

Santander Totta, SGPS, SA
Headquarters: Rua do Ouro, 88 – 1100-063 Lisboa

PRESS RELEASE

Santander Totta maintaining optimal levels of efficiency and robustness in complex economic context

Profitability allows strengthening of capital ratios and reserves, as desirable in the current economic cycle

Lisbon, 8 February 2011 - Santander Totta had a **net profit of 434.7 million euros and a return on equity of 15.3%**, in 2010. The evolution of the results was constrained by the decline in operating income and the need to increase provisions and impairments; there was, however, a decrease in operating costs.

According to Nuno Amado, Chief Executive Officer of Santander Totta, “2010 was a very difficult and complex year for the Portuguese Banking Sector, given the weak economic growth and the known difficulties in obtaining liquidity and funding, which have resulted to a large extent from the ‘sovereign debt crisis’ that affected Portugal and other European countries.

Despite the adverse environment, Santander Totta's results have showed excellent profitability (with a ROE of 15%) and efficiency (with a cost-to-income ratio of 45.7%), and the bank continued to present a sound balance sheet, with the best core capital ratio (10.3%) and ratings of the Portuguese Banking Sector.

In terms of commercial activity, the main targets for the year have been met, of which I would like to highlight the increase in deposits by 13%, the continued support to corporates, especially SMEs (reflected in the high market share in the PME Invest program) and the leadership in cash-management products, such as Factoring and Confirming.

In 2011, our activity will be very much dependent on the conditions in domestic and external financial markets, which we anticipate to show a slight improvement by the end of the year, if the measures taken by the Government to reduce the fiscal deficit prove effective and the Government strictly complies with the targets set in the 2011 State Budget.”

In this complex and difficult environment, Santander Totta has retained as its key strategic priorities the growth of customer funds and the maintenance of a liquidity management adapted to the evolution and constraints on financial markets. Thus, **customer deposits reached 17.0 billion euros, progressing 13.1% compared to 2009**, and what regards liquidity management, Santander Totta issued 1.8 billion euros in medium and long term debt in the international markets, exceeding the total for debt repayments in 2010, and maintained, at the same time, a policy of strengthening its eligible assets base, which at year end amounted to 15.6 billion euros.

In the assets side, loan portfolio growth of 445 million compared to 2009 (+1.4%), along with positive developments in balance sheet resources, which increased 1,748 million (+11.0%), led to an improvement in the commercial gap and balance sheet structure. Santander Totta **continued to increase lending to the economy having registered a growth of 184 million euros (+1.8%) in loans to SMEs**, while remaining very active in credit lines under **the PME Invest program**, and having already formalized more than 11,000 transactions, an amount that now exceeds one billion euros, representing a market share greater than 16%. Also, in **support to corporates treasury**, Santander Totta has maintained its **global Factoring and Confirming market leadership** with a market share of 21.5%. Loans to Individuals grew by 176 million euros (+1.0%).

The increase in Portugal's sovereign risk since the end of April 2010 has conditioned the access of Portuguese banks to international financial markets, which led to the country's increased dependence on regular lending operations run by the European Central Bank. At year-end Santander Totta's net position at the ECB was 4.3 billion euros, below the previous quarter.

Operating income (recurring) amounted to 1,168.3 billion euros, 7.6% below the value reached in 2009, while operating costs showed a positive performance, **decreasing 3.2%**. The evolution of revenues and costs resulted in an **efficiency ratio of 45.7%** and achieving **a net operating income of 634.3 million euros**, representing a decrease of 11.1% over 2009. Not excluding extraordinary results items, net operating income decreased by 4.9%.

In commercial revenues, total **net commissions, other results from banking and insurance activity grew 3.2%**, while net interest income decreased by 9.8%, a shift that reflects the increased cost of funding. It should also be noted that the 2009 net interest income was exceptionally high, benefiting from the time lag between the repricing of loans and the sharp fall in the Euribor and in the results obtained from the hedging of sensitivity in net interest income.

The increase in the levels of impairment, net provisions and other income (excluding non-recurring amounts) reflects the policy of prudent risk assessment and the maintenance of non-performing loan coverage by provisions appropriate to the complex and difficult cycle we are going through. At the end of the year, **the non-performing and doubtful loans ratio reached 1.48%, nearly half of the sector**, and the non-performing and doubtful loans coverage ratio stood at 125.7%.

In a very unfavorable economic and financial situation, Santander Totta continues to maintain a comfortable position in terms of solvency ratios with **Tier I** and **Core Tier I** ratios standing at **11.2%** and **10.3%** respectively.

In October, Banco Santander Totta won the award for "**Best Large Bank of the Year in Portugal**," awarded by Exame magazine, following a study by D & B and Deloitte. Santander Totta was also awarded the "**Soundest Large Bank**" and "**Most Profitable Large Bank**," for its operational and financial performance. In December, the magazine "The Banker" once again granted it the award for "**Bank of the Year in Portugal**." During the year, Santander Totta had already been granted the award for "Best Bank Active in Portugal" by *Euromoney* and *Global Finance* magazines.

HIGHLIGHTS

- In the fiscal year 2010, net income amounted to 434.7 million euros, compared with 523.3 million euros in 2009. The evolution of net income reflects decreasing revenues and increased impairment charges and other provisions, notwithstanding the favorable development recorded in operating costs.
- Santander Totta maintains solid capital ratios, with Core Capital at 10.3% and Tier I reaching 11.2%, and high levels of profitability with a ROE of 15.3%.
- Commercial revenues went down 5.8%, the result of the 9.8% decrease in net interest income, which at the end of 2010 amounted to 721.8 million euros. This is explained not only by the rising of cost of funding and the slowdown in credit growth in 2010, but also because of the fact that the net interest income achieved in 2009 was exceptionally strong, benefiting not only from the time lag between the repricing of loans and the falling euribor rates, but also from the results achieved from the hedging of sensitivity in net interest income.
- Net commissions and other results from banking and insurance activities amounted to 381.5 million euros, equivalent to an increase of 3.2% compared to 369.6 million euros made in late 2009. The increase in fees was determined by the favorable evolution in commissions of investment funds, insurance, financial and investment banking and asset management.
- Total impairment provisions and other net income (excluding non-recurrent results) reached 166.5 million euros, representing an increase of 51.6% over the amount recorded in late 2009. This reflects the increased levels of default of the loan portfolio, which however remains significantly below the average for the banking system according to the latest available data. In late 2010, the ratio of non-performing and doubtful loans was 1.48%, equivalent to an annual increase of 20bp, and the coverage ratio of non-performing and doubtful loans by provisions stood at 125.7%.
- In terms of business volume, the annual growth of 13.1% in customer deposits deserves special note. In terms of assets, and despite the slowdown over the year, credit growth remains positive, highlighting the evolution of loans granted to SMEs with an increase of 1.8%. Credit growth and balance sheet resources allowed for improvements in the commercial gap and the balance sheet structure.
- Throughout the year, Santander Totta remained very active in establishing the PME Invest lines; it has already formalized over 11,000 transactions, for an amount that now exceeds one billion euros, and has achieved a market share exceeding 16%.
- The successful conclusion of important Investment Banking operations with emphasis on advising Brisa in its process of selling its stake in Brazilian CCR (the largest "block trade" in Brazil).
- In the framework of the difficult access to international finance markets, Santander Totta pursues a prudent management of liquidity and adapted to the evolution of financial markets, having a portfolio of eligible assets of 15.6 billion euros at the end of 2010.
- In October 2010, Banco Santander Totta won the award for "Best Large Bank of the Year in Portugal," awarded by Exame magazine, following a study by D & B and by Deloitte. Santander Totta was also awarded the "Soundest Large Bank" and "Most Profitable Large Bank," for its operational and financial performance. In December, the magazine "The Banker" once again granted it the award for "Bank of the Year in Portugal." During the year, Santander Totta had already been granted the award for "Best Bank Active in Portugal" by *Euromoney* and *Global Finance* magazines.

BUSINESS BACKGROUND

The economic slowdown in Portugal, which began in the third quarter, may have become more pronounced in the fourth quarter, according to the qualitative and quantitative information available. In quarterly terms, GDP will have or even marginally contracted, resulting in a stronger year-on-year deceleration.

This development is driven in large measure by moderation in private consumption, with consumer confidence dropping to minimal levels after the announcement of a new package of austerity measures, including further increases in taxes and lower wages in the public sector. However, in December there was a sharp increase in car sales, in anticipation of the increase in VAT to take place in January 2011.

Investment will have continued to contract, as follows from the development of industrial production and sales of cement, a trend only countered by increased sales of commercial vehicles, for the same reasons as for passenger vehicles.

Exports will have moderated the pace of expansion, while imports accelerated due to imports of transport equipment and military equipment. As such, the external deficit has reversed the trend of the previous quarter by deteriorating. Public spending on military equipment will result in an accelerated public consumption expenditure.

The national trend contrasts well with the international trend, where the trend was accelerating widespread, following the moderation occurred in the summer. In the U.S., the economy grew more quickly, benefiting from the recovery in private consumption, although in a context of high unemployment and investment. In China, the acceleration occurring in 4Q 2010 required authorities to take new, restrictive monetary policy measures, such as increasing interest rates and raising the cash reserves factor.

In the euro zone, the divergence between "central" and "peripheral" economies, in terms of growth, was accentuated. Germany continues to maintain a solid pace of growth, and improving business confidence at the end of the year points to a stronger pace of expansion in early 2011, with the country thus benefiting from exposure to emerging markets. Ireland requested assistance from the European Financial Stabilization Fund upon the worsening of its budget deficit resulting from its support given to the financial sector, and the doubts among investors about the ability of the Republic of Ireland to finance itself on international markets.

As a result, tensions in Europe, associated with the "sovereign debt crisis" reached a new peak, with speculation that Portugal and also Spain, who also had to take recourse to the EFSF due to its budgetary position. The European authorities have, again, had to intervene, with the ECB increasing the amount of its sovereign debt acquisition, while prolonging its provision of unlimited liquidity until the end of 1Q 2011.

In Portugal, the financial sector has managed to maintain its ECB financing volume at around 40.9 billion euros, although in December the financial markets were closed again for national institutions, following the moderate reopening short term collateralised transactions that had occurred early in the quarter. Moderation in domestic lending was accentuated in this period.

RESULTS

In 2010, the net result of Santander Totta reached 434.7 million euros, equivalent to a 15.3% return on equity.

The evolution of net income was influenced primarily by the increased levels of provisions, appropriate to a context of increased risk on the loan portfolio and the decrease of operating income (recurring). There was, however, a very stringent control of operating costs.

	Dec-10	Dec-09	Var.
Commercial revenue	1,107.8	1,175.6	-5.8%
Operating income and insurance activity (recurring)	1,168.3	1,264.9	-7.6%
Total operating expenses	(534.0)	(551.4)	-3.2%
Net operating income	634.3	713.5	-11.1%
Impairment, net provisions and other income (no recurring)	(91.2)	(77.5)	+17.7%
Income before taxes and MI	543.1	635.9	-14.6%
Consolidated net income	434.7	523.3	-16.9%

The figures include the following adjustments:

- (a) reclassification in the gains in reducing of economic exposure to BGCTA (28,1 M€ in Jun/09) and (54,0 M€ in 3Q10) from gains on financial transactions to other prov.
- (b) reclassification of the capital gain in the valuation of the stake in Unicre (21,2 M€), in Jun/10, from gains on financial transactions to other provisions
- (c) reclassification of gains from sales of credit (4,3 M€), in Dec/09, from gains on financial transactions to impairment

In terms of commercial revenues, net interest income amounted to 721.8 million euros, which represents a decrease of 9.8% compared to the value reached at the end of 2009. The evolution of the net interest income reflects the increased costs of funding; it should also be emphasized that the net interest income recorded in 2009 had been exceptionally strong, benefiting in this period from the time lag between the repricing of loans and the rapid decline of the euribor rates, aside from the results obtained from the hedging of sensitivity in net interest income, which gradually dissipated towards the end of the year.

The total net commissions, other results from banking and insurance activities amounted to 381.5 million euros, representing an increase of 3.2%, attributable to the significant increase in investment fund, insurance and financial investment banking and asset management fees, and also the development of insurance activity which recorded an annual increase of 7.8%.

The results from financial operations amounted to 60.6 million euros, equivalent to a decrease of 32.2% compared to the outstanding balance at the end of 2009, excluding non-recurring results related to reducing exposure to Banco Totta de Angola, and reassessment of the position in Unicre, amounts that were reclassified to other provisions. Including these figures, the growth in results from financial operations was 11.7%.

The operating income (recurring) amounted to 1.1683 billion euros, representing an annual decrease of 7.6%. Considering non-recurring results, operating income decreased 4.1%.

	Million Euros		
	Dec-10	Dec-09	Var.
Net interest income (without dividends)	721.8	800.4	-9.8%
Net commissions and other banking income	343.2	334.0	+2.8%
Insurance activity	38.3	35.5	+7.8%
Commercial revenue	1,107.8	1,175.6	-5.8%
Gain/loss on financial transactions (recurrent)	60.6	89.3	-32.2%
Operating income and insurance activity (recurrent)	1,168.3	1,264.9	-7.6%

Operating costs decreased 3.2% to 534.0 million euros, with positive changes recorded in all components, which translates into a firmly controlled management of costs, particularly in a low revenue growth environment.

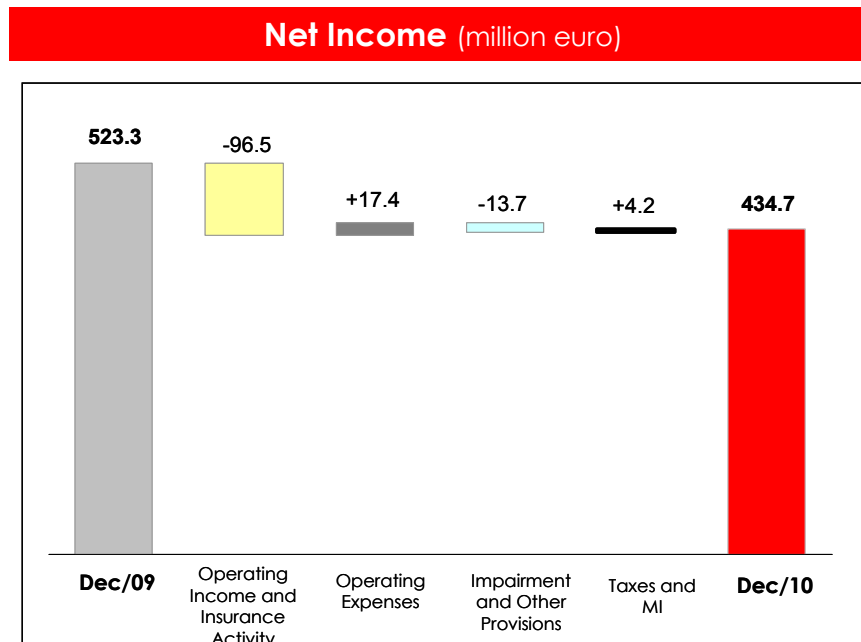
Personnel costs amounted to 308.3 million euros, decreasing 2.7% over the figure recorded at the end of 2009. To this evolution contributed the difference between the expected return on pension funds and the discount rate, which in 2009 was almost nil and in 2010 rose to 6.2 million euros. Excluding this effect, staff costs would have decreased by 0.8% over the previous year. In turn, general administrative expenses and depreciation decreased by 4.1% and 2.9% respectively.

	Million Euros		
	Dec-10	Dec-09	Var.
Personnel expenses	(308.3)	(316.9)	-2.7%
General expenses	(158.7)	(165.5)	-4.1%
Operating expenses	(467.1)	(482.4)	-3.2%
Depreciation	(67.0)	(69.0)	-2.9%
Total operating expenses	(534.0)	(551.4)	-3.2%
Efficiency ratio (excl. depreciation)	40.0%	38.1%	+1.8 p.p.
Efficiency ratio (incl. depreciation)	45.7%	43.6%	+2.1 p.p.

The evolution of revenues and costs led to a net operating income (recurring) of 634.3 million euros, 11.1% lower than the value reached at the end of 2009 (including non-recurring results, the net operating results showed a 4.9% decrease) and an efficiency ratio (including depreciation) of 45.7%, which can be compared to the 43.6% ratio obtained at the end of 2009.

Total impairments, provisions and other income (excluding the reclassification of non-recurring values) amounted to 166.5 million euros, which, when compared to the 109.9 million euros recorded in 2009, represents an annual growth of 51.6%. This increase reflects a policy of prudent risk assessment and maintenance of adequate coverage for the environment we are experiencing at present. In late 2010, the total credit impairments for credit, net of recoveries, represented only 0.34% of the total loan portfolio, slightly above the figure obtained in 2009 (0.28%).

Income before taxes and minority interests amounted to 543.1 million euros and net profit stood at 434.7 million euros, which represents a decrease of 16.9% over the figure recorded in 2009.



BALANCE SHEET AND ACTIVITY

The evolution of activity in 2010 was constrained by tight restrictions on international financial markets because of increasing tensions around the sovereign debt of Portugal and other countries in the Eurozone. In this difficult and complex context, Santander Totta maintained a strong focus on the capture and retention of customer funds, coupled with a policy of selective credit granting.

The loan portfolio (including guarantees) totaled 34.9 billion euros, 1.1% higher than the 34.5 billion euros recorded in late 2009. Despite strong liquidity constraints, Santander Totta has been supporting Portuguese companies, which resulted in a 1.8% growth in the credit extended to SMEs. Meanwhile, loans to Large Companies and Institutionals increased 3.8% in annual terms, but with a sharp slowdown from the previous quarter (-14.8%).

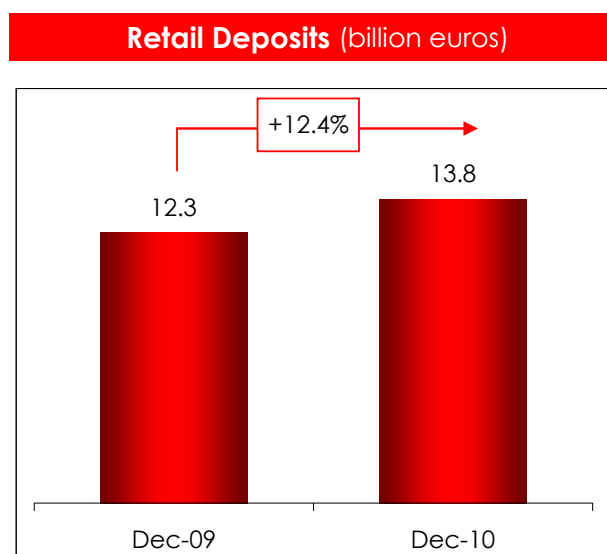
Loans to individuals progressed to 18.7 billion euros, representing an annual growth of 1.0%. The mortgage loans portfolio stood at 16.5 billion euros, up 1.3% compared to 2009, and there was a sharp slowdown in amounts contracted starting from the third quarter.

Throughout 2010, the annual growth rate of consumer credit slowed sharply, having been observed at the end of the year, a decrease of 1.7% over the figure recorded at the end of 2009.

	Dec-10	Dec-09	Var.
Commercial Banking	29,114	28,753	+1.3%
Credit to Individuals	18,698	18,522	+1.0%
<i>from which</i>			
Mortgage	16,452	16,236	+1.3%
Consumer credit	1,610	1,638	-1.7%
Credit to SME's	10,416	10,232	+1.8%
Small business	4,119	4,089	+0.7%
Corporates	6,297	6,142	+2.5%
Large Corporates and Institutions	3,900	3,757	+3.8%
Guarantees, endorsements and other	1,885	2,004	-5.9%
Total Gross Loans (incl. securitization and commercial paper)	34,899	34,514	+1.1%

In 2010, Santander Totta formalized over 11,000 transactions under the PME Invest lines, an amount exceeding one billion euros, representing a market share exceeding 16%, well above its natural share in corporates. In the specific lines extended for the tourism sector, one of the segments that the Bank is making a strategic focus on, like the PME Tourism Sector Invest III line, the share is above 30%.

In an environment of marked liquidity reduction, changes in customer funds had a particular importance, highlighting the 12.4% growth in deposits from individuals and small businesses and 30.4% in Corporate Network resources.



The instability in the financial markets contributed to a strong risk aversion among investors, with a natural impact on the demand for investment funds, which in the year under review declined by 15.9%.

Financial insurance funds and other resources amounted to 5.0 billion euros, representing an annual increase of 2.8%.

Total customer funds reached 27.1 billion euros, representing an increase of 4.0% over the figure recorded at the end of 2009.

Million Euros

	Dec-10	Dec-09	Var.
Deposits	17,018	15,052	+13.1%
Securities issued (clients)	559	778	-28.2%
Balance sheet resources	17,577	15,830	+11.0%
Investment funds	4,524	5,379	-15.9%
Insurance and other	4,979	4,842	+2.8%
Customers' resources	27,081	26,051	+4.0%

By segment

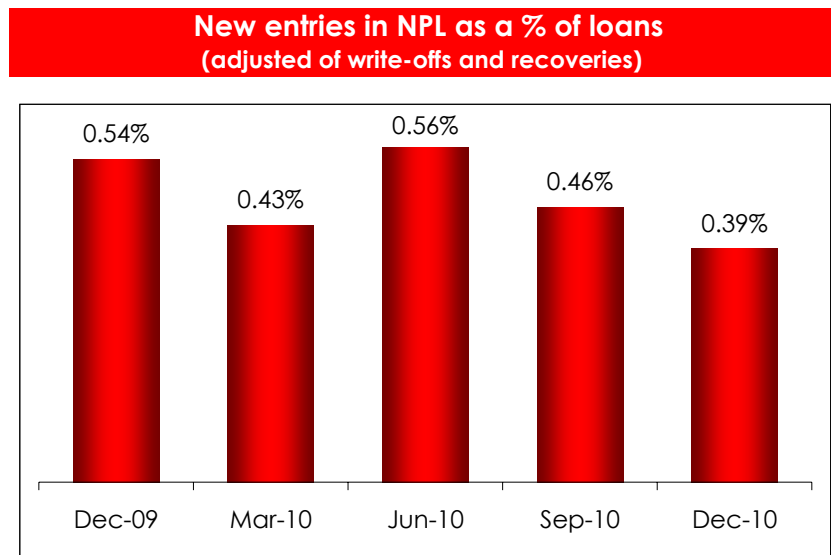
Commercial Banking Resources	23,041	21,821	+5.6%
Individuals and Small Businesses	21,569	20,692	+4.2%
Deposits	13,788	12,271	+12.4%
Securities issued (clients), Investment Funds and insurance	7,781	8,422	-7.6%
Corporates	1,472	1,129	+30.4%
Large Corporates, Institutionals and other	4,040	4,230	-4.5%

Despite the worsening quality of the loan portfolio over the course of 2010, Santander Totta managed to maintain levels of non-performing loan ratios at about half of the banking system average according to the latest available data. The share of loans overdue by more than 90 days in total loans stood at 1.46%, an increase of 20bp over the figure recorded at the end of 2009. The coverage ratio on loans overdue by more than 90 days for provisions stood at 127.0%, compared with the 135.9% that was observed in 2009.

	Dec-10	Dec-09	Var.
NPL ratio (+ 90 days) (incl. securitization)	1.46%	1.26%	+0.20 p.p.
NPL coverage ratio (+90 days)	127.0%	135.9%	-8.9 p.p.
NPL and doubtful loans ratio	1.48%	1.28%	+0.20 p.p.
Net NPL and doubtful loans ratio	0.73%	0.71%	+0.02 p.p.
NPL and doubtful loans coverage ratio	125.7%	133.6%	-7.9 p.p.
Risk premium*	0.39%	0.54%	-0.15 p.p.

* New entries in NPL, adjusted by write offs and credit recoveries as a % of loans (annualized)

The new entries in overdue loans, net of recoveries, represented 0.39% of the average loan portfolio, significantly below the ratio reached in 2009, which highlights the strict and prudent risk management pursued by Santander Totta.



LIQUIDITY, SOLVENCY AND PROFITABILITY

Starting at the end of April, the increase in sovereign risk of Portugal in international debt markets was reflected in strong restrictions in bank financing in the short and long term by Portuguese banks, which as a result has increased its dependence on the European Central Bank.

In this framework of liquidity shortage, the strategic priorities of Santander Totta have been based on the growth in customer deposits and the maintenance of a prudent liquidity management, adapted to the changing conditions in financial markets, which led to a decrease in the level of dependence on the ECB. In late 2010, Santander Totta's net position at the ECB was 4.3 billion euros, compared with 5.9 billion euros in late September 2010.

Over the course of 2010, Santander Totta concretized its third issuance of three year covered bonds, worth one billion euros, issuances under the EMTN program of 0.8 billion euros, and the issuance of medium and long term liabilities in the form of deposits or bonds placed with retail customers, operations which in total exceeded the value of the medium and long term debt amortizations planned for the year.

In early July, a mortgage securitization operation took place, for an amount of 2,000 million euros, which, in light of other measures relating to the eligibility of loans to customers, increased the pool of eligible assets to 15.6 billion, which comprised a significant margin for reducing the risk of liquidity. This amount includes 2 billion euros of Portuguese public debt.

Santander Totta's capital ratios are calculated within the Basel II regulatory framework, with the implementation of the internal notation method (IRB

advanced) for the calculation of equity requirements for a substantial part of the loan portfolio and the standard method for market risk; the basic indicator method was used for the calculation of equity requirements for operating risk.

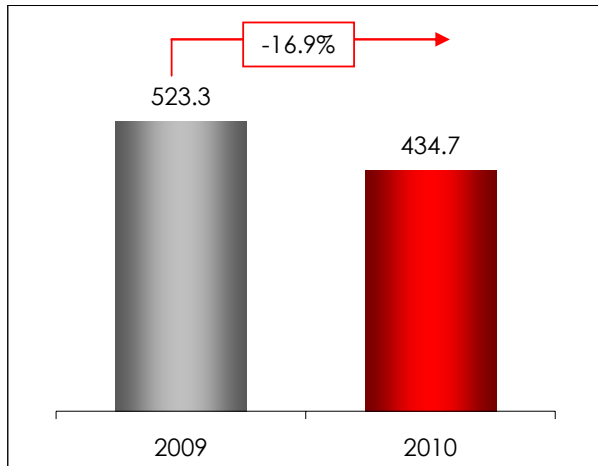
In late 2010, the Tier I ratio stood at 11.2%, and the Core Tier I ratio stood at 10.3%. Santander Totta's solvency ratios continue to show evidence of a prudent core management of capital.

	Million Euros	
	Dec-10	Dec-09
Tier I capital	2,719	2,897
Tier II capital	-10	244
Total capital	2,710	3,140
Risk weighted assets	24,352	26,405
Core capital	10.3%	9.3%
Tier I	11.2%	11.0%
Solvency ratio	11.1%	11.9%

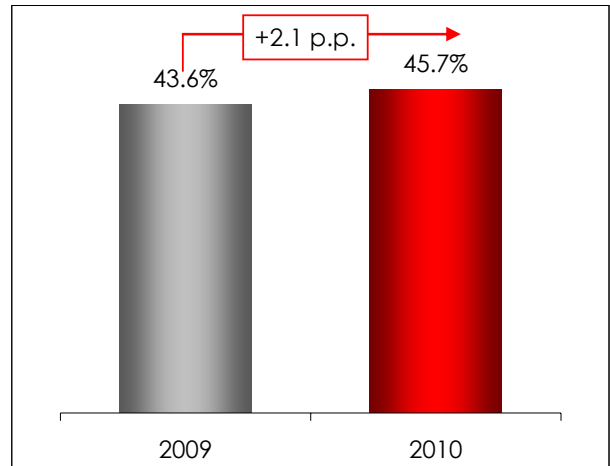
Excluding results generated net of payout, Core Capital 9.4%, Tier I is 10.7% and Solvency ratio is 10.7%

In 2010, the ROE reached 15.3%, decreasing 5.5 pp compared to the figure recorded at the end of 2009, still reflecting a robust and sustained return on equity.

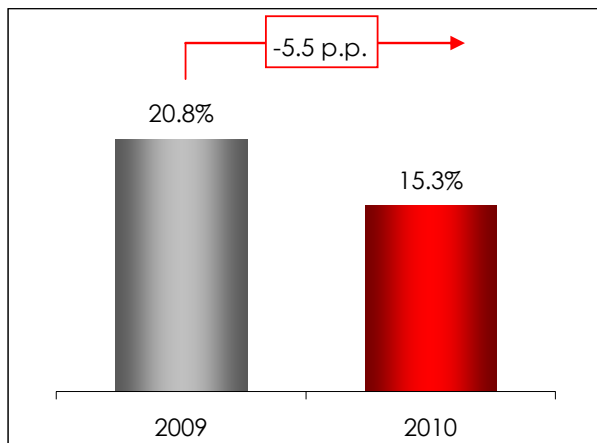
Net Income (million euros)



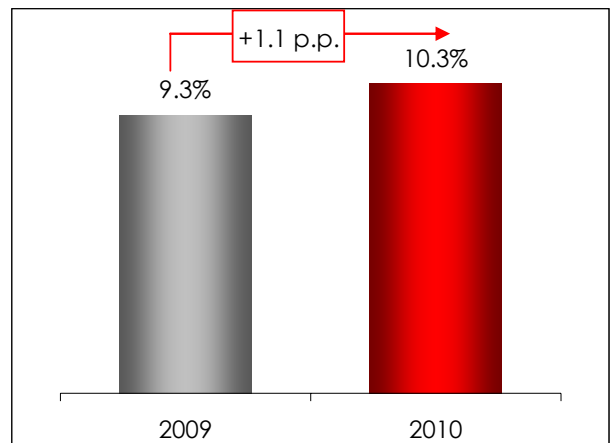
Efficiency Ratio (includes depreciation)



ROE



Core Capital *



(*) Includes the results of the year

COMMERCIAL BANKING

Over the year, Santander Totta continued to invest in a customer-oriented strategy, focusing its commercial action primarily on the capture and retention of resources, the renegotiation of credit spreads, the monitoring of overdue loans and boosting the Corporate, Small Business and Premium areas.

Not only was a set of traditional savings products launched, such as the "Depósito Crescente a 3 anos," "Depósito Crescente a 18 meses" and "Depósito Netbanco Crescente a 3 anos" products; but also the rates of products were adjusted for the market environment, maintaining the competitiveness of supply in this business area.

The offer of funds was enriched with various solutions for structured products and financial insurance (SRS's), with a monthly release rhythm.

As part of its strong focus on the Premium segment, in March Santander Totta launched its "Em sintonia consigo" campaign, dedicated exclusively to that

segment. The campaign released a comprehensive set of solutions, services and benefits, with a commitment to quality service and relationships, which enabled the commercial network to provide each client with the most appropriate solutions for their personal needs.

In keeping with the customer anchoring policy, the "Campanha de Ordenados" was re-launched exclusively for the Premium segment, and for Protocols and Promoters customers, based on the offer of gifts, exemption from fees for major everyday services, and an offer of a 0% promotional rate on overdrafts during the 1st year. In December, there was a campaign to capture new wages by offering a gift.

In June, an internal campaign was launched called "Recursos Champions" with a clear goal of attracting new resources and a strong ambition to grow in this area. The deposits launched, namely the "DP Vencedor", "DP Triunfador" and "DP Ganhador," required conditions of cross-selling and average balance growth, giving consistency to the anchoring policy.

In the last quarter of the year, the Bank launched the campaign "Integrated Solutions", with a strong media component, including TV, radio and press. The campaign incorporated a comprehensive range of solutions adapted to the different needs and life cycle phases of Private clients, the main objectives of which were: (i) supporting branches in their attraction of new customers with a multi-product approach, and (ii) increasing cross-selling among the current customer base.

As part of the objective of attracting customers and generating traffic at the branches, a variety of PACK's were made available - Jobs, Savings, Home, Car & Children - incorporating extremely attractive financial benefits with a number of the Bank's "anchor" products, focusing on savings and transactional banking.

As for mortgage loans, the year 2010 began with a market recovery, a trend started in mid 2009. However, starting from the third quarter, production levels declined, reflecting deteriorating economic conditions in Portugal. In this context, the strategy became, above all, the implementation of measures to protect banking products by carrying out customer anchoring activities and making the cross-selling requirements more demanding, specifically with the implementation of a new model starting in February.

As part of Corporate Social Responsibility, a two million euro Special Line of Credit was made available for support to the victims on Madeira, following the powerful storm that hit the island on February 20, offered under conditions very advantageous to homeownership customers.

As for consumer credit, the beginning of 2010 was marked by the implementation of changes across the whole supply range, responding to new market conditions and focusing mainly on the optimization and simplification of products.

Santander Totta also strengthened its dedication to investment in sustainable development projects and its support of the national educational system, particularly through the promotion of products specially targeted at the areas of renewable energy, education and university in general, in this lattermost case with the launch of a product for financing educational materials, "Crédito Ensino Plus".

Over the course of the year, 3 consumer credit campaigns were launched. In March, there was the Premium segment campaign, where the Bank offered a special product with attractive interest rates benefiting customers with direct deposit set up with the bank. In the consumer credit transfer campaign, launched in Q3, we provided specific conditions for customers wishing to transfer consumer credit to Santander Totta, offering them the benefit of favorable terms, where the bank will bear the cost of early amortization on the transfer of personal credit up to a maximum of 2% of the Santander Totta-contracted amount. Early in the fourth quarter, as part of the "Soluções Integradas" campaign, the "Soluções Integradas" personal credit program was launched, with a promotional interest rate during the 1st year.

Regarding activity in the area of **Means of Payment**, the year 2010 stood out for the concern given to customer loyalty and efforts towards customer service and attendance excellence.

Several initiatives were taken to promote the use of cards, which have become massively widespread, characterized by deals and discounts being given to customers making regular use of Santander Totta cards. There was also a great dedication to highlighting all the services valued by customers, such as insurance on cards and a focus on improving service levels and minimizing any incidents. Indeed, the combination of these measures led to an increased use of cards - billing for 2010 surpassed that of 2009 by 6.6% - and simultaneously to a reduction in the total number of cards canceled by customers.

In early 2010, two cards were launched for the Affluent segment, a Gold card for everyday use and a Gold credit card. Santander Totta offers a comprehensive range for this customer segment; the client may still opt for a Gold card with a wide range of insurance, or a Gold Card with a loyalty program to accumulate air miles good at any airline.

Santander Totta also focused on agreements with the Army and Navy, offering personalized cards with emblematic images representing those organizations.

In 2010, Santander Totta remained a relevant player in the POS market with a 16% share, and kept a presence both in the major distribution chains and in various industries.

Regarding the **Corporate Network**, the year 2010 was a year marked by the need to frequently adapt business plans to adverse economic conditions. In this context, the main priorities went from taking advantage of the balance sheet structure to

making a solid dedication to the Corporate market and, more precisely, to SME's, keeping a very strict monitoring of non-compliance loan situations.

The Corporate Network recorded annual growth of 8.8% in terms of business volume, 33% in the number of clients acquired, and 20% in the customers linked to the Bank, with the growth of credit granted for factoring and confirming and the growth of the resources standing out in particular.

The formalization of 323 transactions worth 188.2 million euros in the PME Invest V and VI lines reflects Santander Totta's strong commitment and stake in the Portuguese PME market.

With respect to overdue loans, the Corporate Network maintained the ratios below market average levels, as a consequence of its close relationship with its customers and through an efficient risk management.

GLOBAL BANKING AND MARKETS

During the year 2010, the **Corporate Finance** area has undergone intense activity in the Mergers & Acquisitions area, reaffirming Santander's position in this market.

In 2010, the successful completion of the consultancy transactions for Brisa - Auto Estradas de Portugal in its process of selling its stake in CCR - Companhia de Concessões Rodoviárias do Brasil, consultancy for the Mota-Engil and Opway groups in their acquisition of a 50% stake in Construtora Idinsa in Mexico, and consultancy for the Urvasco group's sale of the Silken Berlin hotel to the Sana Group stood out.

Also outstanding is consultancy for Galp Energia in its sale of a stake in Galp Natural Gas Distribution, a holding company which owns the leading regulated natural gas distribution infrastructure companies in Portugal.

Throughout 2010, the portfolio of transactions has also increased, with several other consultancy processes underway in corporate finance operations, to be completed in the coming months.

In the **Credit Markets** area, the combination of uncertainty and illiquidity among Portuguese financial institutions as a result of the sovereign debt crisis led to the suspension / postponement of several public investments, and to delays in private enterprise projects.

In this context, the year of 2010 saw less activity, and Santander Totta remained one of the few institutions with a constant presence in structured MLT financing, which allowed it to participate in nearly all the significant financing projects carried out.

With respect to project financing operations ("Project Finance"), the Bank's participation as "Mandated Lead Arranger" in putting together financing for a

second phase of the ENEOP project, which consists of a wind farm portfolio with a capacity of 480MW, out of a total of 1,200MW awarded in competition, stands out.

It is also important to highlight Santander Totta's involvement as a leader in funding the ELOS consortium for the 1st Phase of its High Speed Train Project, corresponding to the Poceirão-Caia connection. This project, with heavy support from EU funds, is part of the European commitment to creating a high-speed connection between all the European capitals.

Regarding Acquisition Finance operations, the Bank's participation as "Mandated Lead Arranger" and "Bookrunner" in assembling the financing for the acquisition of Betecna by Secil, which will be completed after approval by the Competition Authority, also stands out.

In debt markets, Santander participated as "Bookrunner" in the issuance of bonds in the European market for EDP, the only issue from a non-financial Portuguese company during 2010. In late March, and in an environment that was already highly volatile, Santander also headed up the issuance of 1,000 million euros worth of covered bonds for Banco Santander Totta, which turned out to be the last bonds issued by a Portuguese issuer in 2010.

In the **Treasury** area, the activity carried out in 2010 was characterized by the adaptation of strategies to a context of macroeconomic crisis, with the cost of liquidity going up, volatility high, and the expectation that low interest rates would be maintained for a longer period of time.

In the Institutional area, Banco Santander Totta maintained its strategy based on the use of global teams of the Santander Group, enabling it to enhance its structural capacity and to diversify its types of operations.

Activity in the Large Corporates segment was marked by the adaptation of products to new market realities, while maintaining a preference for simpler products. The economic situation also led to the extension of prospects of low interest rates, thus making for a greater demand for longer term interest rate risk management.

Activity in the Small Business and Corporate segments primarily involved monitoring the transactions contracted by customers and emphasized a greater simplicity of product offerings, a positioning more weighted and appropriate to the market context, providing solutions for appropriate risk management, for a better management of activity on the highly unpredictable background resulting from the financial crisis.

A heavy commitment was maintained in the trading room with flow (exchange) activities. On this head, the increase in the number of clients and transactions carried out reflects the good work and recognition by trading room customers on the flow (exchange) activity. It should also be noted that we were granted the

award for Best Foreign Exchange Providers 2011 - Global Finance, on November 22, 2010.

With regard to structured products, despite the year of 2010 having ended up being a difficult year for placing this type of product, Santander Totta has been successful in marketing them, having exceeded the threshold of 600 million euros in the form of term deposits and cash bonds. Among these products, the deposit indexed as “Valorização Energias Renováveis” and the deposit indexed as “Depósito Valor Mundial” stand out; compensation on these deposits depends on the value of a geographically diversified basket of shares, including shares from developed and emerging countries.

In the area of **Equities**, the overall uncertainty in 2010, related to economic growth in Portugal and the deterioration of government accounts, gave rise to there being less interest among most investors in participating in the stock market. Nevertheless, due to specific developments at some Portuguese companies, which saw a significant increase in interest among investors, average daily volume traded at the Lisbon Stock Exchange ended up increasing over the previous year; Santander Totta accompanied this growth, which reflected positively on the profitability of its activity.

Regarding activity in the area of **Corporate Custody**, Santander Totta did not make significant changes from the year 2009 despite the adverse environment in the financial markets and the economic situation in Portugal; and indeed saw an increase in its total assets under custody. Following the merger of Banco Santander de Negócios de Portugal SA with Banco Santander Totta SA, taking effect in May 2010, Banco Santander Totta now holds 2nd place in the national ranking of Custodians, with about a 25% share in its volume of assets under custody.

ASSET MANAGEMENT

The year 2010 was a year of great instability in financial markets, particularly with regard to sovereign risk in European peripheral economies, the sustainability of global economic growth, the recovery of the U.S. economy, interventions by central banks with liquidity injections, and the regulation of the financial system and the consequent impacts.

All these factors contributed to a strong risk aversion among investors, with natural impact on the demand for financial instruments such as investment funds.

Although it did show a reduction in its assets under management, in terms of investment funds, Santander Asset Management ended 2010 as the 3rd largest management company for Securities Investment Funds in Portugal. Contributing to this was the revitalization of the existing range of products, with a focus on funds with value-added for the client, and the launch of new low-risk and active investment strategy investment funds.

As for real estate investment funds, the year 2010 was characterized by an active management of assets by promoting the occupation of vacant properties (reduction of about 15%) and development of real estate projects.

In turn, the portfolios managed by Santander Gest Asset Management Company had an increase in volume of about 7%, benefiting from the conservative view taken throughout the year, with its focus on risk control.

For Santander Pensions, returns were mixed. The volume under management at the end of 2010 was 1,315 million euros.

INSURANCE

The life insurance business operated by Santander Totta Seguros - Companhia de Seguros de Vida SA, was marked by a better understanding on the customer information level, allowing for a distribution model better suited to the various customer segments, their needs, profiles, desires, and potential.

Aside from making the basic range of life risk products available, connected to credit or other banking products, special focus was maintained on the provision of products oriented towards the protection of life and the protection of credit, marketed by the bank on the "open market," together with the appropriateness of the sales model.

For financial life insurance, the monthly launch of financial insurance, called the "Plano Rendimento," in the form of non-standard ICAE insurance divided into investment units (unit linked), which aim to provide a monthly, quarterly or biannual return (calculated based on the amount subscribed and paid in the form of partial redemptions) stands out.

In terms of risk life insurance traded in the open market, the "Plano Proteção Emprego" product - a life insurance policy with unemployment coverage - stands out, with its target market being mortgage loan customers without this kind of protection; sales climbed to 11,900 in 2010.

Also outstanding was the "Plano Vida," a product intended for the mass market segment, with more than 36,000 plans sold in 2010. With the aim of adapting this insurance for client needs and segmentation, an option was made available to that would reduce the capital insured for customers once they reach 45 years of age.

For the Premium segment, the "Plano Vida Premium" was created, giving more added value to the customer by offering the Best Doctors' 2nd Opinion coverage.

In the fourth quarter of 2010, the "Integrated Solutions" campaign gave the network a greater commercial dynamics in cross-selling, in a global, organized, and focused manner; this led to an increased alignment between needs for protection, savings, and product offerings, with a significant increase in the production of insurance policies.

The campaign covered customers' various protection needs, delivering the best insurance protection and savings. In terms of savings, the product range has been reinforced with the launch of a new PPR (PPR Triumph) and Savings Insurance SUB-18 has been reformulated.

The value of the premiums issued and contributions to investment contracts reached an amount of 1,197 million euros, an increase of 30% over 2010. In mixed and risk insurance, in spite of there having been a lower volume of new production life insurance tied to consumer loans (caused by the decrease in consumer credit), there was a 1% increase in premiums for 2010, with a value of 118.4 million euros, due to the diversification strategy of marketing insurance on the "open market."

INSTITUCIONAL INFORMATION

Santander (\$AN.MC, STD.N, BNC.LN) is a commercial bank based in Spain and a presence in 10 major markets. At the end of 2009, it was the number one bank in the euro zone for market capitalization, and the third in the world for results. Founded in 1857, it has €1,245,420 million worth of managed funds. After its acquisition of Sovereign Bancorp in the U.S. in January 2009, Santander has 90 million customers, more than 13,660 branches - more than any other international bank - and more than 170,000 employees. It is the largest financial group in Spain and Latin America, with leadership positions in the UK and Portugal, and has a significant presence in Europe through its Santander Consumer Finance unit. In 2009, Santander posted net attributable profits of 8,943 million euros.

Santander Totta, SGPS

Indicators

Million Euros

	Dec-10	Dec-09	Var.
Total Gross Loans (*)	34,899	34,514	+1.1%
<i>from which</i>			
Commercial Banking	29,114	28,753	+1.3%
Credit to Individuals	18,698	18,522	+1.0%
<i>from which</i>			
Mortgage (includes securitization)	16,452	16,236	+1.3%
Consumer credit	1,610	1,638	-1.7%
Credit to Corporates	10,416	10,232	+1.8%
Small business	4,119	4,089	+0.7%
SME's	6,297	6,142	+2.5%
Large Corporates and Institutions	3,900	3,757	+3.8%
Resources	27,081	26,051	+4.0%
Commercial Banking	23,041	21,821	+5.6%
Individuals and Small Businesses	21,569	20,692	+4.2%
Deposits	13,788	12,271	+12.4%
Securities issued (clients), Inv. Funds, Insurance & Other	7,781	8,422	-7.6%
Corporates	1,472	1,129	+30.4%
Large Corporates, Institutionals and other	4,040	4,230	-4.5%
ROE	15.3%	20.8%	-5.5 p.p.
Efficiency ratio (excl. depreciation)	40.0%	38.1%	+1.8 p.p.
Efficiency ratio (incl. depreciation)	45.7%	43.6%	+2.1 p.p.

(*) Includes securitization, commercial paper, endorsements and guarantees

Santander Totta, SGPS

Ratios calculated in accordance with instruction n° 16/2004 from the Bank of Portugal

	Dec-10	Dec-09	Var.
Solvency ratios:			
Solvency ratio	11.1%	11.9%	-0.8 p.p.
Tier I	11.2%	11.0%	+0.2 p.p.
NPL and doubtful loans ratio	1.48%	1.28%	+0.20 p.p.
NPL and doubtful loans coverage ratio	125.7%	133.6%	-7.9 p.p.
Net NPL and doubtful loans ratio	0.73%	0.71%	+0.02 p.p.
Income before taxes and MI/Average net assets	1.1%	1.4%	-0.3 p.p.
Operating income/Average net assets	2.3%	2.7%	-0.4 p.p.
Income before taxes and MI/Average equity	17.1%	20.5%	-3.4 p.p.
Total operating expenses/Operating income	45.7%	43.6%	+2.1 p.p.
Personnel expenses/Operating income	26.4%	25.1%	+1.3 p.p.

Santander Totta, SGPS
Income Statement (*)

Million Euros

	Dec-10	Dec-09	Var.
Net interest income (without dividends)	721.8	800.4	-9.8%
Dividends	4.5	5.6	-21.0%
Net interest income	726.2	806.0	-9.9%
Net commissions and other banking income	343.2	334.0	+2.8%
Insurance activity	38.3	35.5	+7.8%
Commercial revenue	1,107.8	1,175.6	-5.8%
Gain/loss on financial transactions	135.9	121.6	+11.7%
Operating income and insurance activity	1,243.7	1,297.2	-4.1%
Total operating expenses	(534.0)	(551.4)	-3.2%
Net operating income	709.6	745.8	-4.9%
Impairment, net provisions and other income	(166.5)	(109.9)	+51.6%
Income before taxes and MI	543.1	635.9	-14.6%
Taxes	(103.7)	(105.4)	-1.6%
Income after taxes	439.4	530.6	-17.2%
Minority interests	(4.7)	(7.3)	-35.6%
Consolidated net income	434.7	523.3	-16.9%

(*) Not audited

Santander Totta, SGPS
Income Statement - Proforma (*)

Million Euros

	Dec-10	Dec-09	Var.
Net interest income (without dividends)	721.8	800.4	-9.8%
Dividends	4.5	5.6	-21.0%
Net interest income	726.2	806.0	-9.9%
Net commissions and other banking income	343.2	334.0	+2.8%
Insurance activity	38.3	35.5	+7.8%
Commercial revenue	1,107.8	1,175.6	-5.8%
Gain/loss on financial transactions	60.6	89.3	-32.2%
Operating income and insurance activity	1,168.3	1,264.9	-7.6%
Total operating expenses	(534.0)	(551.4)	-3.2%
Net operating income	634.3	713.5	-11.1%
Impairment, net provisions and other income	(91.2)	(77.5)	+17.7%
Income before taxes and MI	543.1	635.9	-14.6%
Taxes	(103.7)	(105.4)	-1.6%
Income after taxes	439.4	530.6	-17.2%
Minority interests	(4.7)	(7.3)	-35.6%
Consolidated net income	434.7	523.3	-16.9%

(*) Not audited

The figures include the following adjustments:

- (a) reclassification in the gains in reducing of economic exposure to BGCTA (28,1 M€ in Jun/09) and (54,0 M€ in 3Q10) from gains on financial transactions to other prov.
- (b) reclassification of the capital gain in the valuation of the stake in Unicre (21,2 M€), in Jun/10, from gains on financial transactions to other provisions
- (c) reclassification of gains from sales of credit (4,3 M€), in Dec/09, from gains on financial transactions to impairment

Santander Totta, SGPS
 Balance Sheet

Million Euros

Assets	Dec-10	Dec-09	Var.
Deposits at Central Banks	599	524	+14.2%
Cash, loans and advances to banks	2,354	3,056	-23.0%
Financial assets	11,040	10,969	+0.7%
Held for trading	1,621	2,002	-19.0%
Held for sale	6,444	4,962	+29.9%
Financial assets designated at fair value	2,975	4,006	-25.7%
Net loans	32,815	32,418	+1.2%
Hedging derivatives	132	260	-49.3%
Non current assets held to sell	96	133	-28.2%
Other tangible assets	471	482	-2.3%
Other assets	1,127	748	+50.7%
Total Assets	48,633	48,590	+0.1%

Liabilities and Equity	Dec-10	Dec-09	Var.
Resources from Central Banks	4,807	2,027	+137.2%
Resources from other institutions	8,934	6,186	+44.4%
Financial liabilities held for trading	1,244	1,485	-16.2%
Financial liabilities designated at fair value through profit and loss	4,302	4,851	-11.3%
Resources of customers and others	17,018	15,081	+12.8%
Debt securities issued	7,823	14,048	-44.3%
Hedging derivatives	189	237	-20.1%
Provisions	540	492	+9.7%
Subordinated liabilities	0	279	-100.0%
Other liabilities	732	692	+5.7%
Shareholder's equity	3,044	3,212	-5.2%
Total Liabilities and Equity	48,633	48,590	+0.1%