

# Santander Totta

Lisbon, March 2014

Portugal



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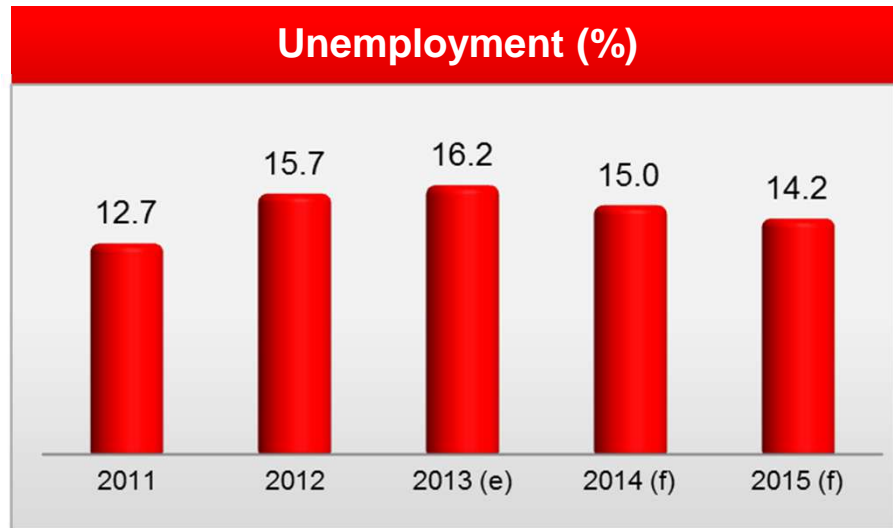
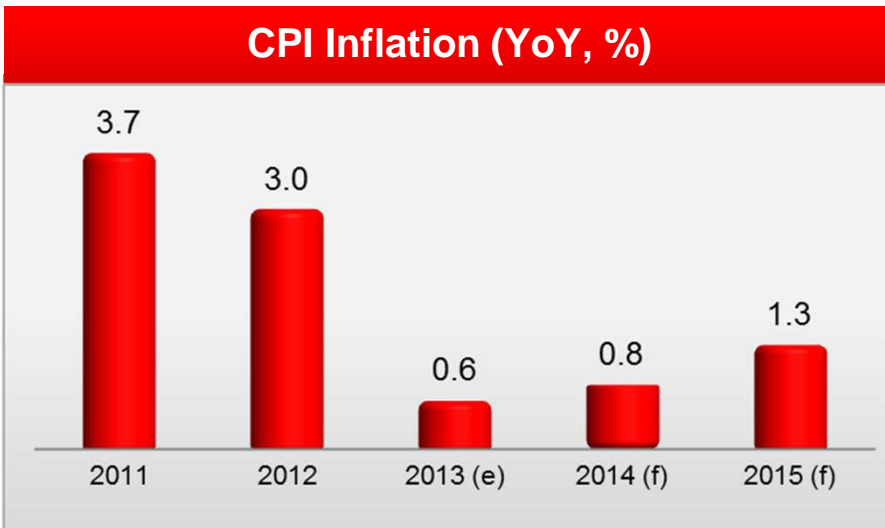
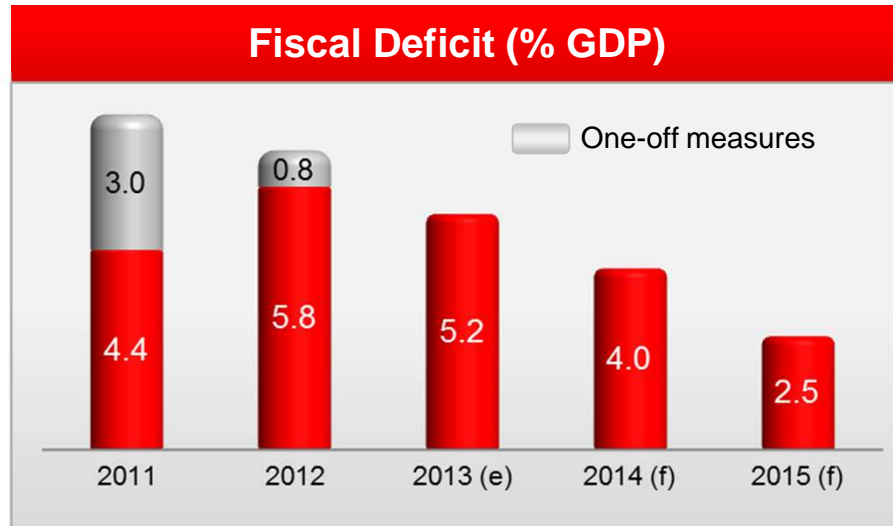
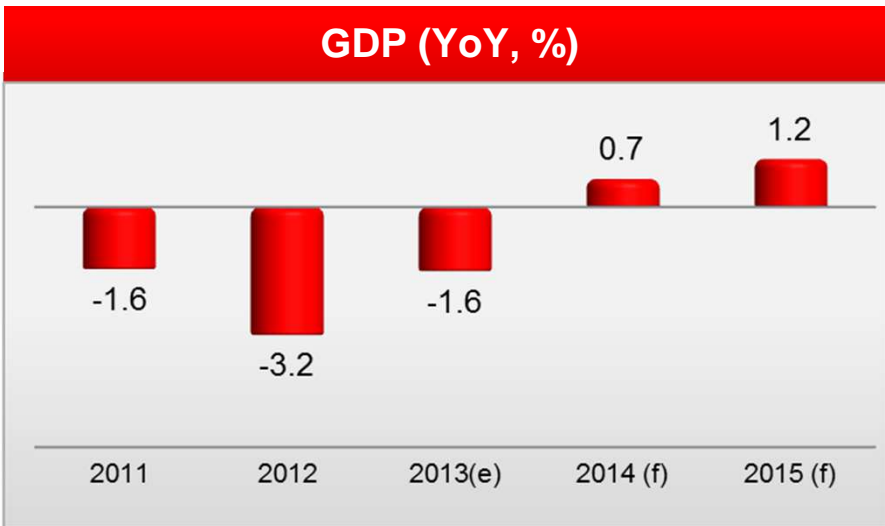
Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

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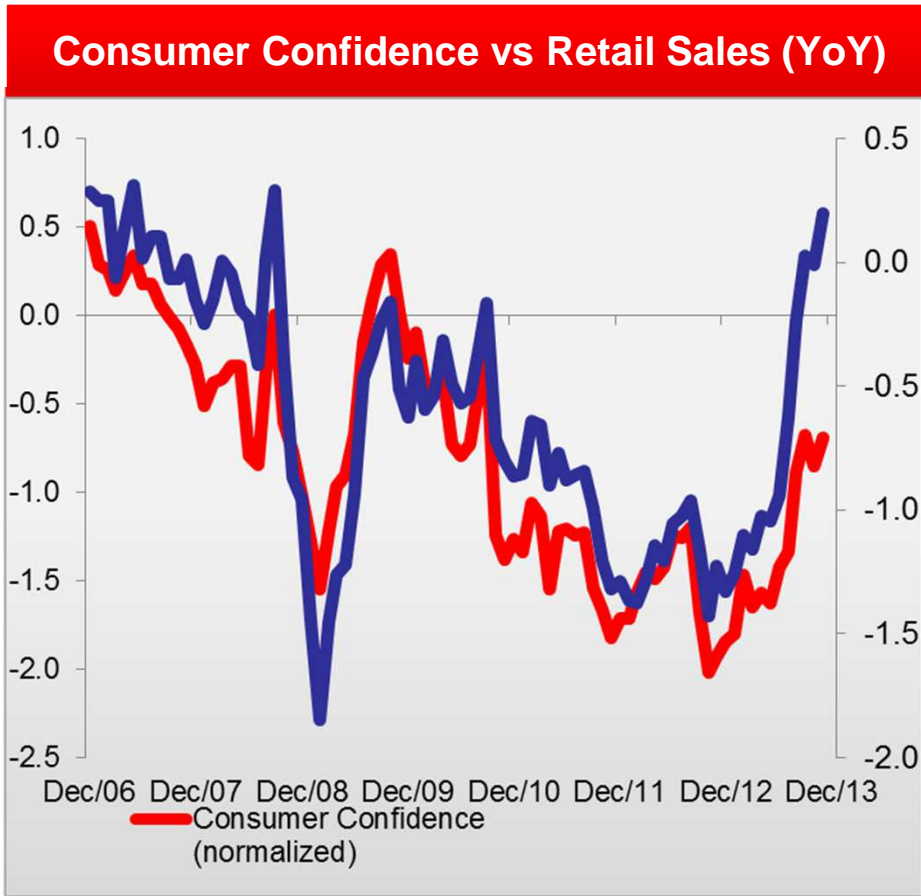
- **Macroeconomic Outlook and Financial System**
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# Portugal: Macroeconomic Outlook

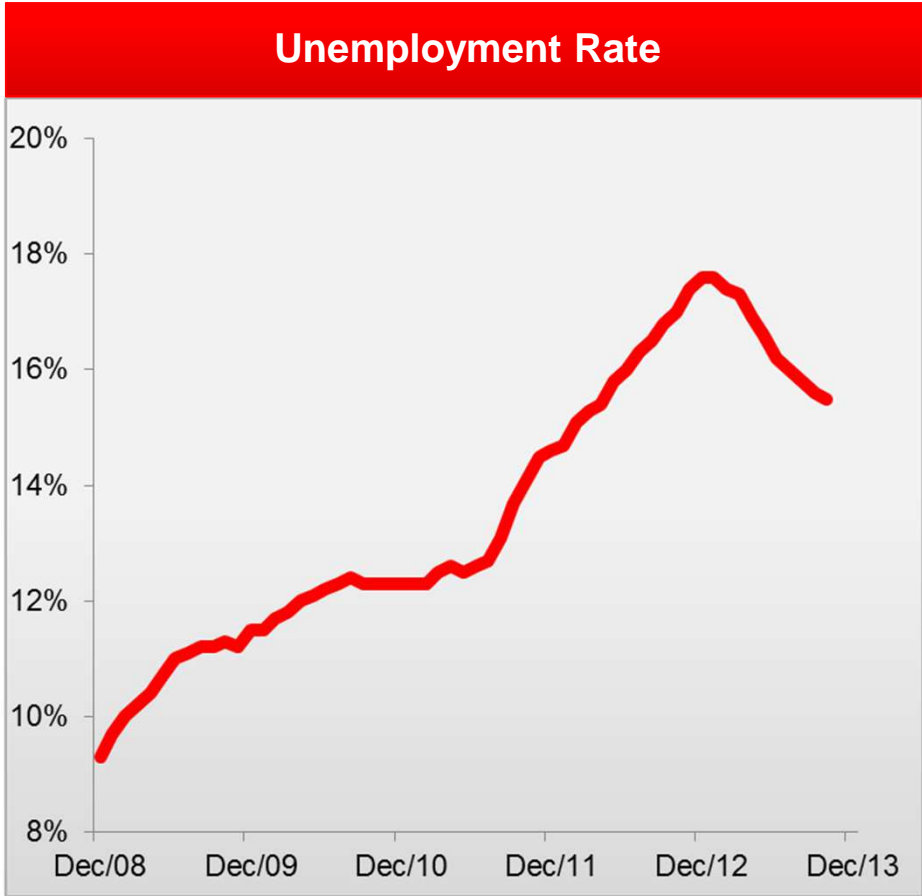
The outlook has been revised upwards, with stronger growth and lower unemployment



Unemployment had been falling from the recent maxima, also because of improving job creation, therefore supporting consumer confidence and private consumption

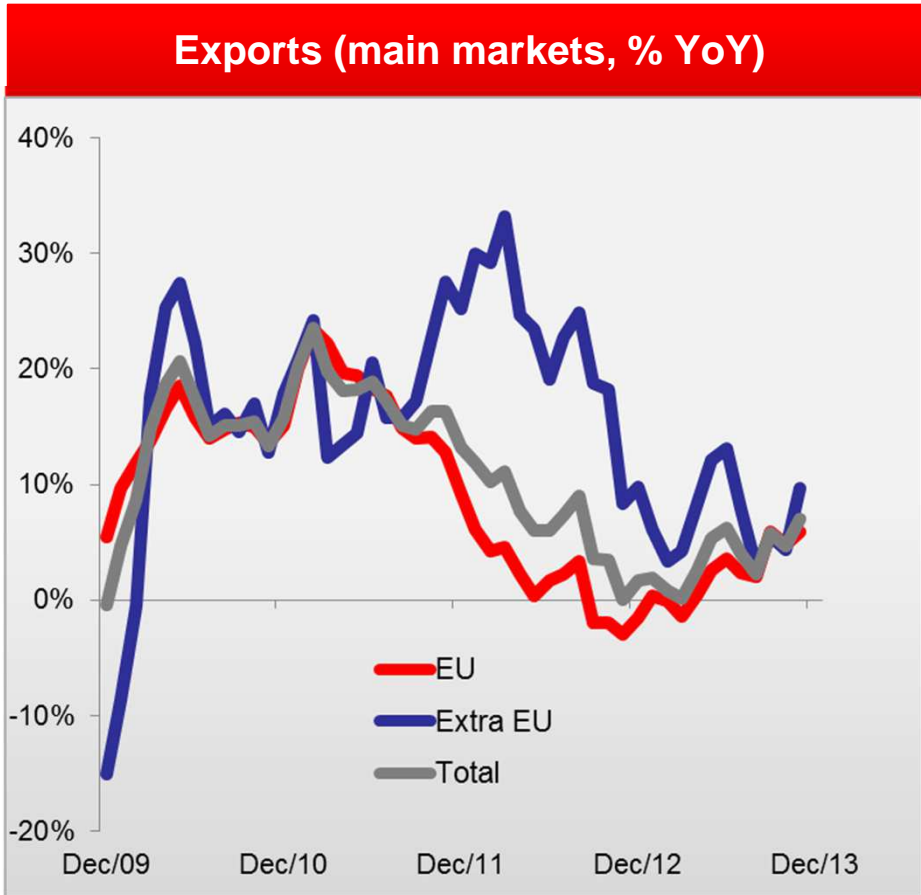


Source: INE (normalized series)

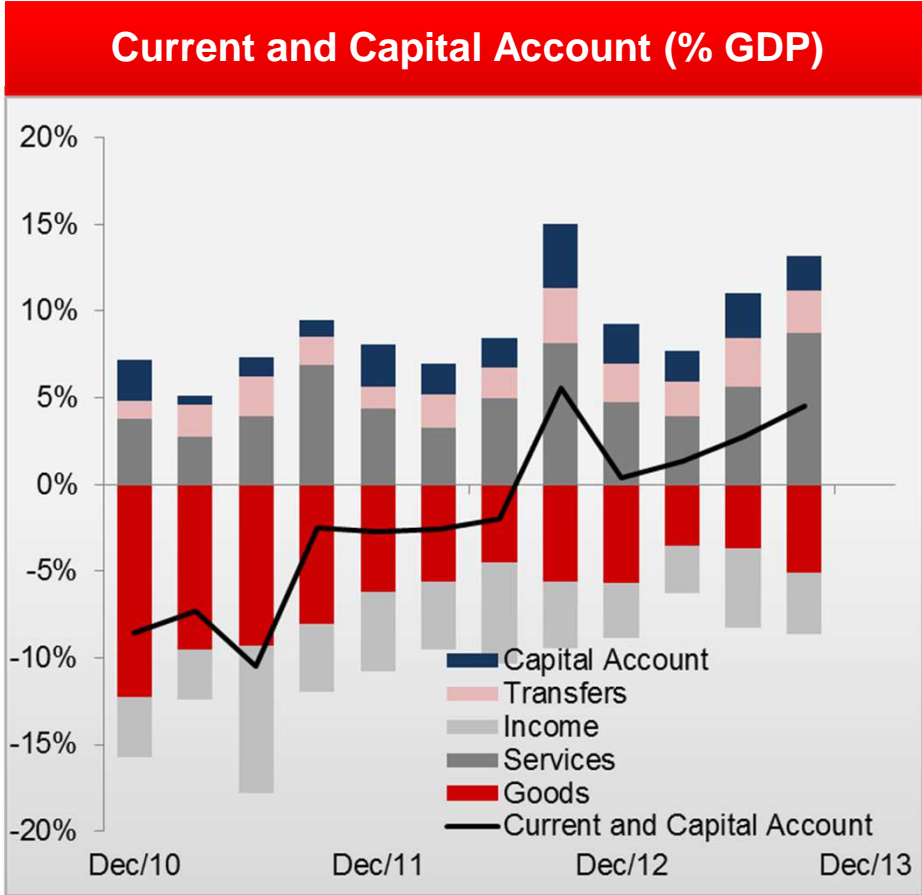


Source: Eurostat

**Exports remain resilient, gradually picking up in the later months of the year. The external imbalance has been corrected, and should improve further in coming quarters.**

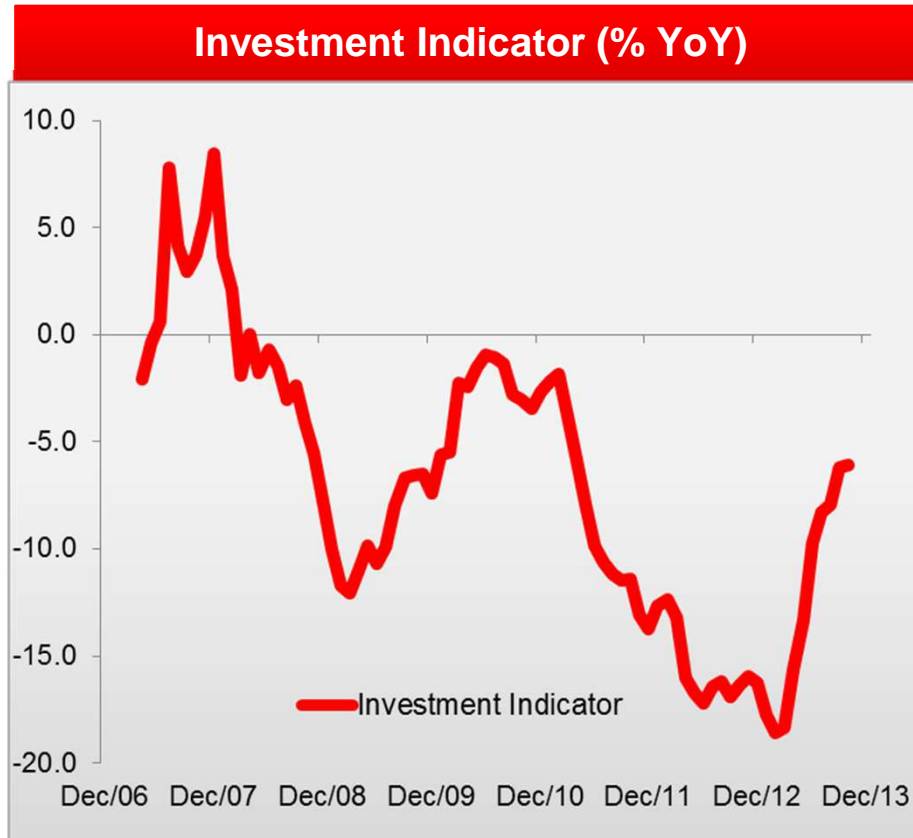


Source: INE

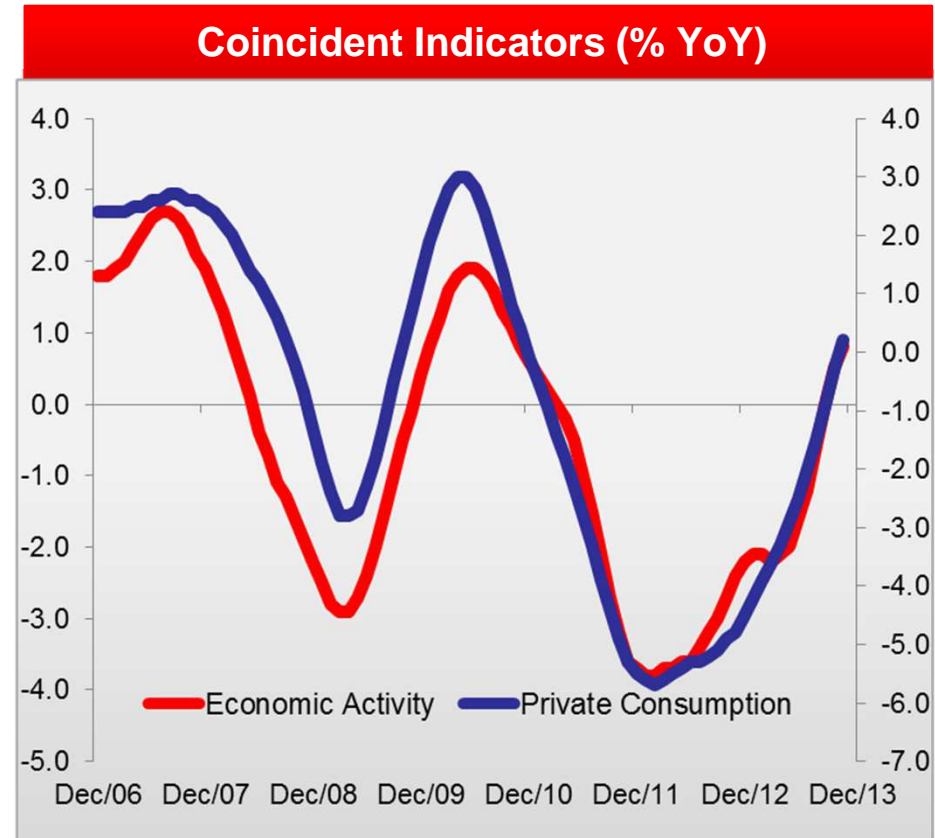


Source: Bank of Portugal, INE

The gradual recovery of domestic demand is being seen, albeit at a slower pace, at the level of investment. Activity is estimated to have turned positive in 4Q2013.



Source: INE

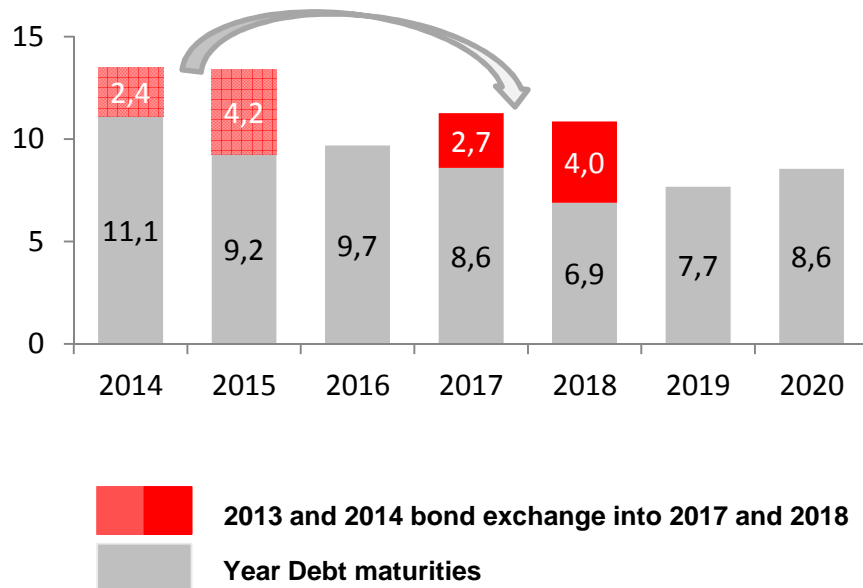


Source: Bank of Portugal

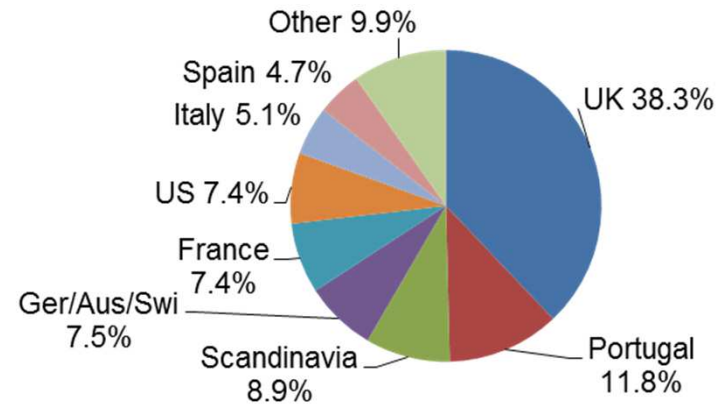
Note: coincident indicators are composite indicators which aim to measure the current state of economic activity

The Republic is returning gradually to the markets, with both a bond exchange, that eased the debt redemption profile in 2014 but especially in 2015. Most of the funding needs of the Government for 2014 are now covered with the 5Y issue and the remaining EU/IMF funds.

**Debt Profile after the Bond Exchange (€ bn)**



**Demand for the 2019 Bond tap by Geography**



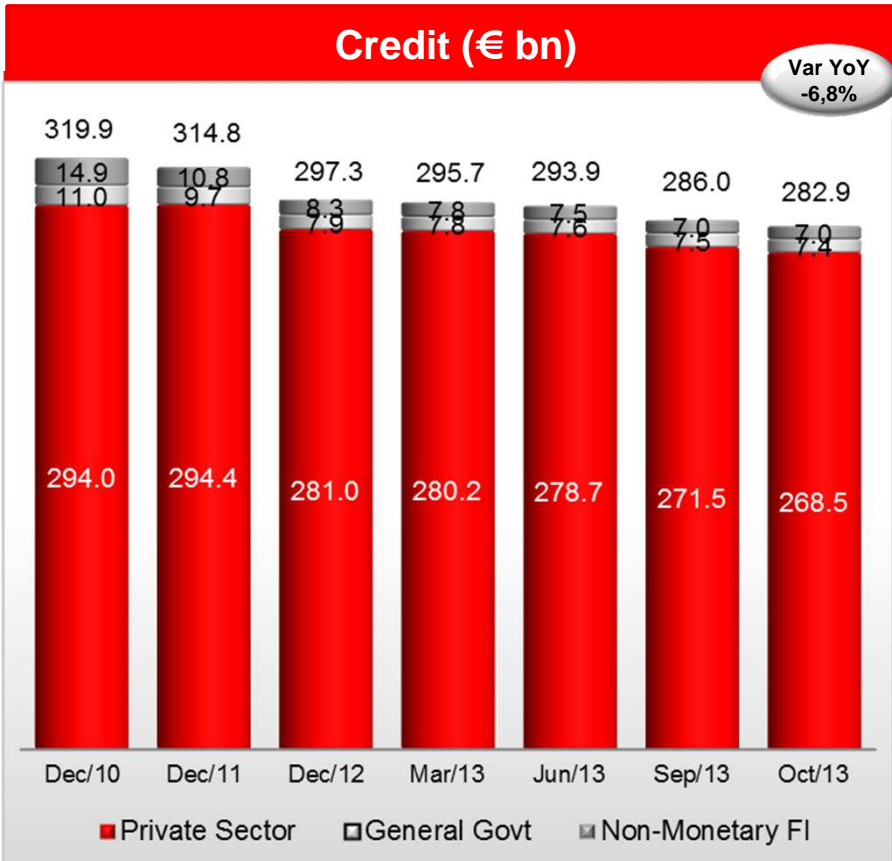
**Demand = €11,8bn;  
Allotment = €3,5bn**

Source: Ministry of Finance



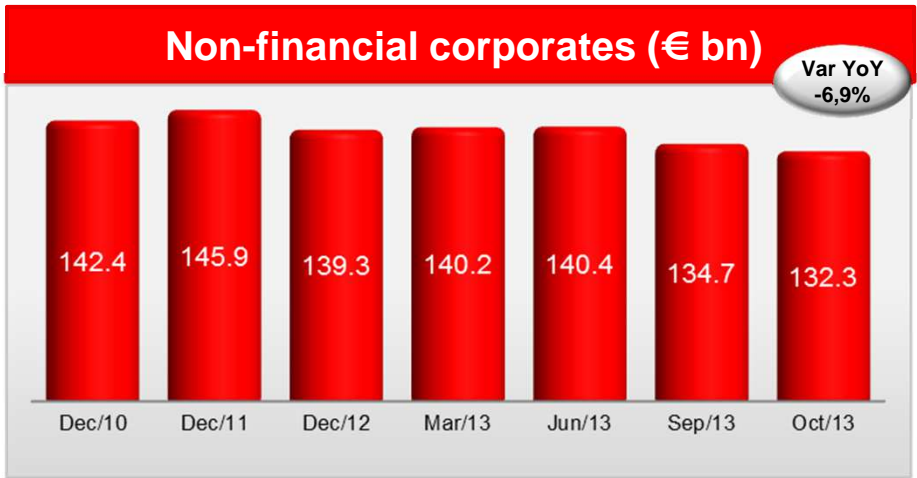
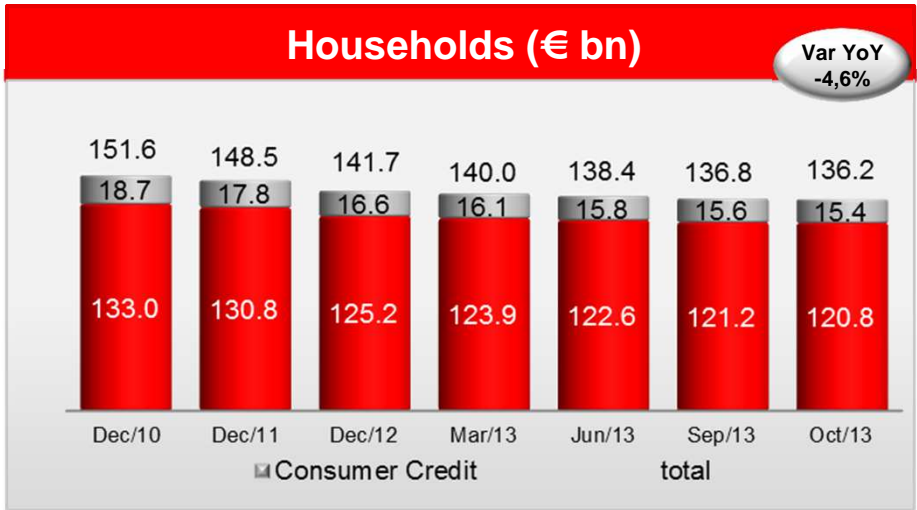
# Financial System: Credit

The deleveraging of the private sector continues, with credit to non-financial corporates continuing to fall

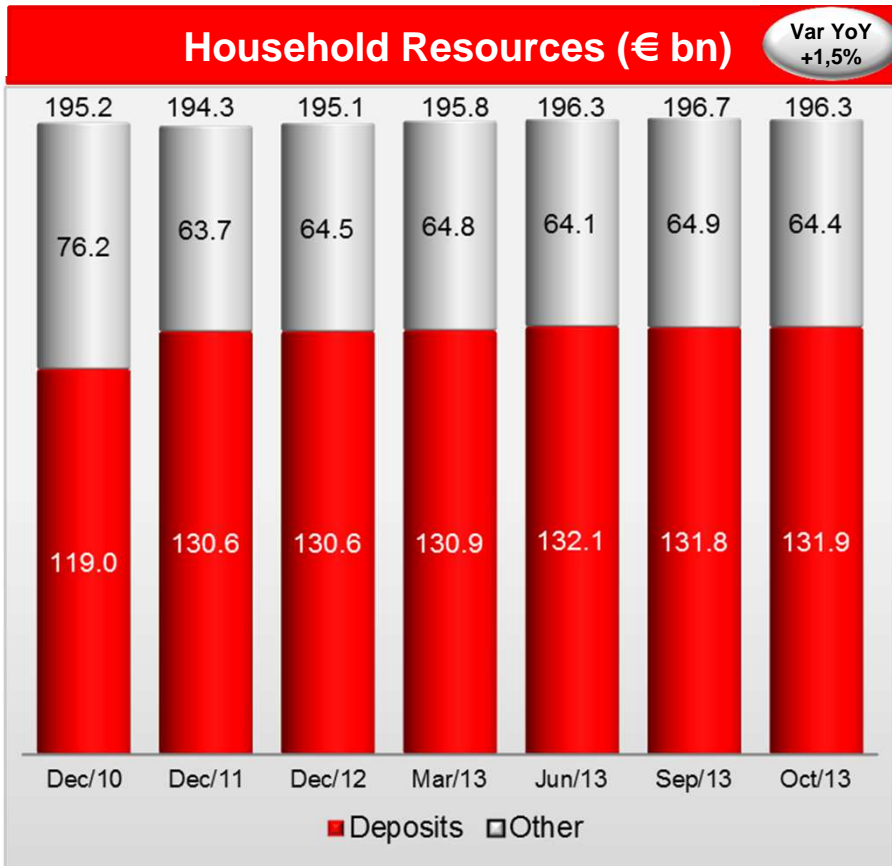


Private Sector includes Households and Non-financial corporates (including commercial paper)

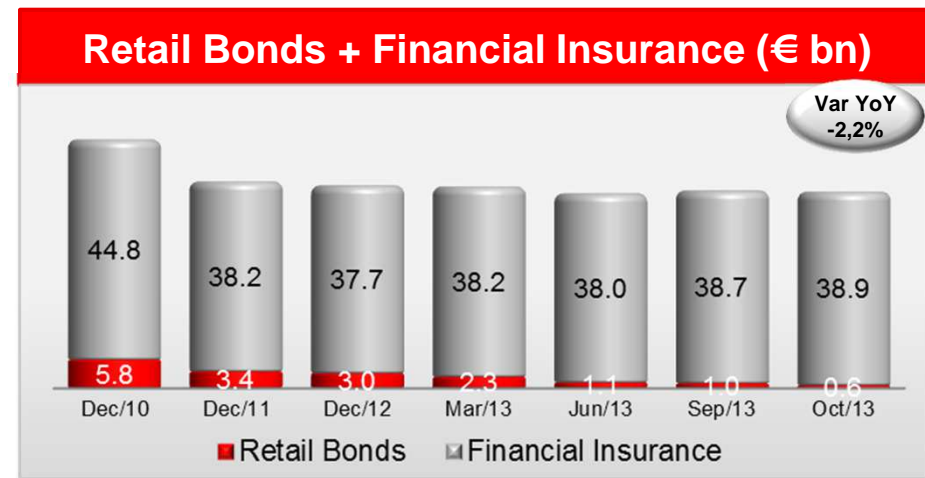
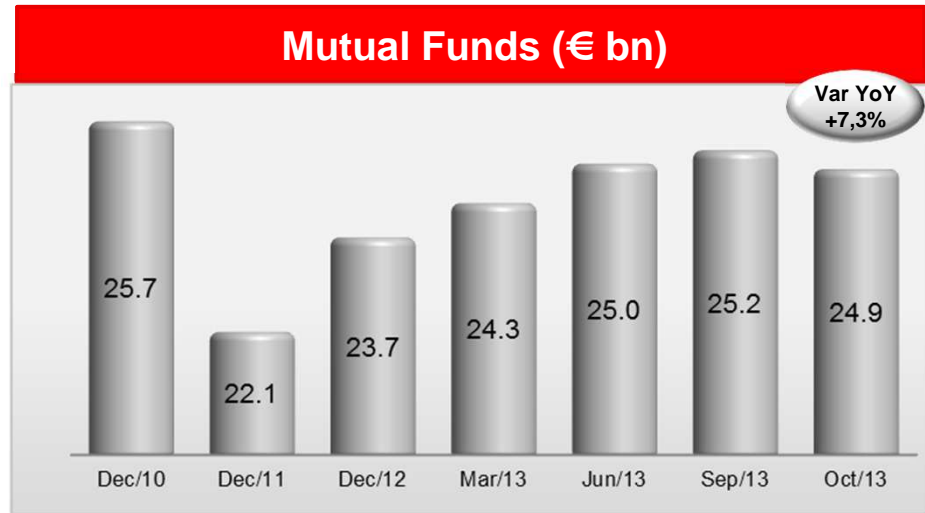
Source: Bank of Portugal, Santander Totta



## Household resources remain at historical maxima



Other includes Mutual Funds, Retail Bonds and Financial Insurance  
 Source: Bank of Portugal, APFIPP, Santander Totta



## Less deep recession in 2013 brings about better prospects into 2014

- Economic activity may have stabilized in 4Q13.
- Hard data point to stronger growth of exports in the final months of 2013.
- GDP is now estimated to grow 0,7% in 2014E, following a contraction of 1,6% in 2013. The main driver remains net exports, gradually more supported by the stabilization of domestic demand..
- Risks remain, associated both with the fiscal adjustment, and the assessment of the constitutionality of some of the measures; and the growth of the European economy.

## Successful conclusion of the 10<sup>th</sup> reviews of the Adjustment Program

- In early December, the EC/ECB/IMF concluded that “Further **signs of recovery** have emerged since the last review. **Growth is broadly in line with projections**, while **unemployment has fallen** by more than expected. **External rebalancing has continued**, although imports have picked up, reflecting **stronger-than-expected domestic demand**. The **program remains on track**, and the authorities are determined to ensure continued program compliance.”

## The Republic initiates its return to the MLT Markets

- Improving market sentiment towards Portugal.
- The Republic did a debt exchange in December (€6,6bn), as well as the syndicated tap of the OT2019 (by €3,5bn), in January.

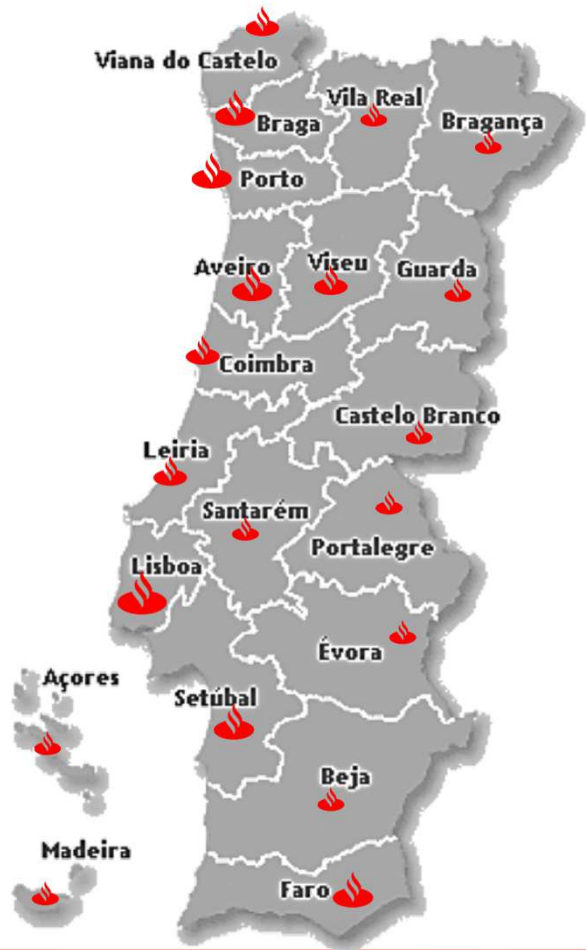
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# Our Franchise

**Santander Totta is the 3<sup>rd</sup> private bank in domestic activity by total assets**

## Santander Totta branches



EUR million	Dec 13	Mkt. Share*
Loans	26,740**	9.7%
Deposits	24,191	10.1%
Total Resources	28,560***	10.0%
Pension Funds	848	5.5%
Attributable Profit	114	

Branches	640	11.0%(APB)
Employees	5,635	

(\*) As at Sep13 (activity in Portugal)  
 (\*\*) Includes guarantees  
 (\*\*\*) Includes customer deposits, securities, mutual and pension funds

# Our Franchise

Our performance has been recognized by several domestic and international houses



**Best Bank in  
Portugal**  
**Euromoney**



**Best Bank in  
Portugal**  
**Global Finance**



**Bank of the Year in  
Portugal**  
**The Banker**



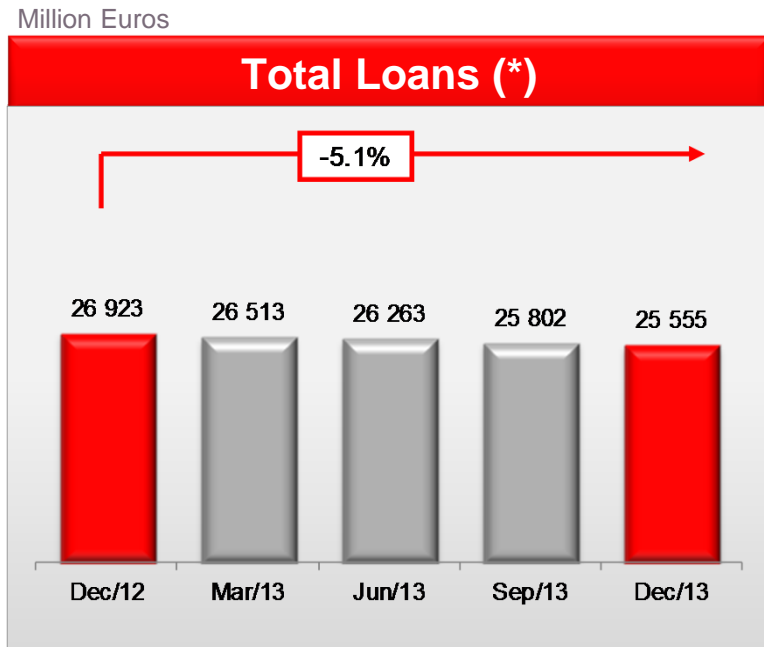
**Best large Bank with  
largest growth in  
Portugal**  
**Exame**

- **Best Private Banking in Portugal – Euromoney**
- **Best Foreign Exchange Provider 2013 in Portugal - Global Finance**
- **Best company to work in the Financial and Insurance Sector 2013 – Accenture and Exame**
- **Award “Equality is Quality” – CITE, CIG**
- **Best Contact Center in Banking 2013 - APCC**
- **Best Contact Center - IFE**



# Business: loans performance

The deleveraging of the private sector is reflected in the gradual reduction of the loan book



	Dec/13 Volume (Mn Eur)	% Var. 2013/2012
<b>Individuals</b>	<b>17,164</b>	<b>-3.5%</b>
<i>from which</i>		
Mortgage	15,276	-3.2%
Consumer credit	1,382	-2.3%
<b>Corporates</b>	<b>7,861</b>	<b>-9.2%</b>
<i>from which</i>		
Small business	2,675	-12.1%
Corporates	3,417	-11.5%
Large corporates	1,769	0.9%
<b>Total (*)</b>	<b>25,555</b>	<b>-5.1%</b>

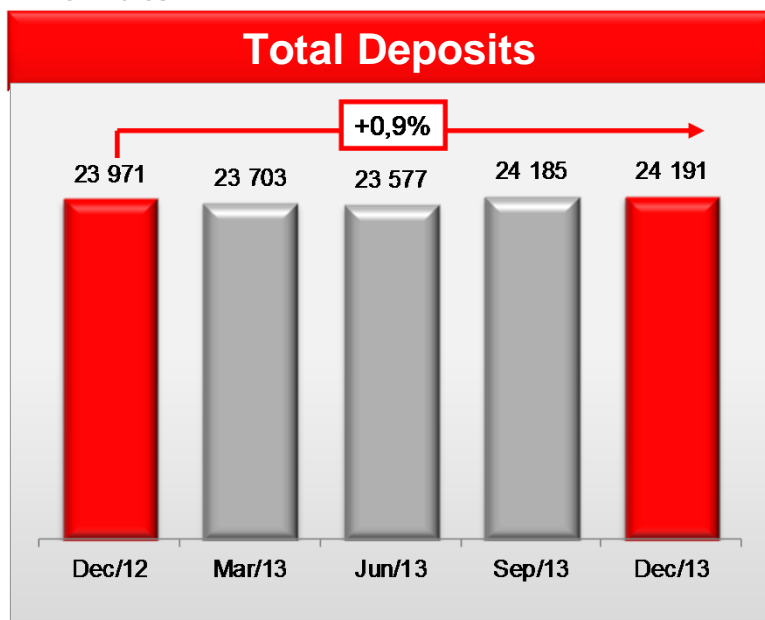
Note: in local criteria loans to corporates increased 0.3% and total loans decreased 2.6%

(\*) Gross credit

# Business: customer funds performance

Deposits increased in 2013 but at a lower pace

Million Euros



	Dec/13 Volume (Mn Eur)	% Var.2013/2012
<b>Customer deposits</b>	24 191	+0,9%
<b>Securities</b>	2 329	-33,3%
Retail	294	-27,9%
EMTN's and others	2 035	-37,9%
<b>Mutual funds and Pension Funds</b>	2 040	-15,7%
<b>Total</b>	<b>28 560</b>	<b>-4,4%</b>
<b>Total Resources (without EMTN's and others)</b>	<b>26 525</b>	<b>-0,8%</b>



## Business: market share dynamics

<b>Market share</b>	<b>Dec13 share, %</b>	<b>chg., pp 13/12</b>
Loans to individuals	12.5%	+0.2
Mortgage credit (production)	14.0%	-0.2
Mortgage credit (stock)	13.0%	+0.2
Consumer credit	8.3%	-0.5
Loans to corporates	6.8%	+0.1
Credit cards	9.0%	-0.3
Total Loans	9.7%	+0.2
Deposits	10.1%	+0.1
Deposits + Invest. Funds	10.0%	+0.0
Insurance (stock)	10.3%	-1.5

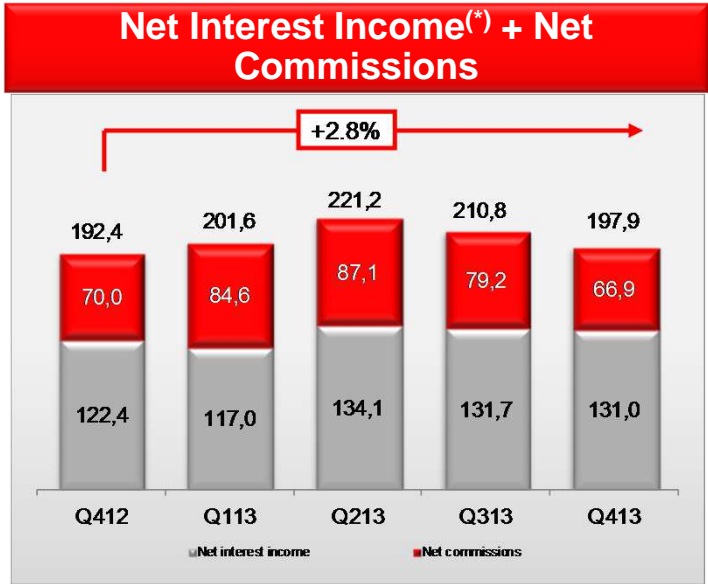
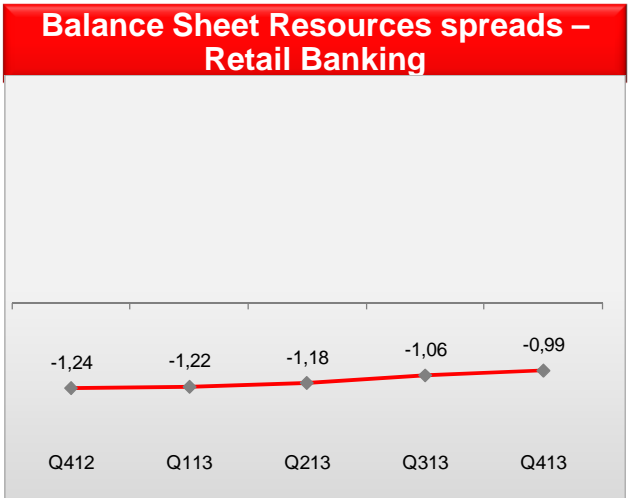
Source: Bank of Portugal - Monetary Statistics – activity in Portugal

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# Results: net interest income vs commissions

**Net interest income evolution stabilised over the previous quarter and increased 7.0% compared to the same quarter last year**



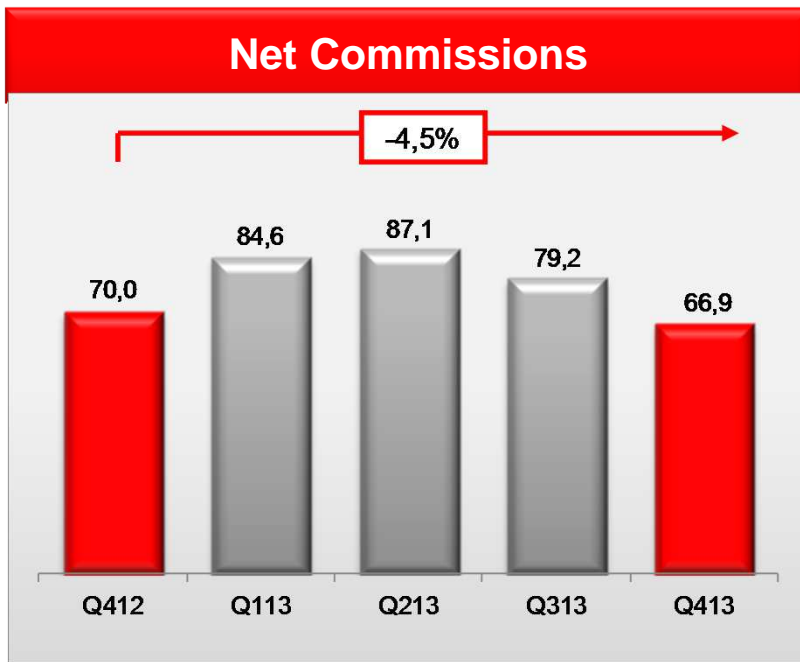
Million Euros

	Volume (Mn Eur)		% Var.2013/2012
	Dec/13	Dec/12	
Net interest income	513,8	569,6	-9,8%
Net commissions	317,7	328,4	-3,3%
<b>Total</b>	<b>831,5</b>	<b>898,0</b>	<b>-7,4%</b>

# Results: commissions

**Commissions declined with lower business volumes and a new regulatory framework**

Million Euros

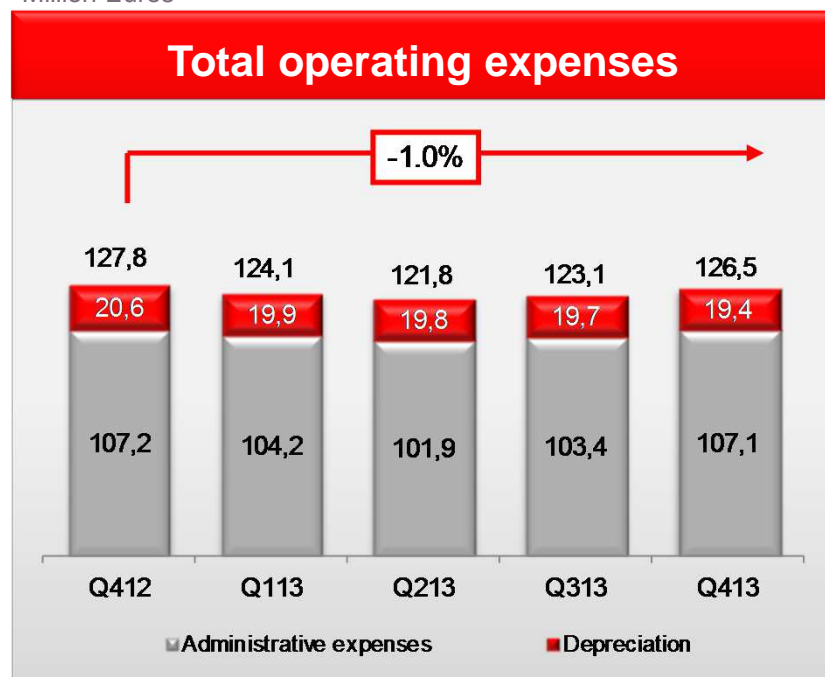


	Volume (Mn Eur)		%
	Dec/13	Dec/12	
Credit	58,8	65,5	-10,2%
Credit cards	52,9	59,6	-11,2%
Mutual funds / Asset management	25,7	24,9	+3,2%
Insurance	93,4	92,6	+0,9%
Other	35,6	46,4	-23,3%
<b>Commercial banking</b>	<b>266,4</b>	<b>289,0</b>	<b>-7,8%</b>
GBM	66,9	58,8	+13,8%
Other	(15,7)	(19,5)	-19,5%
<b>Total</b>	<b>317,7</b>	<b>328,4</b>	<b>-3,3%</b>

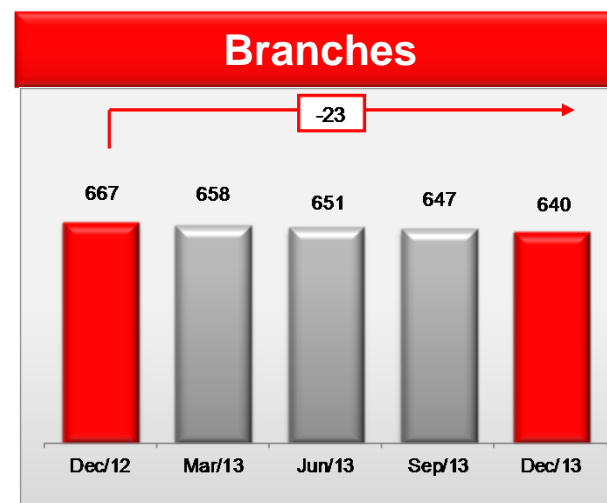
# Results: administrative expenses and depreciation

Operating expenses decreased 2,2% yoy

Million Euros

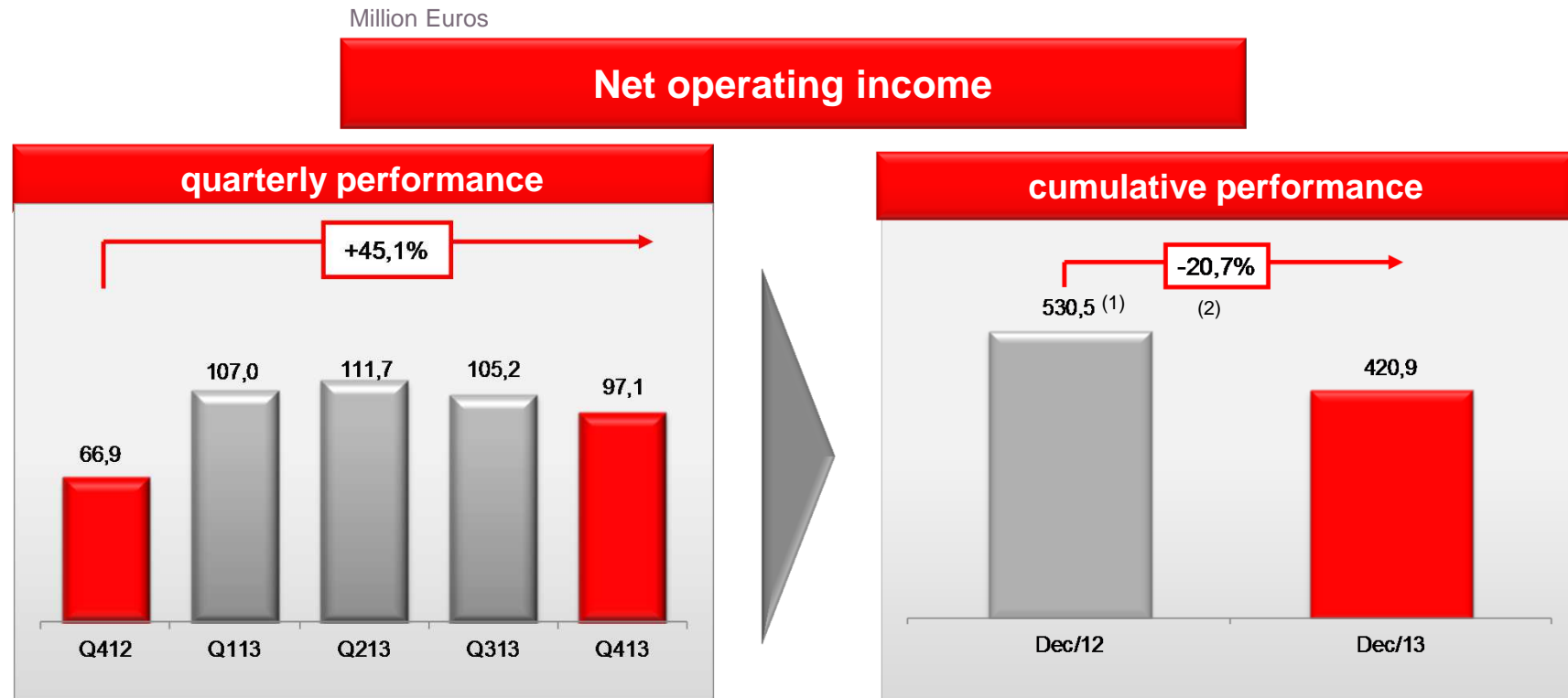


	Volume (Mn Eur)		
	Dec/13	Dec/12	% Var.2013/2012
<b>Administrative expenses</b>	416,7	425,5	-2,1%
Personnel expenses	298,6	305,9	-2,4%
Other expenses	118,1	119,6	-1,2%
<b>Depreciation</b>	78,7	81,0	-2,9%
<b>Total</b>	<b>495,5</b>	<b>506,5</b>	<b>-2,2%</b>



# Results: net operating income

**Net operating income evolution in 2013 (-20.7%) reflects the gains in the securitization tender-offers obtained in the previous year**

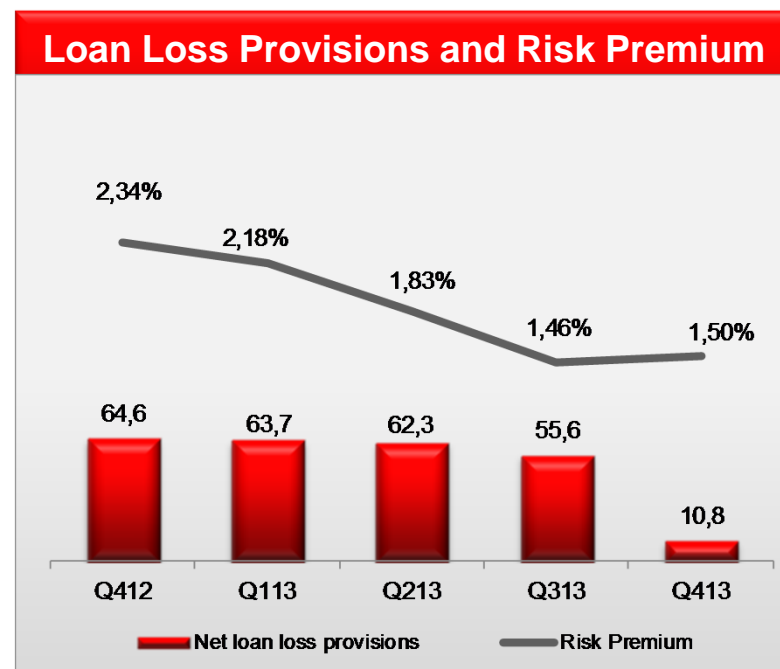
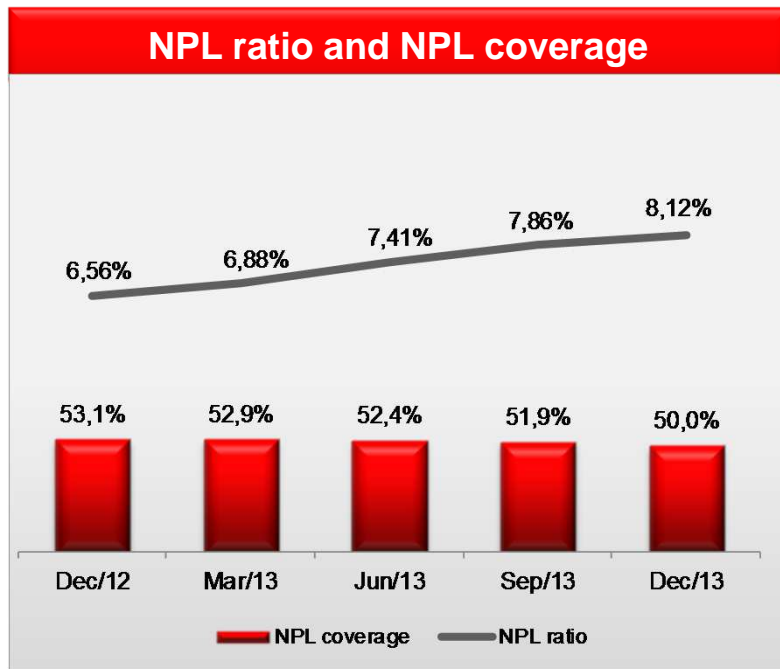


(1) Includes gains in the securitization tender-offers

(2) Excluding gains in the securitization tender-offers the variation would be -7,0%

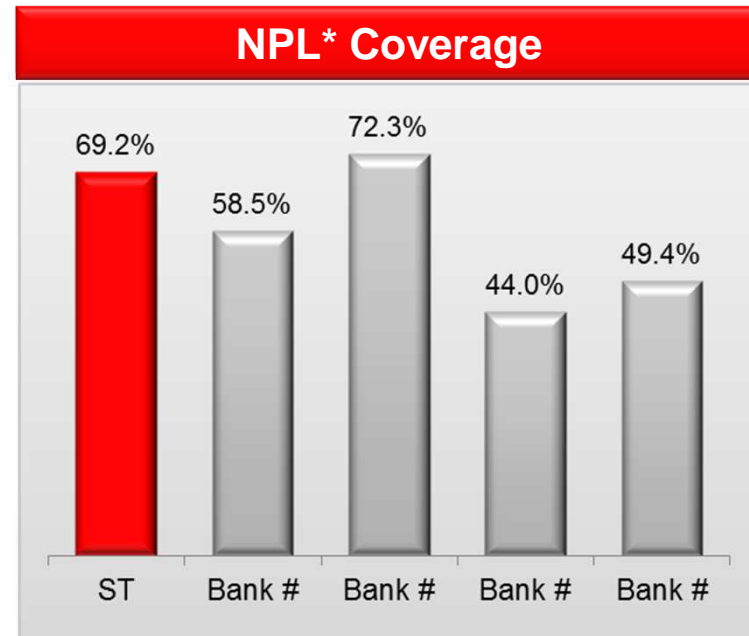
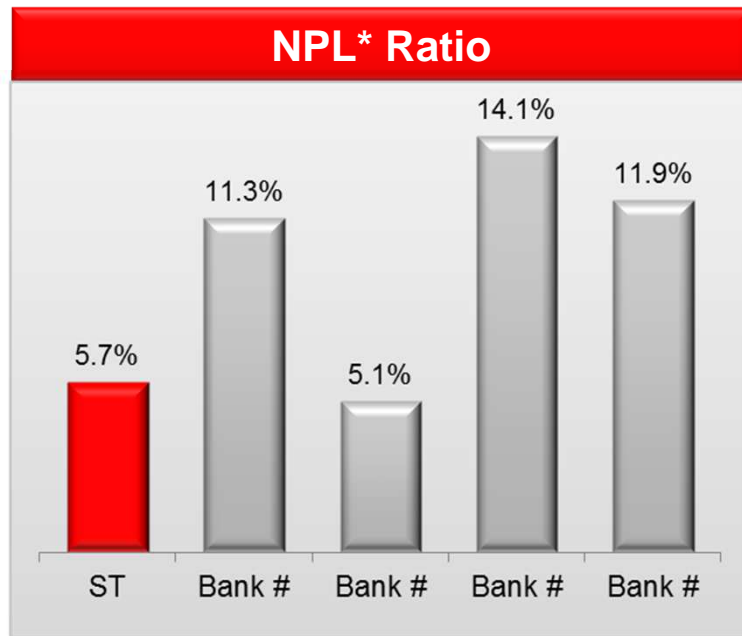
# Results: asset quality levels

**NPL ratio increased but at a lower pace. Risk Premium kept a downward trend.**



# Results: asset quality levels

**In local criteria the NPL and coverage ratios are significantly better compared to the average of the banking system**



(\*) "Credit at risk" - includes total value of credit with capital or interest past due (more than 90 days), restructured credit and credits of an insolvent or bankrupt debtor

Source: Press Releases

As of Sep/13. Local criteria

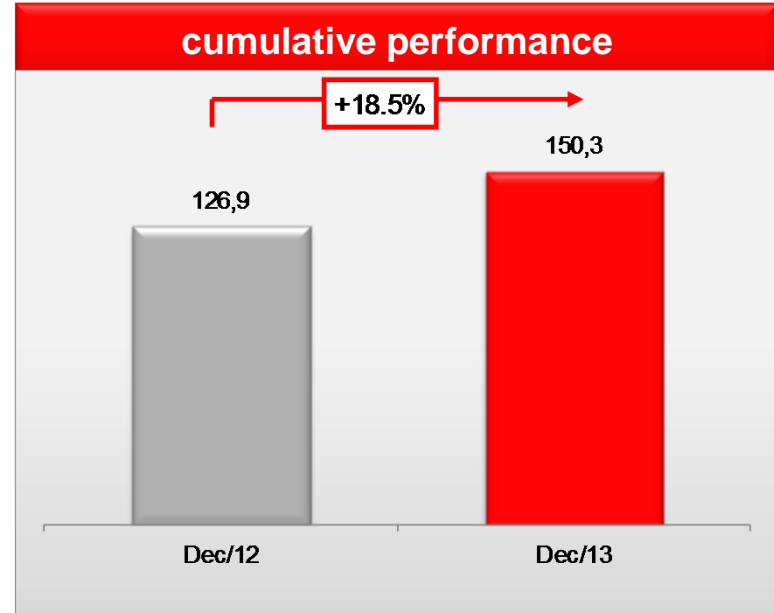
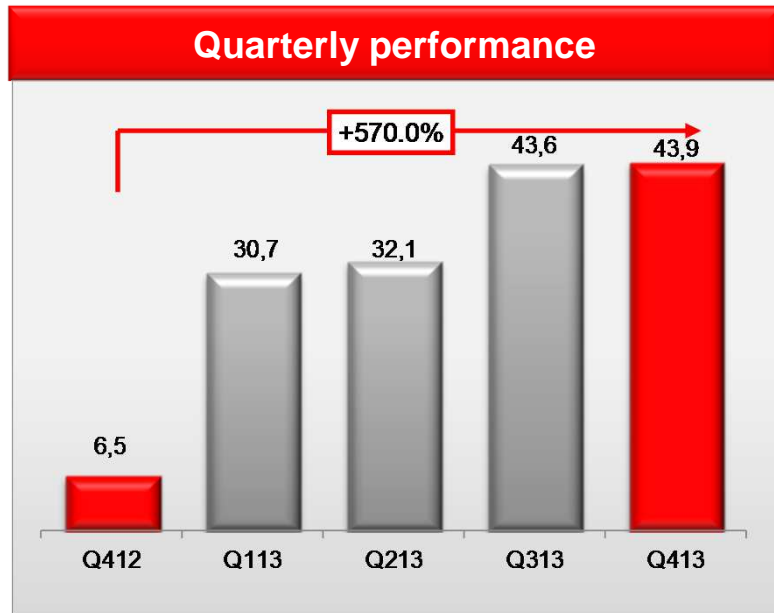


# Results: profit before taxes and MI

The decrease in provisions led to an improvement in PBT and MI

Million Euros

## Profit before taxes and MI

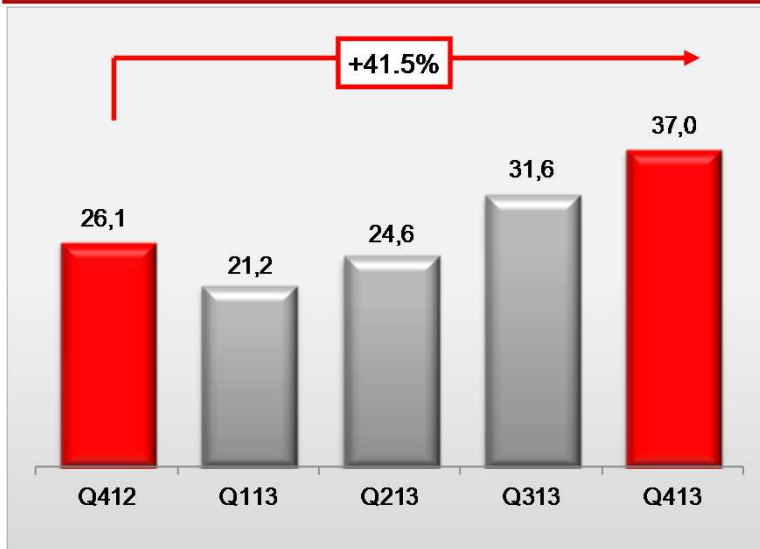


# Results: net income

Net attributable income has continued to improve despite the difficult economic conditions. Although the outlook is positive

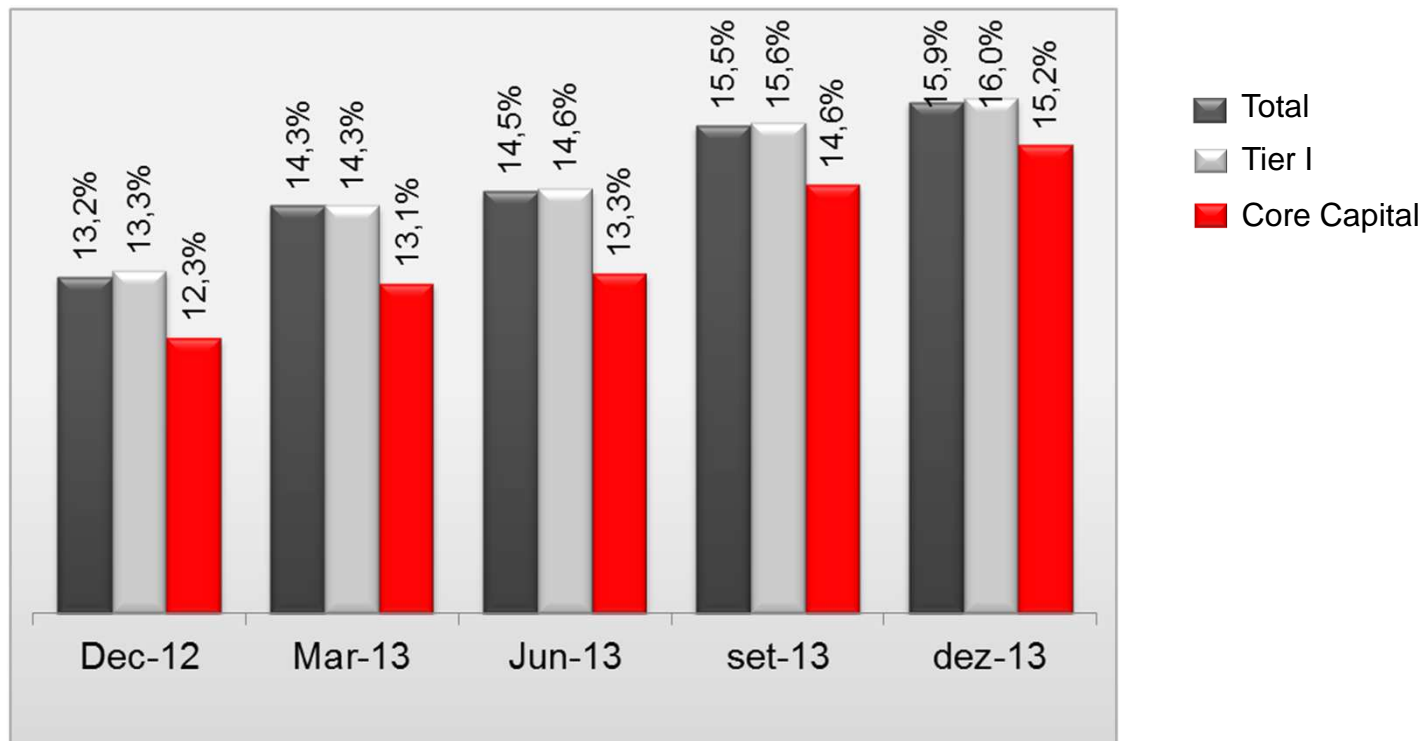
Million Euros

## Attributable profit quarterly growth



(million euros)	Dec/13	Dec/12	% Var.2013/2012
<b>Income before taxes &amp; MI</b>	<b>150.3</b>	<b>126.9</b>	<b>+18.5%</b>
Taxes	(44.0)	(4.7)	>200.0%
Minority Interest	(8.1)	0.1	-
<b>Attributable Profit</b>	<b>114.4</b>	<b>122.1</b>	<b>-6.3%</b>

The Bank increased capitalization levels in 2013



## Conclusions

- **Economic activity ended the year at a higher tone, supported by improving exports and stabilizing domestic demand. Prospects for 2014 have improved, with sustained, yet gradual growth, over the coming quarters.**
- **As the Adjustment Program end draws closer, the Government remains committed to meet the fiscal targets, adopting alternative measures to overcome the Constitutional Court rulings, and promoting the return to the wholesale markets, with a bond exchange, in December, and a syndicated issuance, in January.**
- **Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio set at 15.2% and Tier I at 16.0%, significantly above from 12.3% and 13.3% in December 2012**
- **Despite the decrease in revenues, the reduction in provisions and the continued effort in cutting operating costs led to an increase of 18,5% in profit before taxes and minority interests**
- **Worsening of asset quality indicators, however at a slower pace. NPL and coverage ratios continue to compare very favourably with peer's according to the latest available data**

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# Income statement as of Dec13

EUR million			Variation	
	2013	2012	Amount	%
<b>Net interest income</b>	<b>514</b>	<b>570</b>	<b>(56)</b>	<b>(9,8)</b>
Net fees	318	328	(11)	(3,3)
Gains (losses) on financial transactions	51	109	(58)	(53,3)
Other operating income*	34	30	4	12,1
<b>Gross income</b>	<b>916</b>	<b>1 037</b>	<b>(121)</b>	<b>(11,6)</b>
Operating expenses	(495)	(507)	11	(2,2)
General administrative expenses	(417)	(425)	9	(2,1)
<i>Personnel</i>	(299)	(306)	7	(2,4)
<i>Other general administrative expenses</i>	(118)	(120)	1	(1,2)
Depreciation and amortisation	(79)	(81)	2	(2,9)
<b>Net operating income</b>	<b>421</b>	<b>531</b>	<b>(110)</b>	<b>(20,7)</b>
Net loan-loss provisions	(192)	(393)	200	(51,0)
Other income	(78)	(11)	(67)	624,3
<b>Profit before taxes</b>	<b>150</b>	<b>127</b>	<b>23</b>	<b>18,5</b>
Tax on profit	(44)	(5)	(39)	839,5
<b>Profit from continuing operations</b>	<b>106</b>	<b>122</b>	<b>(16)</b>	<b>(13,0)</b>
Net profit from discontinued operations	—	—	—	—
<b>Consolidated profit</b>	<b>106</b>	<b>122</b>	<b>(16)</b>	<b>(13,0)</b>
Minority interests	(8)	0	(8)	—
<b>Attributable profit to the Group</b>	<b>114</b>	<b>122</b>	<b>(8)</b>	<b>(6,3)</b>

# Quarterly income statement

EUR million

	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13
<b>Net interest income</b>	<b>147</b>	<b>152</b>	<b>147</b>	<b>122</b>	<b>117</b>	<b>134</b>	<b>132</b>	<b>131</b>
Net fees	90	91	77	70	85	87	79	67
Gains (losses) on financial transactions	70	7	32	(0)	23	7	10	11
Other operating income*	10	17	1	2	6	6	7	15
<b>Gross income</b>	<b>318</b>	<b>267</b>	<b>258</b>	<b>195</b>	<b>231</b>	<b>233</b>	<b>228</b>	<b>224</b>
Operating expenses	(126)	(126)	(126)	(128)	(124)	(122)	(123)	(126)
General administrative expenses	(106)	(106)	(106)	(107)	(104)	(102)	(103)	(107)
<i>Personnel</i>	(76)	(76)	(76)	(77)	(75)	(74)	(74)	(76)
<i>Other general administrative expenses</i>	(30)	(29)	(30)	(31)	(29)	(28)	(29)	(31)
Depreciation and amortisation	(20)	(20)	(20)	(21)	(20)	(20)	(20)	(19)
<b>Net operating income</b>	<b>191</b>	<b>141</b>	<b>132</b>	<b>67</b>	<b>107</b>	<b>112</b>	<b>105</b>	<b>97</b>
Net loan-loss provisions	(131)	(91)	(106)	(65)	(64)	(62)	(56)	(11)
Other income	(16)	(5)	6	4	(13)	(17)	(6)	(42)
<b>Profit before taxes</b>	<b>44</b>	<b>45</b>	<b>31</b>	<b>7</b>	<b>31</b>	<b>32</b>	<b>44</b>	<b>44</b>
Tax on profit	(12)	(7)	(5)	20	(10)	(7)	(12)	(15)
<b>Profit from continuing operations</b>	<b>32</b>	<b>38</b>	<b>26</b>	<b>26</b>	<b>21</b>	<b>25</b>	<b>32</b>	<b>29</b>
Net profit from discontinued operations	—	—	—	—	—	—	—	—
<b>Consolidated profit</b>	<b>32</b>	<b>38</b>	<b>26</b>	<b>26</b>	<b>21</b>	<b>25</b>	<b>32</b>	<b>29</b>
Minority interests	(0)	0	0	(0)	0	0	(0)	(8)
<b>Attributable profit to the Group</b>	<b>32</b>	<b>38</b>	<b>26</b>	<b>26</b>	<b>21</b>	<b>25</b>	<b>32</b>	<b>37</b>

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

# Balance sheet as of Dec13

EUR million			Variation	
	31.12.13	31.12.12	Amount	%
Loans and credits*	24 482	25 960	(1 478)	(5,7)
Trading portfolio (w/o loans)	1 831	1 947	(117)	(6,0)
Available-for-sale financial assets	4 724	4 023	701	17,4
Due from credit institutions*	2 895	3 527	(632)	(17,9)
Intangible assets and property and equipment	821	382	438	114,7
Other assets	7 096	6 047	1 049	17,3
<b>Total assets/liabilities &amp; shareholders' equity</b>	<b>41 848</b>	<b>41 887</b>	<b>(39)</b>	<b>(0,1)</b>
Customer deposits*	24 191	23 971	219	0,9
Marketable debt securities*	2 329	3 492	(1 163)	(33,3)
Subordinated debt	0	0	0	27,7
Insurance liabilities	75	87	(12)	(13,6)
Due to credit institutions*	12 319	11 721	598	5,1
Other liabilities	356	195	161	82,6
Shareholders' equity**	2 579	2 421	158	6,5
<b>Off-balance-sheet funds</b>	<b>2 041</b>	<b>2 421</b>	<b>(380)</b>	<b>(15,7)</b>
Mutual funds	1 050	1 544	(494)	(32,0)
Pension funds	848	787	61	7,8
Managed portfolios	142	90	52	57,8
<b>Customer funds under management</b>	<b>28 560</b>	<b>29 884</b>	<b>(1 324)</b>	<b>(4,4)</b>

\* Includes all stock of concept classified in the balance sheet

\*\* Not including profit of the year



