

Portugal

January – September 2015

October 29, 2015

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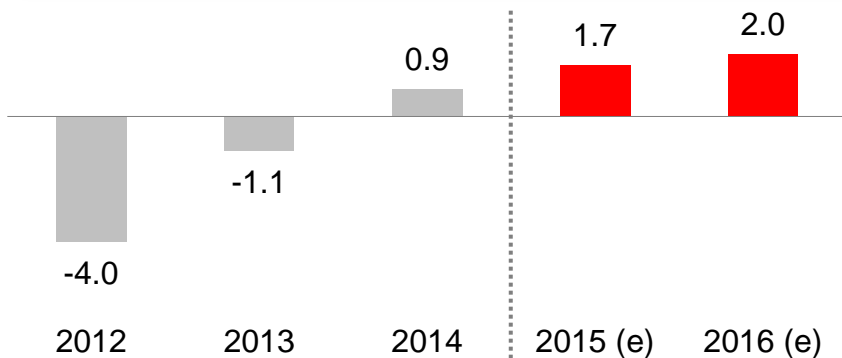
Note: The results information contained in this presentation has been prepared according to Spanish accounting criteria and regulation in a manner applicable to all subsidiaries of the Santander Group and as a result it may differ from the one disclosed locally by Banco Santander Totta.

Agenda

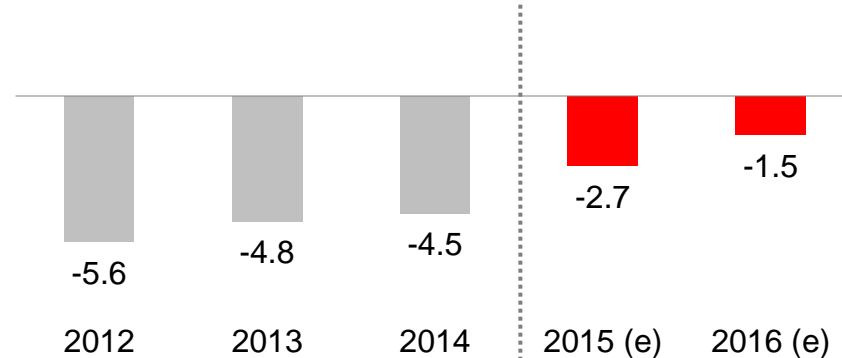
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix

Resilient economic growth, with sustained gains in employment

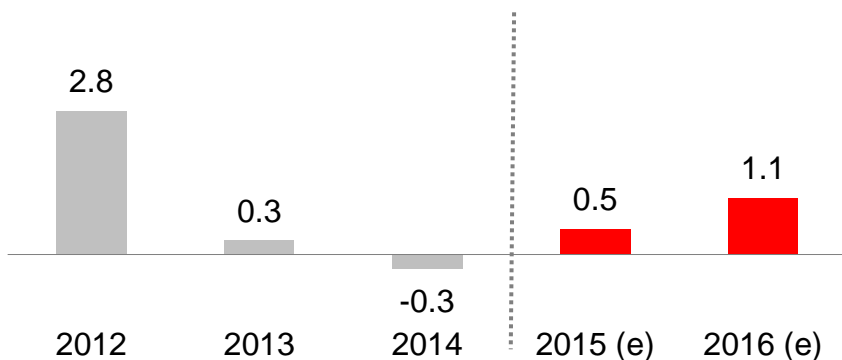
Annual GDP Growth (% , real)



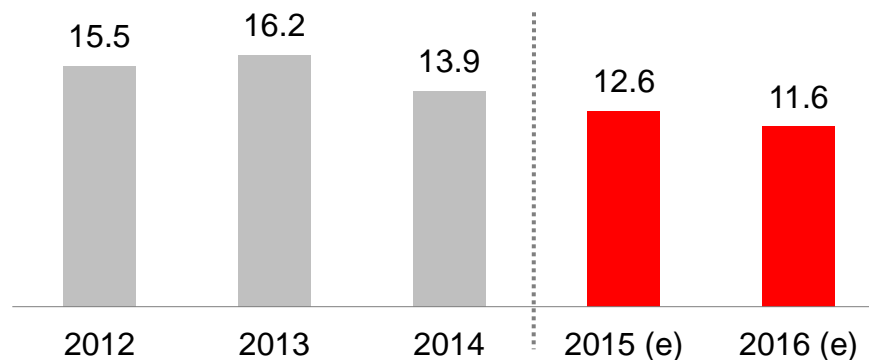
Fiscal Balance (% GDP)



Annual CPI inflation rate (% , annual average)

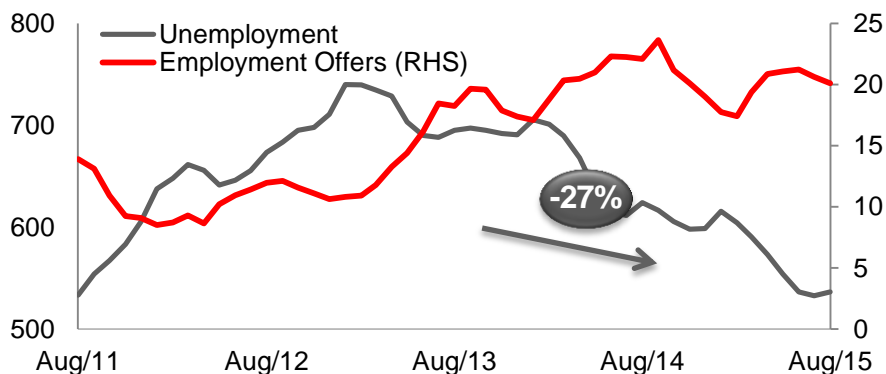


Unemployment Rate (annual average)



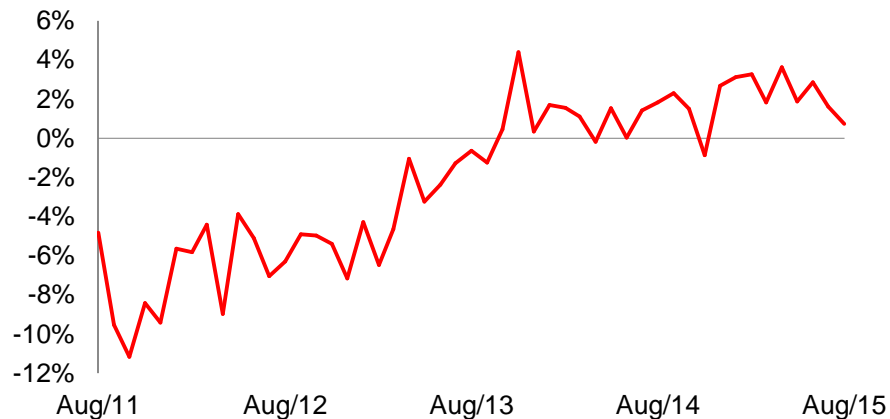
Exports continue to grow at a solid pace and we continue to see a consistent recovery in investment and private consumption

Registered Unemployment and Job Offers (000)



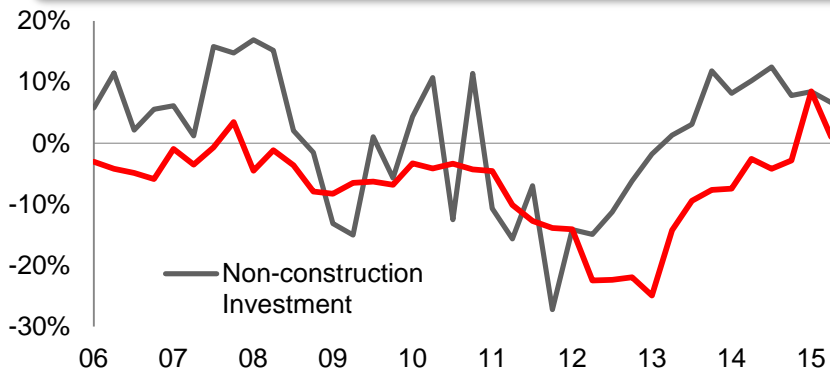
Source: IEFP

Retail Sales (YoY)



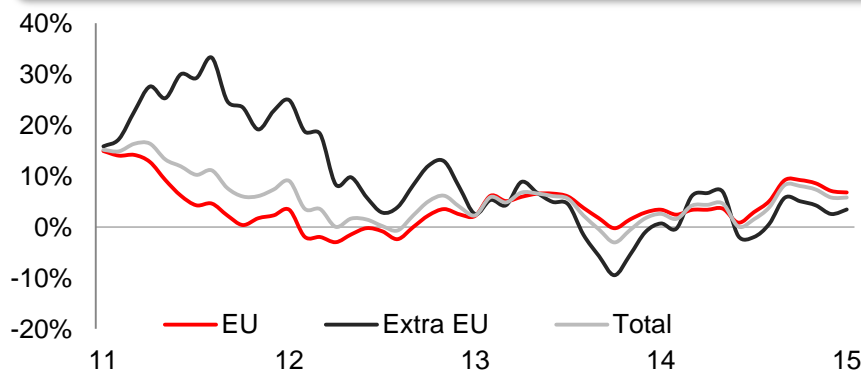
Source: INE

Investment (YoY)



Source: INE

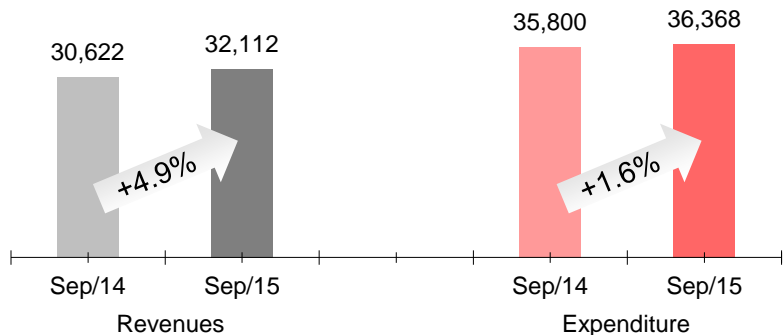
Exports (MA3, YoY)



Source: INE

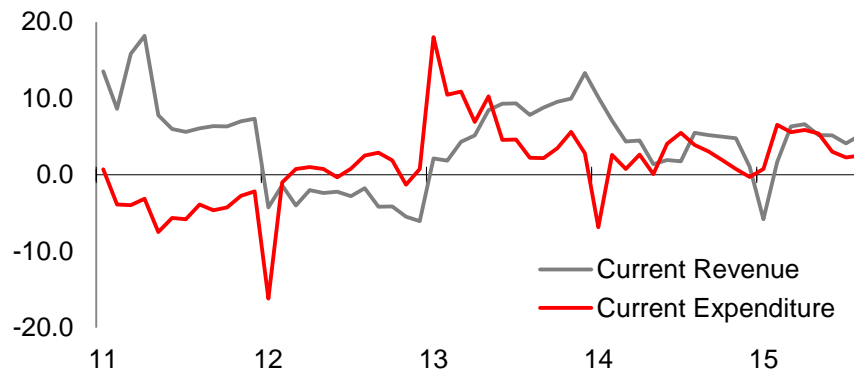
Strong revenue growth continues to support the narrowing of the fiscal deficit

Total Revenues and Expenditure (€ mn)



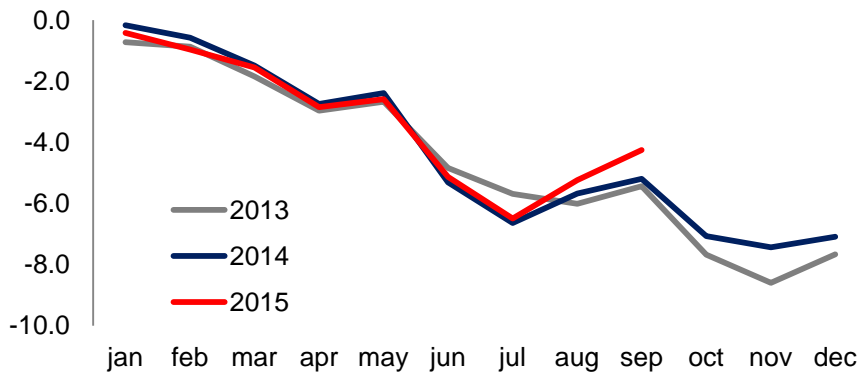
Source: Ministry of Finance

Fiscal Revenue and Public Expenditure (YoY)



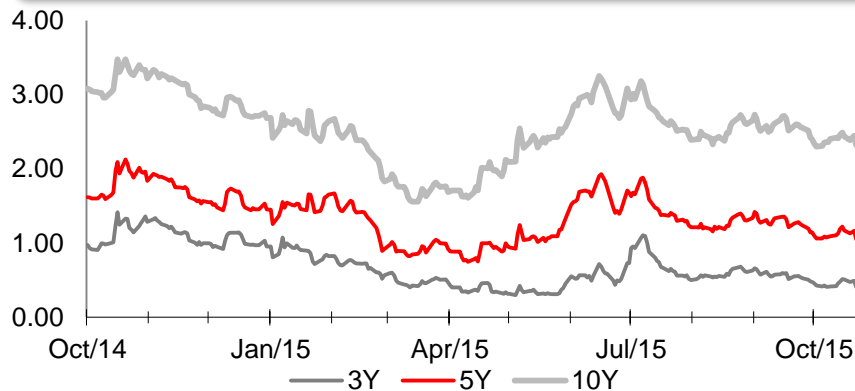
Source: Ministry of Finance

Fiscal Balance (€ bn)



Source: Ministry of Finance

Portuguese Government Bond Yields

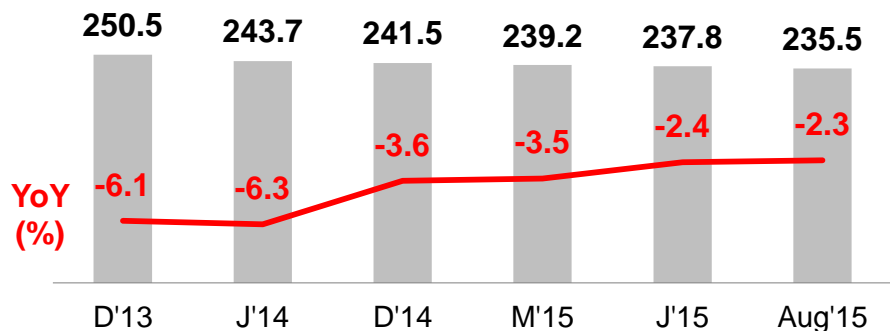


Source: Bloomberg

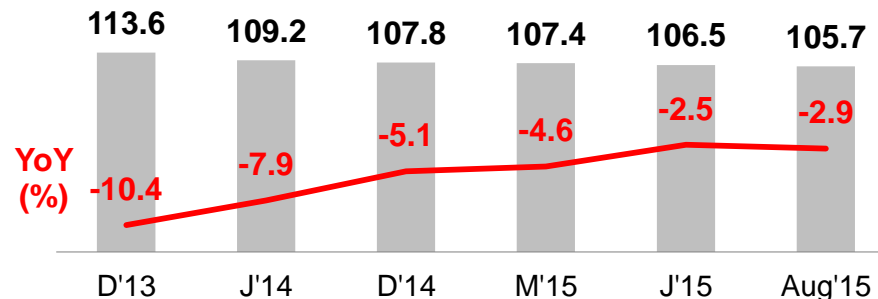
Deleveraging continues, at a more moderate pace

EURbn.

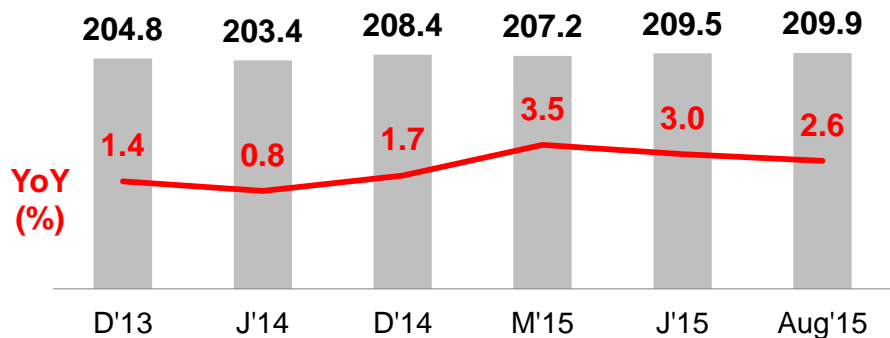
Total Loans



Corporate Loans



Total Deposits



- Credit continues to decline, at a more moderate pace.
- Estimated growth of loans in 2015: -2,7%, following -3,6% in 2014.
- Deposits continue to increase, to around €210bn.
- Confidence in the system remains unscathed, and deposits are forecast to grow around 3%% in 2015.

Better economic prospects but challenges remain

- GDP growth has fluctuated around 1.5% in YoY terms, supported by resilient domestic demand, both in terms of private consumption and investment. The improving economic conditions are reflected in the gradual decline of unemployment, to around 12%. Net exports have subtracted from GDP growth, as resilient export growth has been offset by imports.
- GDP growth is expected to stabilize around 2%, very much in line with the current QoQ dynamics. Risks are balanced, as the outlook for the main export markets (Spain, Germany and the rest of EU) is basically unchanged.
- Fiscal developments continue to be consistent with the decline of the budget deficit to levels below 3% of GDP. The budget execution in the second half of the year depends on tax revenues, namely VAT, while expenditure should benefit from less constraints than those observed in 2014 (namely the Constitutional Court rulings on wages and pensions).
- The loan book continues to decline, at a more moderate pace. The reduction in debt is now more localized in some sectors (construction and real estate activities), but the non-financial corporate sector continues to restructure, in order to increase profitability. Credit conditions continue to improve, as spreads decline.

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



<i>EUR</i>	Sep'15	Var. YoY
Business and Results		
Loans	24.3 bn.	-0.8%
Deposits	24.1 bn.	-0.2%
Total customer funds	29.5 bn.	-2.7%
Consolidated profit	181.0 m.	+67.0%
Attributable profit	180.8 m.	+60.5%

Other Data		
Employees	5,423	-129
Branches	575	-45
ATMs	1,516	-26

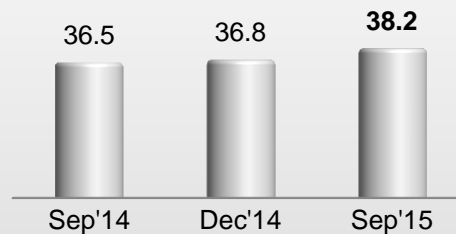
Market Share ⁽¹⁾		
Loans	11.28%	+0.44pp
- Individuals	12.92%	+0.26pp
- Corporates	9.26%	+0,70pp
Deposits	10.55%	+0.46pp

(1) Market share as of July, 2015

Commercial focus / strategy

Balance sheet mix (in local criteria*)

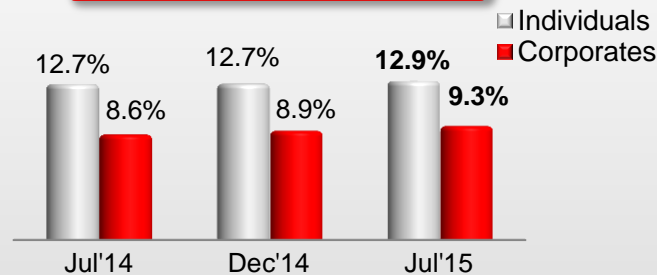
Mix of Corporates / Total loans (%)



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

Market shares

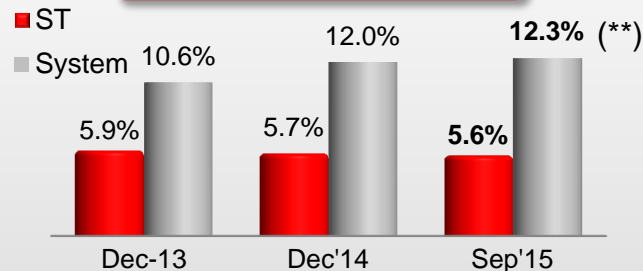
Market shares - Loans



Market share gains yoy in loans to corporates and individuals

Asset quality

Credit at risk ratio

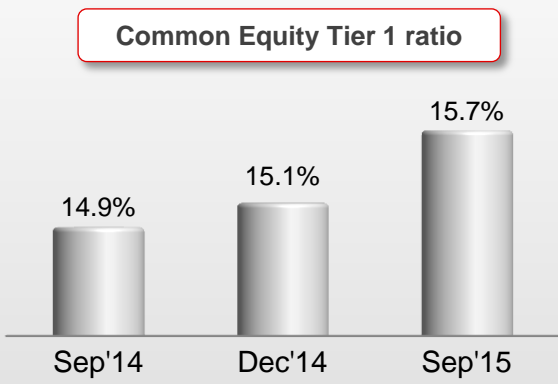


BST's asset quality indicators have been improving even compared to the average of the banking system (**)

(*) Total loans includes commercial paper

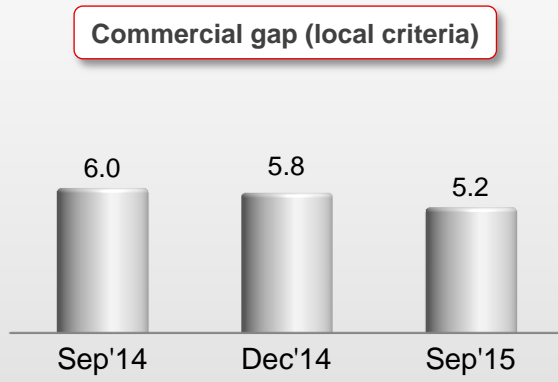
(**) According to the latest available data (Mar'5)

Capital ratios



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

Commercial gap

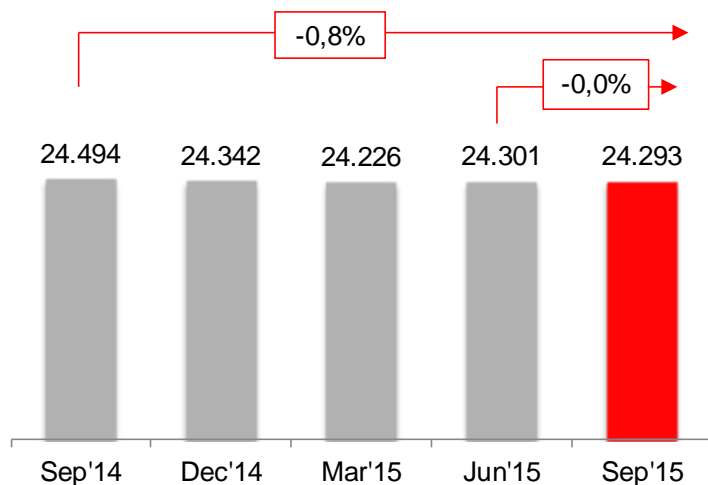


Commercial gap continues to improve

Loans to corporates* are increasing at a steady pace

EUR million

Total loans (**)



	Sep'15	YoY (%)	QoQ (%)
Individuals	16.449	-2,0	-0,2
<i>from which:</i>			
Mortgage	14.626	-1,9	-0,2
Consumer credit	1.390	-1,1	+0,2
Corporates	7.522	+1,1	-0,7
Small Businesses	2.417	-3,8	+0,6
Corporates	3.569	+6,6	+1,0
Large corporates	1.536	-2,8	-6,4
Total	24.293	-0,8	-0,0
Loans to Corporates (*)	10.379	+5,7	+3,7
Total Loans (*)	27.150	+1,0	+1,6

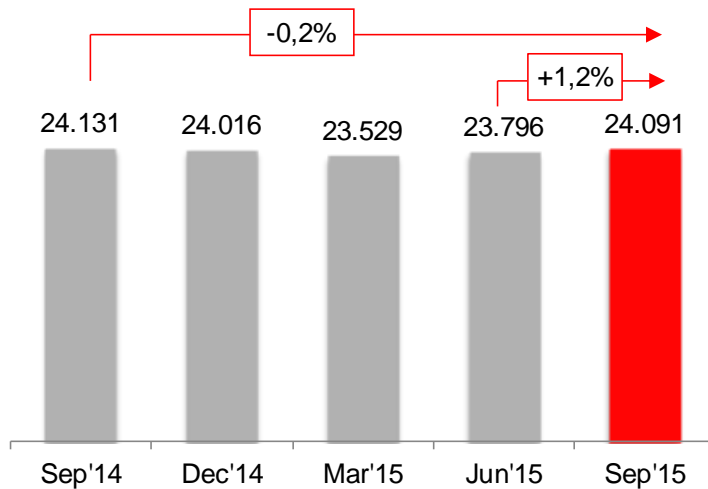
(*) Including commercial paper

(**) Gross credit

In a low interest rate environment, demand deposits increased 18.1% yoy while Investment funds kept an upward trend

EUR million

Total deposits



	Sep'15	YoY (%)	QoQ (%)
Demand	6,437	+18.1	+3.5
Time and Savings	17,654	-5.5	+0.5
Deposits & financial insurance	24,091	-0.2	+1.2
Securities placed	2,566	-32.3	-1.6
Investment funds and other	2,801	+19.3	-2.6
Total Customer Funds	29,458	-2.7	+0.6

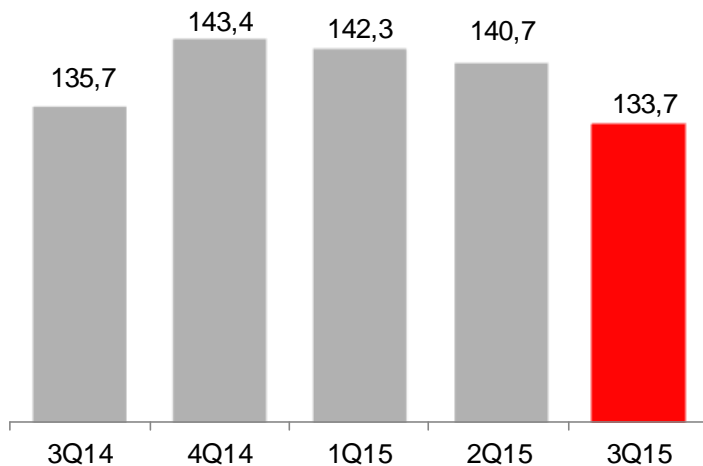
Agenda

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Despite the positive evolution of NII (+3.5%, yoy ac.), the decrease in the cost of deposits didn't offset lower interests in loans in the quarter

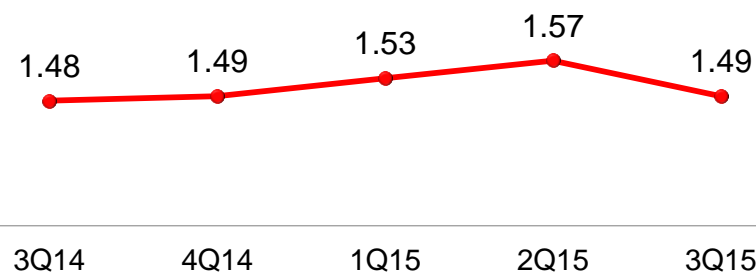
EUR million

Net Interest Income



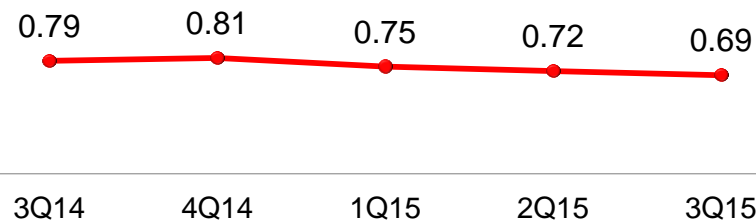
Loan spreads, %

Retail Banking



Deposit spreads, %

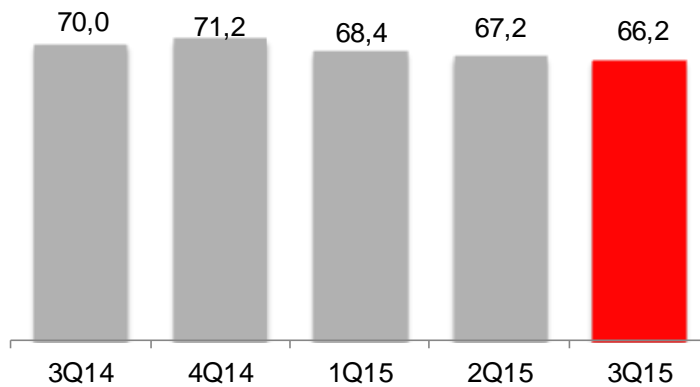
Retail Banking



Positive evolution in credit and mutual funds commissions

EUR million

Net Fees



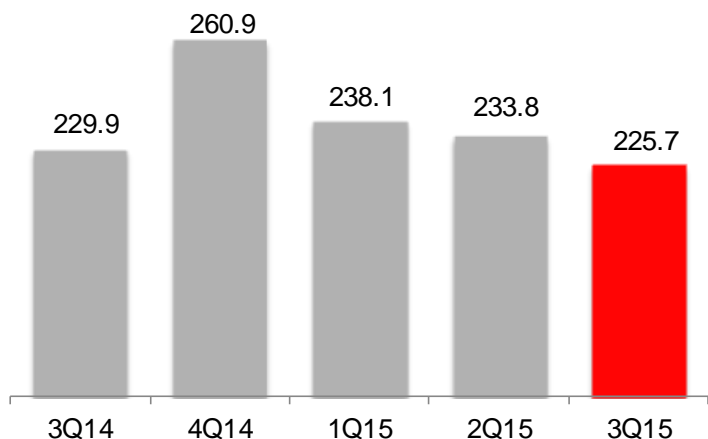
	9M15	9M14	YoY (%)	QoQ (%)
Credit	50.0	49.2	+1.5	+3.3
Credit cards	40.0	41.6	-3.9	-1.3
Mutual funds	15.2	12.7	+19.0	-12.8
Insurance	67.0	68.8	-2.6	+3.3
Other*	29.7	36.6	-19.0	-13.8
Total	201.8	209.0	-3.4	-1.5

* Increased fees paid to other business units

Gross income in 9M'15 slightly above the homologous period

EUR million

Gross income



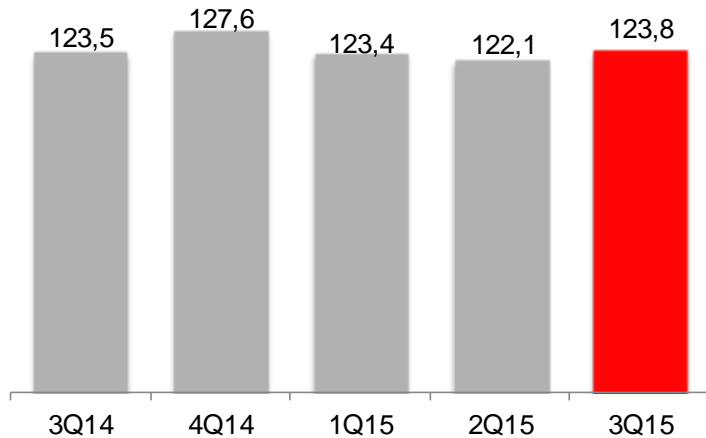
	9M15	9M14	YoY (%)	QoQ (%)
Net interest income	416,7	402,7	+3,5	-5,0
Net Fees	201,8	209,0	-3,4	-1,5
Subtotal	618,5	611,7	+1,1	-3,8
Other ¹	79,0	83,8	-5,6	-0,2
Gross income	697,5	695,4	+0,3	-3,4

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

Operating expenses had a positive evolution yoy which was reflected in the improvement of the efficiency ratio

EUR million

Operating expenses

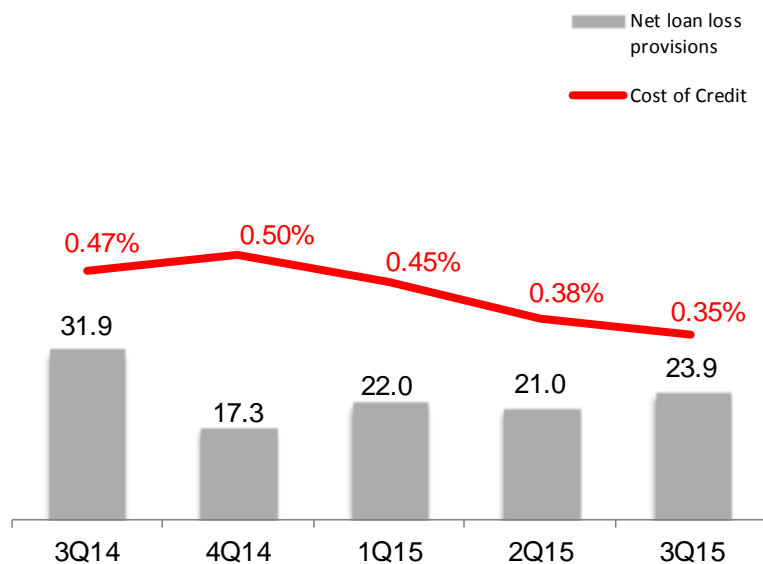


	9M15	9M14	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	342.4	331.7	+3.2	+1.4
Depreciation and amortization	26.9	38.3	-29.8	+2.4
Total	369.3	370.0	-0.2	+1.4
Efficiency ratio (with amortisations)	52.9%	53.2%	-0.3pp	+0.9pp
Number of branches	575	620	-45	-1
Number of employees	5,423	5,552	-129	-10

The cost of credit maintains a downward trend

EUR million

LLPs and cost of credit

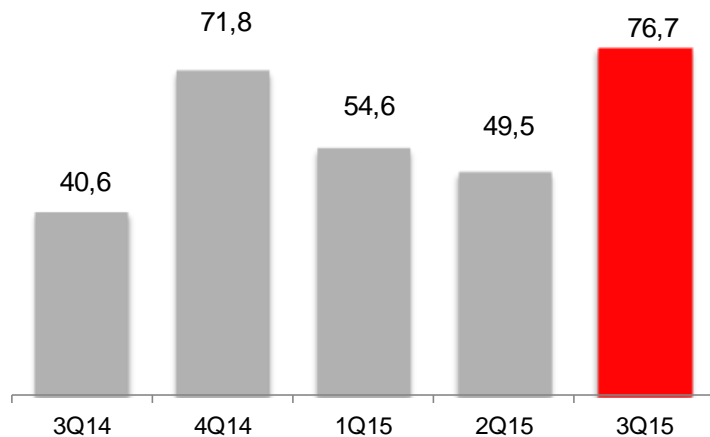


	9M15	9M14	YoY (%)	QoQ (%)
Net Operating Income	328.3	325.4	+0.9	-8.8
LLPs	66.8	106.5	-37.3	+13.8
Net Op. Income after LLPs	261.5	218.9	+19.4	-14.0
NPL Coverage ratio	56.2%	53.9%	+2.3pp	+2.0pp
NPL ratio	8.9%	8.5%	+0.4pp	+0.1pp

Attributable profit in the 9M'15 grew 61% yoy

EUR million

Attributable profit



	9M15	9M14	YoY (%)	QoQ (%)
Profit before taxes	240.2	140.2	+71.3	+50.4
Tax on profit	59.2	31.9	+85.9	+33.5
Consolidated profit	181.0	108.4	+67.0	+56.6
Attributable profit	180.8	112.6	+60.5	+55.1
Effective tax rate	24.6%	22.7%		

Note: 3Q'15 includes a gain obtained with the sale of the participation in Banco Caixa Geral Totta Angola (39M€)

Market Environment & Financial System

- GDP continues to grow at levels close to 2% (QoQ annualised), supported by strong domestic demand. Resilient export growth offset by faster growth in imports.
- The budget deficit is narrowing, supported by revenue growth. A deficit below 3% of GDP is within reach, but dependent on strict expenditure control. The Treasury continues to finance at favourable conditions.
- Deleveraging is continuing, but at a more moderate pace, as new flows begin to pick up, at the level of mortgages and loans to non-financial corporates.

Strategy, Business & Capital

- Improving market shares in loans to corporates and a more balanced loan book, without losing individual customers
- 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 15.7%

Profitability & Results

- NII maintains a positive evolution (+3.5% yoy) reflecting mainly the reduction in the cost of deposits
- Attributable profit increased 60.5% yoy as a consequence of the increase of NII and lower operating costs and provisions. 3Q'15 includes a gain obtained with the sale of the participation in Banco Caixa Geral Totta Angola
- The cost of credit maintains a downward trend

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Balance Sheet

EUR million	Variation			
	30.09.15	30.09.14	Amount	%
Loans and credits*	23,029	23,333	(304)	(1.3)
Trading portfolio (w/o loans)	1,801	1,998	(196)	(9.8)
Available-for-sale financial assets	5,736	8,060	(2,325)	(28.8)
Due from credit institutions*	2,097	2,466	(369)	(15.0)
Intangible assets and property and equipment	696	749	(53)	(7.0)
Other assets	5,999	6,708	(708)	(10.6)
Total assets/liabilities & shareholders' equity	39,358	43,313	(3,954)	(9.1)
Customer deposits*	24,091	24,131	(39)	(0.2)
Marketable debt securities*	2,566	3,793	(1,228)	(32.4)
Subordinated debt	0	0	(0)	(34.2)
Insurance liabilities	22	80	(58)	(72.5)
Due to credit institutions*	9,384	12,074	(2,690)	(22.3)
Other liabilities	920	769	151	19.6
Stockholders' equity**	2,376	2,466	(90)	(3.7)
Off-balance-sheet funds	2,801	2,347	454	19.3
Mutual funds	1,489	1,246	243	19.5
Pension funds	906	849	57	6.7
Managed portfolios	406	252	154	61.0
Customer funds under management	29,458	30,271	(814)	(2.7)

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income Statement

EUR million

			Variation	
	9M 15	9M 14	Amount	%
Net interest income	417	403	14	3.5
Net fees	202	209	(7)	(3.4)
Gains (losses) on financial transactions	41	53	(12)	(22.7)
Other operating income**	38	31	7	24.0
Gross income	698	695	2	0.3
Operating expenses	(369)	(370)	1	(0.2)
General administrative expenses	(342)	(332)	(11)	3.2
<i>Personnel</i>	(216)	(214)	(2)	1.0
<i>Other general administrative expenses</i>	(127)	(118)	(8)	7.1
Depreciation and amortisation	(27)	(38)	11	(29.8)
Net operating income	328	325	3	0.9
Net loan-loss provisions	(67)	(106)	40	(37.3)
Other income	(21)	(79)	57	(73.0)
Profit before taxes	240	140	100	71.3
Tax on profit	(59)	(32)	(27)	85.9
Profit from continuing operations	181	108	73	67.0
Net profit from discontinued operations	—	—	—	—
Consolidated profit	181	108	73	67.0
Minority interests	0	(4)	4	—
Attributable profit to the Group	181	113	68	60.5

** 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	2Q 15	3Q 15
Net interest income	129	138	136	143	142	141	134
Net fees	73	66	70	71	68	67	66
Gains (losses) on financial transactions	18	22	13	35	15	10	16
Other operating income**	9	11	11	12	13	16	10
Gross income	228	237	230	261	238	234	226
Operating expenses	(124)	(123)	(123)	(128)	(123)	(122)	(124)
General administrative expenses	(109)	(111)	(111)	(115)	(114)	(113)	(115)
<i>Personnel</i>	(71)	(71)	(71)	(76)	(71)	(72)	(72)
<i>Other general administrative expenses</i>	(38)	(40)	(40)	(39)	(42)	(41)	(43)
Depreciation and amortisation	(14)	(12)	(12)	(12)	(10)	(9)	(9)
Net operating income	105	114	106	133	115	112	102
Net loan-loss provisions	(34)	(40)	(32)	(17)	(22)	(21)	(24)
Other income	(30)	(29)	(20)	(20)	(21)	(23)	23
Profit before taxes	40	45	55	96	72	67	101
Tax on profit	(9)	(9)	(14)	(24)	(17)	(18)	(24)
Profit from continuing operations	32	36	40	72	55	49	77
Net profit from discontinued operations	—	—	—	—	—	—	—
Consolidated profit	32	36	40	72	55	49	77
Minority interests	(2)	(2)	(0)	0	0	(0)	0
Attributable profit to the Group	34	38	41	72	55	49	77

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

