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Country Head Portugal

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Agenda

1 Market and financial system

2 Strategy

3 Targets

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Demographic and economic

Demographic data

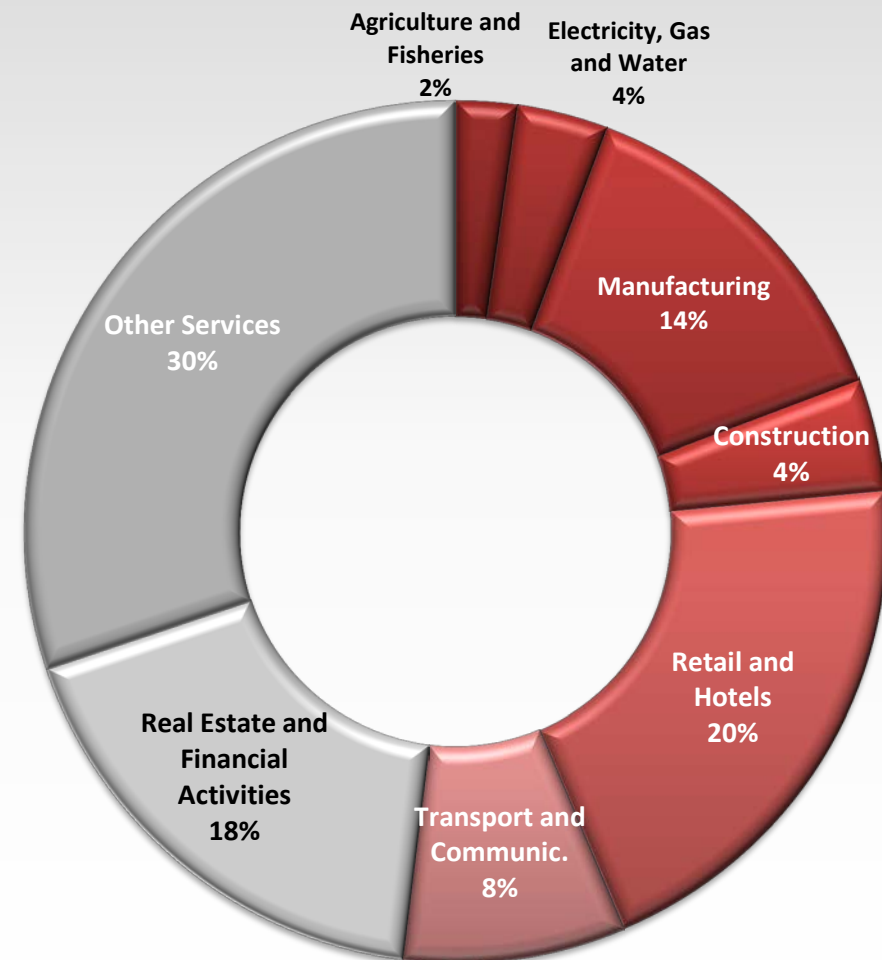
	1980	2014
Population (MM)	9.8	10.4
Life expectancy	71.2	80.4
Urban population	43%	62%
Rural population	57%	38%
Higher education pop.	2.4%	16.5%

Economic figures

	2014
GDP per capita (€)	16,679
Investment/GDP	14.6%
Deficit/GDP	4.4%
Unemployment rate	13.7%

Source: INE – Statistics Portugal, Pordata

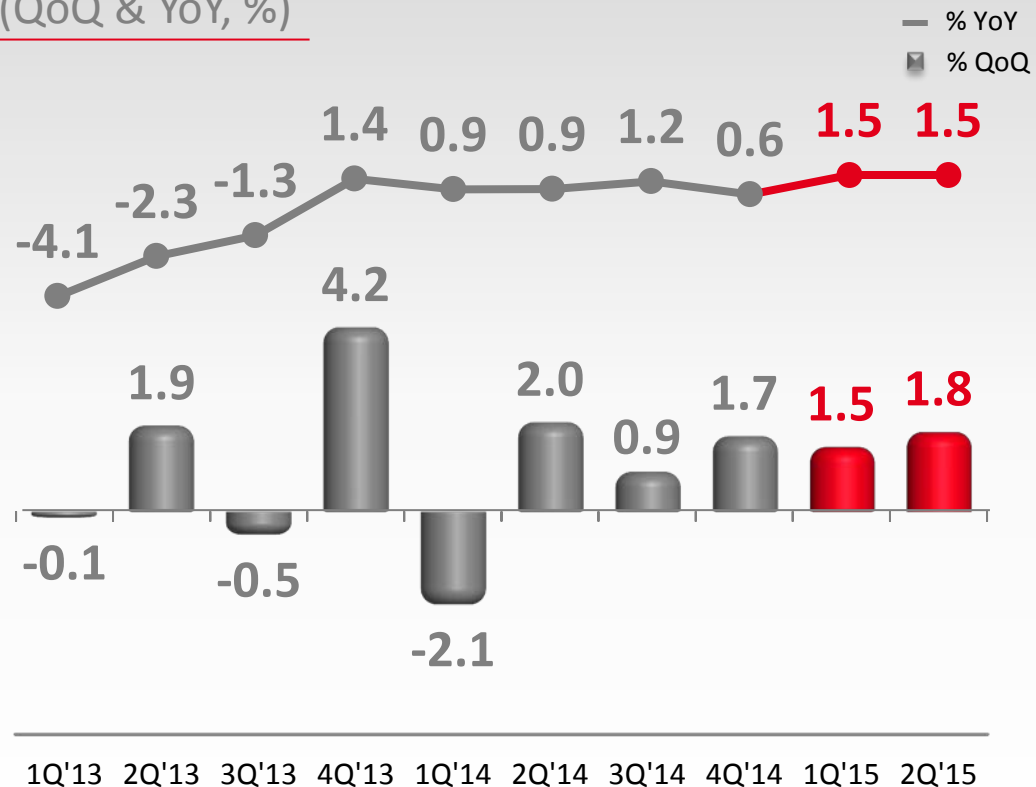
Gross value added: distribution by sector



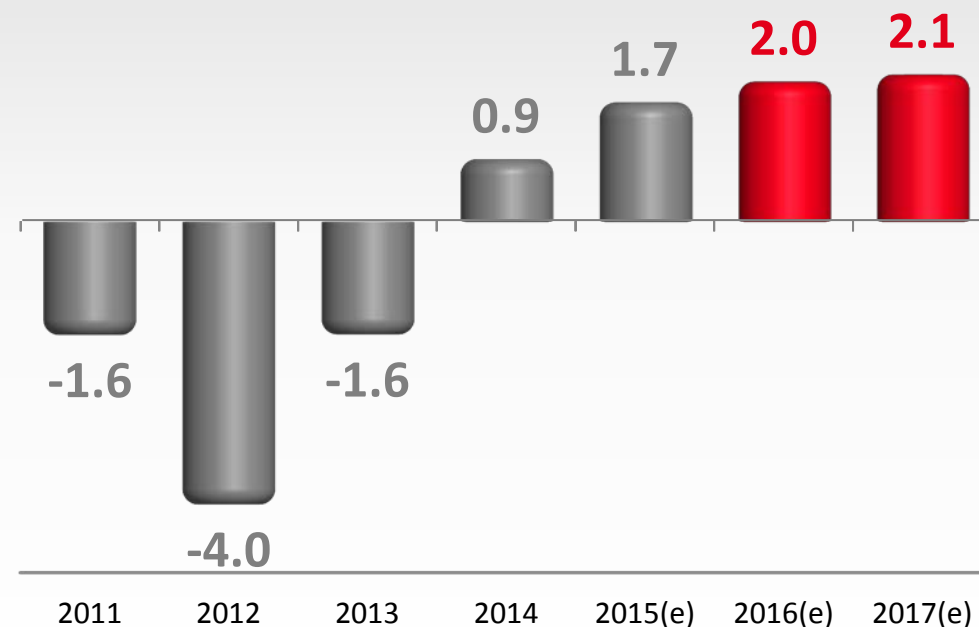
Significant improvement in economic conditions

GDP is expected to grow 1.7% in 2015

GDP (QoQ & YoY, %)



GDP (YoY, %)

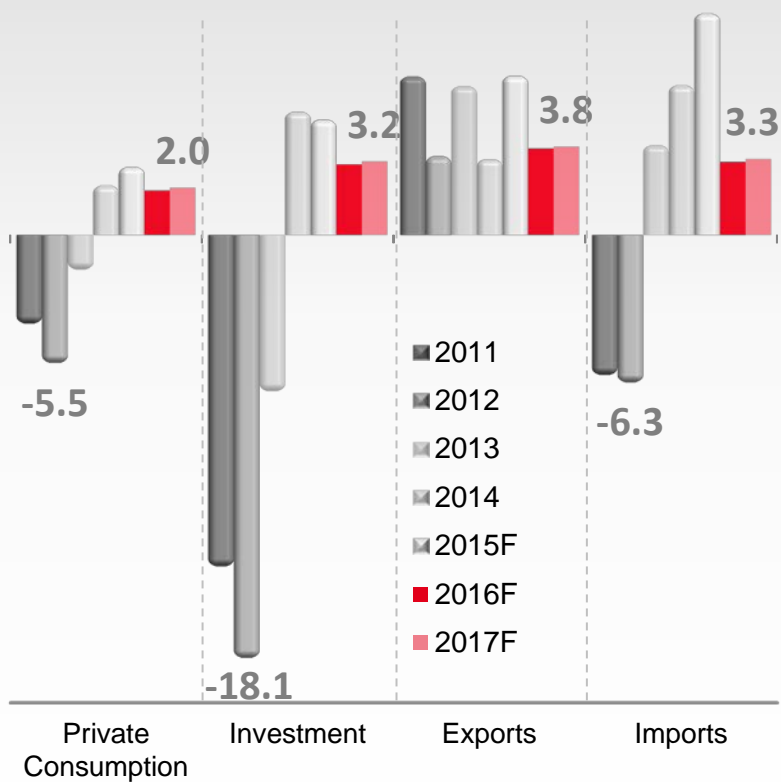


Source: Statistics Portugal, Ministry of Finance, Santander Totta Economic Research

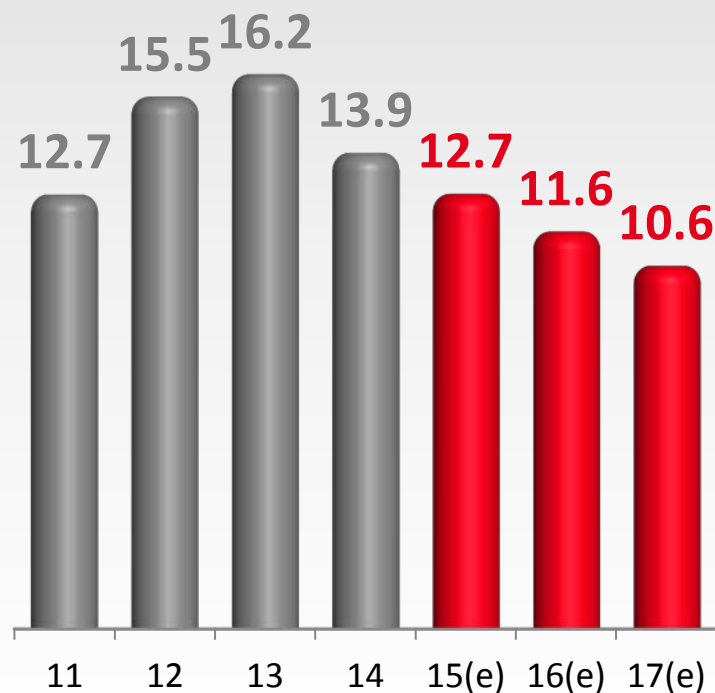
Significant improvement of the economic conditions

...supported by the strengthening of domestic demand and resilient export growth. Better economic growth also underpins the continued reduction in unemployment and the fiscal deficit

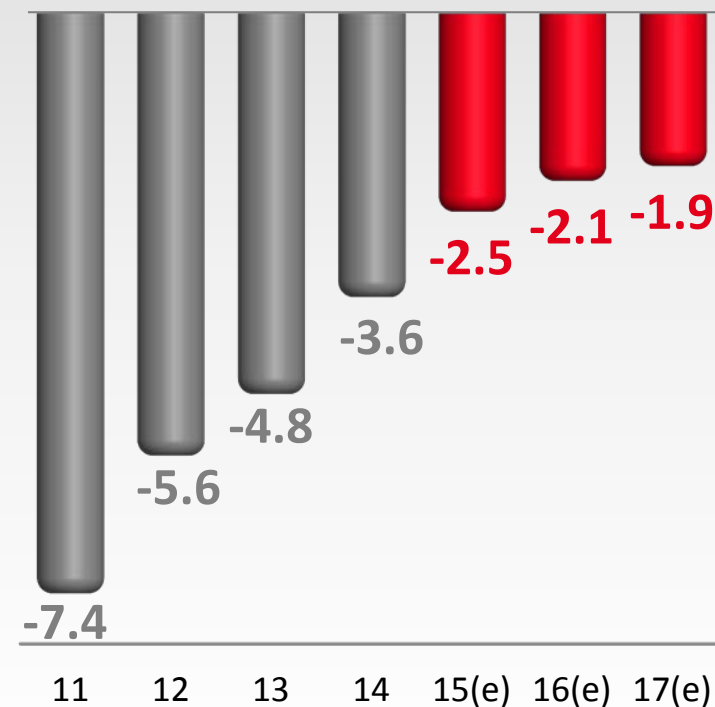
Aggregate demand (YoY, %)



Unemployment rate (YoY, %)



Fiscal balance (YoY, %)



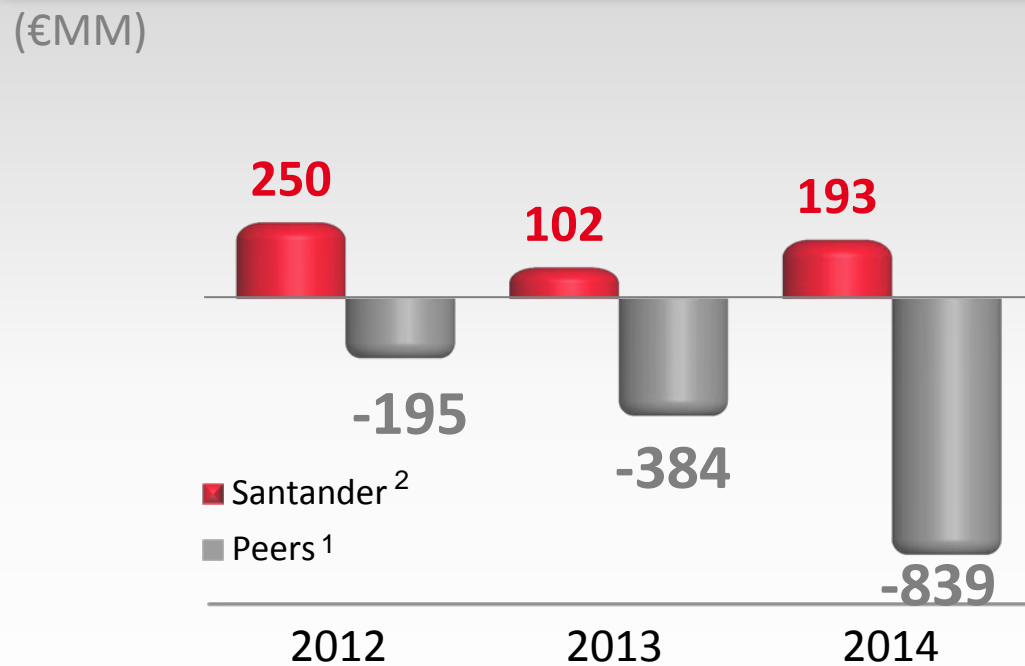
Source: Statistics Portugal, Ministry of Finance, Santander Totta Economic Research (2014 fiscal deficit adjusted for one-offs)

The financial crisis put substantial pressure on bank profitability

The credit reduction has allowed the whole system to deleverage significantly while depositors kept full trust in local financial institutions

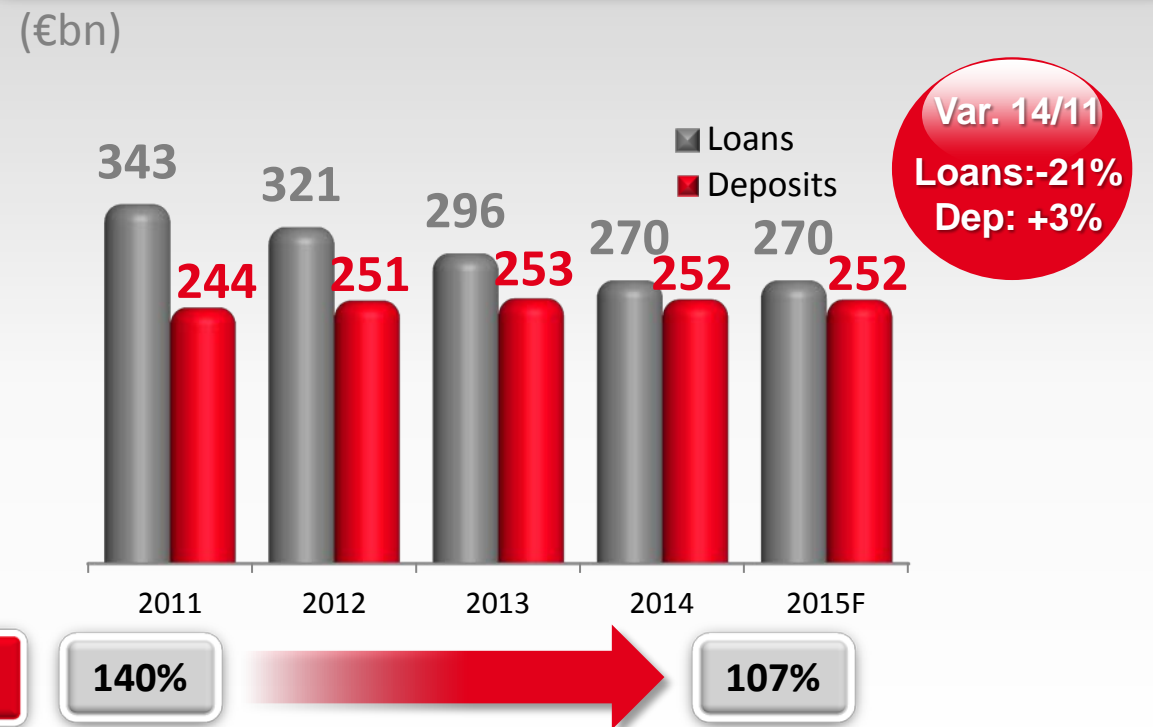
Santander Totta is the only large Portuguese Bank that has been continuously profitable throughout the financial crisis, without the need of support (private or public) in terms of liquidity and capital

Attributable profit



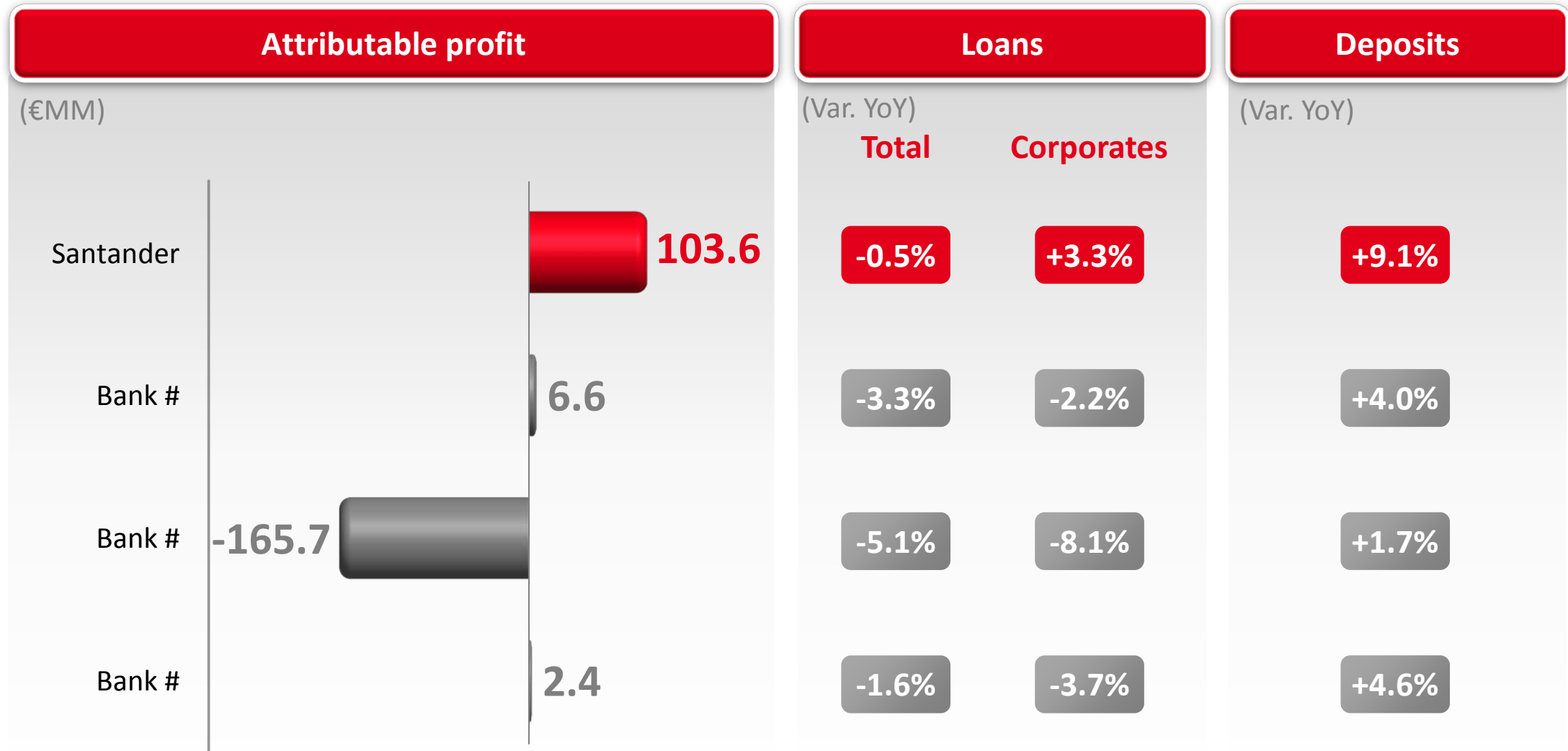
(1) Average of the 6 largest banks (2014 is estimated)
 (2) Santander Totta figures are in local criteria Source: Bank of Portugal

Loans and Deposits system evolution



L/D

Santander remains the most profitable bank at the end of 1H'15



Source: Press Releases (domestic activity; excludes extraordinary items, when available). ST's net income is local criteria
 Bank #: BPI, CGD, Millennium bcp

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2 **Strategy**

3 Targets

Santander Totta

Who are we?



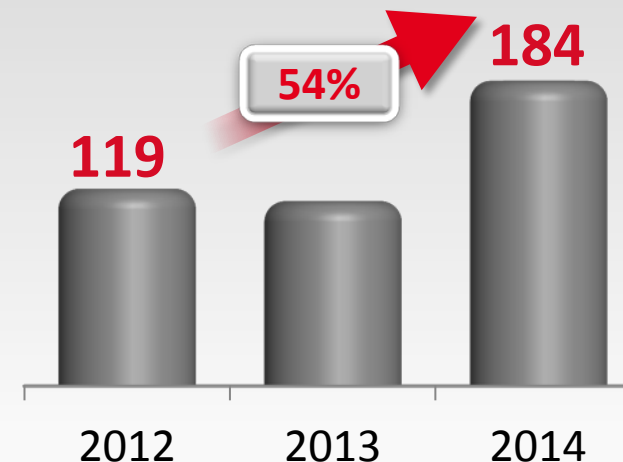
- Retail bank with 576 branches and a market share of 11%
- The 2nd Private bank by loans
- The only large Portuguese bank continuously profitable throughout the financial crisis
- The best rated Portuguese financial institution

	BST	Portugal
Fitch	BBB	BB+
Moodys	Ba1	Ba1
S&P	BB+	BB+
DBRS	BBBH	BBBL

(1) As at Jun'15 (phase-in) (2) Group criteria

Attributable profit²

(€MM)



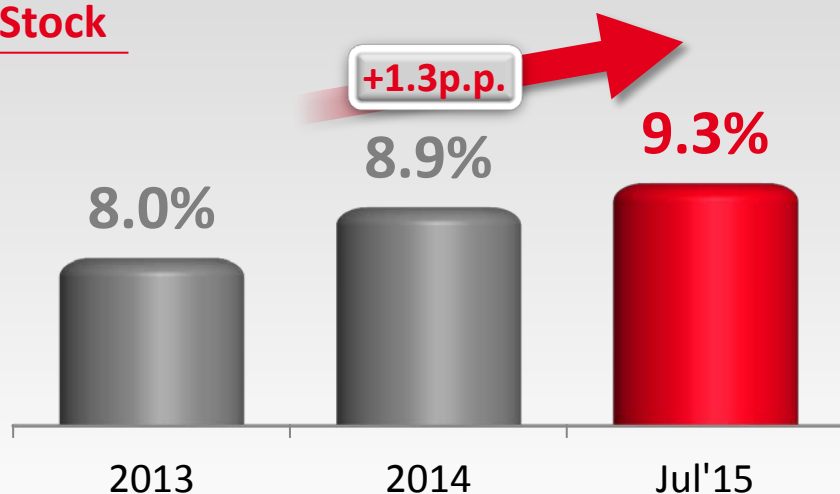
Solid balance sheet

- Strongly capitalised with a CET 1 of **15.0%**¹
- Better asset quality and efficiency ratios than local peers

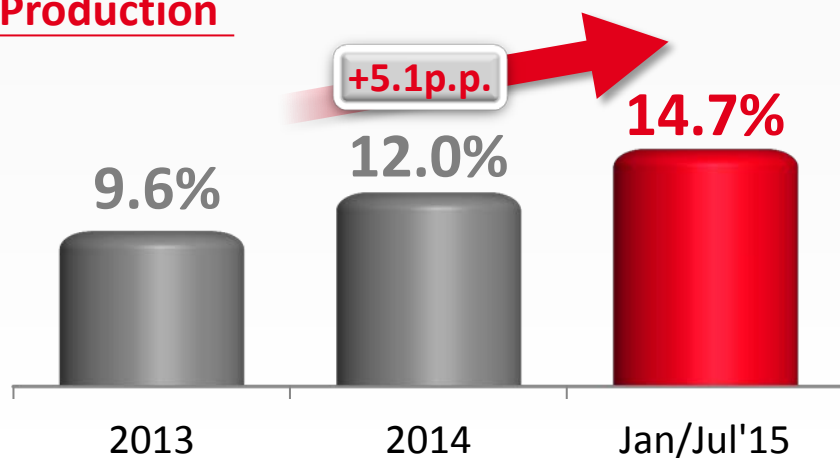
Market Share

Corporates and SMEs loans- market share

Stock

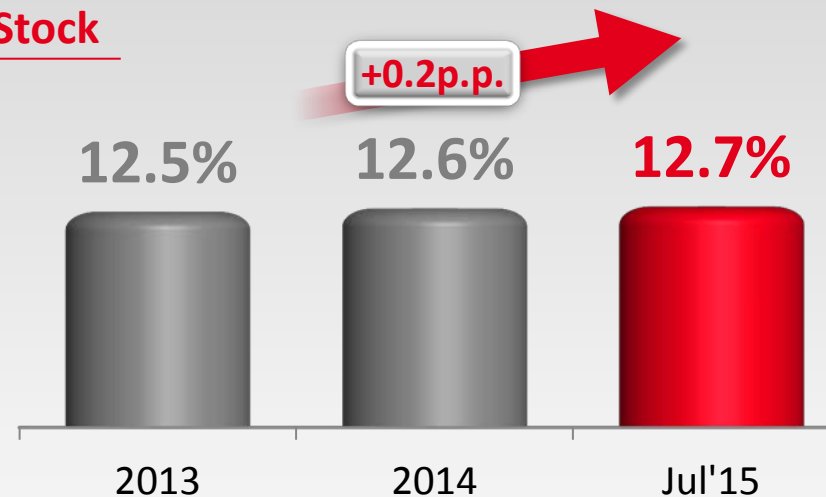


Production

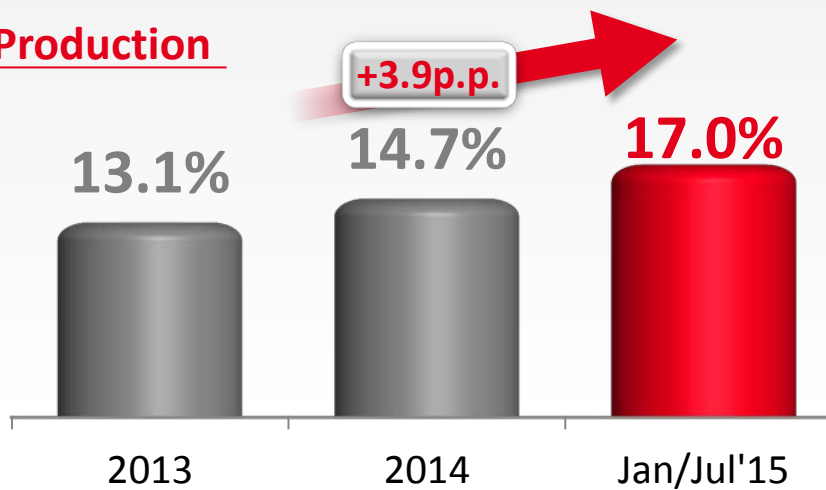


Mortgages – market share

Stock



Production

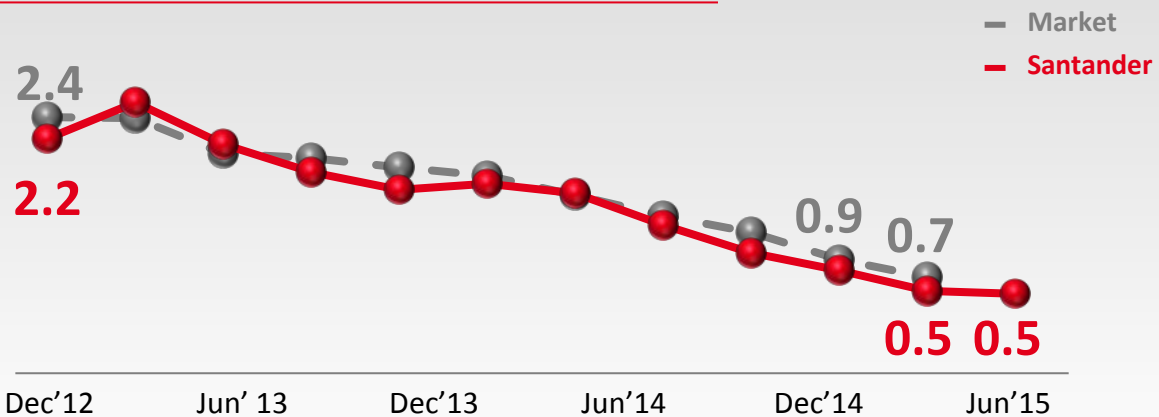


- BST capital strength, credit risk profile, comfortable liquidity situation
- The best rated bank in Portugal
- Increase in the main segments market share

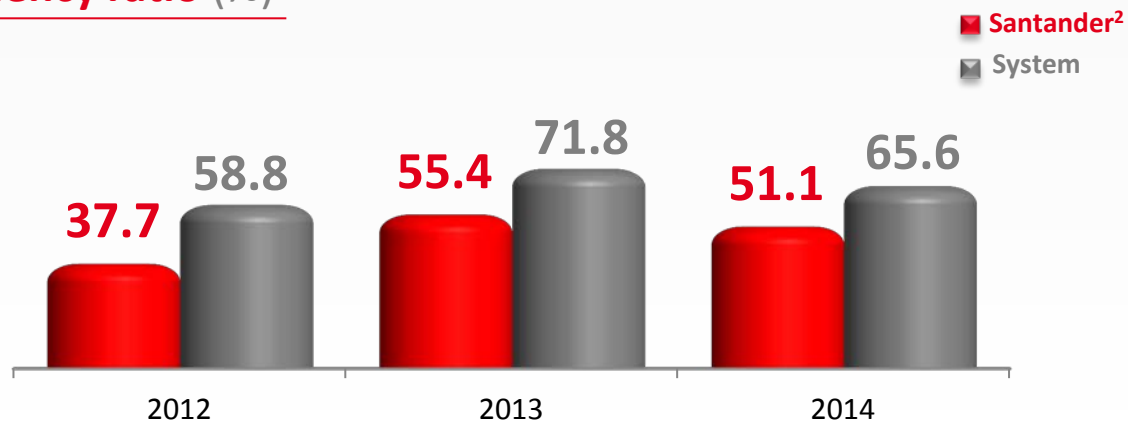
Key indicators

Santander leads with lower cost of deposits and cost of credit...while maintaining the best efficiency and capital ratios

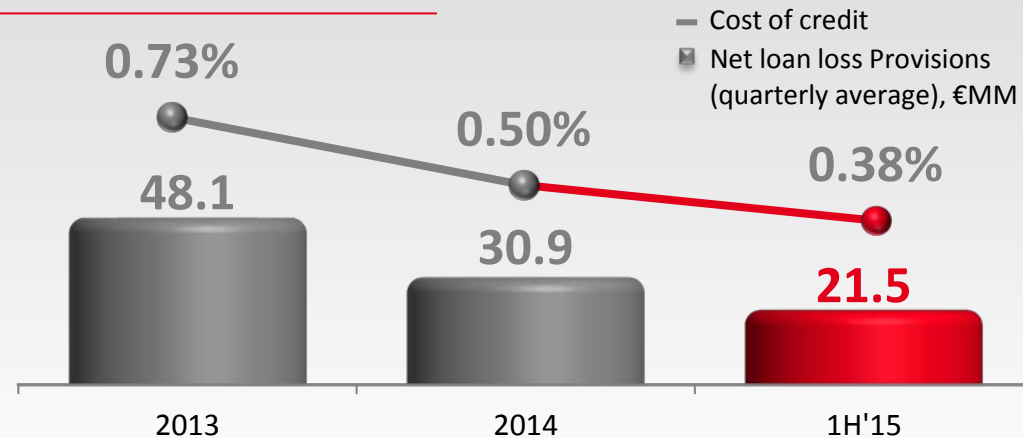
Interest rates – Household deposits (%)



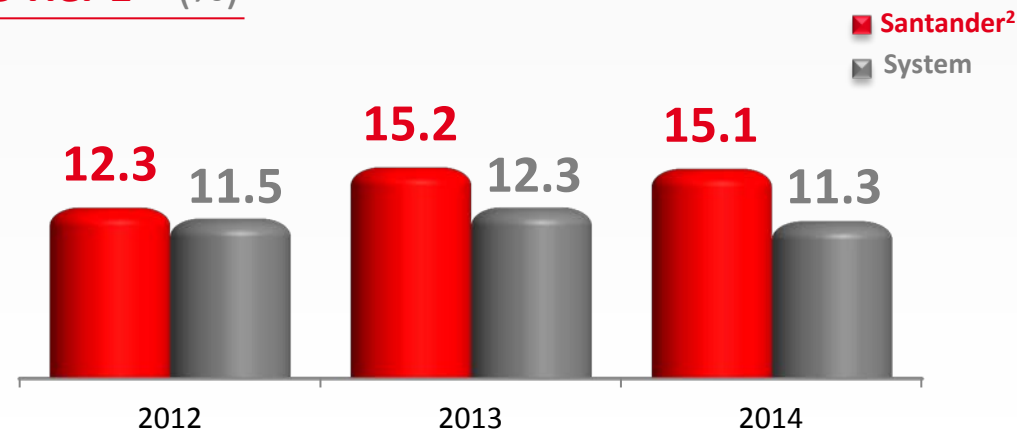
Efficiency ratio (%)



LLPs and cost of credit

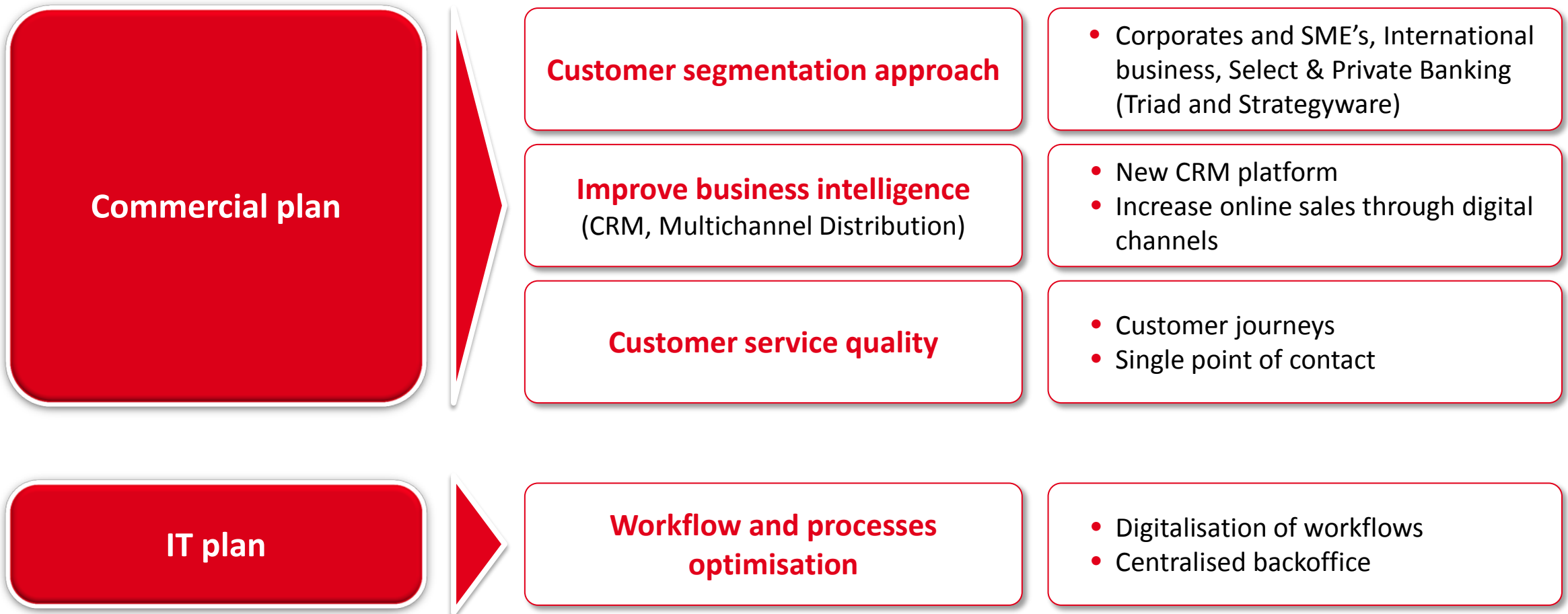


Core Tier 1⁽¹⁾ (%)



Source: System data (Bank of Portugal) (1) CET1 (phase-in in 2014) (2) Local criteria

We will continue to invest in the commercial model and technology as the main drivers to grow



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2018 Portugal targets







	1H'15	2018
People	Great Place to Work bank ranking ¹	
	Top 3 (banks) in 2018	
Customers	Retail loyal customers (k)	490
	Loyal SMEs and corporates (k)	22.5
	Digital customers (k)	340
	Service quality (Quality Corporate Study)	Top 1
	Loans growth above peers	✓
	Fee income CAGR	-2% ⁽²⁾
Shareholders	RoTE	8.7%
	FL CET1	13.6%
	C/I ratio	52.0%
	NPL ratio	8.8%
Communities	Number of scholarships 2016-2018 (k)	2.8
	People supported 2016-2018 (k)	12

Note: Group criteria except FL CET1 (1) Among banks (2) 1H'14-1H'15 (3) 2015-2018

Transparent performance metrics for 2016

Key metric	1H'15	2016	Improvement	Comment
Retail Loyal customer (k)	490	502	+2.5%	<ul style="list-style-type: none"> Continue the consistent growth of loyal customers
SME and Corporates Loyal customer (k)	22.5	23.2	+3.2%	<ul style="list-style-type: none"> Create value through an increase in corporate transactional business
Digital customer (k)	340	418	+22.9%	<ul style="list-style-type: none"> Strong increase as a consequence of the improving of new digital channels functionalities
'Mundo' 1 2 3 customers (k)	28	160	>400%	<ul style="list-style-type: none"> Enhancing the strong and positive evolution since its launching
Market Share - Loans (%)	11.0	12.2	+1.2pp	<ul style="list-style-type: none"> Continue to grow in loans above peers

Key takeaways

-  Increase the number of **loyal customers** (Var. 2015-2018)
-  Optimise the **cost of funding**
-  Increase **volumes and market share**
-  **Strengthen the capacity** in trade finance and international business
-  **Improve efficiency levels** (cost to income <45%)
-  **Reduce and stabilise** the **cost of credit**
-  **Normalise the capital** and the medium and long term **funding structure**



Simple | Personal | Fair