

PORTUGAL

January – September 2017

Simple | Personal | Fair



Disclaimer

Banco Santander, S.A. ("Santander") cautions that this presentation contains statements that constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expect", "project", "anticipate", "should", "intend", "probability", "risk", "VaR", "RORAC", "RoRWA", "TNAV", "target", "goal", "objective", "estimate", "future" and similar expressions. These forward-looking statements are found in various places throughout this presentation and include, without limitation, statements concerning our future business development and economic performance and our shareholder remuneration policy. While these forward-looking statements represent our judgment and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to: (1) general market, macro-economic, industry, governmental and regulatory trends; (2) movements in local and international securities markets, currency exchange rates and interest rates; (3) competitive pressures; (4) technological developments; and (5) changes in the financial position or credit worthiness of our customers, obligors and counterparties. Numerous factors, including those reflected in the Annual Report on Form 20-F filed with the Securities and Exchange Commission of the United States of America (the "SEC") –under "Key Information-Risk Factors"- and in the Documento de Registro de Acciones filed with the Spanish Securities Market Commission (the "CNMV") –under "Factores de Riesgo"- could affect the future results of Santander and could result in other results deviating materially from those anticipated in the forward-looking statements. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Forward-looking statements speak only as of the date of this presentation and are based on the knowledge, information available and views taken on such date; such knowledge, information and views may change at any time. Santander does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The information contained in this presentation is subject to, and must be read in conjunction with, all other publicly available information, including, where relevant any fuller disclosure document published by Santander. Any person at any time acquiring securities must do so only on the basis of such person's own judgment as to the merits or the suitability of the securities for its purpose and only on such information as is contained in such public information having taken all such professional or other advice as it considers necessary or appropriate in the circumstances and not in reliance on the information contained in the presentation. No investment activity should be undertaken on the basis of the information contained in this presentation. In making this presentation available, Santander gives no advice and makes no recommendation to buy, sell or otherwise deal in shares in Santander or in any other securities or investments whatsoever.

Neither this presentation nor any of the information contained therein constitutes an offer to sell or the solicitation of an offer to buy any securities. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. Nothing contained in this presentation is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion in the U.K. Financial Services and Markets Act 2000.

Note: Statements as to historical performance or financial accretion are not intended to mean that future performance, 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.

The businesses included in each of our geographic segments and the accounting principles under which their results are presented here may differ from the included businesses and local applicable accounting principles of our public subsidiaries in such geographies. Accordingly, the results of operations and trends shown for our geographic segments may differ materially from those of such subsidiaries.

In addition to the financial information prepared under International Financial Reporting Standards ("IFRS"), this presentation includes certain alternative performance measures as defined in the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415es) as well as Non-IFRS measures. The APMs and Non-IFRS Measures are performance measures that have been calculated using the financial information from the Santander Group but that are not defined or detailed in the applicable financial information framework and therefore have neither been audited nor are capable of being completely audited. These APMs and Non-IFRS Measures are used to allow for a better understanding of the financial performance of the Santander Group but should be considered only as additional information and in no case as a replacement of the financial information prepared under IFRS. Moreover, the way the Santander Group defines and calculates these APMs and Non-IFRS Measures may differ to the way these are calculated by other companies that use similar measures, and therefore they may not be comparable. Please refer to the quarterly financial Report for further details of the APMs and Non-IFRS Measures used, including its definition or a reconciliation between any applicable management indicators and the financial data presented in the consolidated financial statements prepared under IFR, see Section 26 of the Documento de Registro de Acciones for Banco Santander filed with the CNMV on July 4, 2017 (available on the Web page of the CNMV -www.cnmv.es- and at Banco Santander -www.santander.com) and Item 3A of the Annual Report on Form 20-F for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission on March 31, 2017 (the "Form 20-F"). For a discussion of the accounting principles used in translation of foreign currency-denominated assets and liabilities to euros, see note 2(a) to our consolidated financial statements on Form 20-F and to our consolidated financial statements available on the CNMV's website (www.cnmv.es) and on Banco Santander's website (www.santander.com).



Content

▶ Macroeconomic environment and financial system ◀

Strategy and business

Results

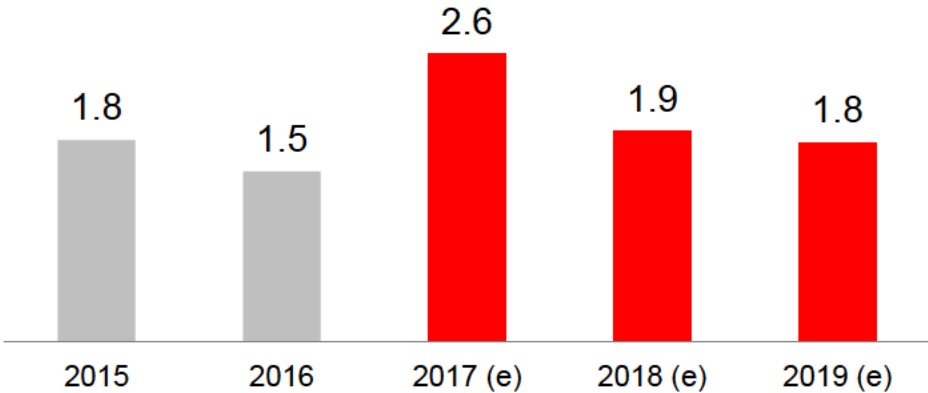
Appendix

Note: All figures excluding Popular

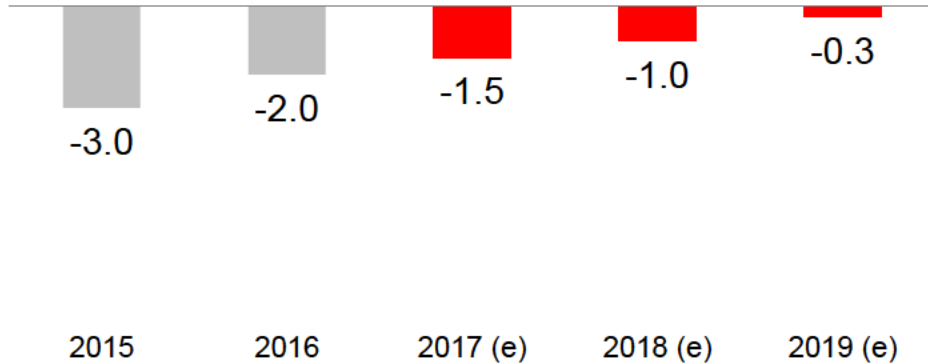
Macro-economic environment

GDP growing at the fastest pace since 2000, leading to a faster decline in unemployment

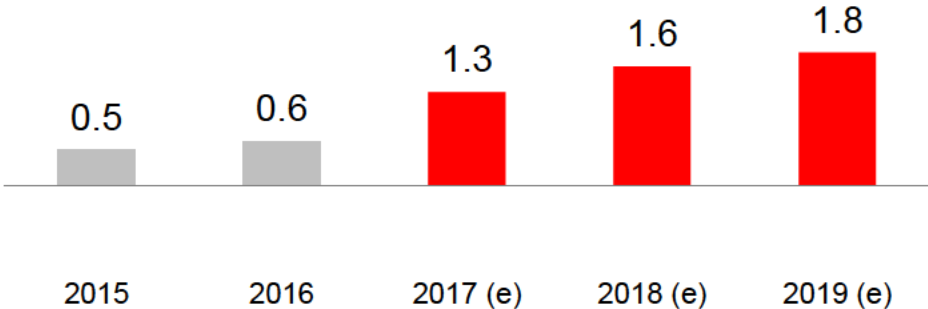
Annual GDP Growth (%) (real)



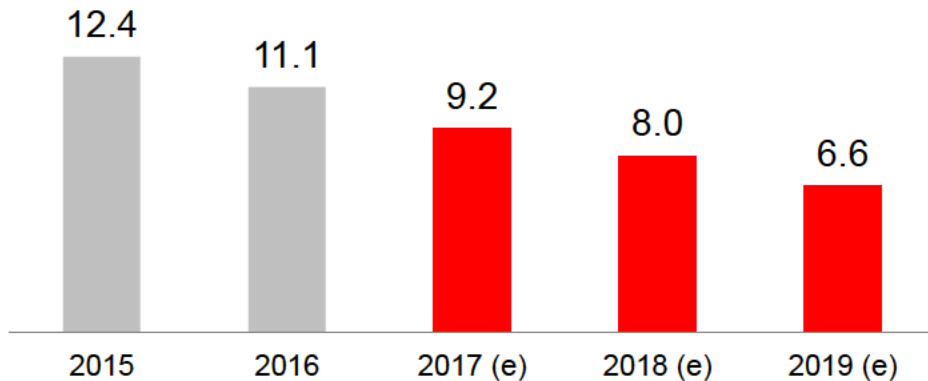
Fiscal Balance (% GDP)



Inflation (annual change, %)

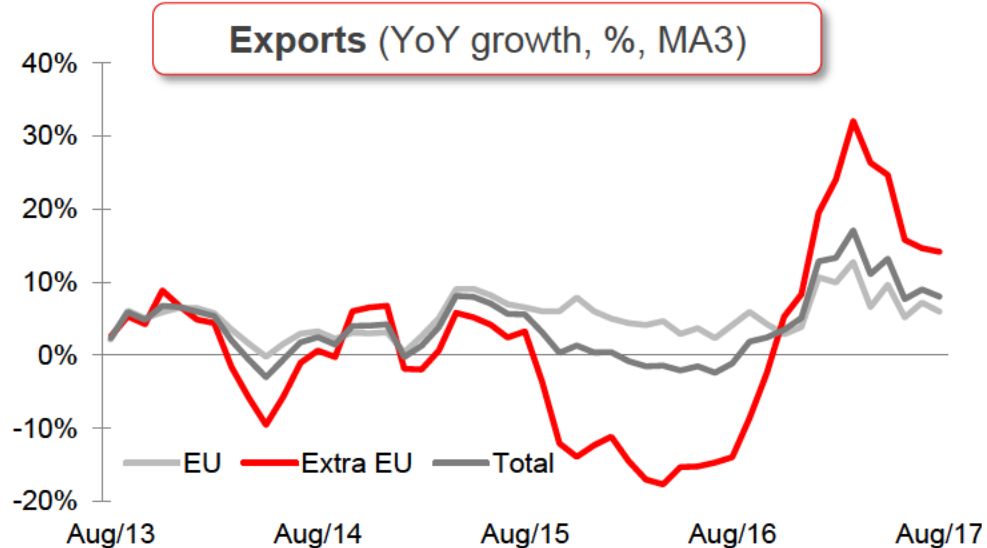
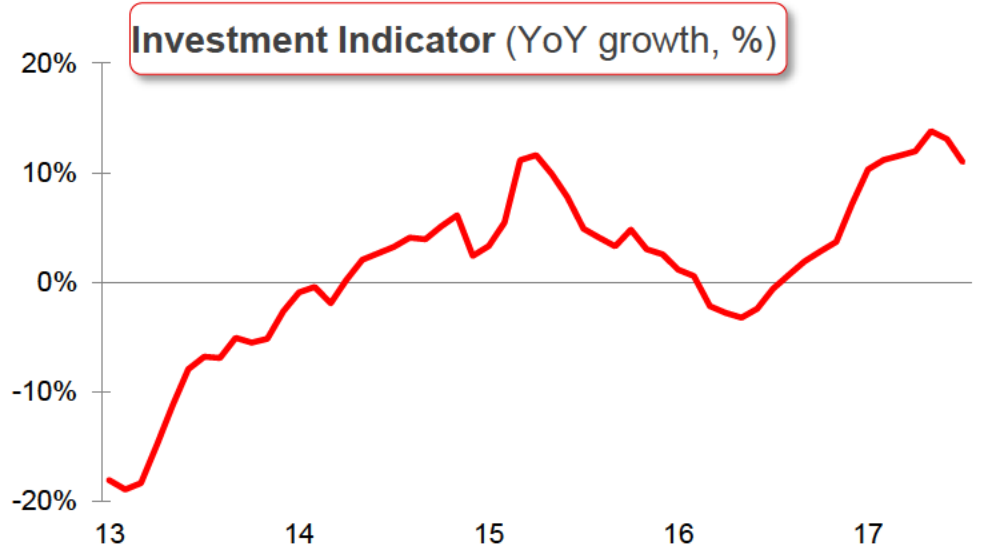
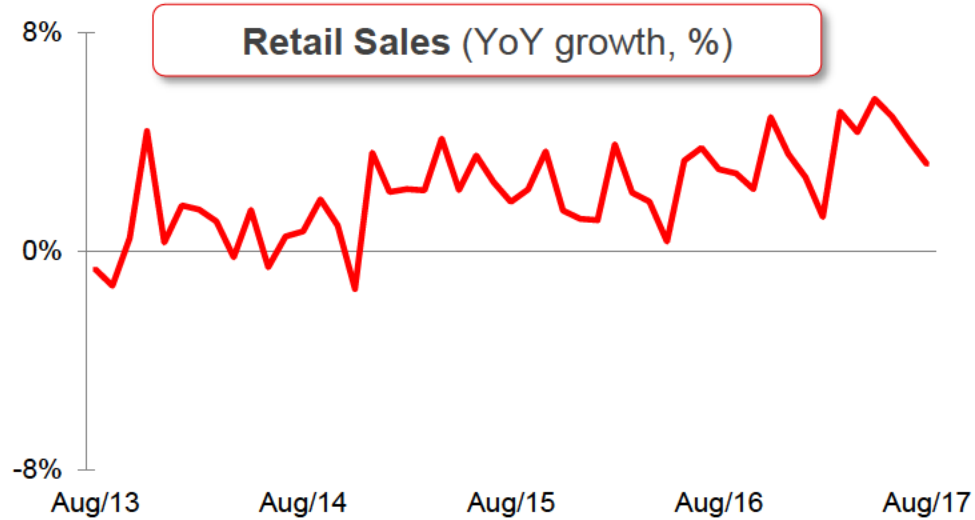
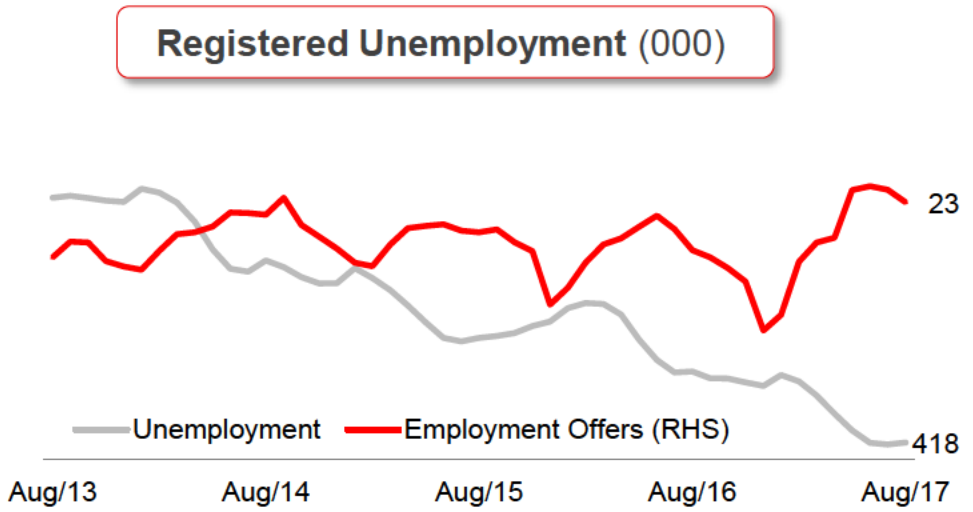


Unemployment (% (annual average))



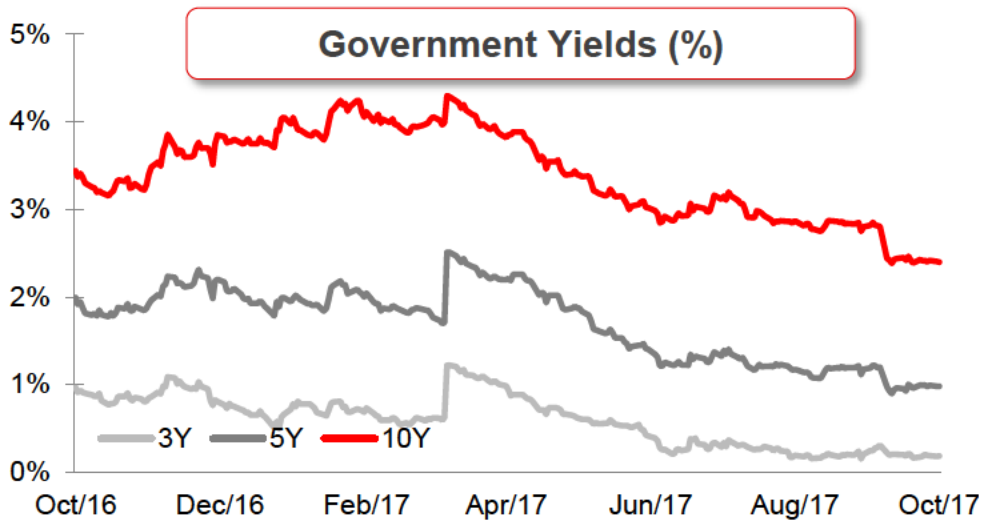
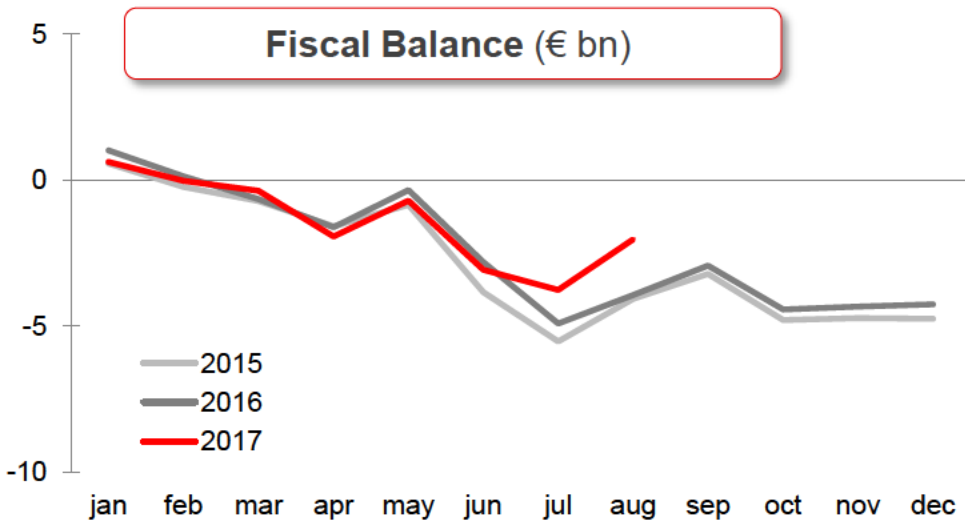
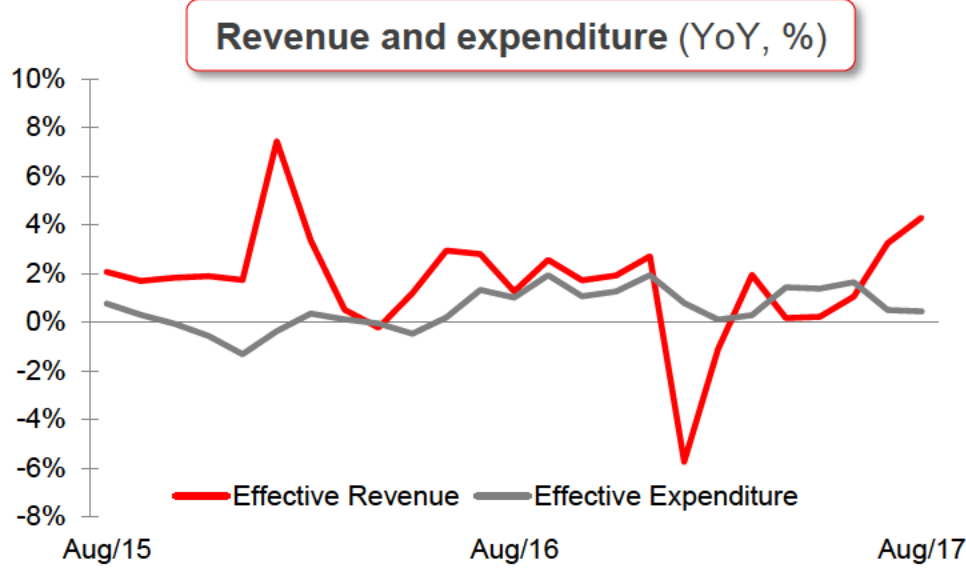
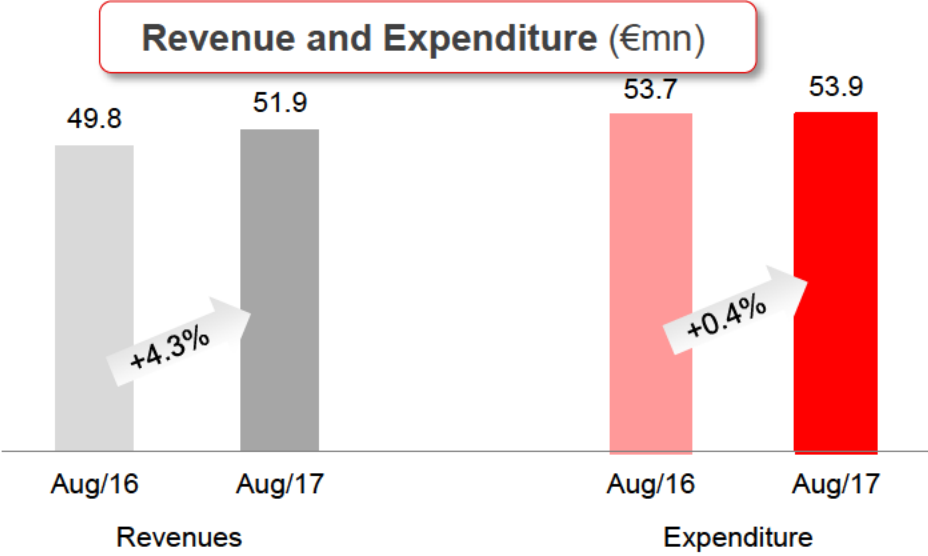
Macro-economic environment

Strong dynamics of investment and exports



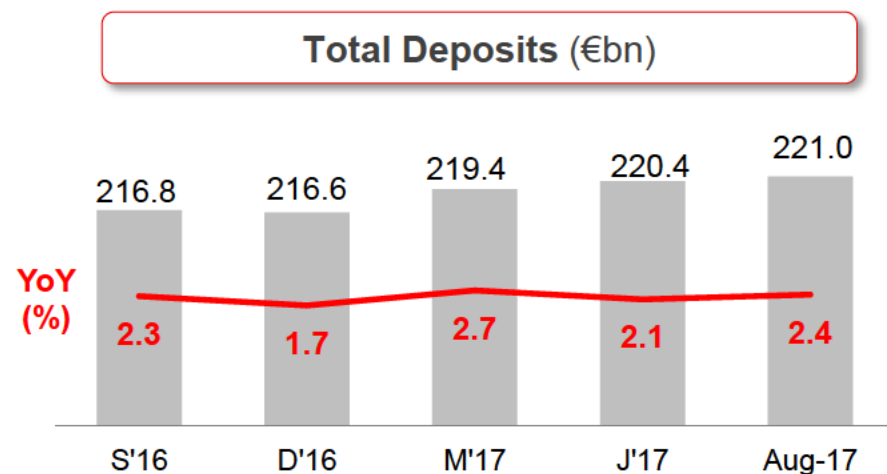
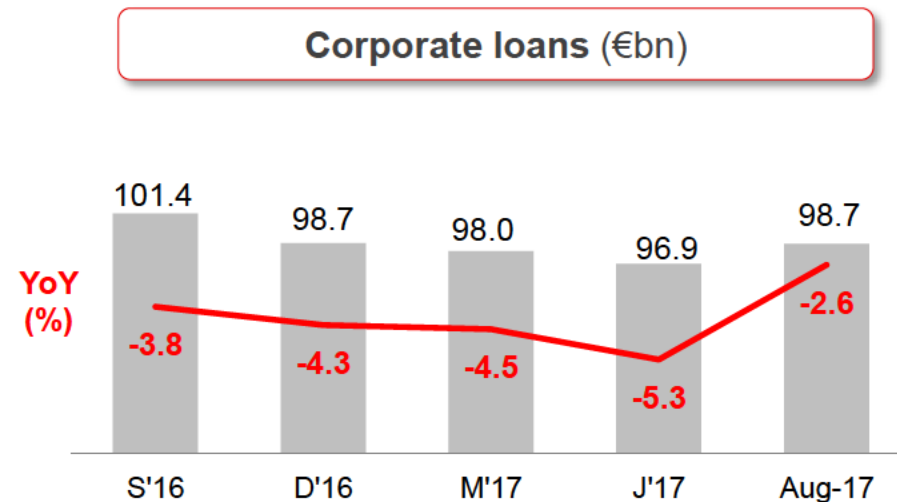
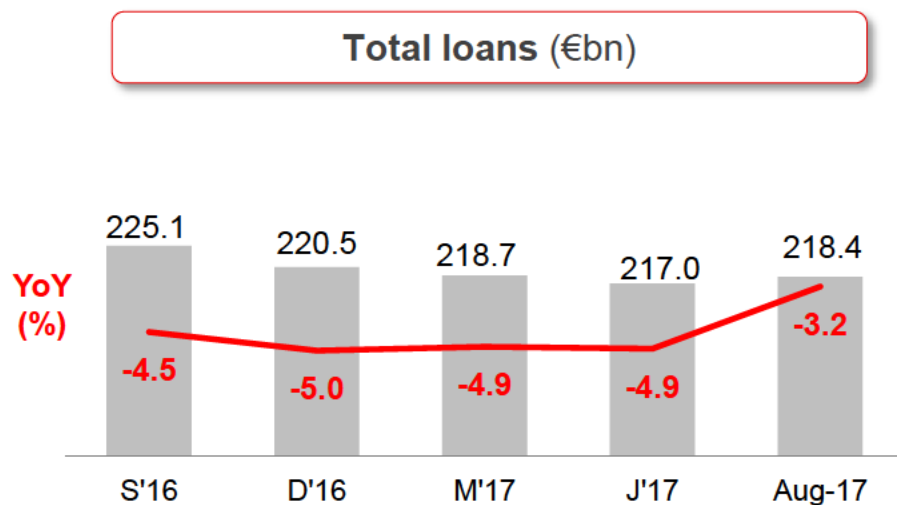
Macro-economic environment

Fiscal aggregates in line with the 2017 targets



Financial system: Loan and deposit evolution

Loan book declines at a more moderate pace



- The deleveraging process is ongoing, as the banking sector increased the pace of balance sheet cleanup. Total loans could decline c. 3.5% in 2017(E), following -5% in 2016.
- Deposits remain resilient, and could grow around 2% in 2017(E), after c.1% in 2016.



Content

Macroeconomic environment
and financial system



Strategy and business



Results

Appendix

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












STRATEGIC PRIORITIES

Keep on gaining profitable market share

Optimise the cost of funds

Improve efficiency and cost of credit

Adjust the capital structure to the new regulatory requirements

KEY DATA	9M'17	Var. YoY
 Gross loans ¹	31,190	+6.6%
 Customer funds ¹	37,914	+1.8%
 Attributable profit ¹	336	+15%
 RoTE	13.2%	+11bps
 Efficiency ratio	47.7%	-155 bps
 Loans' market share ²	15.4%	115bps
 Deposits' market share ²	13.7%	-16bps
 Loyal customers ³	681	+24%
 Digital customers ³	551	+31%
 Branches	587	-19.3%
 Employees	6,022	-5.8%



Improved customer experience due to innovative products and services

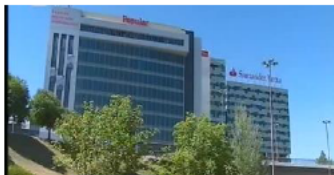
Market recognition and material facts



S&P upgraded BST rating in September to BBB-/A-3 and Moody's reaffirmed the Bank's rating after Banco Popular Portugal acquisition. The Bank maintains the best ratings in the Portuguese financial system



In September the Bank issued €1bn covered bonds. The operation was a huge success with books well above €3.25bn and represents the first Portuguese 10 year covered bond transaction since 2011



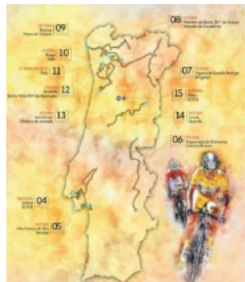
Santander Totta approved the purchase of Banco Popular Portugal and thus becomes the largest private bank in Portugal in performing loans and in number of branches



Santander Totta is the Bank for Urban Rehabilitation and Revitalization and won the first and largest lot for financing corporates and households



It is already possible for Customers to view in NetBanco Empresas all the operations performed in POS. This new feature allows the selection of movements by dates, by type (debit / credit) and by amounts, which facilitates the visualization of operations



In August the Bank supported the Bicycle Tour of Portugal



The Bank was European Innovation Academy partner with higher education institutions. As part of its support, the Bank awarded 35 scholarships to young entrepreneurs to participate in the event

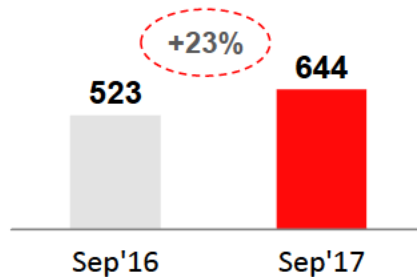


The Bank launched more digital services available on the Santander Totta App. The PagaSIMPLES is a new way of payment associated with Credit Cards that allows customers to pay their purchases in monthly installments



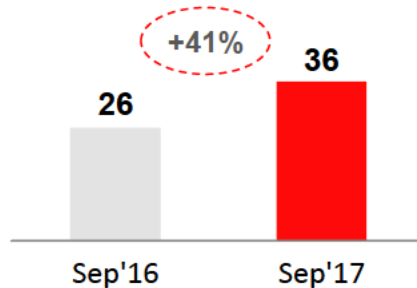
Dynamic growth in the most valuable customer segments

Loyal individuals (000)



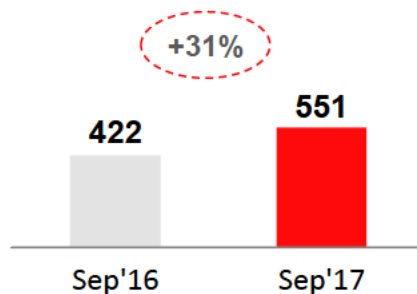
- The number of loyal customers is growing above the targets...

Loyal companies (000)



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

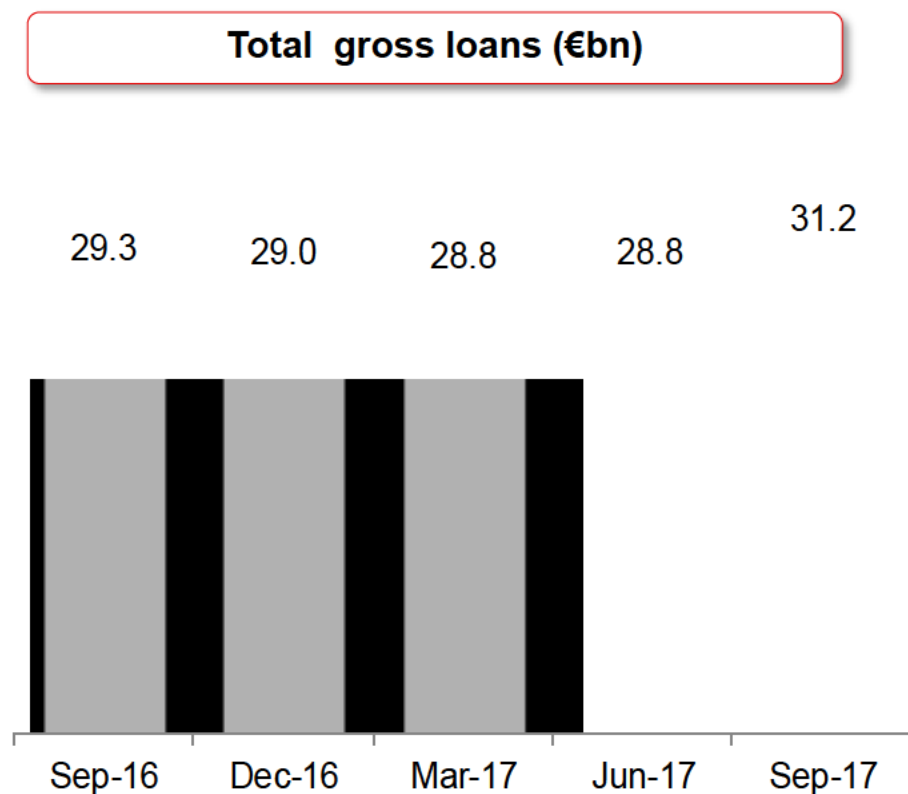
Digital customers (000)



- The number of digital clients maintains a strong growth



Loan book increases benefiting from a corporate operation in the third quarter



	Sep-17	YoY (%)	QoQ (%)
Individuals	19,141	-0.2	+0.7
<i>from which:</i>			
Mortgage	17,161	+0.6	+0.7
Consumer credit	1,550	+1.3	+1.9
Corporates	9,478	-5.8	-0.6
Total	31,190	+6.6	+8.4
Loans to Corporates (*)	13,665	-5.0	-1.3
Total Loans (*)	35,377	+5.3	+6.9

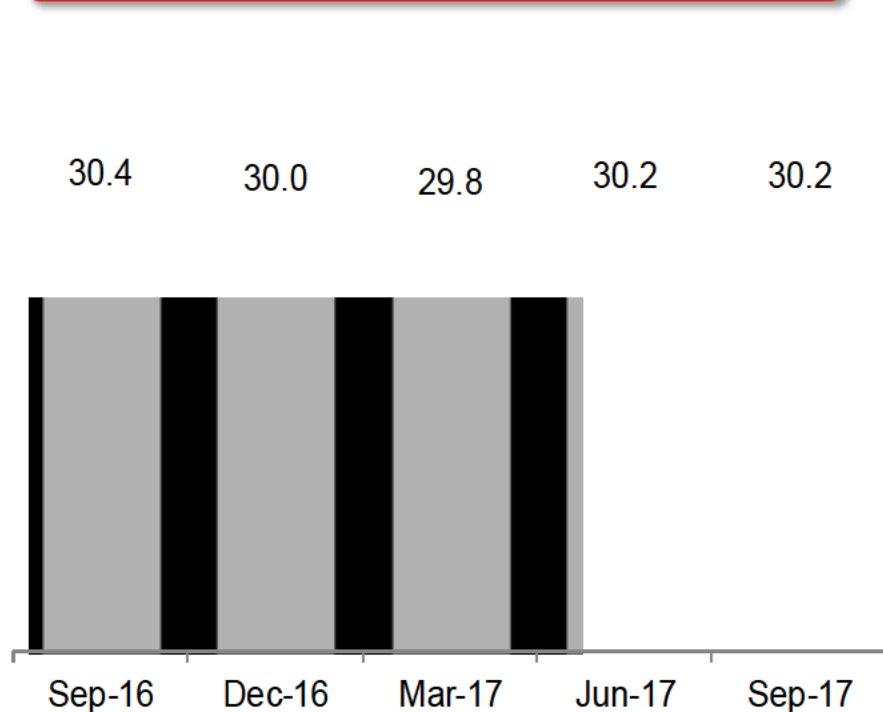
(*) includes commercial paper

Note: Total credit includes a loan to the State in the amount of € 2.3bn. Excluding this effect total credit grew 0.4% QoQ and decreased 1.1% YoY



Increase in customer funds in the quarter reflects the focus in off balance sheet resources

Total deposits (€bn)



	Sep-17	YoY (%)	QoQ (%)
Demand	11,747	+8.2	+2.0
Time and Savings	15,740	-7.3	-1.6
Total Deposits	27,487	-1.3	-0.1
Financial insurance	2,735	+8.1	+2.1
Deposits & financial insurance	30,221	-0.5	+0.1
Securities placed	4,493	+6.4	+25.7
Investment funds and other	3,200	+20.5	+4.7
Total Customer Funds	37,914	+1.8	+3.0



Content

Macroeconomic environment
and financial system

Strategy and business



Results



Appendix

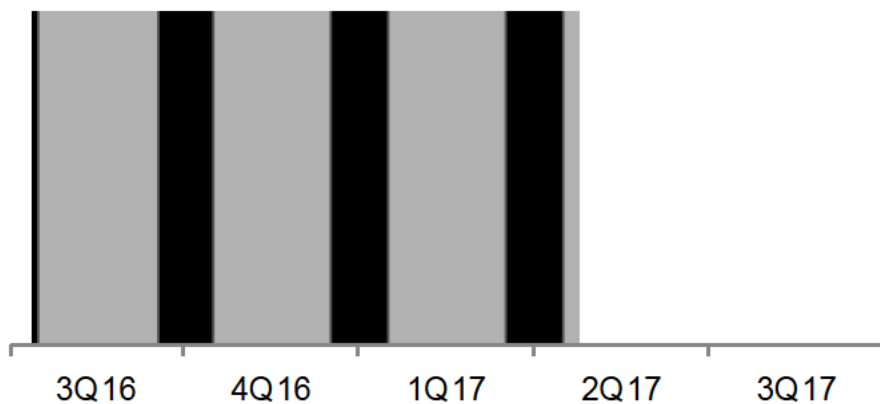


Net interest income

NII increases QoQ, reflecting the increase in loan portfolio

Net Interest Income (€MM)

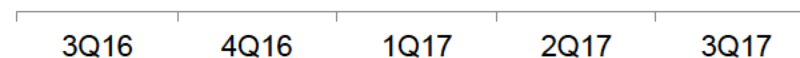
180	182	172	167	178
-----	-----	-----	-----	-----



NIM¹ (%)	1.55	1.59	1.51	1.45	1.50
Official interest rate² (%)	0.00	0.00	0.00	0.00	0.00

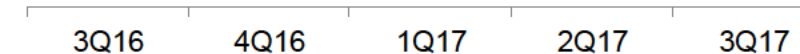
Yield on loans (%)

1.9%	2.0%	2.0%	1.9%	1.9%
------	------	------	------	------



Cost of deposits (%)

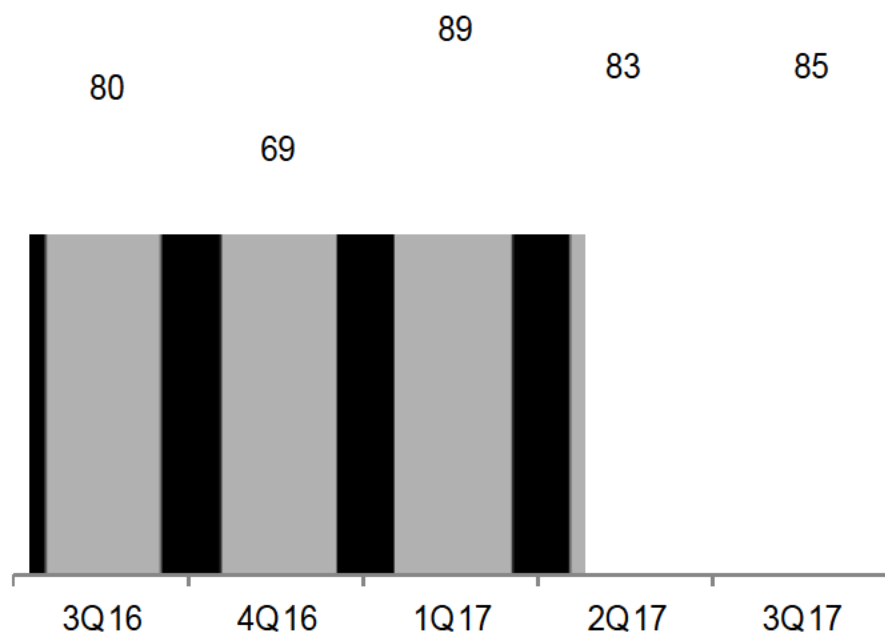
0.4%	0.3%	0.3%	0.2%	0.2%
------	------	------	------	------





Fees show a positive evolution YoY and in the quarter

Net Fees (€MM)



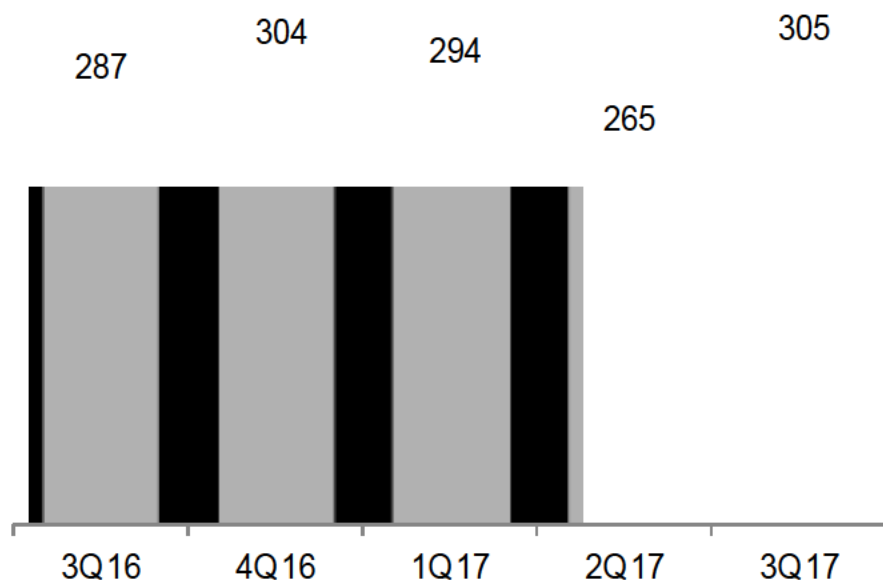
	9M17	9M16	YoY (%)	QoQ (%)
Credit	66	70	-5.7	-0.9
Credit cards	58	47	+22.5	+0.2
Mutual funds	15	13	+12.8	+5.2
Insurance	70	68	+3.3	-5.4
Other	48	46	+3.2	+22.4
Total	257	245	+4.9	+2.3



Gross income

In addition to the increase in commercial revenues, Gross Income variation in the quarter reflects also the increase in Gains on Financial Transactions YoY evolution impacted by ALCO sales

Gross Income (€MM)



	9M17	9M16	YoY (%)	QoQ (%)
Net interest income	516	551	-6.4	+6.6
Net Fees	257	245	+4.9	+2.3
Subtotal	772	795	-2.9	+5.2
Other ¹	92	109	-16.3	+170.3
Gross income	864	905	-4.5	+15.1

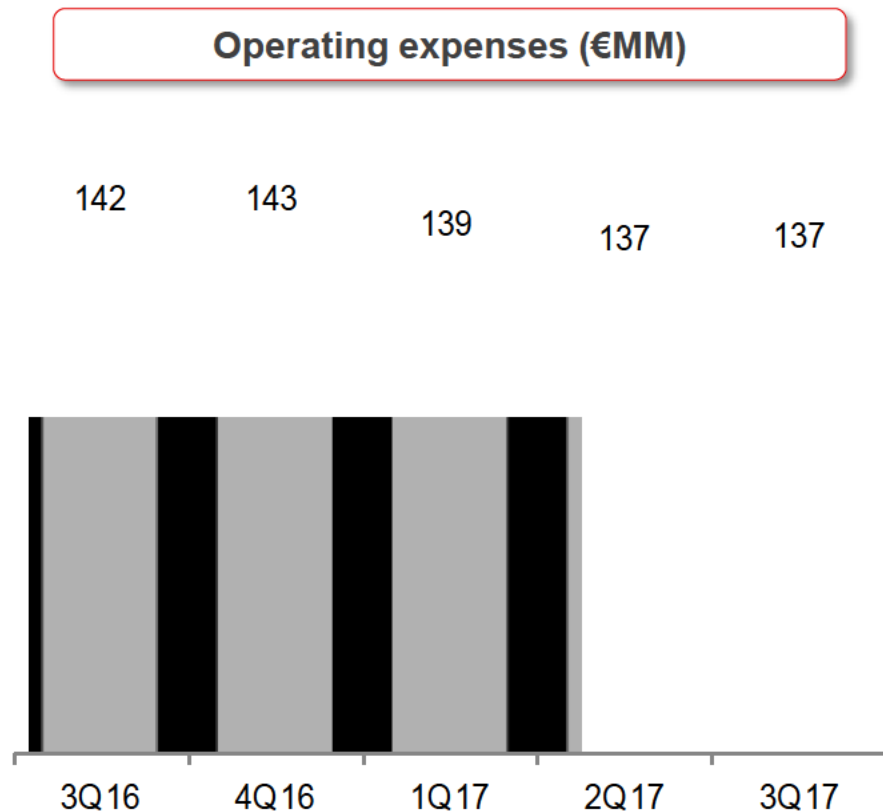
(1) Other includes Gains (losses) on financial transactions and Other operating income



Operating expenses

Costs continue declining YOY, stabilizing against the previous quarter

Operating expenses (€MM)



	9M17	9M16	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	383	418	-8.2	+0.0
Depreciation and amortization	28	28	+2.4	-1.5
Total	412	445	-7.5	-0.1

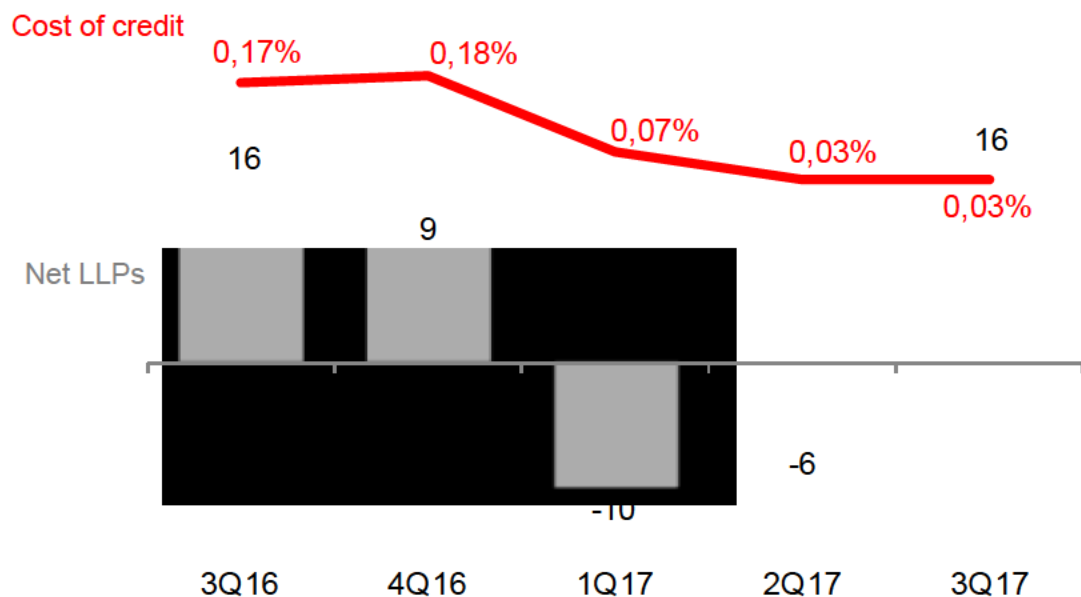
Efficiency ratio <i>(with amortisations)</i>	47.7%	49.2%
Number of branches	587	727
Number of employees	6,022	6,393



Net operating income after loan-loss provisions (LLPs)

NPL ratio continues to decline, with cost of credit remaining close to zero

LLPs and cost of credit

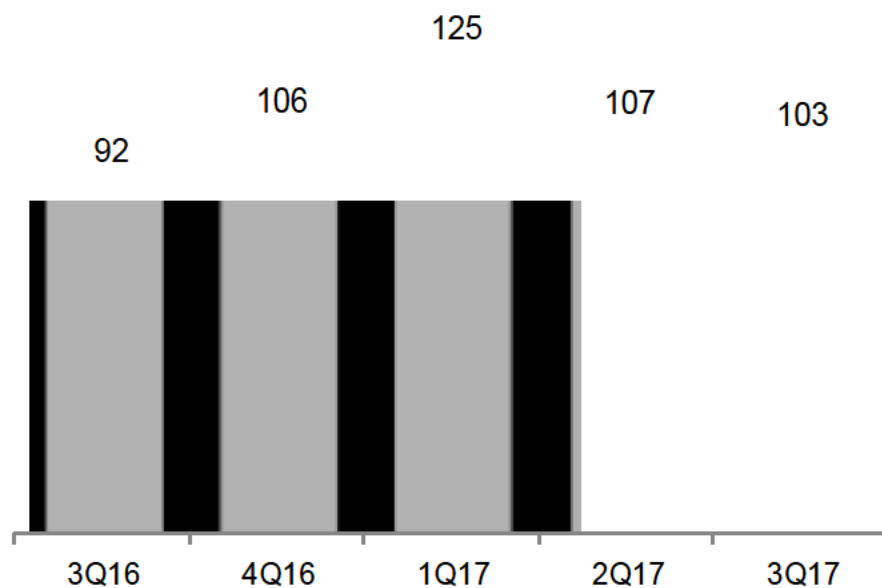


	9M17	9M16	YoY (%)	QoQ (%)
Net Operating Income	452	459	-1.6	+31.2
LLPs	0	44	-99.8	-
Net Op. Income after LLPs	452	415	+8.8	+14.1
NPL ratio	6.9%	9.4%		
NPL coverage ratio	60.4%	57.8%		



Attributable profit continues to grow YoY

Attributable profit (€MM)



	9M17	9M16	YoY (%)	QoQ (%)
Underlying Profit before taxes	418	386	+8.2	+13.3
Tax on profit	80	91	-11.8	+118.8
Underlying consolidated profit	338	295	+14.4	-3.7
Underlying att. Profit	336	293	+14.6	-3.8
Non-recurring	-	-	-	-
Attributable profit to the Group	336	293	+14.6	-3.8
Effective tax rate	19.2%	23.6%		



Market Environment & Financial System

- GDP is poised to grow 2.6% in 2017, led by exports and investment. In the second half, growth should stabilize around 0.5% QoQ, leading to a slight deceleration from the peak observed in 2Q.
- The Government is on track to reduce the fiscal deficit to 1.5% of GDP in 2017, and aims to further reduce it to 1.0% of GDP in 2018.
- Volumes of new loans remain dynamic, and the pace of decline of the stock is moderating.
- Deposits remain resilient, despite the decline in rates paid on time deposits

Strategy & Business

- Continuing to increase the number of loyal customers, based on the different levers (1|2|3 and Advance).
- To continue the balance sheet rebalancing towards corporates.
- Capital ratios continue reflecting the sound structure of Santander Totta with the Common Equity Tier 1 ratio (CET1) reaching 16.2% (August/17).

Results

- Sustained recurrent results of activity, supported by the reduction in operating costs and cost of credit.
- However, total revenues and profit impacted by ALCO portfolio sales.
- Higher levels of new loans to households and corporates continue contributing to the gradual recovery of the credit book, as well as to fee income. Credit book also reflects a corporate loan in 3Q'17.



Content

Macroeconomic environment
and financial system

Strategy and business

Results

▶ Appendix



Balance sheet

EUR million			Variation	
	30-Sep-17	30-Sep-16	Amount	%
Customer loans	29,846	27,595	2,252	8.2
Cash, central banks and credit institutions	4,981	3,347	1,634	48.8
Debt securities	10,071	11,865	(1,794)	(15.1)
<i>o/w: available for sale</i>	3,931	5,773	(1,841)	(31.9)
Other financial assets	1,601	1,850	(249)	(13.5)
Other assets	1,780	1,780	0	0.0
Total assets	48,279	46,436	1,843	4.0
Customer deposits	30,221	30,374	(153)	(0.5)
Central banks and credit institutions	8,713	7,415	1,299	17.5
Debt securities issued	4,493	4,221	272	6.4
Other financial liabilities	316	344	(28)	(8.2)
Other liabilities	886	744	142	19.1
Total liabilities	44,630	43,098	1,531	3.6
Total equity	3,649	3,338	311	9.3
Other managed and marketed customer funds	3,200	2,655	545	20.5
Mutual funds	1,795	1,356	439	32.4
Pension funds	943	900	44	4.8
Managed portfolios	461	400	62	15.5

Income statement

EUR million	Variation			
	9M17	9M16	Amount	%
Net interest income	516	551	(35)	(6.4)
Net fees	257	245	12	4.9
Gains (losses) on financial transactions	76	73	3	3.9
Other operating income	16	36	(21)	(56.9)
Gross income	864	905	(41)	(4.5)
Operating expenses	(412)	(445)	34	(7.5)
General administrative expenses	(383)	(418)	34	(8.2)
<i>Personnel</i>	(246)	(256)	9	(3.7)
<i>Other general administrative expenses</i>	(137)	(162)	25	(15.3)
Depreciation and amortisation	(28)	(28)	(1)	2.4
Net operating income	452	459	(7)	(1.6)
Net loan-loss provisions	(0)	(44)	44	(99.8)
Other income	(34)	(29)	(5)	17.1
Underlying profit before taxes	418	386	32	8.2
Tax on profit	(80)	(91)	11	(11.8)
Underlying profit from continuing operations	338	295	43	14.4
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	338	295	43	14.4
Minority interests	2	2	(0)	(15.3)
Underlying attributable profit to the Group	336	293	43	14.6
Net capital gains and provisions	—	—	—	—
Attributable profit to the Group	336	293	43	14.6

Income statement

EUR million

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Net interest income	183	188	180	182	172	167	178
Net fees	90	74	80	69	89	83	85
Gains (losses) on financial transactions	54	15	4	39	34	10	32
Other operating income	10	4	23	14	(1)	6	11
Gross income	337	281	287	304	294	265	305
Operating expenses	(154)	(149)	(142)	(143)	(139)	(137)	(137)
General administrative expenses	(145)	(140)	(133)	(133)	(129)	(127)	(127)
<i>Personnel</i>	(88)	(88)	(80)	(83)	(83)	(82)	(81)
<i>Other general administrative expenses</i>	(57)	(52)	(52)	(50)	(46)	(45)	(46)
Depreciation and amortisation	(9)	(9)	(9)	(10)	(10)	(9)	(9)
Net operating income	183	132	145	161	155	128	168
Net loan-loss provisions	(22)	(6)	(16)	(9)	10	6	(16)
Other income	(2)	(21)	(5)	(5)	(14)	(9)	(11)
Underlying profit before taxes	158	104	124	146	151	125	142
Tax on profit	(37)	(24)	(31)	(40)	(25)	(17)	(38)
Underlying profit from continuing operations	122	81	93	106	126	108	104
Net profit from discontinued operations	—	—	—	—	—	—	—
Underlying consolidated profit	122	81	93	106	126	108	104
Minority interests	1	1	1	1	1	0	1
Underlying attributable profit to the Group	121	80	92	106	125	107	103
Net capital gains and provisions	—	—	—	—	—	—	—
Attributable profit to the Group	121	80	92	106	125	107	103

Thank you

Our purpose is to help people and businesses prosper.

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

Simple | **Personal** | **Fair**

