	(418)	(342)	(75)	22.0
<i>Personnel</i>	(256)	(216)	(40)	18.5
<i>Other general administrative expenses</i>	(162)	(127)	(35)	28.0
Depreciation and amortisation	(28)	(27)	(1)	3.1
Net operating income	472	328	143	43.7
Net loan-loss provisions	(44)	(67)	23	(33.8)
Other income	(29)	(21)	(8)	35.7
Underlying profit before taxes	399	240	158	65.9
Tax on profit	(95)	(59)	(36)	60.2
Underlying profit from continuing operations	304	181	123	67.8
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	304	181	123	67.8
Minority interests	2	0	2	620.1
Underlying attributable profit to the Group	302	181	121	67.0
Net capital gains and provisions**	(9)	—	(9)	—
Attributable profit to the Group	293	181	113	62.3

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

** Net capital gains and provisions including the charge arising from the change of the temporary criteria in the contribution to the Resolution Fund net of tax

Quarterly income statements

EUR million

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Net interest income	142	141	134	138	183	188	180
Net fees	68	67	66	62	90	74	80
Gains (losses) on financial transactions	15	10	16	123	54	15	4
Other operating income*	13	16	10	(5)	10	16	23
Gross income	238	234	226	318	337	293	287
Operating expenses	(123)	(122)	(124)	(125)	(154)	(149)	(142)
General administrative expenses	(114)	(113)	(115)	(116)	(145)	(140)	(133)
<i>Personnel</i>	(71)	(72)	(72)	(75)	(88)	(88)	(80)
<i>Other general administrative expenses</i>	(42)	(41)	(43)	(41)	(57)	(52)	(52)
Depreciation and amortisation	(10)	(9)	(9)	(9)	(9)	(9)	(9)
Net operating income	115	112	102	193	183	144	145
Net loan-loss provisions	(22)	(21)	(24)	(5)	(22)	(6)	(16)
Other income	(21)	(23)	23	(10)	(2)	(21)	(5)
Underlying profit before taxes	72	67	101	178	158	116	124
Tax on profit	(17)	(18)	(24)	(58)	(37)	(27)	(31)
Underlying profit from continuing operations	55	49	77	120	122	89	93
Net profit from discontinued operations	—	—	—	—	—	—	—
Underlying consolidated profit	55	49	77	120	122	89	93
Minority interests	0	(0)	0	1	1	1	1
Underlying attributable profit to the Group	55	49	77	119	121	89	92
Net capital gains and provisions**	—	—	—	—	—	(9)	—
Attributable profit to the Group	55	49	77	119	121	80	92

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

** Net capital gains and provisions including the charge arising from the change of the temporary criteria in the contribution to the Resolution Fund net of tax

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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