

RESULTS JANUARY – SEPTEMBER 2019

Santander in Portugal returns net income of €390.6 million (+1.5% yoy)

"The results for the first nine months of the year show sustained growth of the Bank as a result of the strategy and of a clear commitment to providing a service closer to and focused on the Customer, supported by digital transformation. The figures presented reflect customer trust in our institution, which continues to have high liquidity and solvency levels.

Alongside the growth of net income and respective operating income, the figures for the first three quarters of the year highlight the positive evolution of resources, which increased by more than 5% compared to the same period of last year. Customer deposits increased by €1.6 billion and off-balance sheet resources rose by €600 million.

The evolution of the business is also the result of recognition, at national and international level, of the financial performance and reputation of the brand, notably the Best Bank in Portugal, Most Reputed Brand of the sector and Best Bank to Work in Portugal awards.

The new digital solutions and the simplification of operating procedures contributed to the increase of digital customers (up 12%), to 773,000 at the end of September 2019.

The evolution of our business is in line with our forecasts and there is a very strong commitment of our teams to continue to give pride of place to Customer experience and support to families and businesses, through the best possible response to their needs".

Pedro Castro e Almeida, Chief Executive Officer of Banco Santander Portugal

Lisbon, October 31, 2019

Highlights

- In the first nine months of the year, the **net income** of Santander Totta, SGPS, amounted to **€390.6 million**, a yoy growth of 1.5% growth.
- Customer resources amounted to €42.3 billion, an increase of 5.3% yoy, **the result of the 4.8% increase of deposits and of the 8.1% increase of off-balance sheet funds**. During the quarter deposits increased by 0.1%.

- **Loans & advances amounted to €40.4 billion**, down 2.4% yoy, an evolution that reflects the management of the non-performing portfolios. Excluding this factor, the portfolio would have been virtually unchanged in year-on-year terms.
- The **market shares of new loans to companies and mortgage loans** amounted to **19.5% and 17.9%** respectively, up to the end of August.
- The number of **main bank customers** and the number of **digital customers** returned growths of **5.1%** and **12.0%** respectively, compared to 2018.
- **Operating income increased by 3.9%** as a result of the good performance of commissions, of the insurance business and of net income on financial operations.
- The **cost-to-income ratio stood at 44.5%**, an improvement of 2.8pp compared to September 2018, the result of the growth of operating income (3.9%) and of the reduction of operating costs (-2.3%).
- The **CET 1 ratio stood at 16.7%** (fully implemented), an increase of 3.7pp compared to the end of December 2018.
- In the first nine months of the year, Santander was granted several international and national awards, which have highlighted the bank's financial performance, reputation and customer service. Attention is drawn to the **"Best Bank in Portugal"** award by **Euromoney** magazine within the scope of the Euromoney Awards for Excellence 2019 and also to the **"Best Bank in Portugal"** award by the **Global Finance** magazine.
- Additionally, the Bank saw its franchise recognised as the **Banking brand of greatest repute in Portugal**", within the scope of the Marktest Reputation Index 2019 (MRI). The study by consultant Onstrategy also elected Santander as the **"Bank of greatest repute in Portugal"**. In turn, Merco (Corporate Reputation Monitor) elected as the Bank **"Company with the best corporate reputation"** in the banking sector in 2019.
- Up until September 2019 Santander in Portugal **directly and indirectly supported 99 associations** in projects related to education, protection of minors, health, disability, social inclusion and care for the elderly, involving a total of 22,088 people who were helped in the community and 4,968 people supported financially.
- In the last quarter attention is drawn to the launch of the **"Santander + Perto Scholarships"**, which aim to increase the offer of affordable accommodation for university students in the city of Porto.
- In September, Santander hosted at its head office in Lisbon a meeting of 20 companies with users of the **Salvador Association**, the intention being to recruit people with motor disabilities.
- Santander in Portugal has the **sector's best ratings**. The Bank's current long-term debt rating notations in comparison with the levels of the Portuguese Republic are as follows: Fitch – BBB+ (Portugal – BBB); Moody's – Baa3 (Portugal – Baa3); S&P – BBB (Portugal – BBB); and DBRS – A (Portugal – BBB high).

Key Indicators

Santander Totta, SGPS

Balance Sheet (million euros)	Sep-19	Sep-18	Var.
Net assets	56,895	54,780	+3.9%
Total Gross Loans	40,357	41,344	-2.4%
Resources	42,278	40,139	+5.3%
Net interest income (without dividends)	642.7	654.8	-1.9%
Net comissions	286.5	270.2	+6.0%
Operating income	1,020.5	982.2	+3.9%
Total operating expenses	(453.7)	(464.5)	-2.3%
Net operating income	566.9	517.7	+9.5%
Income before taxes and MI	550.5	501.9	+9.7%
Consolidated net income	390.6	384.9	+1.5%

RATIOS (million euros)	Sep-19	Sep-18	Var.
ROE	12.5%	12.8%	-0.3 p.p.
Efficiency ratio (incl. depreciation)	44.5%	47.3%	-2.8 p.p.
CET 1 ratio fully implemented	16.7%	12.9%	+3.8 p.p.
Non-Performing Exposure ratio(1)	3.4%	5.0%	-1.6 p.p.
Non-Performing Exposure coverage ratio	52.0%	55.0%	-3.0 p.p.
Cost of Credit	-0.05%	0.01%	-0.06 p.p.

OTHER DATA (million euros)	Sep-19	Sep-18	Var.
Number of employees in Portugal	6,271	6,626	-355
Total Branches and Corporate Centers in Portugal	539	657	-118

RATING (long term debt)	
FitchRatings	BBB+
Moody's	Baa3
Standard & Poor's	BBB
DBRS	A

⁽¹⁾ According to EBA criteria

External recognition

Throughout the first nine months of the year Santander in Portugal has been recognised for its financial performance and reputation of its brand, customer service and as employer, by several national and international entities.

The Bank was recognised as the "Best Bank in Portugal in 2019" by the international publications Global Finance and Euromoney. Recently the British publication World Finance highlighted Santander as the "Best Retail Bank in Portugal 2019". In the Private Banking area Euromoney highlighted Santander as the "Best Private Banking Services Overall 2019" and, in turn, the North American magazine Global Finance elected Santander as the "Best Private Bank 2019", in Portugal.

In customer service, the Bank was considered "5-Star Bank 2019" in the Major Banks category in a study covering various dimensions conducted with national consumers. It was also recently recognised in telephone attendance service as the "Best Contact Centre 2019" in the banking sector, by the Portuguese Contact Centres Association (APCC).

The Santander brand continued to be outstanding for its strength and reputation. The "Banking Brand with Best Reputation" awarded in the reputation ranking, prepared by consultants Onstrategy, was added to by the distinctions in the Marktest Reputation Index (MRI) as "Banking Brand of Greatest Repute" and "Company having best corporate reputation" in the Merco study, by a panel of different stakeholders, with a total of 12 sources of information.

In the People Management area the Bank also saw recognition of its commitment to employees, having been considered the "Best Bank to Work For in Portugal" for the third consecutive time and, simultaneously, the "2nd Best Large Company" (over 1,000 employees) to work for in the country by the Great Place to Work Institute. In the third quarter of 2019, Santander was included in the world's Great Place to Work list.

Results

At the end of the September 2019, Santander Totta, SGPS (referred to as "Bank" or "Santander in Portugal" in this press release) returned a net income of €390.6 million, a year-on-year growth of 1.5%.

Operating income increased by 3.9% compared to September 2018, while operating costs decreased 2.3%, thus contributing to the improvement of net operating income (up 9.5%), as well of as the cost-to-income ratio (down 2.8pp).

Net interest income amounted to €644.5 million, a decrease of 1.8% in year-on-year terms, reflecting the current economic and competitive context, with great pressure on prices in a framework of low interest rates and moderate demand for credit.

Net commissions increased by 6.0% compared to September 2018, to €286.5 million, reflecting the good performance of commissions on payment means and insurance.

Other banking income amounted to -€24.3 million, largely reflecting the contributions to the Single and National Resolution Funds. The results of insurance activity, in turn, returned a yoy growth of 32.0% to stand at €18.5 million.

The results of financial transactions amounted to €88.4 million, a yoy growth of 85.7%, generated by the management of the public and private debt portfolios.

Operating expenses totalled €453.7 million, a decrease of 2.3% compared to September 2018. Personnel expenses during the period decreased by 2.9%, while general expenses fell by 5.3%. Depreciation, in turn, grew by 18.3% in year-on-year terms, a figure that also reflects the adoption of IFRS 16 as from January 1, 2019.

The current economic context, characterized by low interest and unemployment rates, is reflected in the quality of the loan portfolio, with a low level of non-performing loans. The impairment dynamic also reflects the past-due loan recoveries and the gains on sales of non-performing loans.

The favourable performance of income and operating costs in the first nine months of 2019 allowed a further improvement in the cost-to-income ratio, which fell by 2.8pp to 44.5% compared to the same period of 2018.

Pre-tax income and minority interests amounted to €550.5 million, up 9.7% yoy.

Balance Sheet and Business

At the end of September 2019, the loan portfolio (gross) totalled €40.4 billion, a decrease of 2.4% over the same period of 2018, the result of sales of non-performing credit portfolios during the past twelve months. Excluding the impact of these operations, the loan portfolio would have been virtually unchanged compared to the amount observed in September 2018.

Mortgage loans amounted to €19.6 billion, an increase of 1.0% over the same period last year, and consumer credit amounted to €1.7 billion, an annual growth of 1.9%. Compared to the previous quarter the dynamics were of stabilisation and of growth of 2.0%, respectively.

Credit to companies amounted to €18.0 billion at the end of September 2019, its year-on-year variation conditioned by the said sale of non-productive loan portfolios during this period.

Credit (million euros)	Sep-19	Sep-18	Var.
Credit (gross)	40,357	41,344	-2.4%
<i>from which</i>			
Credit to Individuals	21,648	21,682	-0.2%
Mortgage	19,550	19,356	+1.0%
Consumer credit	1,659	1,628	+1.9%
Credit to SME's	18,040	19,008	-5.1%

The Non-Performing Exposure (NPE) ratio, in accordance with the EBA criterion, decreased by 1.8pp, compared to September 2018, to 3.4%, and the respective coverage stood at 52.0%.

Customer resources amounted to €42.3 billion, a year-on-year increase of 5.3%, benefiting from the positive contributions of the evolution of deposits (up 4.8% to €34.9 billion) and of off-balance resources (up 8.1%). Compared to the end of December 2018, customer resources grew by 5.6%.

Off-balance sheet resources rose 8.1%, largely explained by the evolution of the mutual funds marketed, which grew 17.6% compared to September 2018. Compared to June 2019, mutual funds marketed increased by 11.0%, while insurance remained stable.

Resources (million euros)	Sep-19	Sep-18	Var.
Customers' Resources	42,278	40,139	+5.3%
On-balance sheet resources	34,932	33,341	+4.8%
Deposits	34,932	33,341	+4.8%
Off-balance sheet resources	7,346	6,798	+8.1%
Investment funds managed or marketed by the Bank	3,119	2,653	+17.6%
Insurance and other resources	4,227	4,145	+2.0%

Liquidity and Solvency

The Bank continued its policy of maintaining a liquidity reserve at conservative levels, with asset reserves available to immediately obtain liquidity amounting to €11.2 billion at the end of September 2019.

With regard to short-term financing (repos), the policy was also maintained of diversification of counterparties, terms and type of collateral used for the purpose, closing the third quarter of the year at €1.8 billion.

The funding obtained from the Eurosystem was unchanged compared to the end of 2018, based solely on long-term instruments (TLTROs).

The LCR (Liquidity Coverage Ratio), calculated in accordance with the CRD IV rules, stood at 140%, thus meeting the regulatory requirements on the fully-implemented basis.

The Common Equity Tier 1 (CET 1) ratio amounted to 16.7% (fully implemented) and 16.9% (phased-in), reflecting the capacity for organic generation of capital, as well as the management of risk-weighted assets. The Bank maintains fairly high capitalization levels, maintaining a very comfortable margin over and above the minimum requirements imposed by the ECB under the SREP.

Capital (fully implemented) (million euros)	Sep-19	Sep-18
Common Equity Tier 1	3,137	2,683
Tier 1	3,737	3,283
Total Capital	3,801	3,355
Risk Weighted Assets (RWA)	18,779	20,816
CET 1 ratio	16.7%	12.9%
Tier 1 ratio	19.9%	15.8%
Total Capital Ratio	20.2%	16.1%

Commercial Banking

Individuals and Businesses

In the first nine months of 2019 the Bank maintained its strategy of improvement of the business model through the development and implementation of new digital solutions and process simplification. A new Branch concept was adopted, called the Work Café, which consists of a space "open" to society and to the market, which enhances the relationship of the customers both with the bank and among themselves. Two areas of this new concept were inaugurated, one in Lisbon and one in Coimbra.

The purpose of initiatives is to provide a better service and to promote the development and prosperity of customers, and they are visible in the increase of the customer base, which grew by 19,900 main bank customers, with a strong contribution by customers of the university segment (15,300). The digital transformation process is also clear to see in the 5.3% increase of the number of digital customers, users of the Santander and/or NetBanco App, which exceeded 773,000, corresponding to 45% of the active customer base.

Also to be highlighted is the ongoing positive evolution of the Mundo 123 customers (customers having an account, a card and insurance protection), rising to more than 264,000, a growth of about 21,000 during the period. Mundo 123 is a multiproduct solution directed at individual customers that, in addition to the advantages of the 123 account, can provide an additional set of benefits, via cash-back, in the Mundo 123 card account.

A strategy underpinned by the soundness of the Bank and the trust of the customers, responding to need of development and support in the achievement of their projects that has resulted in an increase in loan production, with a positive impact of €132 million on the loan portfolio.

In this period of nine months of the year, mortgage loan origination amounted to €1,512 million, with a growth of the production rate during this time period. Personal-loan production amounted to €368 million, with emphasis on the "CrediSimples" online solution, which accounted for 19% of production.

With regard to resources, the evolution was very positive, with an increase of around €1.1 billion (of which 57% in off-balance sheet resources, mostly in mutual funds), compared to the amount observed at the end of 2018. As a result of the resource diversification strategy, attention is drawn to the growth of the number of customers with retirement savings products, up by 23,000.

The Business segment continues to be of strategic importance and the Bank therefore continues to have an offer focused on customer experience, the offer of value and digitisation. The launch, in March, of the "CrediSimples Business", a solution that allows business customers to contract loans online, is a visible example of this feature, having contributed to an increase of the segment's production, which grew by more than 32% yoy. In turn, the turnover of the segment at the end of September was up by of 6.8% compared to the end of 2018.

The Bank has strengthened its position in supporting Portuguese communities in the various geographies, in a framework of proximity, and the increase of remittances from abroad is its recognition by its customers as a reliable and trustworthy bank.

Similarly, acknowledging the growing interest of foreigners in living and/or investing in Portugal, the Bank has paid special attention to this sub-segment, streamlining processes and creating conditions to meet

the specific needs of these customers, as well as the development of financial product and service solutions allowing the Bank to support foreign customers who invest in Portugal.

Companies and Institutionals

A broad range of products and solutions, both financial and non-financial, illustrates the special focus of Banco Santander in Portugal on supporting the business sector, contributing to the training of the companies and making the relationship with customers more global and closer.

The Non-Financial Solutions of Santander Empresas constitute a unique and outstanding offering in the marketplace, with several non-financial solutions that it places at the disposal of companies and entrepreneurs, which promote the employability of young people, ongoing training of their management staff and employees, support for internationalisation and strengthening in the Digital area.

Within the scope of the scholarship programme 166 new training courses in a business environment were organised up until the end of the third quarter, a programme that constitutes a true platform for access to the employment market for final-year university course students.

Regarding classroom training, in 2019 the offer was directed mainly at specific business clusters: Agri-food, Tourism and Social Economy. In this way, up to the end of September, besides the Business Management programme held in Porto, now in its 12th edition, six sectoral management programmes were organised, two linked to the Social Economy sector (Lisbon and Porto), two to the Agro sector (Lisbon and the Azores) and two to the Tourism sector (Madeira and Algarve). These activities involved more than 200 companies or institutions, contributing to the strengthening of their competitiveness by improving the skills of their management staff and employees.

The online training that complements class-room training, in partnership with two certified entities, allows free access to benchmark interactive training. Through these platforms the Bank offers more than 15 courses in several areas.

Up until September 2019 two BOX – Santander Empresas were also held, one in Leiria, and another in Madeira for the first time. These initiatives consolidate the Bank's policy of proximity with companies, organisations, local associations and universities through the exchange of experiences and opinions and knowledge-sharing with all participants.

Banco Santander in Portugal maintains its focus on business support through the most appropriate solutions, at the level both of tenors and of price, the protocol-loan being one of its focuses. This commitment can be seen through its leadership, during several months of 2019, of the number of operations and amounts with Mutual Guarantee Companies, to support investment projects or to finance working-capital in the most varied economic sectors.

In the IFRRU 2020 line, too, the Bank continues to support numerous urban-rehabilitation projects, both for business customers and for individuals, taking on the management of the market's biggest line.

During the first nine months of 2019 Santander in Portugal maintained its position in International Business, and it is the financial partner of Portuguese companies, both in their export and import procedures and also in their internationalisation and in their positioning in various foreign markets.

The International Business support tools, such as the Santander Trade portal and the International Desk, have enabled consistent growth of the number of customers, operations, volumes and operating income in the International Business operative.

The Bank continues to support the cash management of the companies, in terms both of the largest Portuguese companies and also of small and medium-sized enterprises, accompanying customers with solutions tailored to their business and supporting the opening up of new markets, materialized in the dynamics of production of factoring and confirming.

Banco Santander in Portugal maintains its support for the institutional customers segment, both for public entities, with a strong presence in the Azores and Madeira, and with the Municipalities, as well as for private entities, with a special focus Religious Institutions and on the Social Economy, designing tailored solutions for these institutions and underpinning their activity in support for the community. As a result, the segment performed well, especially in attracting Resources, with an increase of 27.5% compared to the end of 2018.

Marketed Mutual Funds and Insurance

The orientation, by the Financial Insurance area, regarding the active management of Open Financial Insurance, has allowed yet another quarter with positive net changes, increasing the amount placed in 2019 to about €83 million. Four new financial insurances were also launched in PPR (retirement savings plans) format, maintaining the line of action of previous quarters and the focus on the topic of Retirement. In parallel, the Bank continued to foster a service oriented approach, with an intensive plan of after-sales initiatives aimed at ongoing improvement of service quality and customer experience.

Over the first nine months of the year, the financial markets generally rallied strongly, with most assets, shares and corporate bonds performing well. In this environment, Santander Asset Management (SAM) sought to manage its mutual funds (FIM) actively, with the goal of maximising the return for its participants. Since the beginning of the year net subscriptions amount to €216 million, and September ended with an amount of FIMs under management of nearly €2.2 billion, a market share of about 17.9%. Real-estate investment funds totalled €419 million in assets under management at the end of September 2019.

In the third quarter of this year, the Protection Insurance area continued to provide solutions that contribute to the growing protection and security of our customers in the various dimensions of their lives and of their companies, in the various channels, the 365 Protection Campaign in particular, providing preferential terms to customers who already have at least one protection insurance. The aim of this campaign was to increase the level of protection of our customers and their families during the 365 days of the year. "Safer every day" is the signature of the campaign present at every branch. The purchase of autonomous protection insurance via digital channels accounted for over 34% of the quarter's production.

Corporate and Investment Banking

The first nine months 2019 were marked by intense activity in the Corporate & Investment Banking area. In an adverse situation of continuation of negative interest rates and high pressure on spreads, the Bank strengthened its commitment to customers, exploring new investment opportunities. The loan portfolio

remained stable compared to last time and, over the same period, increased by 2%, while the negative impact on net interest income was offset by the increase of revenues from non-recurring operations.

The new digital foreign-exchange contracting platform (via NetBanco Empresas) reveals the commitment of the Santander Group to innovation and digital transformation.

In the Global Debt Financing area emphasis is given to the conclusion of the first private issuance of debt in Portugal under the Project Finance regime, Santander having structured and placed a €270 million issue for Indaqua Feira.

Up until September, several major financing operations were also concluded, involving a broad range of industries such as the chemicals and the transport and logistics sectors, with emphasis on the participation in financing the Finerge group in an amount in excess of €700 million, which is considered the largest ever financing operation in the onshore renewables sector in Portugal.

Attention is also drawn to various loans and refinancing in the real-estate sector, notably shopping malls and property development for residences and tourism apartments.

In the bond markets, emphasis is given to the Bank's participation, as Bookrunner, in the only issue of the year, for EDP, with a hybrid bond with a maturity of 60 years and an amount of €1 billion, as well as the participation in the placement of the first rated bond issue for Sudaçor, with the guarantee of the Azores Autonomous Region.

In the Corporate Finance area there was intense activity related with mergers and acquisitions, with emphasis on the successful conclusion of operations in the energy and shopping centres sectors. The operations portfolio was strengthened, and several other advisory processes are underway involving transactions to be concluded in the coming months.

Treasury in the Corporate and Commercial Banking area maintained the positive growth momentum seen in recent quarters in the main risk-management instruments that it provides, particularly in interest-rate and foreign-exchange risk management.

During the first nine months of the year, and in the current context of negative interest rates, there was an increase of the volume of loans and advances and number of fixed-rate operations, which reached a new historic high. In this area the Bank's proximity to its customers has been reinforced with the offer of alternative credit arrangements that best suit their expectations regarding the expected performance of the interest-rate markets for the coming years.

In the foreign-exchange area, the increased volatility of the main currencies pairs was reflected in a significant increase in the number of transactions and volume traded. Banco Santander's new FX contracting platform, launched at the beginning of the year, has allowed an enlargement of the contracting channels available to Corporate customers, and it can be expected that, by the end of the year, it will be possible to provide this alternative for all customers of this segment.

The activity of reception of orders in Portugal maintained the trend seen in the first half, with volumes traded until September 2019 falling by more than 39%. The total Cash Equities activity of Santander in Portugal accompanied this trend but to a lesser extent, with a reduction of the volume traded, in year-on-year terms in the order of 10%. In the online market, Santander's activity performed in line with the market average, with a yoy reduction of volumes traded in the order of 7%, compared to a drop of about 9% of

the total orders received in Portugal via the "Internet Site". (Source: CMVM, Monthly order reception indicators, September 2019).

Responsible Banking

During the first nine months of 2019, Santander in Portugal directly and indirectly supported 99 associations in projects related to education, protection of minors, health, disability, social inclusion and care for the elderly. This support involved help for 22,088 people in the community and 4,968 people supported financially during the period.

A scholarship programme was launched – the Santander + Perto Scholarships – to facilitate access by higher-education students to university residences, initially in the city of Porto, with the possibility to be extended to more cities. The Scholarships aim to address the lack of accommodation available and affordable for those studying at Portuguese universities and polytechnics, especially in large urban centres. For the allocation of the scholarships, greater preponderance is given to students in disadvantaged socio-economic conditions, priority being given to merit and geographical distance criteria.

Also noteworthy in this quarter is the allocation of 11 electrocardiographs and physiotherapy bicycles to the Santas Casas da Misericórdia in the locations of departure and arrival of the Tour of Portugal. In September, Santander hosted at its head office in Lisbon a meeting of 20 companies with users of the Salvador Association, the intention being to recruit people with motor disabilities.

Business Environment

The evolution of the world economy began a trend of synchronized downturn from mid-2018, a trend that has continued to date. The intensification of trade and geopolitical tensions has contributed to the increase of uncertainty worldwide, especially regarding the future of trade and international co-operation.

In the euro zone, commercial tensions are reflected in the weaker growth of the major economies. In Germany and France there was a slowdown in industrial production, particularly in terms of the auto industry, which continues to adapt to a new regulatory framework of requirements associated with pollutant emission levels. Additionally, the deadlock associated with the process of the United Kingdom's departure from the European Union and the risks of a disorderly exit have contributed to the increase of the pace of slowdown of economic activity, as well as delaying key policy decisions to promote the prosperity and cohesion of the EU.

In this economic environment, the various central banks continued to promote expansionary monetary policies, the US Federal Reserve having reduced the reference interest rate in September, and the ECB, in turn, having reduced the rate of deposit interest to -0.5%, and restarted the quantitative easing programme, to the tune of €20 billion per month.

In Portugal, economic activity continued to be resilient compared to the global environment while maintaining a path of slower deceleration compared to the Eurozone. During the first half of 2019, the Portuguese economy registered an annual growth of 2.1%, underpinned by favourable performance of investment and exports. However, the potential contagion effects of the slowdown of activity in the euro area should not be neglected and, later, they may affect the performance of the Portuguese economy with a slowdown in the third quarter.

Conditions in the labour market continued to be favourable. In the second quarter of 2019, the unemployment rate fell 0.5pp to 6.3% of the working population, following a slight increase in the first quarter of 2019. Nonetheless, there is a stabilization of unemployment around its natural rate of 6-7%, an indication that the economy is reaching full employment. In this sense, the pace of new job creation may accompany the moderation of economic activity, which signifies stabilisation of conditions in the labour market.

The savings rate of the economy has maintained its upward trend, and in the second quarter of 2019 it stood at 18.4% of the GDP, allowing an upward evolution of the investment rate to 18.0% of the GDP. In this sense, the economy maintains a net financing capacity around 0.4pp of the GDP, a situation that has been maintained since 2013.

The level of indebtedness of the economy continues its downward trend, with the private sector approaching 195% of the GDP (a reduction of more than 70pp of the GDP since 2012) and the public sector stabilizing at around 122% of the GDP, in the second quarter of 2019.

The budget balance of the general government in the second quarter of 2019 showed a surplus of 4.7% of the GDP, the result of a very favourable growth of tax revenues and social-security contributions, culminating in an overall year-on-year growth of revenues of 5%, and, as a percentage of the GDP, of 0.7pp (40% of the GDP). Government expenditure grew by just 1.4% year-on-year in the second quarter of 2019, the result of the reduction of expenditure on goods and services and of the service of the debt, which more than offset the increase in spending on wages and social benefits.

The resilient economic environment and the correction of imbalances supported a reduction of the perception of the sovereign risk, reflected in the minimum levels recorded throughout the yield curve, where the 10-year term for sovereign debt was priced at 0.21% and recorded a spread of 60 basis points against Germany (as of October 18, 2019). In this sense, the risk notation of the Republic's credit rating assigned by the S&P, Fitch and Moody's agencies is BBB, BBB and Baa3 respectively. During October 2019 the DBRS agency revised the rating to BBB (high).

Santander Totta, SGPS

Balance Sheet (million euros)	Sep-19	Sep-18	Var.
Cash, cash balances at central banks and other demand deposits	2,702	1,884	+43.4%
Financial assets held for trading, at fair value through profit or loss, and at fair value through other comprehensive income	11,210	9,468	+18.4%
Financial assets at amortised cost	40,601	41,087	-1.2%
Of which:			
Loans to Customers	39,452	39,923	-1.2%
Investments in subsidiaries, joint ventures and associates	110	107	2.5%
Tangible assets	668	676	-1.1%
Intangible assets	32	31	+1.9%
Tax assets	691	813	-15.0%
Non-current assets held for sale	50	67	-25.0%
Other assets	832	647	+28.6%
Total Assets	56,895	54,780	+3.9%
Financial liabilities held for trading	1,224	1,281	-4.4%
Other financial liabilities mandatory at fair value through profit or loss	3,461	3,171	+9.2%
Financial liabilities at amortised cost	45,089	44,034	+2.4%
Resources from Central Banks and Credit Institutions	6,399	6,096	+5.0%
Customer deposits	34,932	33,341	+4.8%
Debt securities issued	3,451	4,371	-21.1%
Of which: subordinated debt	3,442	4,363	-21.1%
Other financial liabilities	307	225	+36.7%
Provisions	263	422	-37.7%
Technical provisions	764	732	+4.4%
Tax liabilities	493	299	+64.8%
Other liabilities	1,206	743	+62.3%
Total Liabilities	52,500	50,682	+3.6%
Share capital attributable to ST SGPS shareholders	4,393	4,097	+7.2%
Non controlling interests	2	2	+6.7%
Total Shareholders' Equity	4,395	4,098	+7.2%
Total Shareholders' Equity and Total Liabilities	56,895	54,780	+3.9%

Proforma Income Statement* (million euros)	Sep-19	Sep-18	Var.
Net interest income (without dividends)	642.7	654.8	-1.9%
Dividends from equity instruments	1.8	1.5	+14.9%
Net interest income	644.5	656.4	-1.8%
Results from Associates	7.0	9.4	-25.4%
Net commissions	286.5	270.2	+6.0%
Other banking income	-24.3	-15.4	+57.6%
Insurance activity	18.5	14.0	+32.0%
Gain/loss on financial transactions	88.4	47.6	+85.7%
Operating income	1,020.5	982.2	+3.9%
Total operating expenses	(453.7)	(464.5)	-2.3%
Personnel expenses	(260.5)	(268.3)	-2.9%
General expenses	(156.4)	(165.1)	-5.3%
Depreciation	(36.8)	(31.1)	+18.3%
Net operating income	566.9	517.7	+9.5%
Impairment	10.0	4.2	+138.1%
Net provisions and other	(26.4)	(20.0)	+31.9%
Income before taxes and MI	550.5	501.9	+9.7%
Taxes	(159.8)	(137.2)	+16.5%
Minority interests	(0.2)	0.1	-
Other non recurrent results	0.0	20.1	-100.0%
Consolidated net income	390.6	384.9	+1.5%

(*) Not audited

Santander Totta, SGPS

In accordance with the definition contained in instructions 16/2004 of the Bank of Portugal with the changes in instruction 6/2018

Ratios	Sep-19	Sep-18	Var.
Profitability			
Income before taxes and MI/Average net assets	1.3%	1.3%	+0.0 p.p.
Operating income/Average net assets	2.4%	2.5%	-0.1 p.p.
Income before taxes and MI/Average equity	17.2%	16.5%	+0.7 p.p.
Efficiency			
Total operating expenses/Operating income	44.5%	47.3%	-2.8 p.p.
Personnel expenses/Operating income	25.5%	27.3%	-1.8 p.p.
Transformation			
Credit (net)/Deposits	113.3%	120.1%	-6.8 p.p.