

Portugal

First Quarter 2015

April 28, 2015

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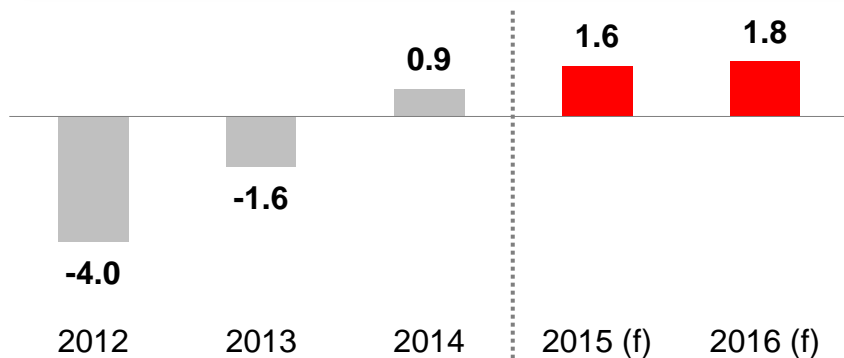
Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

Agenda

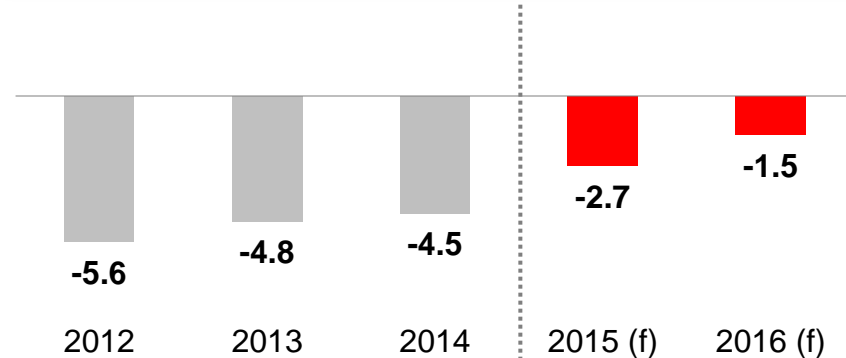
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix

The economy is on a sustained recovery path

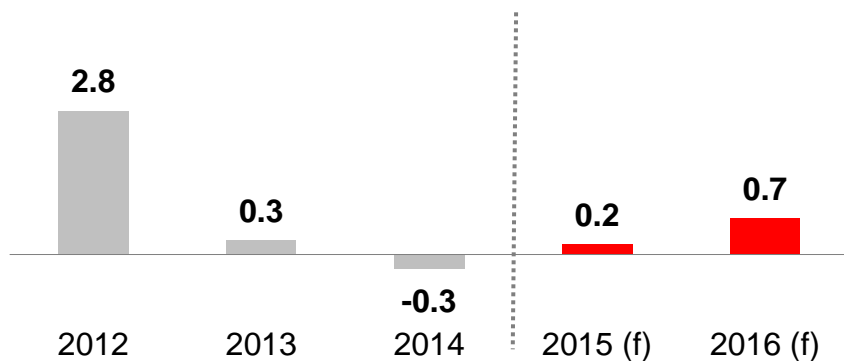
Annual GDP Growth (% , real)



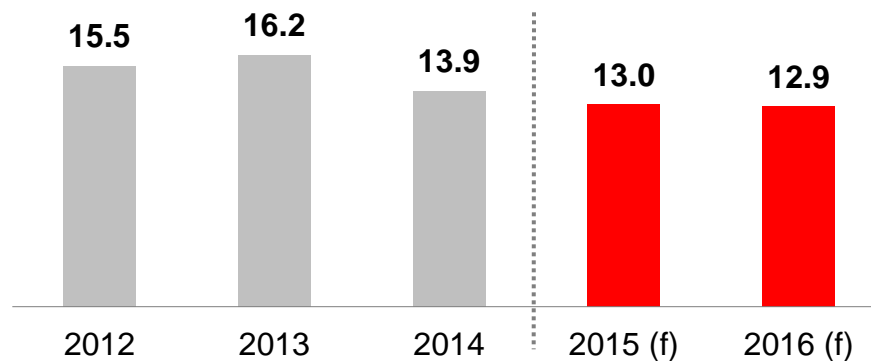
Fiscal Balance (% GDP)



Annual CPI inflation rate (% , annual average)

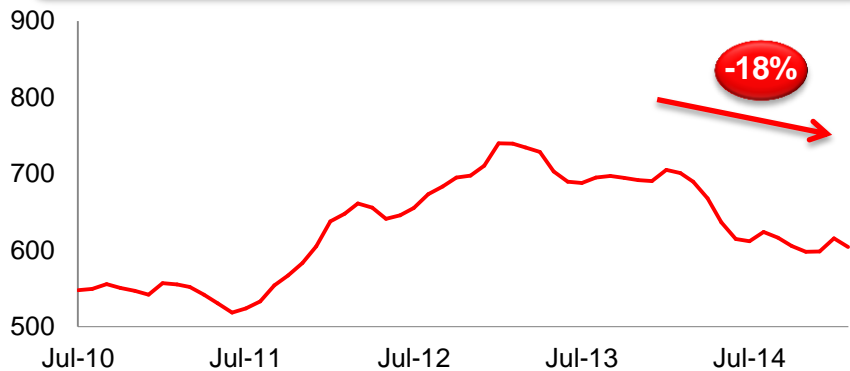


Unemployment Rate (annual average)



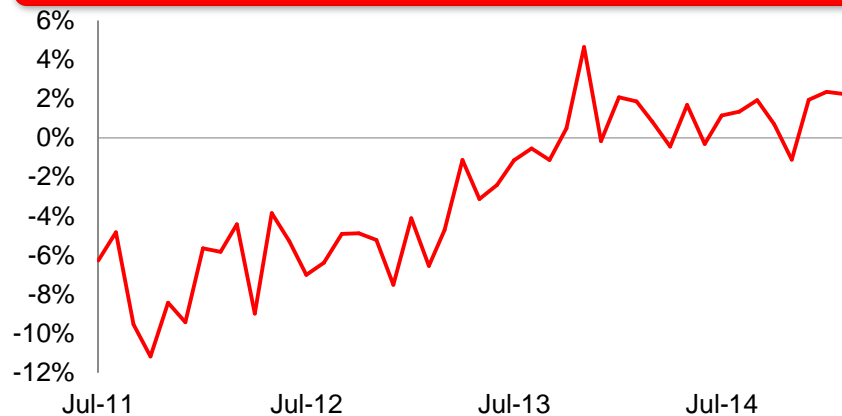
Improving trends at all levels: consumption, investment and exports

Registered Unemployment (000)



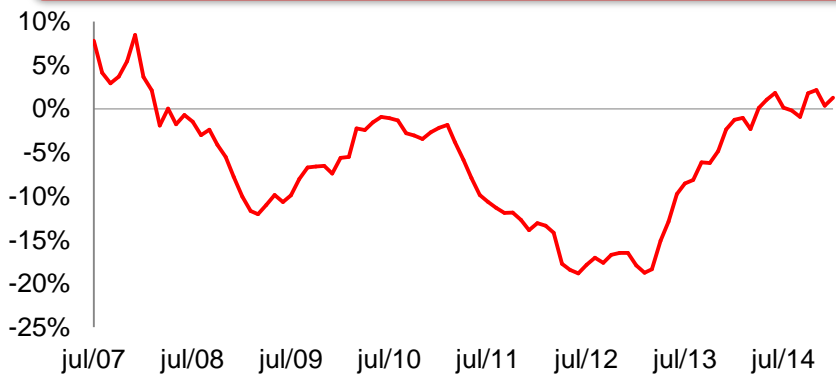
Source: IEFP

Retail Sales (YoY)



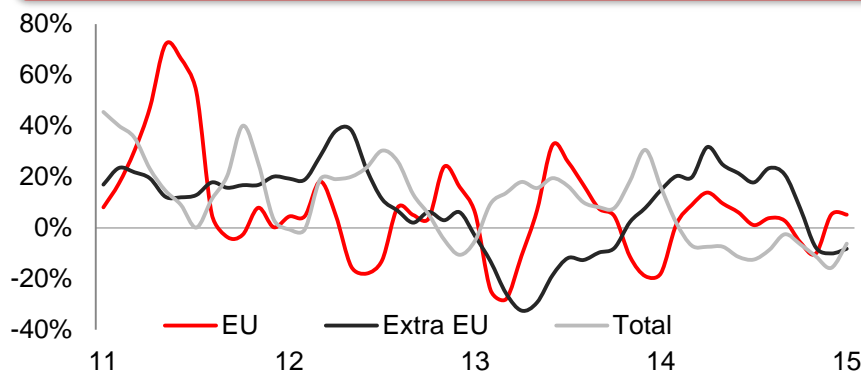
Source: INE

Investment Indicator (YoY)



Source: INE

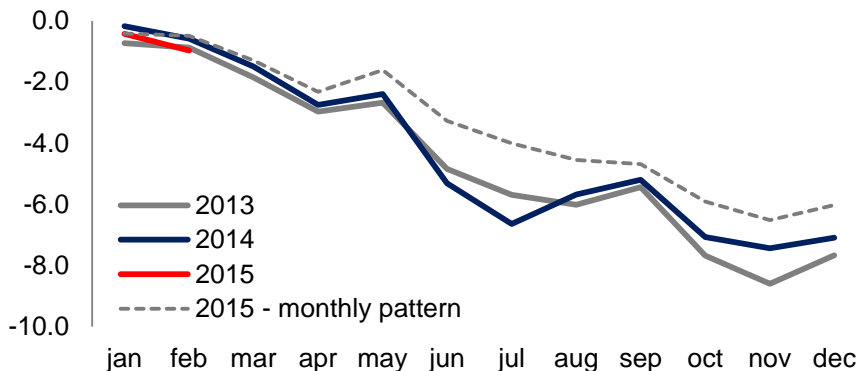
Exports (MA3, YoY)



Source: INE

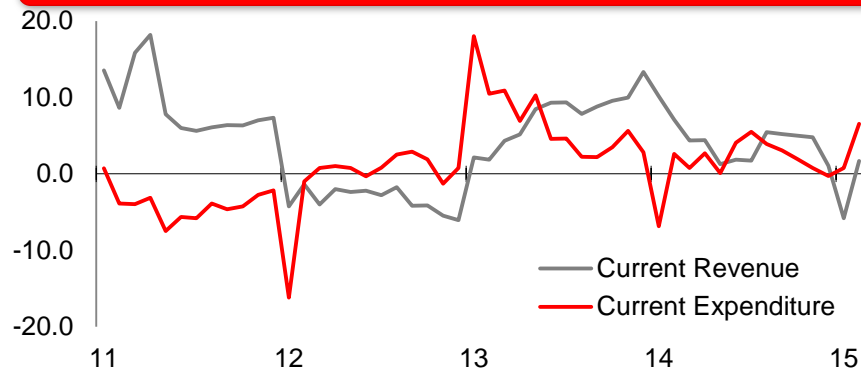
The Government has repaid part of the IMF loan in March, in the amount of €6.6bn (22% of the total loan), as it now can obtain funding at better conditions in wholesale markets

Fiscal Balance (€ bn)



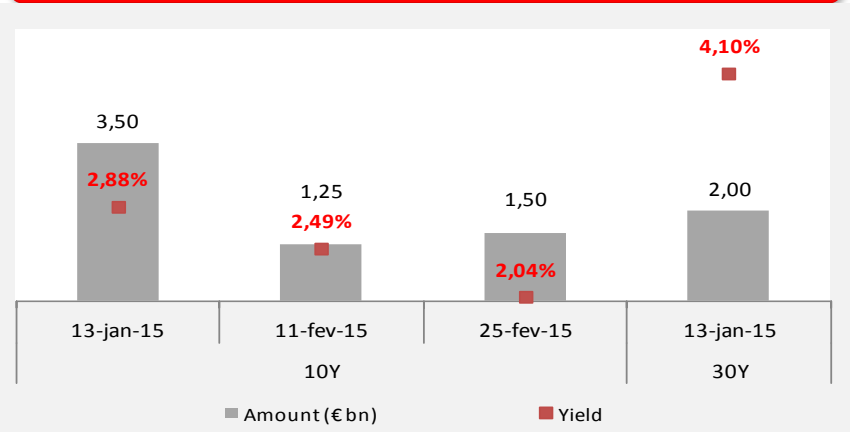
Source: Ministry of Finance

Fiscal Revenue and Public Expenditure (YoY)



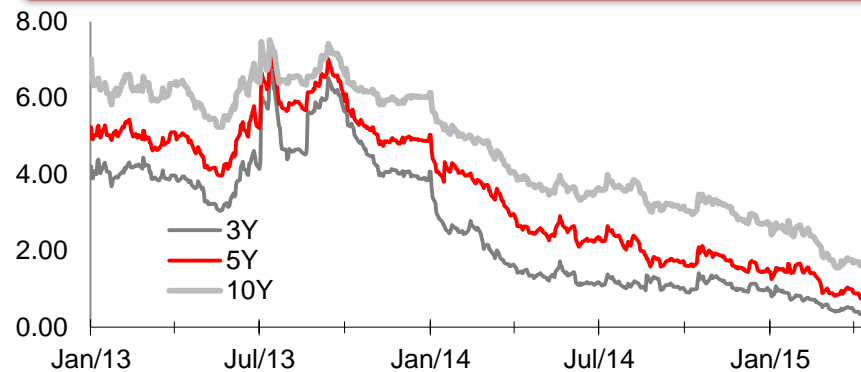
Source: Ministry of Finance

Medium-Long term Issuance in 2015 (bn)



Source: IGCP

Portuguese Government Bond Yields

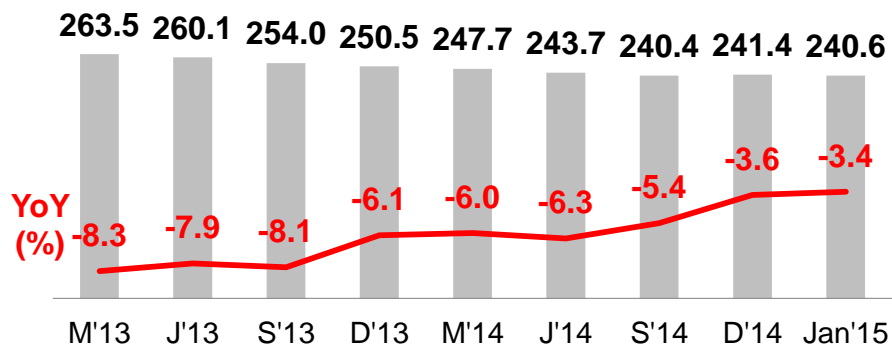


Source: Bloomberg

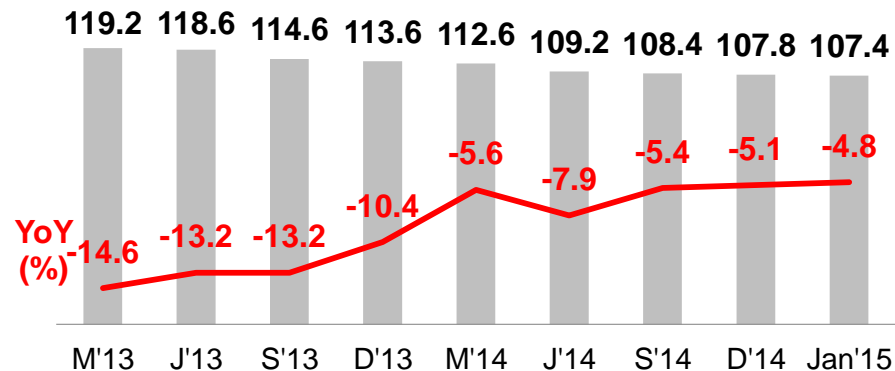
Deposits have increased in the second half of 2014

EURbn.

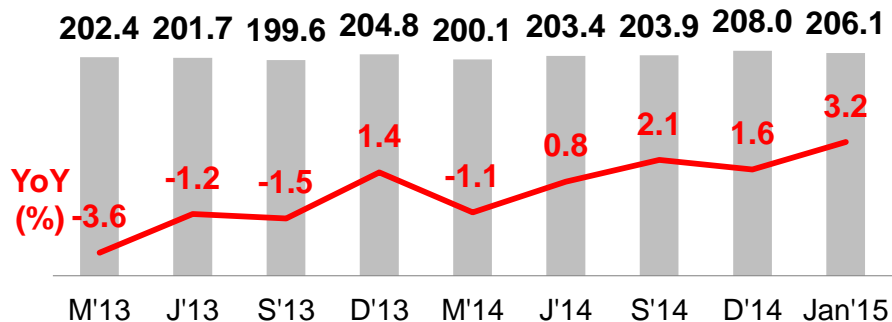
Total Loans



Corporate Loans



Total Deposits



- Credit continues to fall, although at a more moderate pace.
- The latest Survey on Conditions in Credit Markets show corporates more willing to borrow, to fund investment.
- Estimated growth of loans in 2015: -0,5%, following c. -5% in 2014.
- Deposits have receded from the recent maximum, mas continue to grow on a YoY basis.
- Confidence in the system remains unscathed, and deposits are forecast to grow around 1% in 2015.

Better economic prospects but challenges remain

- GDP has likely continued to expand at a solid pace in 1Q15, supported by resilient exports and improving domestic demand. QoQ growth should have stabilized at around 0.5% and YoY growth accelerated to 1.7%. The economy is on track to grow 1.6% in 2015, after 0.9% in 2014.
- Investment related indicators continue to point to an ongoing recovery of capital expenditure: cement sales are stabilizing, while the acquisition of transportation material remains strong. Household confidence has also improved to historical maxima. The decline in oil prices and very low levels of interest rates are underpinning disposable income.
- In 2014, the fiscal deficit, excluding one-offs, fell to 3.7% of GDP, below the 4.0% of GDP target (4.5% with one-offs), given the better performance of revenue. This could positively impact the 2015 budget, with the government targeting a deficit of 2.7% of GDP. The Treasury has taken advantage of better market conditions and has partly redeemed the IMF loan, in the amount of €6.6bn (22% of the initial IMF loan).
- The banking sector continues to deleverage and is well positioned to benefit from the ongoing economic recovery. However, low levels of interest rates poses an additional pressure on the system return to profitability.

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Santander Totta is the 3rd private bank in domestic activity by total assets



<i>EUR</i>	Mar'15	Var. YoY
Business and Results		
Loans	24,2 bn.	-4.4%
Deposits	23,5 bn.	+4.8%*
Total customer funds	29,1 bn.	+8.2%*
Consolidated profit	56,4 m.	+70.4%
Attributable profit	56,1 m.	+58.0%

Other Data		
Employees	5,408	-104
Branches	584	-49
ATMs	1,521	-33

Market Share ⁽¹⁾		
Loans	10.95%	+0.66pp
- Individuals	12.71%	+0.21pp
- Corporates	8.77%	+1,05pp
Deposits	10.23%	+0.53pp

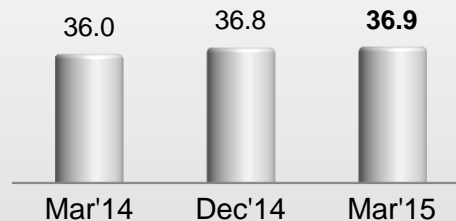
(1) Market share as of February, 2015

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

Commercial focus / strategy

Balance sheet mix (in local criteria*)

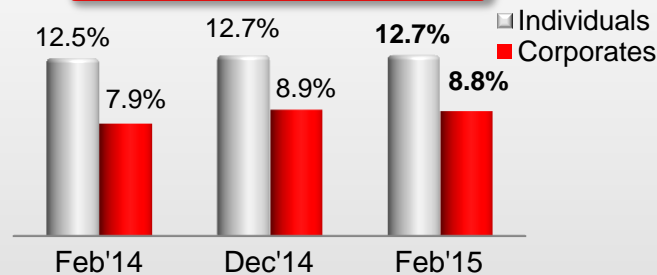
Mix of Corporates / Total loans (%)



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

Market shares

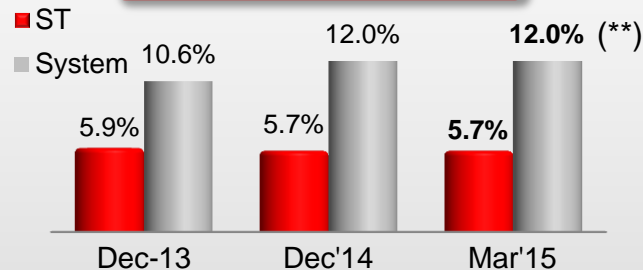
Market shares - Loans



Market share gains yoy in loans to corporates and individuals

Asset quality

Credit at risk ratio

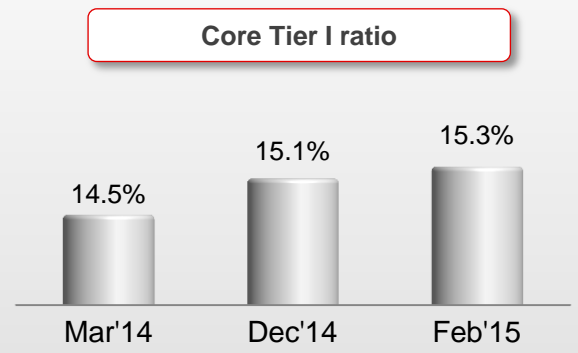


BST's asset quality indicators have been improving even compared to the average of the banking system (**)

(*) Total loans includes commercial paper

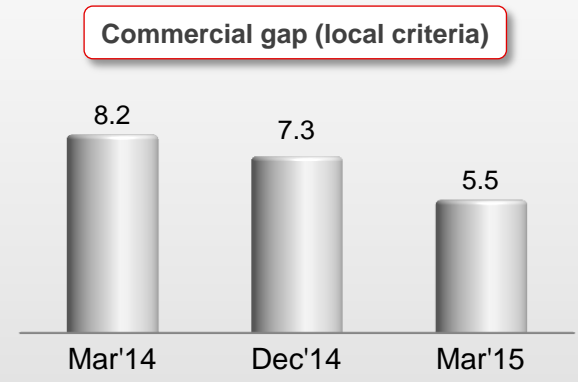
(**) According to the latest available data (Dec/14)

Capital ratios



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

Commercial gap

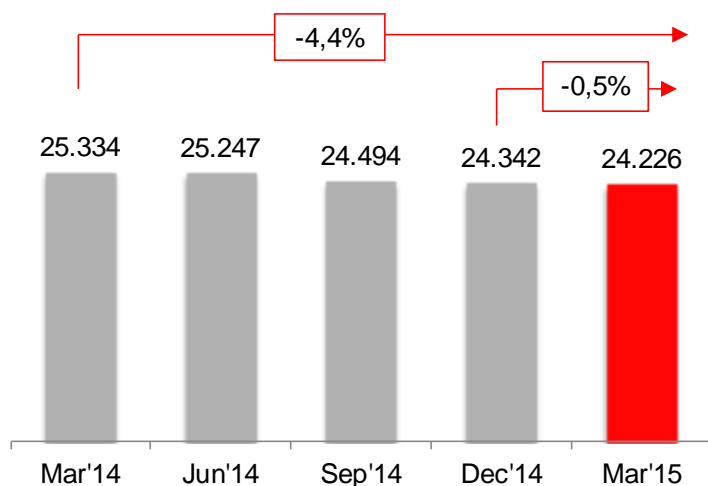


Commercial gap continues to improve

The loan book kept a downward trend but at a slower pace

EUR million

Total loans (**)



	Mar'15	YoY (%)	QoQ (%)
Individuals	16.533	-2,8	-0,6
<i>from which:</i>			
Mortgage	14.709	-2,8	-0,6
Consumer credit	1.368	-1,6	-0,9
Corporates	7.453	-4,7	+0,1
SMEs	2.384	-8,9	-3,2
Corporates	3.558	+6,4	+5,1
Large corporates	1.511	-18,8	-5,2
Total	24.226	-4,4	-0,5
Loans to Corporates (*)	9.801	-0,2	-0,5
Total Loans (*)	26.574	-2,8	-0,6

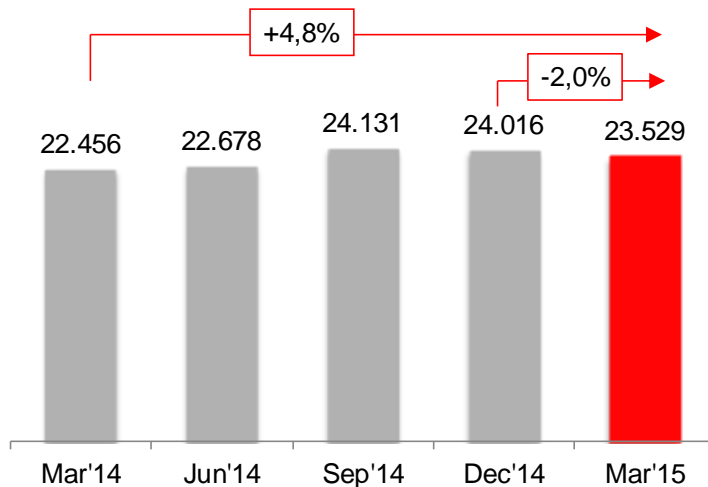
(*) Including commercial paper

(**) Gross credit

After the strong increase in the 3rd quarter of 2014, deposits are now stabilizing

EUR million

Total deposits*



	Mar'15	YoY (%)	QoQ (%)
Demand	5.278	+24,4	-0,0
Time and Savings	18.251	-5,6	-2,6
Deposits	23.529	-0,2	-2,0
Securities placed	2.732	+21,5	-4,3
Investment funds and other	2.870	+28,9	+14,8
Total Customer Funds	29.131	+3,8	-0,8

* Does not include Clearnet deposits (repos SPGB)

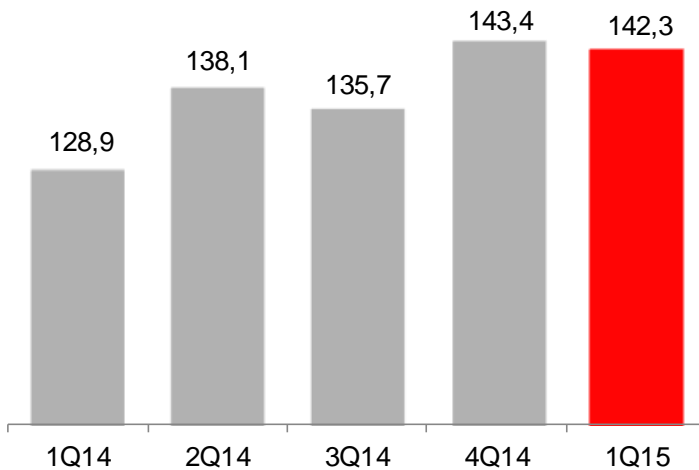
Agenda

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- Appendix

NII increased 10% yoy due mainly to lower cost of deposits

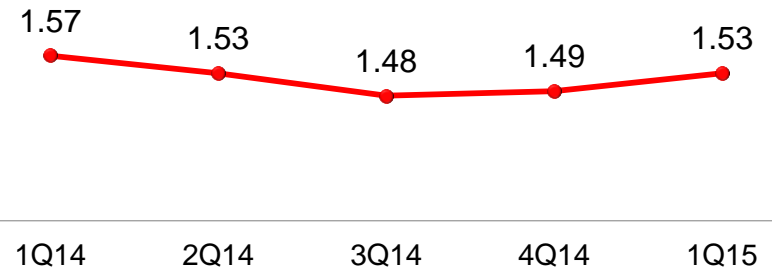
EUR million

Net Interest Income



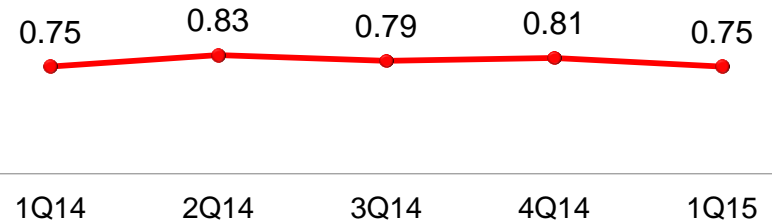
Loan spreads, %

Retail Banking



Deposit spreads, %

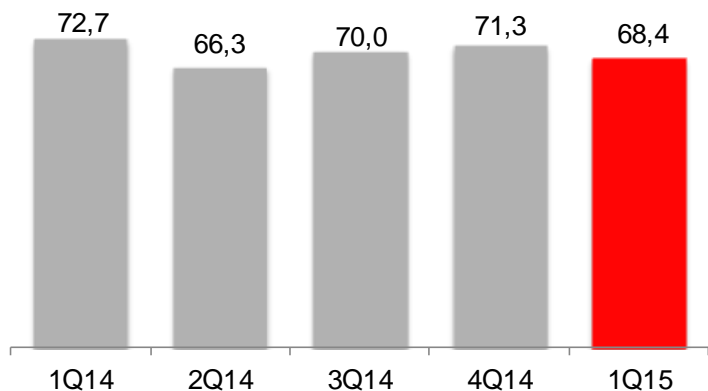
Retail Banking



The QoQ positive evolution in credit and GBM commissions didn't offset the worst performance in credit cards, mutual funds and insurance business

EUR million

Net Fees



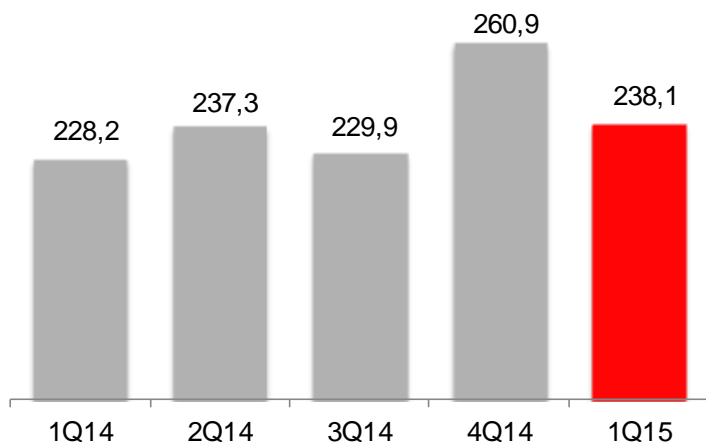
	3M15	3M14	YoY (%)	QoQ (%)
Credit	20,2	19,6	+2,8	+7,7
Credit cards	11,1	11,7	-5,4	-19,8
Mutual funds / AM	4,8	4,1	+18,7	-10,3
Insurance	22,3	22,3	-0,2	-8,5
GBM	17,5	15,6	+12,6	+9,3
Other *	(7,5)	(0,6)	>200	+6,1
Total	68,4	72,7	-5,9	-4,0

* Increased fees paid to other business units

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

EUR million

Gross income



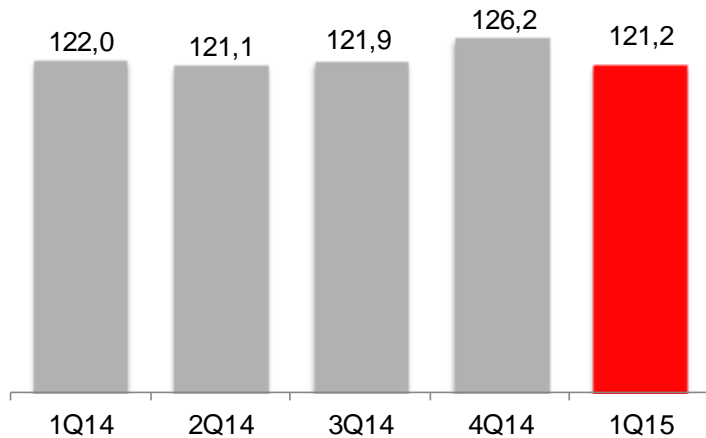
	3M15	3M14	YoY (%)	QoQ (%)
Net interest income	142,3	128,9	+10,4	-0,7
Net Fees	68,4	72,7	-5,9	-4,0
Subtotal	210,7	201,6	+4,5	-1,8
Other ¹	27,4	26,6	+3,1	-40,8
Gross income	238,1	228,2	+4,4	-8,7

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

Operating expenses decreased in comparison with the last quarter and the homologous period

EUR million

Operating expenses



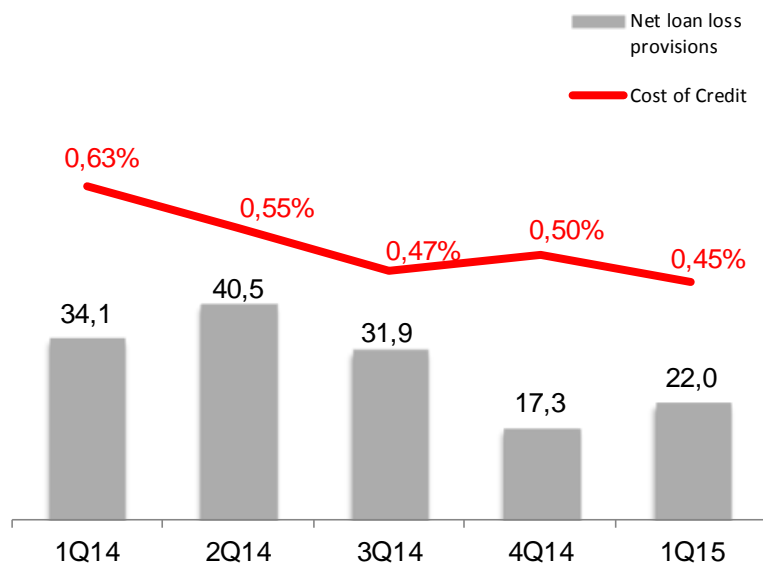
	3M15	3M14	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	105,8	102,6	+3,1	-2,6
Depreciation and amortization	15,4	19,4	-20,5	-12,0
Total	121,2	122,0	-0,7	-3,9

Efficiency ratio (with amortisations)	50,9%	53,5%	-2,6pp	-0,5pp
Number of branches	584	633	-49	-10
Number of employees	5.408	5.512	-104	-2

Besides the last quarter of 2014, the cost of credit has been constantly decreasing

EUR million

LLPs and cost of credit

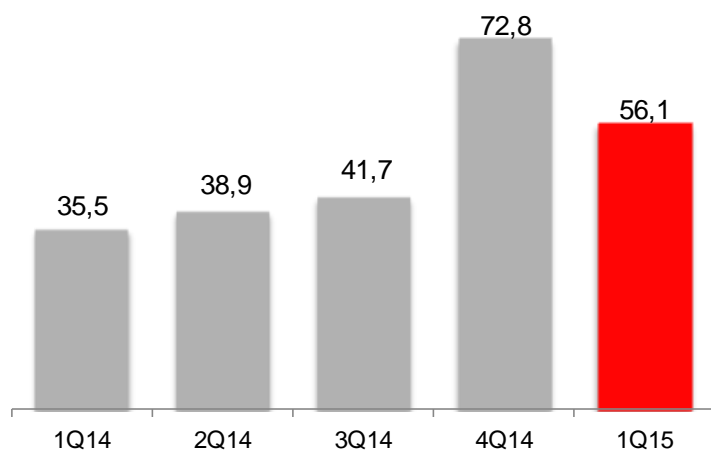


	3M15	3M14	YoY (%)	QoQ (%)
Net Operating Income	116,9	106,1	+10,1	-13,2
LLPs	22,0	34,1	-35,6	+27,1
Net Op. Income after LLPs	94,9	72,0	+31,8	-19,1
NPL Coverage ratio	52,4%	50,6%	+1,8pp	+0,6pp
NPL ratio	9,0%	8,3%	+0,7pp	+0,1pp

Profit lower QoQ as capital gains from sale of portfolios recorded in 4Q and provisions below the average of the year

EUR million

Attributable profit



	3M15	3M14	YoY (%)	QoQ (%)
Profit before taxes	73,7	42,1	+75,3	-24,2
Tax on profit	17,3	9,0	+93,4	-28,1
Consolidated profit	56,4	33,1	+70,4	-23,0
Attributable profit	56,1	35,5	+58,0	-22,9
Effective tax rate	23,5%	21,3%		

Market Environment & Financial System

- Economic activity is strengthening, backed by improving domestic demand and strong export growth. Unemployment, however, is stabilizing, but should continue to decline at a moderate pace in the coming quarters.
- The economy continues to deleverage, with a gradual decline in lending to non-financial corporates. New mortgage loans are improving, with declining spreads.
- Low interest rates allowed the Government to start early repayment of IMF loans.

Strategy, Business & Capital

- Improving market shares in loans to corporates and a more balanced loan book, without losing individual clients
- Capital ratios continue reflecting the sound structure of Santander Totta with the core capital ratio reaching 15.3%
- The Bank is continuously adapting its cost structure to the new competitive environment

Profitability & Results

- The cost of deposits continues to reduce
- Attributable profit increased 58.0% (ac.yoy) reflecting the increase of revenues and lower operating costs and provisions.
- NPL ratio is evolving at a slower pace and cost of credit maintains a downward trend

Agenda

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Balance Sheet

EUR million			Variation	
	31.03.15	31.03.14	Amount	%
Loans and credits*	23,045	24,240	(1,195)	(4.9)
Trading portfolio (w/o loans)	2,160	1,884	276	14.6
Available-for-sale financial assets	6,877	6,711	166	2.5
Due from credit institutions*	2,173	2,540	(368)	(14.5)
Intangible assets and property and equipment	700	800	(100)	(12.5)
Other assets	5,857	5,810	47	0.8
Total assets/liabilities & shareholders' equity	40,813	41,986	(1,173)	(2.8)
Customer deposits*	23,529	23,586	(57)	(0.2)
Marketable debt securities*	2,732	2,248	484	21.5
Subordinated debt	(0)	0	(0)	—
Insurance liabilities	30	80	(50)	(62.8)
Due to credit institutions*	11,042	12,915	(1,873)	(14.5)
Other liabilities	888	857	31	3.6
Stockholders' equity**	2,593	2,300	292	12.7
Off-balance-sheet funds	2,870	2,227	644	28.9
Mutual funds	1,530	1,185	344	29.1
Pension funds	962	862	100	11.6
Managed portfolios	379	179	199	111.3
Customer funds under management	29,131	28,061	1,070	3.8

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income Statement

EUR million			Variation	
	1Q 15	1Q 14	Amount	%
Net interest income	142	129	13	10.4
Net fees	68	73	(4)	(5.9)
Gains (losses) on financial transactions	15	18	(3)	(17.9)
Other operating income**	13	9	4	47.4
Gross income	238	228	10	4.4
Operating expenses	(121)	(122)	1	(0.7)
General administrative expenses	(106)	(103)	(3)	3.1
<i>Personnel</i>	(73)	(73)	(0)	0.0
<i>Other general administrative expenses</i>	(33)	(30)	(3)	10.5
Depreciation and amortisation	(15)	(19)	4	(20.5)
Net operating income	117	106	11	10.1
Net loan-loss provisions	(22)	(34)	12	(35.6)
Other income	(21)	(30)	9	(29.3)
Profit before taxes	74	42	32	75.3
Tax on profit	(17)	(9)	(8)	93.4
Profit from continuing operations	56	33	23	70.4
Net profit from discontinued operations	—	—	—	—
Consolidated profit	56	33	23	70.4
Minority interests	0	(2)	3	—
Attributable profit to the Group	56	36	21	58.0

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

Quarterly statements of income

EUR million

	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15
Net interest income	129	138	136	143	142
Net fees	73	66	70	71	68
Gains (losses) on financial transactions	18	22	13	35	15
Other operating income**	9	11	11	12	13
Gross income	228	237	230	261	238
Operating expenses	(122)	(121)	(122)	(126)	(121)
General administrative expenses	(103)	(104)	(104)	(109)	(106)
<i>Personnel</i>	(73)	(73)	(73)	(78)	(73)
<i>Other general administrative expenses</i>	(30)	(31)	(31)	(31)	(33)
Depreciation and amortisation	(19)	(17)	(18)	(18)	(15)
Net operating income	106	116	108	135	117
Net loan-loss provisions	(34)	(40)	(32)	(17)	(22)
Other income	(30)	(29)	(20)	(20)	(21)
Profit before taxes	42	47	57	97	74
Tax on profit	(9)	(9)	(15)	(24)	(17)
Profit from continuing operations	33	37	42	73	56
Net profit from discontinued operations	—	—	—	—	—
Consolidated profit	33	37	42	73	56
Minority interests	(2)	(2)	(0)	0	0
Attributable profit to the Group	36	39	42	73	56

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

