

25th January 2017

PORTUGAL

January – December 2016

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Santander



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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.

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

Agenda

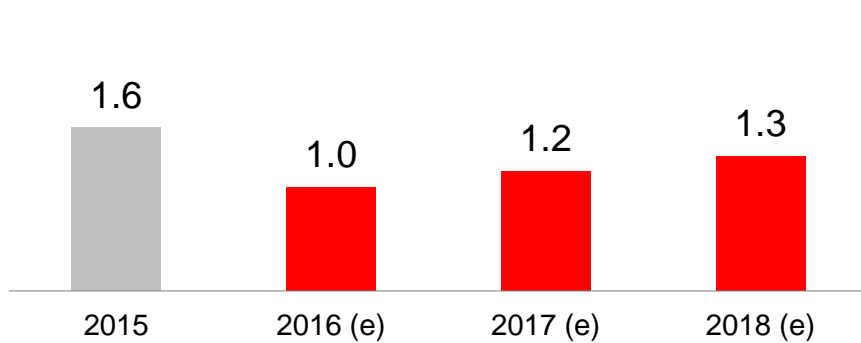
- **Macro-economic environment and financial system**
- Strategy and business
- Results
- Appendix



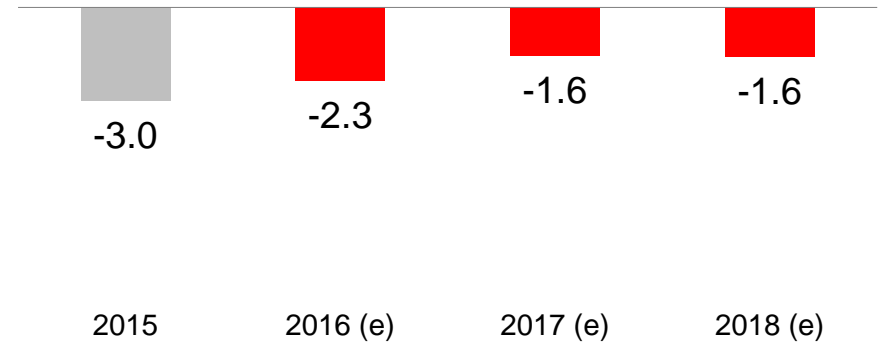
Macro-economic environment

Moderate but steady growth, supporting employment

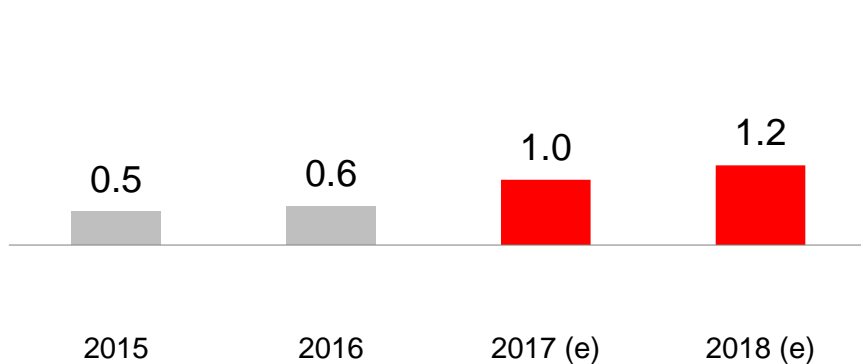
Annual GDP Growth (% , real)



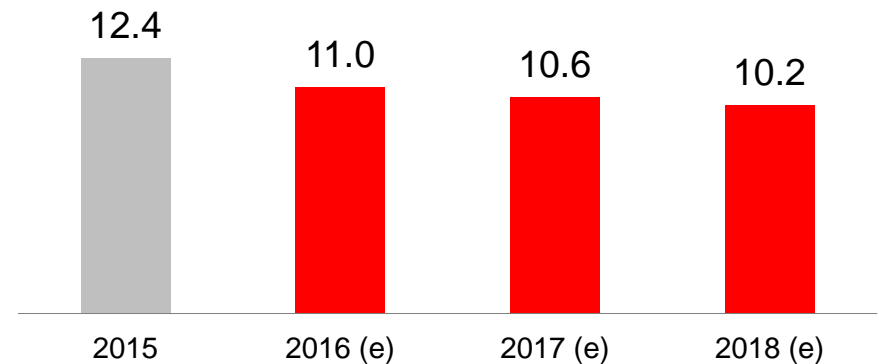
Fiscal Balance (% GDP)



Inflation (annual change, %)



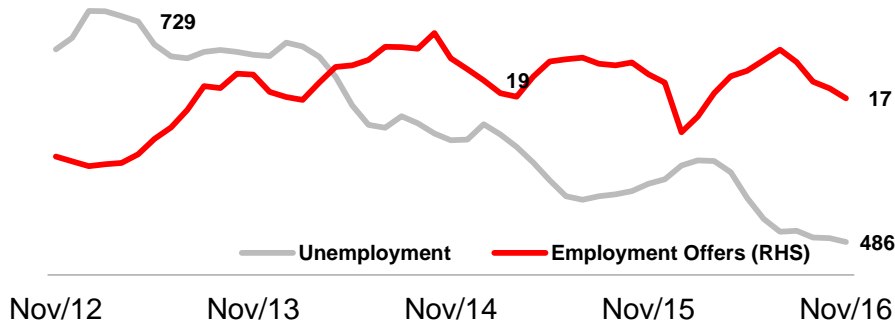
Unemployment (% , annual average)



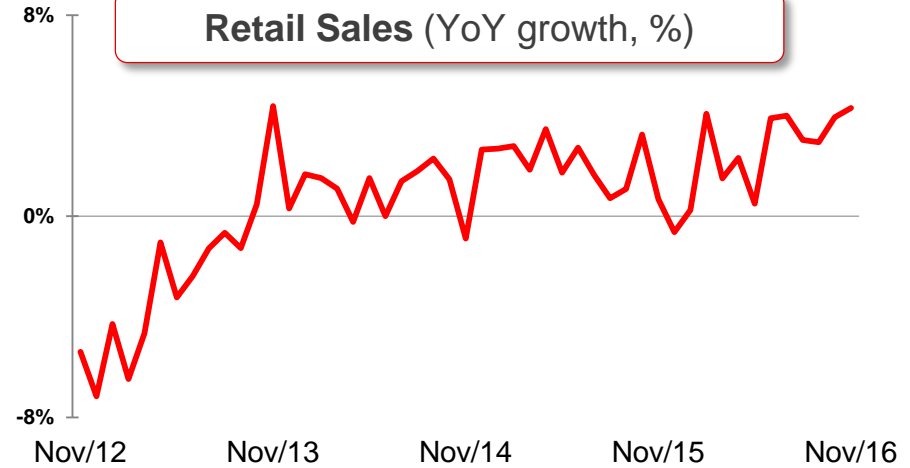
Macro-economic environment

Strong domestic demand, in line with lower unemployment

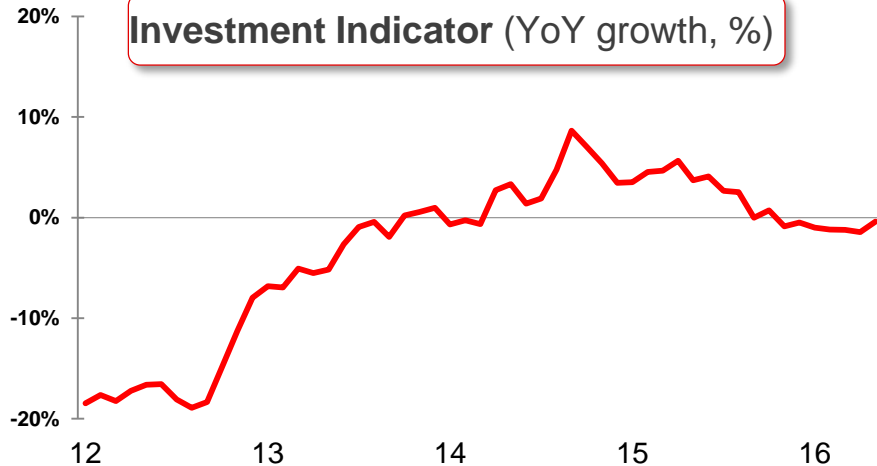
Registered Unemployment (000)



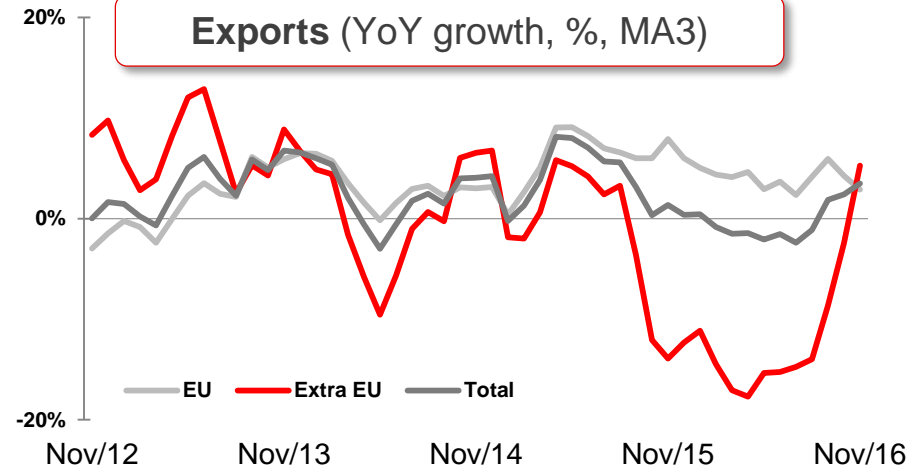
Retail Sales (YoY growth, %)



Investment Indicator (YoY growth, %)



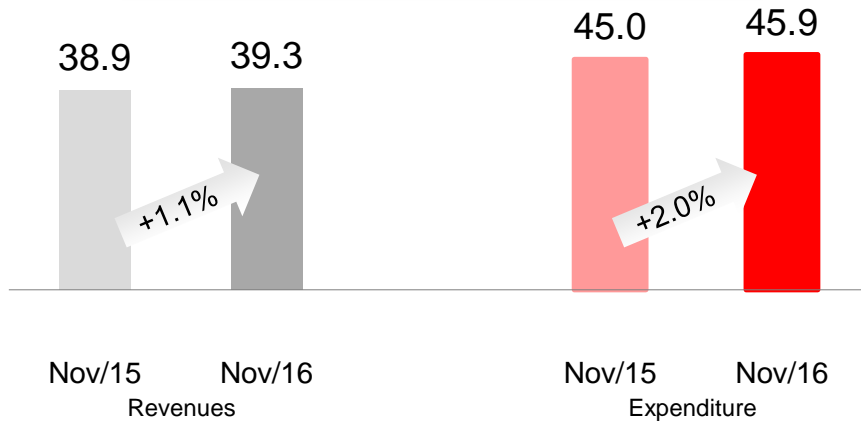
Exports (YoY growth, %, MA3)



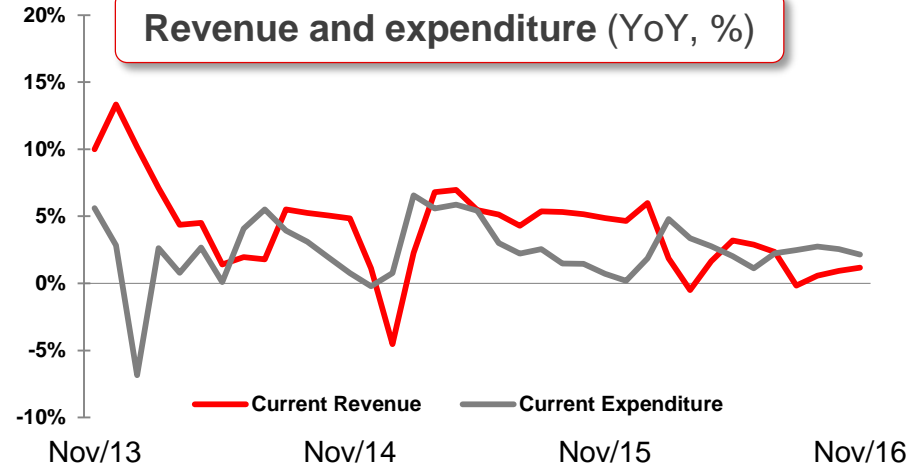
Macro-economic environment

Narrower fiscal deficit, in line with the 2.4% target for 2016

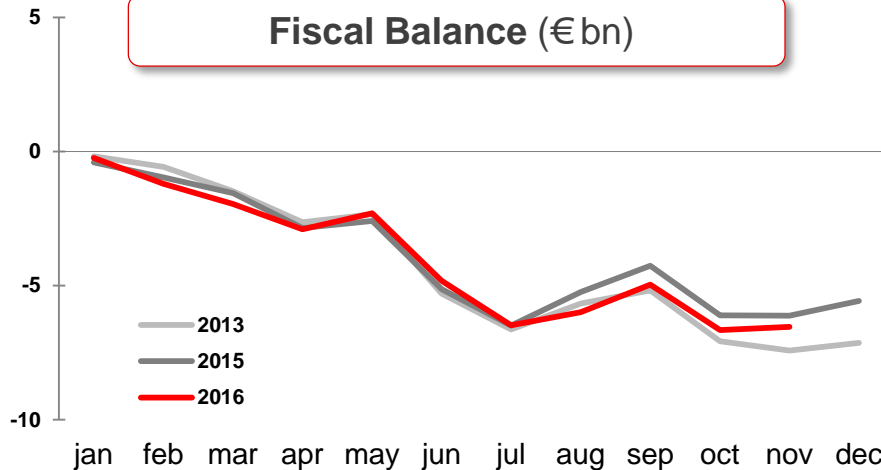
Revenue and Expenditure (€mn)



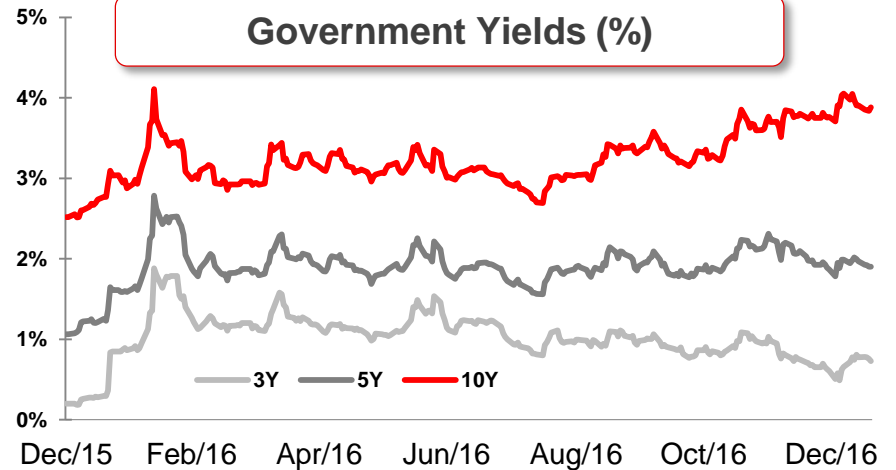
Revenue and expenditure (YoY, %)



Fiscal Balance (€bn)

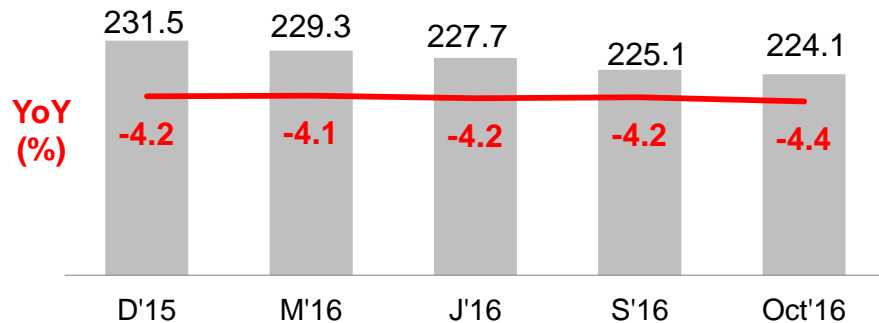


Government Yields (%)

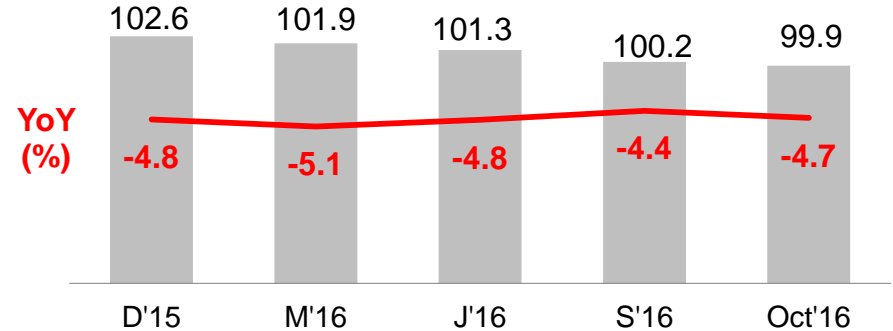


Deleveraging continues, led by loans to the corporate segment

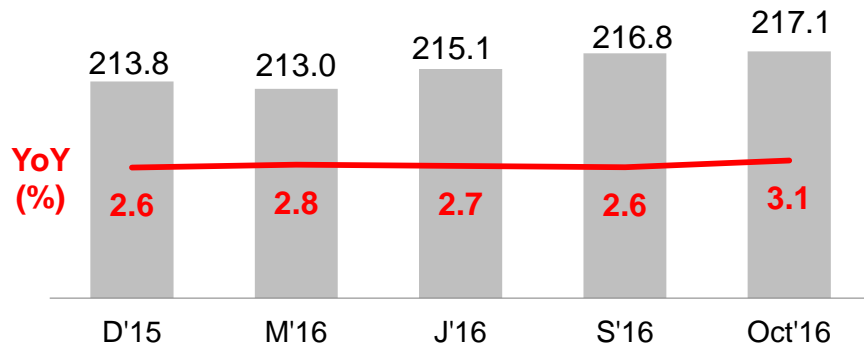
Total loans (€bn)



Corporate loans (€bn)



Total Deposits (€bn)



- The deleveraging process is ongoing. Total loans could decline c. 1% in 2017(E), following -4% in 2016.
- Deposits remain resilient, and could grow around 2% in 2017(E), after c.3% in 2016.

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>	Dec'16	Var. YOY
Business and Results		
Loans	29.0 bn.	-5.0%
Deposits	30.0 bn.	+2.8%
Total customer funds	36.6 bn.	-1.2%
Underlying Consolidated profit	401.7m.	+33.4%
Underlying Attributable profit	399.3m.	+33.0%

Other Data

Employees	6,306	-262
Branches	657	-95

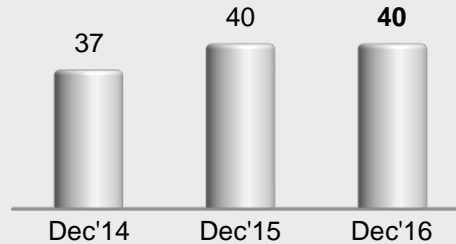
Market Share ⁽¹⁾

Loans	14.37%	+2.88pp
- Individuals	15.41%	+2.45pp
- Corporates	13.05%	+3.37pp
Deposits	13.87%	+3.24pp

Reinforcing our customer focus

Balance sheet mix
(in local criteria*)

Mix of Corporates / Total loans (%)



Loans to corporates/SMEs already account for 40% of the loan book

Market shares

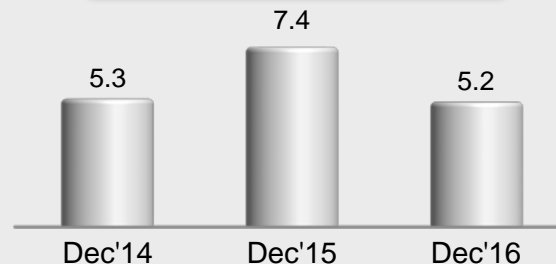
Market shares - Loans



Sustained gains in market share in loans to corporates and individuals

Commercial Gap

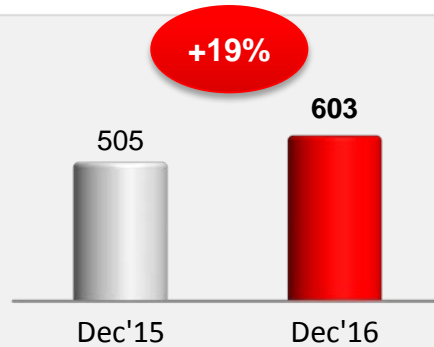
Commercial gap (local criteria)



Commercial gap continues to improve

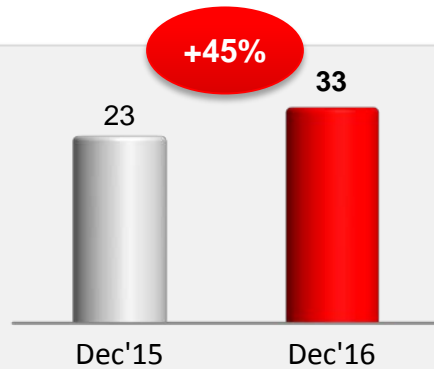
Customers

Retail loyal customers
(k)



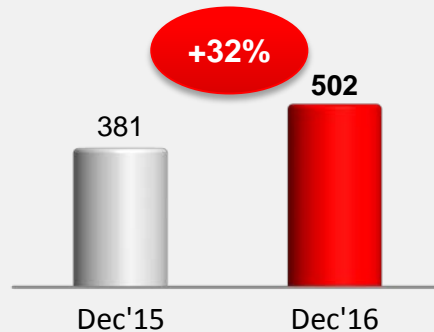
The number of loyal customers is growing above the targets...

Loyal SMEs and Corporate customers
(k)



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

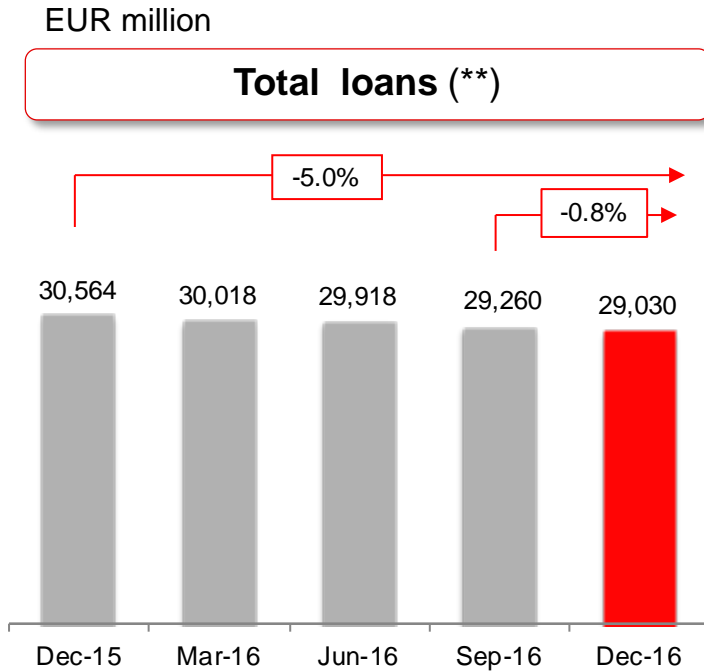
Online digital customers
(k)



The number of digital clients maintains a strong growth

Total loans performance

Moderate decline in the loan book



	Dec-16	YoY (%)	QoQ (%)
Individuals	19,015	-2.6	-0.9
<i>from which:</i>			
Mortgage	17,030	-1.3	-0.2
Consumer credit	1,495	-3.0	-2.3
Corporates	9,679	-6.5	-3.8
Total	29,030	-5.0	-0.8
Loans to Corporates (*)	13,871	-2.6	-3.6
Total Loans (*)	33,222	-3.6	-1.1

(*) includes commercial paper

Loan evolution affected by portfolio sales

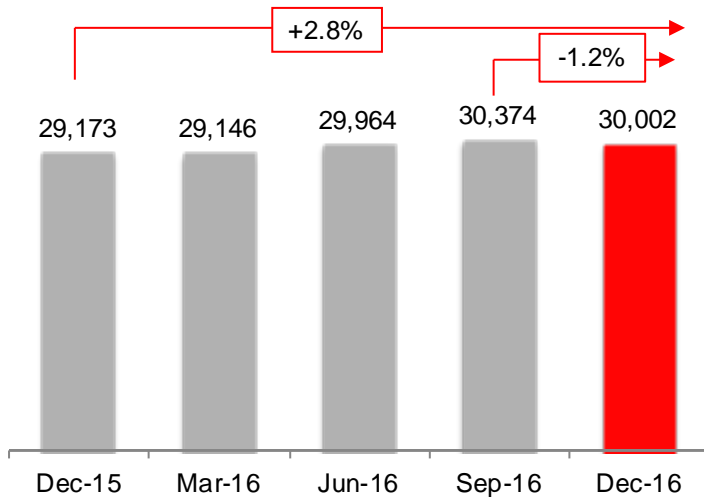
(**) Gross credit

Total customer funds performance

Slight decline in deposits, in a low interest rate environment

EUR million

Total deposits & Financial Insurance



	Dec-16	YoY (%)	QoQ (%)
Demand	12,874	+45.9	+17.6
Time and Savings	14,692	-15.5	-13.0
Total Deposits	27,566	+5.2	-1.0
Financial insurance	2,436	-18.1	-3.7
Deposits & financial insurance	30,002	+2.8	-1.2
Securities placed	3,805	-23.8	-9.9
Investment funds and other	2,771	-2.5	+4.3
Total Customer Funds	36,578	-1.2	-1.8

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- Appendix

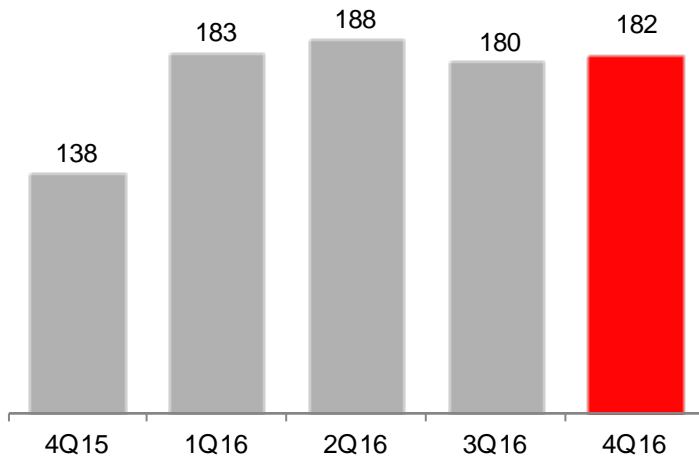


Net interest income and spreads

Stable NII, supported by lower rates on deposits

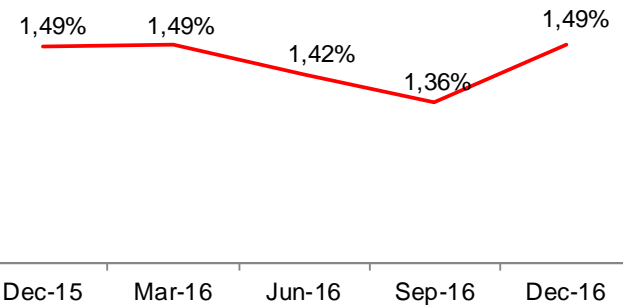
EUR million

Net Interest Income



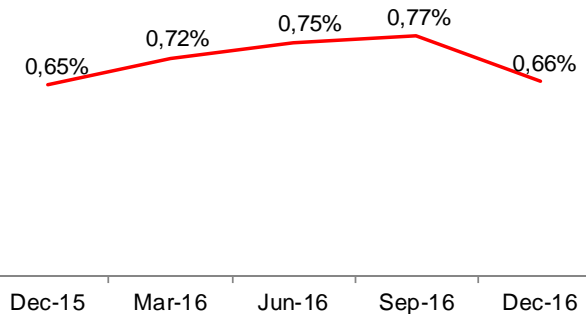
Loan spreads, %

Retail Banking



Deposit spreads, %

Retail Banking

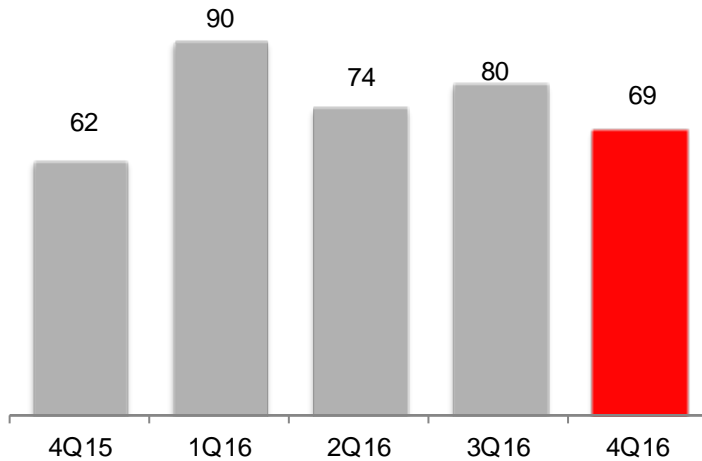


Net fees

Fees grow 19% YoY with highlight for credit cards

EUR million

Net fees



	12M16	12M15	YoY (%)	QoQ (%)
Credit	73	65	+12.7	-23.4
Credit cards	64	53	+21.1	+2.6
Mutual funds	17	20	-14.1	-8.6
Insurance	91	89	+1.6	+0.4
Other*	69	37	+88.8	-37.2
Total	314	263	+19.1	-13.6

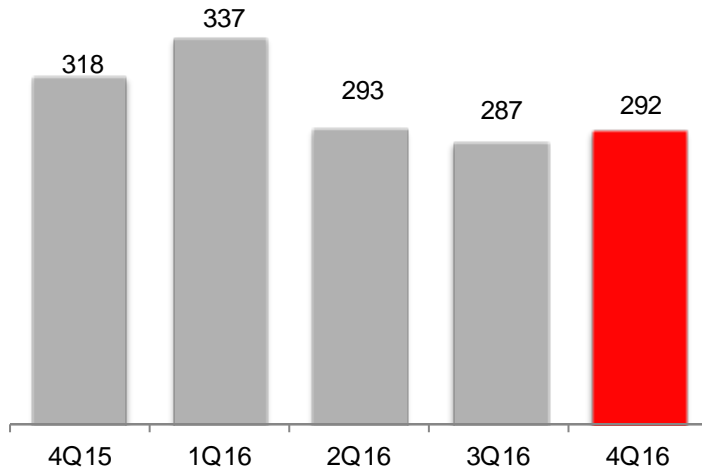
* Increased fees paid to other business units

Gross income

Gross income growth YoY, with highlight for NII

EUR million

Gross Income



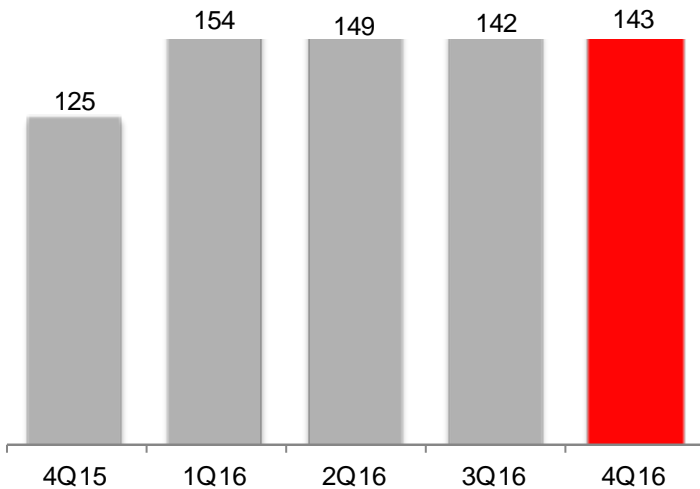
	12M16	12M15	YoY (%)	QoQ (%)
Net interest income	733	555	+32.0	+1.0
Net Fees	314	263	+19.1	-13.6
Subtotal	1,047	818	+27.9	-3.5
Other ¹	163	197	-17.6	+54.1
Gross income	1,209	1,016	+19.0	+1.8

Operating expenses

Stable operating expenses

EUR million

Operating expenses



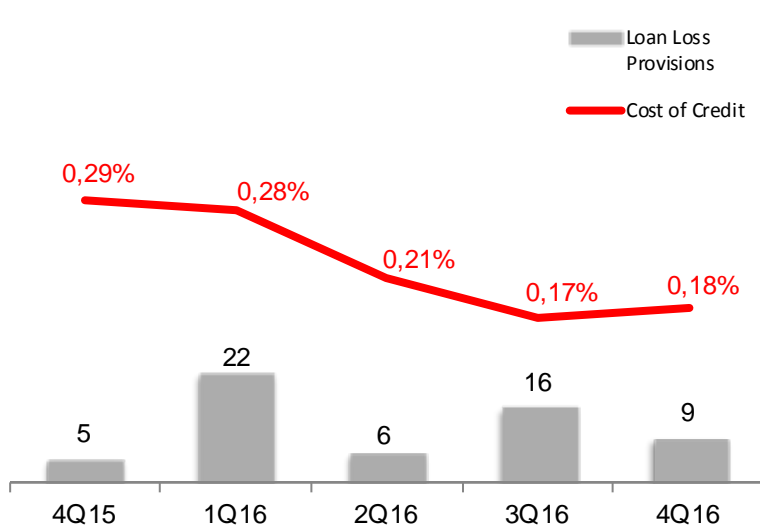
	12M16	12M15	YoY (%)	QoQ (%)
Personnel costs and admin. expenses	551	458	+20.3	+0.5
Depreciation and amortization	38	36	+4.7	+6.7
Total	589	494	+19.1	+0.9

Efficiency ratio (with amortisations)	48.7%	48.7%
Number of branches	657	752
Number of employees	6,306	6,568

Net operating income after loan-loss provisions (LLPs)

The cost of credit remains low

LLPs and cost of credit



	12M16	12M15	YoY (%)	QoQ (%)
Net Operating Income	620	522	+18.9	+2.7
LLPs	54	72	-25.4	-40.3
Net Op. Income after LLPs	567	450	+26.0	+7.9

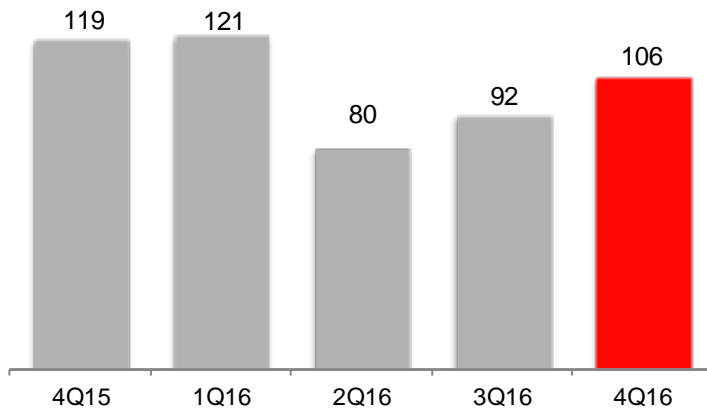
NPL ratio	8.8%	7.5%
NPL coverage ratio	63.7%	99.0%

Attributable profit

Attributable profit in 2016 increased to €399 million

EUR million

Underlying Attributable profit



	12M16	12M15	YoY (%)	QoQ (%)
Underlying Profit before taxes	533	419	+27.2	+8.3
Tax on profit	131	118	+11.4	+17.1
Underlying Consolidated profit	402	301	+33.4	+5.4
Attributable profit to the Group	399	300	+33.0	+14.8
Effective tax rate	24.6%	28.1%		

Conclusions

Market Environment & Financial System

- Activity evolves at a moderate pace, supported on resilient domestic demand.
- The Government aims a target of 1.6% of GDP for the fiscal deficit in 2017. In 2016, the deficit is estimated below 2.5%, based on strong indirect tax revenues.
- Resilient volumes of new loans but the stock of loans continues to decline, at a moderate pace.
- Stable deposits, despite lower interest rates.

Strategy, Business and Capital

- The acquisition of Banif business has levered market shares in loans to corporates and a more balanced loan book. Banif integration completed in line with timeframe expectations
- 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 15.3% (Nov/16)

Results

- Sustained recurrent results of activity, supported by stable NII and the reduction in operating costs
- The cost of credit has fallen to minimum levels

Agenda

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- **Appendix**

Balance sheet

EUR million

			Variation	
	31-Dec-16	31-Dec-15	Amount	%
Customer loans *	27,328	28,221	(893)	(3.2)
Financial assets held for trading (w/o loans)	1,553	1,678	(126)	(7.5)
Available-for-sale financial assets	5,769	6,799	(1,030)	(15.2)
Central banks and credit institutions *	1,320	2,104	(784)	(37.3)
Tangible and intangible assets	703	720	(17)	(2.4)
Other assets	8,148	10,046	(1,898)	(18.9)
Total assets/liabilities & shareholders' equity	44,820	49,568	(4,749)	(9.6)
Customer deposits *	30,002	29,173	830	2.8
Debt securities issued *	3,805	4,994	(1,189)	(23.8)
Liabilities under insurance contracts	39	20	20	101.1
Central banks and credit institutions *	6,743	11,307	(4,564)	(40.4)
Other liabilities	904	1,351	(447)	(33.1)
Stockholders' equity **	3,326	2,724	603	22.1
Off-balance-sheet funds	2,770	2,842	(72)	(2.5)
Mutual funds	1,435	1,512	(76)	(5.0)
Pension funds	933	915	18	2.0
Managed portfolios	402	416	(14)	(3.3)
Customer funds under management	36,578	37,009	(431)	(1.2)

* Includes all stock of concept classified in the balance sheet

** Capital + reserves + retained profit + valuation adjustments

Income statement

EUR million

			Variation	
	2016	2015	Amount	%
Net interest income	733	555	178	32.0
Net fees	314	263	50	19.1
Gains (losses) on financial transactions	112	164	(53)	(31.9)
Other operating income*	51	33	18	54.1
Gross income	1,209	1,016	193	19.0
Operating expenses	(589)	(494)	(95)	19.1
General administrative expenses	(551)	(458)	(93)	20.3
<i>Personnel</i>	(339)	(291)	(48)	16.6
<i>Other general administrative expenses</i>	(212)	(167)	(45)	26.6
Depreciation and amortisation	(38)	(36)	(2)	4.7
Net operating income	620	522	99	18.9
Net loan-loss provisions	(54)	(72)	18	(25.4)
Other income	(34)	(31)	(3)	9.1
Underlying profit before taxes	533	419	114	27.2
Tax on profit	(131)	(118)	(13)	11.4
Underlying profit from continuing operations	402	301	101	33.4
Net profit from discontinued operations	—	—	—	—
Underlying consolidated profit	402	301	101	33.4
Minority interests	2	1	2	197.8
Underlying attributable profit to the Group	399	300	99	33.0
Net capital gains and provisions**	—	—	—	—
Attributable profit to the Group	399	300	99	33.0

* 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	4Q16
Net interest income	142	141	134	138	183	188	180	182
Net fees	68	67	66	62	90	74	80	69
Gains (losses) on financial transactions	15	10	16	123	54	15	4	39
Other operating income*	13	16	10	(5)	10	16	23	2
Gross income	238	234	226	318	337	293	287	292
Operating expenses	(123)	(122)	(124)	(125)	(154)	(149)	(142)	(143)
General administrative expenses	(114)	(113)	(115)	(116)	(145)	(140)	(133)	(133)
<i>Personnel</i>	(71)	(72)	(72)	(75)	(88)	(88)	(80)	(83)
<i>Other general administrative expenses</i>	(42)	(41)	(43)	(41)	(57)	(52)	(52)	(50)
Depreciation and amortisation	(10)	(9)	(9)	(9)	(9)	(9)	(9)	(10)
Net operating income	115	112	102	193	183	144	145	149
Net loan-loss provisions	(22)	(21)	(24)	(5)	(22)	(6)	(16)	(9)
Other income	(21)	(23)	23	(10)	(2)	(21)	(5)	(5)
Underlying profit before taxes	72	67	101	178	158	116	124	134
Tax on profit	(17)	(18)	(24)	(58)	(37)	(27)	(31)	(36)
Underlying profit from continuing operations	55	49	77	120	122	89	93	98
Net profit from discontinued operations	—	—	—	—	—	—	—	—
Underlying consolidated profit	55	49	77	120	122	89	93	98
Minority interests	0	(0)	0	1	1	1	1	1
Underlying attributable profit to the Group	55	49	77	119	121	89	92	97
Net capital gains and provisions**	—	—	—	—	—	(9)	—	9
Attributable profit to the Group	55	49	77	119	121	80	92	106

* 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

Simple | Personal | Fair

