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PRESS RELEASE

Santander Totta attains 11.2% Core Capital

Lisbon, 3 February 2012 – At year end 2011, **Santander Totta achieved a recurring net profit of 144.9 million euros**, a reduction of 60.2% from the same period last year. **Considering non recurrent effects, net results amounted to 64.1 million euros.**

2011 was essentially influenced by the worsening of the sovereign debt crisis and by the rescue package to Portugal amounting to 78 billion euros. Within this context, banking activity was heavily conditioned and characterized by the diminishing quality of assets, efficiency and profitability.

Within the scope of the Programme of Financial Assistance subscribed between the Portuguese Government and the international institutions, in May 2011, a plan for the adjustment of the macroeconomic imbalances is being followed with the aim to restore the sustainability of public accounts and to implement a number of structural reforms that will allow increasing the growth potential of the Portuguese economy. With regard to the financial sector, the banks are required to deleverage their balance sheets in order to achieve a “credit/deposit” ratio of 120% by the end of 2014, gradually decrease their financing with the Eurosystem and comply with a 10% minimum Core Tier ratio by the end of 2012.

Framed within the targets that the banks have to comply with, Santander Totta has been implementing a set of strategic measures related mainly with the deleveraging process, which resulted in an annual reduction of 45 p.p. in the “leveraging” ratio, to 139.5% at the end of 2011. Regarding financing obtained from the ECB, the net financing of Santander Totta amounted to 3.75 billion euros in December 2011, compared to 4.3 billion at the end of 2010. Otherwise, capital ratios remain solid, with the Core Tier I ratio reaching 11.2%, already above that required by the end of 2012.

Convergence with the deleveraging levels deriving from the Programme for Economic and Financial stability was obtained from a reduction of the commercial gap balanced between growth in deposits and reduction in the credit portfolio. Customers’ deposits recorded a favourable development in 2011, increasing by 12.1% in annual terms, and credit (gross) decreasing by 13.0%, not just due to lower demand but also to the sale of a credit portfolio (not considering this effect, variation would have amounted to -7.8%). The decrease in assets was also influenced by the sale of the investment portfolio that took place in the first half of the year.

The austerity measures being implemented have a recessive effect on the economy, namely through the increase in the rate of unemployment, which impacts on the worsening of the quality indicators of the banks’ credit portfolio. At the end of 2011, the “credit at risk” ratio of Santander Totta was 2.85%, equivalent to a 1.13pp increase compared to the figure recorded at the end of 2010.

According to the latest available data, Santander Totta is maintaining its credit overdue ratios significantly below the average of the banking system.

The recurring results of Santander Totta at the end of 2011 (144.9 million euros) are a reflection of a 21.2% decrease in income and of a 56.6% increase in impairment, provisions and other results. In turn, operational costs evolved favourably, decreasing by 2.9% as compared to December 2010. The sale of credits and securities and the setting up of a 25.8 million euro extraordinary provision generated an 80.8 million euro net negative impact that led to a consolidated net result of 64.1 million euros.

In December 2011, the Bank of Portugal disclosed the global results of the Special onsite Inspection Programme (SIP) held within the scope of the Programme of Economic and Financial Adjustment agreed between the Portuguese Government and the international institutions, and that concerned the financial sector. This programme covered the 8 largest banking groups and its objectives were the risk analysis of the credit portfolios, the adequacy of the banks' risk management policies and procedures and to estimate the capital requirements to cover credit risks, based upon data available at 30 June 2011.

With respect to Santander Totta, where the total credit portfolio was subject to analysis, the assessment concluded "that the total value of the impairment recorded in the Group's consolidated accounts to cover the credit risks of the portfolio analysed was adequate", and that "the aggregate impact of such results in the assessment of the Group's credit rating as at 30 June 2011 would result in an increase in the Tier I ratio from 11.3% to 11.4%, thus above the 8% minimum demanded at that date".

António Vieira Monteiro, Santander Totta Executive Chairman, states "After a very complex and difficult year for the Portuguese banking system, due both to the economic environment and to market instability, Santander Totta continues presenting a solid balance sheet with a high Core Capital ratio (11.2%) and the best ratings among Portuguese banks, as well as a lower credit at risk ratio than the average for the sector. The Bank is thus properly prepared to continue in 2012 providing its customer's needs and supporting the Portuguese economy.

With respect to commercial activities, the 12% increase in deposits deserves being highlighted, allowing the improvement in the leverage ratio, and keeping up support to companies and SMEs, as shown by the high market share reached in the PME Invest programme."

MAIN HIGHLIGHTS

- In the face of liquidity restrictions in the access to the international wholesale financial markets and the commitment assumed in the programme of economic and financial adjustment, the deleveraging of the balance sheet was Santander Totta's main priority in 2011, resulting in an improvement of 45 p.p. in the leveraging ratio, an indicator that was reduced to 139.5% in December 2011 (this ratio calculated in line with the definitions contained in the "Memorandum of Understanding").
- Deposits increased by 12.1% and (gross) credit recorded a 13.0% decrease. The development of credit was conditioned by the sale of a credit portfolio of approximately 2.5 billion euros in the 1st quarter of 2011. Excluding this effect the variation in credit would have been -7.8%.
- Santander Totta's Core Tier I ratio stood at 11.2%, higher than the 9% ratio required by the Bank of Portugal. Net financing from the ECB amounted to 3.75 billion euros, a lower value than that recorded in 2010.
- Santander Totta's overdue credit indicators are somewhat lower than the average for the banking system, according to the latest available data. At the end of 2011, the NPL and doubtful loans ratio stood at 2.24% and the coverage ratio at 104.5%. The new ratio of "credit at risk" in line with international practice stands at 2.85%. Total impairment, net provisions and other results (recurrent) amounted to 260.8 million euros.
- Recurring results amounted to 144.9 million euros, as compared to the 364.5 million euros for the same period of the previous year. The evolution of results was conditioned by the fall in revenue and by the increase in provisions required due to the increase in the risks attached to the credit portfolio, notwithstanding the good results achieved in operational costs.
- In 2011, Santander Totta recorded non recurring results amounting to -80.8 million euros deriving from the sale of credit and security portfolios and of an extraordinary appropriation to provisions amounting to 25.8 million euros, which led to a net result of 64.1 million euros.
- Net interest income (without dividends) amounted to 562.3 million euros, a 22.1% decrease. Notwithstanding the continuing prudent spread management, the evolution of the gross margin was the result of the decrease in the credit and security portfolios and of the increase in finance costs, due to greater pressure on the liability margins.
- Net commissions amounted to 341.0 million euros, 2.4% below the value reached at the end of 2010 and results obtained with the insurance business decreased by 35.8%, reflecting a less favourable performance in financial insurance.
- Current ratings of Santander Totta's long term debt, compared with those of the Portuguese Republic are: Fitch – A (Portugal: BB+), Moody's – Baa2 (Portugal: Ba2) and S&P – BBB- (Portugal: BB).
- In 2011, Banco Santander Totta was awarded a number of prizes of which the most relevant were: "Best Bank in Portugal", attributed by Euromoney and Global Finance magazines, "Bank of the Year in Portugal" attributed by The Banker magazine and "The Most Solid Large Bank" attributed by Exame magazine.

BUSINESS ENVIRONMENT

2011 was an extremely complex year for the Portuguese economy. The growing difficulties in the financing of the Republic, felt in the beginning of the year, and deriving from a delay in the process of budgetary consolidation, resulted in a request for external aid, in order to ensure the financing of the economy during a period of approximately three years.

The Portuguese Government, as a counterpart to a support fund amounting to 78 billion euros, agreed to a full Programme of Economic and Financial Adjustment (PEFA) with international institutions (European Union, IMF and ECB), that comprises an aggressive budgetary adjustment, as well as the deleveraging of the economy through the financial sector.

The second half of the year was a period of effective implementation of that programme, requiring a greater adjustment, budgetary as well as economic. At fiscal level the effort to reduce the deficit continued through a stricter control of expenditure, essential to avoid adverse impact of immediate situations, such as the higher expenditure in Madeira and the costs with the recapitalization of Banco Português de Negócios. The focus on revenue was equally significant, with an increase in direct (extraordinary tax on Christmas bonus) and indirect taxation (increase in VAT on energy from a 6% rate to 23%).

In spite of these, the Government had to adopt other non-recurring measures to comply with the target for the 2011 deficit, through the transfer of part of the banking sector pension fund reserves to Social Security. This additional revenue was necessary to cover deviations in non fiscal revenue (such as concessions and dividends from public sector corporations) as well as in expenditure (as in the two referred cases). The final figure for the deficit will probably come out below 4.5% of GDP (and consequently far below the 5.9% target figure).

All these measures, together with those additional measures announced for the implementation of the 2012 Budget, as well as the adjustment to the level of deleveraging of the banking sector, had an impact on the confidence of the economic sector, resulting in a withholding of expenditure, which will have led to a further shrinkage of business activities in the last quarter of the year.

In accordance with the most recent estimates, GDP will have suffered a contraction of 1.6% in the full year, less pronounced than what was initially feared, due to the improvement in external demand. In effect, during the second half of the year, exports continued performing satisfactorily, in spite of the slow down in the euro zone, which is the main foreign sales market.

Internal demand will have had a pronounced fall, as had been already proven by the evolution in the previous three quarters, especially in consumer products and private investment. Families adjusted their level of expenses to the reduction in disposable income (due to increased taxation) and in line with the increase in

unemployment which, in accordance with Eurostat, will have surpassed 13% at year end.

In turn, entrepreneurs have held back eventual decisions to increase capacity, both due to the lower perspectives for demand in the next few years while the adjustment is being carried out, and to the increased credit interest rates which anyway did not fully follow the increase in the interest rates practised for new deposit operations.

This development in spreads was the visible result of the deleveraging process implemented by the banking sector. Up to September 2011, the credit to deposits ratio decreased to 139% (with the aim to reach a ratio not greater than 120% by the end of 2014), above all due to the capture of deposit resources. The banking sector tried to protect the national productive sector through a lower reduction in credit granted to companies, and focusing especially on reducing the production of new mortgages, as well as consumer credit.

This adjustment was also carried out without an increase in recourse to the European Central Bank, in spite of the 3 year operation that took place in December. The national banks maintained the volume of funds at around 47.5 billion euros, although lengthening maturities, with 21 billion taken at more than a year.

In spite of the adjustment carried out in Portugal and the important decisions taken at the 9 December European Summit, Standard & Poors reduced, in January, the risk notation of the Portuguese Republic to BB-, already at the level of "speculative grade". This decision involved more European countries, with France and Austria losing their maximum AAA rating, and substantiates the "threat" made at the beginning of December, before the Summit.

This Summit, in turn, established an important precedent, since the 17 countries that comprise the euro zone, together with other 9 EU member states (only the United Kingdom did not comply), agreed a greater budgetary integration, at the same time as deciding to anticipate, to July 2012, the entry into force of the European Stability Mechanism, the permanent aid fund for the support of countries with problems in liquidity.

Up to the end of January, however, no agreement had been reached with private investors with respect to the restructuring of the Greek debt, which resulted in a high level of uncertainty being maintained in the economy and in the financial markets, with some contagious effects on Portugal.

In this climate of growing uncertainty the euro zone will have ended 2011 in a recessive situation, underscoring the slow down commenced in the second half year. Contagious effects on Italy and Spain and the implementation of new austerity measures in these countries contributed significantly towards this trend. Even Germany evidenced signs of moderation, with a slowing down in exports, since the euro zone continues to be its privileged export market.

Responding to this development, the European Central Bank reversed the increase in rates implemented in the first half of the year, bringing the refi rate back to 1%. Simultaneously it tried to minimize the liquidity and financing risks for the banking sector, announcing two long term supply operations, to be carried out in December and February. In December's operation European banks took up 489 billion euros which were again deposited with the ECB, thus reflecting the non operational status of the interbank European markets.

This operation eased the reopening of the wholesale markets for the banking sector, with a strong increase in the number and value of emissions already in January 2012, and the sovereign markets were also able to finance themselves without any great difficulty, with spreads that are still high in comparison with the German debt and above the levels in force prior to the Summer.

In the USA, the signals of the strong slowdown in business activities in the Summer brought about a reacceleration of the economic activity by the year end, which leaves positive growth perspectives for 2012. However, S&P removed the United States AAA rating, due to delays in the adoption of definite measures in the reduction of the budgetary deficit, which is still extremely high (9.5% of GDP in 2011), and which worsens the dynamics of the public debt. The Federal Reserve maintained the reference interest rates, with the commitment that these will be kept low during a wide period of time, as well as the amounts comprised in its acquisition programme of public debt (QE2).

RESULTS

At the end of 2011, Santander Totta recorded a net recurring result amounting to 144.9 million euros, as compared with 364.5 million euros in December 2010. These results reflected the 21.2% decrease in revenue (recurring) and the 56.6% increase in the value of impairment, provisions and other results, in a degrading environment of the quality indicators of the assets and reflecting the recessive economic framework. In turn, operating expenses evolved favourably with a 2.9% decrease.

	Dec-11	Dec-10	Var.
Commercial revenue	915.0	1,107.8	-17.4%
Operating income and insurance activity	920.6	1,168.3	-21.2%
Total operating expenses	(513.3)	(528.9)	-2.9%
Net operating income	407.3	639.5	-36.3%
Impairment, net provisions and other income	(260.8)	(166.6)	+56.6%
Income before taxes and MI	146.5	472.9	-69.0%
Consolidated net income (recurrent)	144.9	364.5	-60.2%

The net interest income, as the main component of revenue, amounted to 562.3 million euros, decreasing by 22.1% as compared to 2010. Following the

deleveraging process of the balance sheet, Santander Totta disposed of credit and security portfolios that, together with the increase in financing cost and greater pressure on the liability margins, had a negative impact in the evolution of the net interest income, notwithstanding the prudent management of spreads which has been followed.

Net commissions decreased by 2.4%, amounting to 341.0 million euros. The favourable performance of the GBM and of payment systems commissions should be highlighted, but did not however compensate the lower performance in credit commissions (especially in the mortgage sector), in the distribution of mutual funds and in insurance. In turn, the development of other results in banking activity reflects the record of costs with the Investor Compensation System, to compensate the former customers of Banco Privado Português.

Results of the insurance activity amounted to 24.6 million euros and their 35.8% negative variation was the effect of lower revenue in financial products.

Results in financial operations (excluding losses in the sale of assets) totalled 5.6 million euros, a 90.8% decrease compared to that achieved in 2010. These results were highly affected by the market prices of Portuguese public debt securities recorded in the negotiation portfolio.

Consequent upon the above described evolution the (recurring) operating income amounted to 920.6 million euros, equivalent to a 21.2% decrease over the year.

	Million Euros		
	Dec-11	Dec-10	Var.
Net interest income (without dividends)	562.3	721.8	-22.1%
Net commissions	341.0	349.3	-2.4%
Other banking income	(14.2)	(6.1)	+133.3%
Insurance activity	24.6	38.3	-35.8%
Commercial revenue	915.0	1,107.8	-17.4%
Gain/loss on financial transactions (recurrent)	5.6	60.6	-90.8%
Operating income and insurance activity	920.6	1,168.3	-21.2%

Operating costs amounted to 513.3 million euros, recording a negative variation of 2.9%. All the respective components evolved favourably: personnel costs (-1.2%), general expenses (-5.5%) and depreciation (-5.0%).

The efficiency ratio (including depreciation), that reflects operating costs as a percentage of operating income, increased from 45.3% in 2010 to 55.8% in 2011 and the (recurring) operating result that, at the end of 2011 amounted to 407.3 million euros, recorded a 36.3% decrease.

Million Euros

	Dec-11	Dec-10	Var.
Personnel expenses	(299.6)	(303.2)	-1.2%
General expenses	(150.1)	(158.7)	-5.5%
Operating expenses	(449.7)	(461.9)	-2.6%
Depreciation	(63.6)	(67.0)	-5.0%
Total operating expenses	(513.3)	(528.9)	-2.9%
Efficiency ratio (excl. depreciation)	48.8%	39.5%	+9.3 p.p.
Efficiency ratio (incl. depreciation)	55.8%	45.3%	+10.5 p.p.

Total impairment, provisions and other results amounted to 260.8 million euros as compared to 166.6 million euros recorded in the same period of the previous year, thus equivalent to a 56.6% increase. Santander Totta kept a conservative and prudent risk management policy, adapted to our recessive economic environment. Total credit impairment, net of recoveries, amounted to 0.74% of the average credit portfolio, thus an increase of 0.40 p.p. compared to the value recorded at the end of 2010.

Results before tax and minority interests amounted to 146.5 million euros and net recurrent profit amounted to 144.9 million euros, a 60.2% decrease on the amount recorded in 2010.

Non recurrent negative results amounting to -80.8 million euros were recorded in 2011, related to the sale of 4.3 billion euros in credits and securities and with an extraordinary appropriation of provisions amounting to 25.8 million euros as compared with the 75.3 million euros in added values recorded in 2010, related to the valuation of Unicre (21.2 million euros) and the reduction of the exposure to Banco Caixa Geral Totta de Angola (54.0 million euros).

BALANCE SHEET AND ACTIVITY

Considering the heavy liquidity restrictions in the access of the Portuguese banks to the international wholesale markets and the commitment assumed within the context of the programme of economic and financial adjustment, Santander Totta has maintained as a fundamental priority the deleveraging of its balance sheet, through the increase in deposits, asset sales and slowing down in the concession of new credits, without however neglecting support for the economically viable small and medium sized domestic companies.

A 45 p.p. improvement in the leveraging ratio was recorded in 2011, at 139.5% (a value calculated within the scope of the agreement with the international institutions). Deposits increased by 12.1% while the credit portfolio decreased significantly mainly as a result of the sale of credits that took place in the 1st quarter of the year.

In spite of the heavy liquidity restrictions, Santander Totta is maintaining a very relevant activity with respect to the SME Invest lines of credit, with an

approximately 18% market share in such lines. More than thirteen thousand operations were placed, valued at approximately 1.4 billion euros.

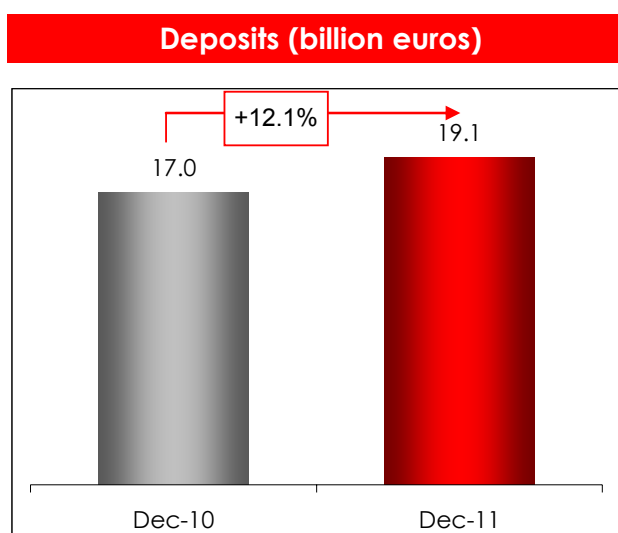
Credit to individuals decreased by 3.1%, amounting to 18.1 billion euros, due to decreases of 2.6% and of 5.9% recorded respectively in mortgages and consumer credit.

Million Euros

	Dec-11	Dec-10	Var.
Commercial Banking	27,170	29,114	-6.7%
Credit to Individuals	18,126	18,698	-3.1%
<i>from which</i>			
Mortgage	16,032	16,452	-2.6%
Consumer credit	1,516	1,610	-5.9%
Credit to SME's	9,045	10,416	-13.2%
Small business	3,603	4,119	-12.5%
Corporates	5,442	6,297	-13.6%
Large Corporates and Institutions	1,714	3,900	-56.0%
Guarantees, endorsements and other	1,615	1,885	-14.3%
Total Loans	30,500	34,899	-12.6%

* Excluding the sell of loans the variation would be -7.7%

The sustained evolution of deposits throughout 2011 deserves a special highlight, recording a 12.1% growth, and thus reflecting a greater aversion to risk by the investors. The development of deposits offset the negative performance of the off balance sheet resources (-19.9%).



Total customer resources reached 27.2 billion euros, a 0.3% increase compared to the value recorded at the end of 2010.

Million Euros

	Dec-11	Dec-10	Var.
Deposits	19,074	17,018	+12.1%
Securities issued (clients)	471	559	-15.8%
Balance sheet resources	19,544	17,577	+11.2%
Off-balance sheet resources	7,607	9,503	-19.9%
Customers' resources	27,152	27,081	+0.3%

By segment

Commercial Banking Resources	24,141	23,041	+4.8%
Individuals and Small Businesses	22,240	21,569	+3.1%
Deposits	15,628	13,794	+13.3%
Securities issued (clients), Investment Funds and insu	6,613	7,775	-15.0%
Corporates	1,900	1,472	+29.1%
Large Corporates, Institutionals and other	3,011	4,040	-25.5%

Santander Totta closely follows the Group's corporate policy concerning the quality of risk management, this being a fundamental and particularly important concern within the macroeconomic recessive context that is resulting in the worsening of the quality indicators of the credit portfolio. Santander Totta continues implementing a set of measures that allow anticipating non-performance in the credit portfolio and simultaneously focusing strongly on the recovery activities with a reinforced policy of negotiation as an alternative to legal action.

In December 2011, NPL and doubtful loans ratio was 2.24%, equivalent to 0.88 p.p. deterioration relative to 2010, and the coverage ratio set at 104.5%. In spite of the deterioration in the quality indicators of the credit portfolio, Santander Totta continues maintaining NPL ratios levels below the average of the banking sector, based upon the latest available data.

In accordance with the specifications contained in the "Memorandum of Understanding", complemented later by the Bank of Portugal's Instruction No. 23/2011, the ratio of credit at risk, which relates overdue credit and credit falling due and restructured credits with the total of Santander Totta's credit portfolio was 2.85%, at the end of 2011, compared with the 1.72% ratio recorded in December 2010.

	Dec-11	Dec-10	Var.
NPL ratio (+ 90 days)	2.19%	1.34%	+0.85 p.p.
NPL coverage ratio (+90 days)	107.1%	127.2%	-20.1 p.p.
NPL and doubtful loans ratio	2.24%	1.36%	+0.88 p.p.
Net NPL and doubtful loans ratio	1.02%	0.67%	+0.35 p.p.
NPL and doubtful loans coverage ratio	104.5%	125.3%	-20.8 p.p.
"Credit at risk" ratio (according to Instruction nº 23/2011)	2.85%	1.72%	+1.13 p.p.
Risk premium*	0.89%	0.37%	+0.52 p.p.

* New entries in NPL (> 90 days), adjusted by write-offs and credit recoveries as % of loans

The indicator that relates new entries in overdue credit (in excess of 90 days), net of recoveries, with the average credit portfolio was set at 0.89%, a deterioration of 0.52 p.p. as compared to that in December 2010.

LIQUIDITY, SOLVENCY AND PROFITABILITY

The programme of economic and financial adjustment for the banking sector foresees a gradual deleveraging process in the banks' balance sheets, shown as a ratio between credit and deposits that should reach approximately 120% by 2014, and the gradual decrease of financing with the Eurosystem. In this context, as was already referred, Santander Totta has been implementing, since the beginning of 2010, a policy based upon the growth of customers' deposits and, in 2011, has already carried out sales of credits and other assets. At the end of December 2011, net financing with the ECB amounted to 3.75 billion euros that compares with 4.3 billion euros, at the end of 2010.

Still within the scope of the referred programme, demands in the requirements of capital ratios were reinforced, imposing a Core Tier 1 ratio at a minimum of 9% at the end of 2011 and 10% latest at the end of 2012. Santander Totta continues showing capitalization levels above those demanded by the programme of economic and financial adjustment, with capital adequacy ratio (Tier I) reaching 11.7% and Core Tier I ratio set at 11.2%.

	Million Euros	
	Dec-11	Dec-10
Tier I capital	2,462	2,719
Tier II capital	-6	-10
Total capital	2,456	2,710
Risk weighted assets	20,988	24,355
Core capital *	11.2%	10.3%
Tier I *	11.7%	11.2%

(*) Excluding results generated net of payout, Core Capital is 11.0% and Tier I is 11.7%

COMMERCIAL BANKING

2011 was a year of great involvement of the commercial network with the implementation of a new model of commercial management, known as "READY". This model allows creating commercial dynamics capable of responding to a new context and that is based upon a system that aims for a proactive commercial undertaking guided towards the needs of current and potential customers.

Santander Totta's main strategic priorities continued focused essentially on capturing deposits, on the adequacy of credit spreads and in controlling the commercial gap. In a recessive economic scenario, control of overdue credit has become a daily essential topic for the commercial teams.

In an environment of strong competitiveness with respect to capturing deposits, Santander Totta made available a set of diversified products and solutions, materialized in the campaigns for "Integrated Solutions", "Strategic Savings Solutions" and "Spring Growth Savings".

The 'Integrated Solutions' campaign, launched in 2010, is based upon attractive savings products, such as "PPR Triunfo" (a private pension plan) and the "Super Savings Idols" account, products based upon the Bank's sponsoring of TV programmes. The "Strategic Savings Solutions" was launched already in 2011, (in euros and dollars), which comprises traditional savings products with several periods and rates of return, destined both to capture deposits and to retain resources.

The "Spring Growth Savings" campaign was launched during the 2nd quarter of 2011, and comprises a set of medium/long term traditional savings products, with different features of liquidity and rate of return, amongst which the "Premium Deposit Return" is highlighted, a 3 year term deposit with a minimum 4% TANB (nominal annual gross rate) and which can earn a higher rate of return in the 2nd and 3rd years depending upon the variation in the Euribor (European Interbank Borrowing Rate).

The "Super Protection Savings", launched in the 3rd quarter brought continuity to the "Super Savings Idols" campaign. This is a savings and income account that, due to its features, was well accepted by customers.

In the 4th quarter, resulting from market conditions and restrictions imposed by the Bank of Portugal, there was a slight fall in the rates for capturing deposits, but the focus was however maintained on traditional savings products.

Within the scope of campaigns and actions for capturing and binding customers, a "Salary Solutions" campaign was launched in January, to capture salaries/pensions, based upon exemption of charges and/or commissions on the main day-to-day services and on the offer of a wide choice of gifts with recognized labels. In April this campaign was strongly supported by a communications campaign in the media, including TV and external advertising.

A further campaign was launched in December for the capture of domiciling salaries. Equally launched were campaigns and accounts directed specifically to other segments, namely Youngsters/Juniors: "Growing Account", "Já Cá Conta" – "Your Account Counts" and "Special Young Term Deposit" and for residents abroad.

In a continuing strategy of providing adequacy to the offers and services dedicated to the Premium segment, the Bank adjusted these customers' segmentation. As such the adequacy of the offer to this segment's features is more realistic and has greater potential towards an increase in its level of satisfaction.

Following on the above the "Premium Line" was launched, providing exclusive attending services for Premium customers. Also continued, until the end of 2011, was the period of free adhesion to non financial services, Premium Club and Premium by Time Management, thus privileging the increase in global experience that a Premium customer enjoys with Santander Totta.

With respect to loans, the deleveraging efforts, the generalized increase in spreads and the fall in customers' confidence levels led to a heavy fall in the production volumes obtained in this period. In this context, several adjustments were carried out during 2011 to spreads brackets, aiming not only to reflect the higher costs of financing but also to increase the price differential as a function of the risk associated to each loan.

In the **Small Business** segment, the strategy continued to be the strong focus on the capture of new customers, binding current customers and in the increase of transaction capabilities.

The Bank dedicated special attention to factoring and confirming, achieving a market share of approximately 20%. A "2011 Business Customers" campaign was also launched, with special focus on the "Super Plus Business Account", on the "Current Account Business Plus", on the "Salary Payments in Parcels", and on POS and PCM "Payments & Collections Manager", with gifts offered to new or returning customers.

Santander Totta reinforced its positioning as a corporation supporting Bank, resulting from the great dynamics of the segment. Its already traditional participation in Expofarma, a health sector international exhibition, deserves being highlighted.

In this business segment and considering the difficulties faced by the economy, the Bank endeavoured to create prevention mechanisms to minimize risks of non-performance.

In the **Private Banking** area, the lack of confidence in the markets, which had already been felt in 2010, was accrued by the deep distrust in the future of the Portuguese economic and financial situation which, together with the lack of liquidity in the financial system, more than ever increased customers' wishes for assets with low risks and high liquidity.

The image that Santander Totta provides of strength and the referencing commercial action allowed Private Banking to record a 14% growth in new

customers, without placing at risk the retention efforts based upon the commitment to provide a service of confidentiality, proximity and trust.

In the **Payment Systems** area, 2011 stood out due to its permanent concern to oppose the market's lowering trend, but always supported by capturing customers, in achieving their growing loyalty and in the excellence of the services provided. Highlighted too is the launching of the Ferrari credit card destined for the Affluent segment. New cards were also developed, designed for specific customer profiles, such as those intended for Porto City Council or the new Maestro university cards. Changes were also carried out in the features of some cards, maintaining or improving their competitiveness in market terms, as in the case of Light, Business or Premium Travel cards.

Effectively, the joining together of these measures allowed increasing the spread and the use of these cards, with year on year invoice increasing by 2%, with values always above the market and, at the same time, reducing the total number of cards cancelled by the customers.

Regarding acceptance, Santander Totta continues as a relevant player in the market, with a 16% market share, present in the main chains of distribution and in diversified business sectors. New customers were enrolled in the domestic market, namely in State, clothing, transport and oil sectors and in the enlargement of several existing partnerships.

Commercial strategy in the **Companies'** area controlled and diminished the commercial gap and even so continued the sustainable increase of the area's profitability. The programme to maintain the adequacy of the cost of credit to the scarcity of monetary liquidity continues, as well as the intensifying of the rational capture of recourses. It should equally be referred that investment continues in the growth of new customers that, more than ever, value the partnership with a bank as solid as Santander Totta.

With the "SME Invest Lines", which have assumed, in the last two years, a growing importance due to the universal economic crisis and the strong restrictions to credit set by the banks, Santander Totta has kept up a support policy to the Portuguese entrepreneurial sector that has resulted in its achieving an approximate 18% market share in the granting of these lines, and in placing more than thirteen thousand operations amounting to 1.4 billion euros. To be also highlighted is the fact that, in the 2nd quarter of this year, Santander launched the Export Invest Line, destined to support the manufacture of products with lengthy terms of delivery.

GLOBAL BANKING AND MARKETS

The **Corporate Finance** area continued developing intense activity in 2011. Highlighted in this year are the successful completion of financial consultancy to the Secil company in the acquisition of Lafarge Betão and the completion of the

financial consultancy for the Impresa Group in the assessment of the SIC, Medipress and AEIOU companies.

Equally to be stressed are the consultancy operations for the Brazilian company Eletrobrás in the privatization of EDP, and to Galp Energia, in the disposal of shareholding in Galp Gás Natural Distribuição, the holding company that owns the main regulated companies involved in the infrastructure of the distribution of natural gas in Portugal.

During this period, the portfolio of Mergers and Acquisitions was also strengthened and several consultancy operations are in the course of being concluded in the following months.

In the **Fixed Income Sales** area, the year was characterized by the dynamics of adapting strategies to the market's extreme volatility, with the continuing avidity for simple risk management structures and Santander providing special attention to the structures in its portfolio.

Also referable are the launching of several initiatives that contributed towards the offer of products to customers, namely the restructuring of foreign exchange business, the strengthening and improved availability of investment solutions and the preparation for the preventative adoption of CVAs ("Counterparty Valuation Adjustment"). Particularly with respect to the business in the flow of foreign exchange, both the increase in number of customers and operations carried out, and the award of the "Global Finance - Best Foreign Exchange Bank in Portugal" prize, reflect the recognition for the excellent service rendered.

In the **Equity** area, in spite of the worsening of the financial crisis and the uncertainty of the financial markets, the marketing of structured products over the retail and private segments developed favourably throughout the year, through the issue of term deposits and treasury bonds amounting approximately to 600 million euros. To be highlighted is the award, in September, by Euromoney and by www.StructuredRetailProducts.com, of the Euromoney *Structured Retail Products Awards 2011*, in Portugal, in the categories of best distributor and in the sub-category of best distributor in the performance of structured products.

With respect to the **Cash Equities** business, the volumes and values of the equity markets were generally falling in Europe and in Portugal, with a substantially increasing aversion to risk. A trend for brokerage was also witnessed, with significant drops in the assets under management in asset management companies, assets that had typically been transferred to bank deposits. In this context, Santander Totta was able to increase volumes brokered in shares by 6.8% as compared to 2010, thanks to a dynamic service with the national and international segment and which was complemented by a greater focus on the segment of private investors.

The activity of the Santander Totta Institutional Custody area, in spite of all the conditionings of the financial markets and of the economic situation in Portugal,

has maintained 2nd place in the national ranking of Custodians, with an approximate 22.8% share in the volume of assets under custody, according to the latest data made available by CMVM (Securities Market Commission).

ASSET MANAGEMENT

2011 was characterized by a great instability in the financial markets, with a worsening situation than that already extant in 2010, and which contributed towards a strong aversion to risk from investors with a natural impact in the demand for financial instruments such as investment funds. This effect was increased by the offer of very attractive levels of interest rates on deposits.

In spite of the reduction in assets under management, Santander Asset Management, in terms of **security investment funds**, ended 2011 as the 4th largest asset management company in Portugal, with a 12.9% market share. To be highlighted is the launching of fund groupings "Santander Private Management" and "Santander Premium Management", both for the higher segments.

In performance terms, highlight should go to the best fund of the year in North American Shares – "Santander America Shares" with 5.7% – and to the best fund in the category of fixed rate bonds Europa – "Fixed Multirate" with 6.8%.

As far as **real estate investment** is concerned, 2011 was characterized by the active management of the assets through the renegotiation of many of the rental contracts, in order to minimize the impacts of the economic recession – losing the least possible number of tenants and finalizing several projects of real estate promotion.

INSURANCE

Life insurance business is exploited, since 2001, by Santander Totta Seguros - Companhia de Seguros de Vida S.A. (STS).

The main axis of development of STS in the marketing of products guided towards the specific needs of its customers, is a diversified offer of innovatory products based upon cross-selling and cross-segment policies with Banco Santander Totta, comprising a policy of improving the development of its human resources and best sales practises, and thus resulting in a low claim index.

Particular attention was given to the marketing of protection insurance in the open market, to the study and use of intelligence relative to customers and insurance and also to the optimization of new marketing channels and the implementation of retaining actions and binding of customers.

Along with the continued availability of life risk products bound to credit and other banking products, the autonomous availability of products guided towards life

protection and credit protection was responsible for a notable procurement of new customers, resulting from actions carried out with Banco Santander Totta, allowing the offer of such products to the Bank's customers who did not hold this type of insurance.

The good performance of financial life insurance should be highlighted, particularly stressing the monthly launching of financial insurance policies known as "Income Plan", under the guise of non standard unit linked insurance (Icae), which intend the provision of a monthly and quarterly return (calculated on the basis of the amount subscribed and paid under the form of a partial redemption), with the total marketed volume amounting to approximately 961 million euros in 2011, with an achieved 20% market share in variations of actuarial provisions, in November.

INSTITUTIONAL INFORMATION

Banco Santander (SAN.MC, STD.N, BNC.LN) is a retail and commercial bank, based in Spain, with a presence in 10 main markets. Santander is the largest bank in the euro zone and is among the fifteen in the world by market capitalization. Founded in 1857, Santander had EUR 1.383 trillion in managed funds, more than 102 million customers, 14,760 branches – more than any other international bank – and 193,000 employees at the close of 2011. It is the largest financial group in Spain and Latin America. Furthermore, it has significant positions in the United Kingdom, Portugal, Germany, Poland and the U.S. northeast. Santander Consumer Finance operates in the Group's core markets as well as in the Nordic region. In 2011, Grupo Santander registered EUR 7,021 million in recurring net profit.

Santander Totta, SGPS
Indicators

Million Euros

	Dec-11	Dec-10	Var.
Total Gross Loans (*)	30,500	34,899	-12.6%
<i>from which</i>			
Commercial Banking	27,170	29,114	-6.7%
Credit to Individuals	18,126	18,698	-3.1%
<i>from which</i>			
Mortgage (includes securitization)	16,032	16,452	-2.6%
Consumer credit	1,516	1,610	-5.9%
Credit to Corporates	9,045	10,416	-13.2%
Small business	3,603	4,119	-12.5%
SME's	5,442	6,297	-13.6%
Large Corporates and Institutions	1,714	3,900	-56.0%
Resources	27,152	27,081	+0.3%
Commercial Banking	24,141	23,041	+4.8%
Individuals and Small Businesses	22,240	21,569	+3.1%
Deposits	15,628	13,794	+13.3%
Securities issued (clients), Inv. Funds, Insurance & OI	6,613	7,775	-15.0%
Corporates	1,900	1,472	+29.1%
Large Corporates, Institutionals and other	3,011	4,040	-25.5%
ROE	1.5%	15.5%	-14.0 p.p.
Efficiency ratio (excl. depreciation)	48.8%	39.5%	+9.3 p.p.
Efficiency ratio (incl. depreciation)	55.8%	45.3%	+10.5 p.p.

* Includes guarantees. Excluding the sell of credits the variation would be -7.7%

Santander Totta, SGPS

Ratios calculated in accordance with instructions nº 16/2004 and nº 23/2011 from the Bank of Portugal

	Dec-11	Dec-10	Var.
Solvency			
Core Tier I	11.2%	10.3%	+0.9 p.p.
Tier I	11.7%	11.2%	+0.6 p.p.
Solvency ratio	11.7%	11.1%	+0.6 p.p.
Credit Quality			
NPL and doubtful loans ratio	2.24%	1.36%	+0.88 p.p.
NPL and doubtful loans coverage ratio	104.5%	125.3%	-20.8 p.p.
Net NPL and doubtful loans ratio	1.02%	0.67%	+0.35 p.p.
"Credit at risk" ratio	2.85%	1.72%	+1.13 p.p.
"Credit at risk" ratio (net)	0.57%	0.07%	+0.50 p.p.
Profitability			
Income before taxes and MI/Average net assets	0.3%	0.9%	-0.6 p.p.
Operating income/Average net assets	2.1%	2.3%	-0.2 p.p.
Income before taxes and MI/Average equity	5.3%	15.0%	-9.7 p.p.
Efficiency			
Total operating expenses/Operating income	55.1%	45.1%	+10.0 p.p.
Personnel expenses/Operating income	32.1%	25.8%	+6.3 p.p.
Transformation			
Credit (net)/Deposits	149.8%	194.2%	-44.4 p.p.
"Leveraging ratio"	139.5%	184.7%	-45.2 p.p.

* According the definitions in the "Memorandum of Understanding"

Santander Totta, SGPS
Income Statement - Proforma (*)

Million Euros

	Dec-11	Dec-10	Var.
Net interest income (without dividends)	562.3	721.8	-22.1%
Dividends	1.3	4.5	-71.3%
Net interest income	563.6	726.2	-22.4%
Net commissions	341.0	349.3	-2.4%
Other banking income	(14.2)	(6.1)	+133.3%
Insurance activity	24.6	38.3	-35.8%
Commercial revenue	915.0	1,107.8	-17.4%
Gain/loss on financial transactions	5.6	60.6	-90.8%
Operating income and insurance activity	920.6	1,168.3	-21.2%
Total operating expenses	(513.3)	(528.9)	-2.9%
Net operating income	407.3	639.5	-36.3%
Impairment, net provisions and other income	(260.8)	(166.6)	+56.6%
Income before taxes and MI	146.5	472.9	-69.0%
Current taxes	(39.1)	(97.3)	-59.8%
Deferred taxes	37.6	(6.5)	<-200%
Income after taxes	145.0	369.2	-60.7%
Minority interests	(0.1)	(4.7)	-98.5%
Consolidated net income (recurrent)	144.9	364.5	-60.2%
Gain/loss on the sale of assets	(80.8)	75.3	<-200%
Consolidated net income	64.1	439.8	-85.4%

(*) Not audited

Nota: Proforma results, adjusted by the impact of the change in accountability policy regarding pension funds

Santander Totta, SGPS
Balance Sheet

Million Euros

Assets	Dec-11	Dec-10	Var.
Deposits at Central Banks	1,150	500	+130.0%
Cash, loans and advances to banks	1,919	1,968	-2.5%
Financial assets	8,941	11,059	-19.1%
Net loans	28,340	32,814	-13.6%
Hedging derivatives	167	132	+27.2%
Non current assets held to sell	141	96	+47.5%
Other tangible assets	441	471	-6.3%
Other assets	1,125	904	+24.5%
Total Assets	42,225	47,943	-11.9%

Liabilities and Equity	Dec-11	Dec-10	Var.
Resources from Central Banks	4,900	4,800	+2.1%
Resources from other institutions	3,253	8,456	-61.5%
Financial liabilities held for trading	1,598	1,263	+26.6%
Financial liabilities designated at fair value through profit and loss	4,038	4,302	-6.1%
Resources of customers and others	19,074	17,018	+12.1%
Debt securities issued	5,890	7,823	-24.7%
Hedging derivatives	283	189	+49.3%
Provisions	497	555	-10.5%
Subordinated liabilities	0	0	-
Other liabilities	417	732	-43.0%
Shareholder's equity	2,276	2,805	-18.9%
Total Liabilities and Equity	42,225	47,943	-11.9%