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PRESS RELEASE

Santander Totta's deposits grow by 12.4%, with recurrent profits of 141.4 million euro.

Lisbon, 28 October, 2011 – Santander Totta's activity in the first three quarters of the year, in a rather difficult economic framework, was mainly characterized by the implementation of a set of strategic measures intending to maintain a solid balance sheet structure in a context where the deleveraging process is particularly important. The “leveraging¹” ratio registered 145% (150% on 30/Jun/2011), as deposits grew by 12.4% and net credit granted decreased by 13.3% (-7.0% excluding a portfolio of approximately 2.5 billion euro, which has been disposed of in the first quarter of the year). Assets reduction of 19.4% was also influenced by the sale of investment portfolio securities during the first half of the year. By the end of September 2011, **recurrent net profit reached 141.4 million euro**, to which corresponds a reduction of 49.4%. Net profit, after extraordinary results, totalled 60.2 million euro.

The credit portfolio quality, despite deterioration of the economic situation, remains controlled, **default levels being nearly half those registered in the banking system.**

Capital ratios remain solid, with the Core Capital at 9.6%, above the 9% required by the Bank of Portugal for the end of the year.

According to Nuno Amado, Santander Totta's Chief Executive Officer, “Over the period, the Bank's activity developed in a very difficult economic framework and was limited by the strict adjustment plan agreed in the memorandum of understanding, which registered an unfavourable evolution during the third quarter as a result of the market strong drop and Europe's persistent uncertainty.

Banco Santander Totta, therefore, continued to privilege the soundness of its balance sheet. It has already reached a Core Capital of 9.6%, above the 9% required by the Bank of Portugal up to the end of the year. The commercial activity focus has been on capturing resources, and the deposits volume managed to grow above 12%.

Furthermore, we strengthened our quality assets policy, which has allowed keeping an overdue credit ratio below the sector average and maintaining, with a slight reduction, assets discounted in ECB”.

¹ According the definitions of the “Memorandum of Understanding” signed by the Portuguese Government and international institutions

MAIN HIGHLIGHTS

- In a framework characterized by the Portuguese financial system deleveraging requirement, measures implemented by Santander Totta resulted in the loan to deposit ratio improvement at a good pace, which, with deposits increasing by 12.4% and credit decreasing (net) by 13.3%, allows anticipating an advancement of the target established for 2014. It should be pointed out that, in the first quarter of the year, a credit portfolio of approximately 2.5 billion euro has been disposed of, therefore, should this sale have been excluded, credit would have decreased by 7.0%.
- Santander Totta's capital ratios remain solid, with the Core Capital established at 9.6%, above the Bank of Portugal's 9% requirement for the end of the year and Tier I reaching 9.9%. Financing with ECB remained low (2.6 billion euro), considerably below the Bank's natural share.
- According to recent available data, the credit portfolio quality remains controlled, showing default levels below the banking system average. In September 2011, the non-performing and doubtful loans ratio stood at 1.86% and the coverage ratio of the non-performing and doubtful loans by provisions stood at 113.0%. The new ratio for "credit risk" in line with international practices stands at 2.34% at the end of the first nine months of the year. Total impairments, net provisions and other results totalled 152.8 million euro.
- Santander Totta's recurrent results at the end of September totalled 141.4 million euro, 49.4% below the value registered in the same period of the preceding year. This evolution resulted from income decrease and reserve levels increase in association with an increase of the credit portfolio risk, despite good results obtained with operating costs.
- As a result of credit portfolios and securities sales, which allowed to strengthen the Bank's capital ratios, having generated less net values in the amount of 55.3 million euro and an extraordinary allocation for provisions of 25.8 million euro related to an error which occurred in the assets management activity, net profit totalled 60.2 million euro.
- The commercial revenue decreased by 16.1% and mirrored the net interest income evolution, which by the end of September 2011, totalled 436.9 million euro, equivalent to 20.4% decrease. The credit portfolio decrease and financing costs increase, with greater pressure on liability margins, were the main factors justifying the net interest income behaviour.
- Net commissions totalled 268.3 million euro, slightly lower than the value reached in September 2010 and profits obtained with the insurance activity decreased by 51.8%.
- The PME Investe Lines continue being the main financing mechanism to companies. Santander Totta holds and outstanding participation with a high market share in granting these lines (approximately 18%) and has placed over 12 thousand operations in an amount very close to 1.3 million euro. Regarding support to company's cash position, the Bank stands as global market leader in *factoring* and *confirming* with a share of approximately 20%.
- During the first 9 months of 2011, Banco Santander Totta was awarded prizes for "Best Bank operating in Portugal" granted by the magazine Global Finance and "Best Bank in Portugal", granted by Euromoney magazine.

THE BUSINESS ENVIRONMENT

The first appraisal of compliance with the Financial and Economic Adjustment Programme² (PAEF) agreed between the Portuguese Government and international institutions (European Union, IMF and ECB) was successfully concluded. International authorities considered that “the program is broadly on track. All the end-June performance criteria were met, and structural reform has made good progress, with all end-June and end-July benchmarks but one met, and several others met ahead of time.”

Therefore, the second tranche of financing to the economy was liberated, but the Government keeps taking measures to meet the budget targets, as well as objectives planned in terms of structural reforms.

The Government undertakes to meet the budget deficit target of 5.9% of GDP in 2011, in spite of deviations encountered, one with a recurrent nature, such as deviations at non-tax revenue level, others being non-recurrent, such as costs with BPN recapitalization and accounting for charges referring to Madeira Autonomous Region.

At revenue level, estimates for receiving dividends from, on the one hand, State held companies and, on the other hand, income from franchises and assets sales did not materialize.

As a result, it was necessary to adopt a set of extraordinary measures, such as a special overtax on Christmas bonus and the acceleration, effective as from October of VAT (Value Added Tax) increase on gas and electricity. However, the measure with the greatest dimension concerns the transfer of the banking sector pension funds to Social Security in an amount that will cover all the remaining deviation.

For 2012, the Government maintains the budget target of 4.5% of GDP for the deficit, but whose compliance requires a more significant adjustment effort. In addition to cost reductions already assumed in the Adjustment Programme, the Government announced that it is going to eliminate the 13th and 14th salaries for Public Administration and public companies civil servants. This measure also covers pensioners and retired people receiving, monthly, over one thousand euro. Below that value, the reduction is progressive, but in average it corresponds to one subsidy.

The financial sector also proceeded quite fast with the deleveraging programme, the ratio between credit and deposits decreased to 143% at the end of the second quarter, representing a reduction of 16 p.p. against the homologous period. This adjustment was mainly achieved through deposits growth, either by

² Programa de Ajustamento Económico e Financeiro (PAEF) = Financial and Economic Adjustment Programme

capturing families' savings, or the conversion of financial assets outside the balance sheet held by families (such as investment funds and financial insurances).

Simultaneously, bank credit registered a significant restraint, resulting from demand decrease and supply restrictions, such as credit spread increases or by requiring higher guarantees. The new monthly mortgage production, for instance, dropped by 40% in YoY terms.

Moreover, the banking sector did not increase resort to financing by the European Central Bank, which remained around 46 billion euro during the third quarter of the year.

Over this period, and despite the Government explicit commitment to strictly meet PAEF's objectives, a high uncertainty persisted and rating agencies downgraded the rating of Portuguese banks.

According to qualitative and quantitative data available, the economic activity emphasised the recessive trend, particularly domestic demand. The announcement by the Government of new austerity measures resulted in an additional trust deterioration by the economic agents, close to the respective historic minimums.

Private consumption fell, in spite of stabilization signs for retail sales, because purchases of durable goods decreased rather significantly, as the sale of motor-cars registered a reduction of more than 30%. Prospects remain rather weak, considering, particularly, that in December at least half of the Christmas bonus will be retained.

Investment has continued to contract, with entrepreneurs restraining capital expenditure, taking into account the worst demand prospects and greater credit cost. The building activity has also been affected by the postponement or even the suspension of several large public work projects.

Exports remain dynamic, but data concerning the third quarter already indicate deceleration, in line with external demand reduction.

The worsening of the debt crisis in the euro zone, with contagion to Italy and Spain, started affecting the economic agents' confidence, also within the scope of a slowdown in some developed economies, such as the USA. Decisions of the European Summit on July 21, though very important, have not yet been totally implemented. For instance, only by mid-October total approval by national parliaments of alterations to the Financial Stabilization European Fund was concluded.

Perception by investors that the European authorities are not fully committed in solving the crisis degenerated into new risk deterioration, with various European banks being affected. One bank, Dexia, required intervention and the retail

business in Belgium had to be nationalized; the French State assumed Dexia's municipal financing business and there was the sale to international investors of the Luxembourg branch. Riskier assets held by Dexia will be transferred to a "bad bank" that will handle its resolution.

The ECB commented that the European financial crisis is entering a systemic phase, requiring a faster action by Government authorities. Concurrently, announced continuation of unlimited liquidity provision to the European financial system, as well as two new liquidity provision operations at 12 months, the last one being valid up to January 2013. However, and contrary to market consensus, reference interest rates did not decrease.

ECB also announced that it will relaunch its programme for the acquisition of "covered bonds" in the additional amount of 40 billion euro, the purpose being to reopen this important medium and long term financing market to the banking sector.

In the USA, the Federal Reserve, reacting to activity slowdown signs, explicitly undertook to maintain reference interest rates at their present minimum, at least up to 2013 and, later, announced "Operation Twist" within the scope of which it will sell public debt totalling US\$ 400 billion with maturity up to 3 years to acquire debt with maturity between 6 and 30 years. The object is to maintain longer term interest rates and historical minimums and, thus, provide support to economic recovery.

In the United Kingdom, the Bank of England maintained the reference interest rate at its historical minimum of 0.5%, but decided to enlarge the programme for public debt acquisition by 75 billion pounds to 275 billion. As in the USA, the objective is to contribute to the maintenance of medium and long term interest rates at low levels, so that they may provide supporting the economic activity recovery.

RESULTS

At the end of September 2011, Santander Totta's recurrent net profit totalled 141.4 million euro, against 279.4 million registered in the same period of the previous year.

Income evolution continues to be strongly influenced by the net interest income behaviour, which registered a variation of -20.4%, amounting to 436.9 million euro at the end of September. Despite cautious management of spreads, net interest income evolution reflects the smaller volumes of the credit portfolio and the increase in financial costs, due to greater pressure at the level of liability margins.

Net profit evolution was also constrained by the increase of the credit portfolio risk, reflected in provision levels strengthening. With respect to operating costs, these show a decrease of 1.2%, amounting to 391.5 million euro at the end of September.

Million Euros

	Sep-11	Sep-10	Var.
Commercial revenue	714.0	850.7	-16.1%
Operating income and insurance activity	717.1	902.5	-20.5%
Total operating expenses	(391.5)	(396.4)	-1.2%
Net operating income	325.6	506.2	-35.7%
Impairment, net provisions and other income	(152.8)	(149.3)	+2.4%
Income before taxes and MI	172.8	356.9	-51.6%
Consolidated net income (recurrent)	141.4	279.4	-49.4%

Net commissions registered a slight decrease of 0.5% against the preceding year homologous period, totalling 268.3 million euro, based on lower turnovers, namely in terms of credit and assets management. In turn, the insurance activity evolution was determined by the financial products lower results, decreasing by 51.8%.

Results in financial operations (excluding asset sales) totalled 3.1 million euro, equivalent to a 93,9% decrease by comparison to the value registered in the same period of last year.

As a result of the above described evolution, the operating income (recurrent) totalled 717.1 million euro by the end of September 2011, representing an annual decrease of 20.5%.

Million Euros

	Sep-11	Sep-10	Var.
Net interest income (without dividends)	436.9	549.1	-20.4%
Net comissions	268.3	269.6	-0.5%
Other banking income	-7.0	-2.6	+174.4%
Insurance activity	14.6	30.2	-51.8%
Commercial revenue	714.0	850.7	-16.1%
Gain/loss on financial transactions (recurrent)	3.1	51.8	-93.9%
Operating income and insurance activity	717.1	902.5	-20.5%

Operating costs, which totalled 391.5 million euro, continued to show a favourable behaviour, dropping by 1.2%. Worth pointing out are the decreases of 5.7% in general costs and 3.1% in depreciation, variations which compensated the 1.5% increase with staff costs. During the third quarter and particularly during August, a devaluation of all asset classes was registered as a result of the high volatility and sudden drops registered in the markets, with negative impact on pension funds profitability. As it is legally anticipated, at the end of the year, in accordance with the assets situation and profits then obtained, allocations will be made, with impact on staff costs, as long as considered to be legally required.

Income and costs joint evolution was expressed by the efficiency ratio increase of 10.7 p.p. and net operating income dropped by 35.7% (recurrent), which at the end of the first nine months of the year totalled 325.6 million euro.

	Sep-11	Sep-10	Var.
Personnel expenses	(233.2)	(229.8)	+1.5%
General expenses	(111.2)	(117.9)	-5.7%
Operating expenses	(344.4)	(347.7)	-1.0%
Depreciation	(47.1)	(48.6)	-3.1%
Total operating expenses	(391.5)	(396.4)	-1.2%
Efficiency ratio (excl. depreciation)	48.0%	38.5%	+9.5 p.p.
Efficiency ratio (incl. depreciation)	54.6%	43.9%	+10.7 p.p.

Total impairment, provisions and other results reached 152.8 million euro (excluding non recurrent values), reflecting a policy of great prudence in risk assessment and adapted to the recessive economic framework being experienced. Total impairment for credit, net of recoveries, represents 0.53% of the average credit portfolio, equivalent to 0.10 p.p. increase against the value registered in September 2010.

Profit before taxes and minority interests totalled 172.8 million euro and the recurring net profit amounted to 141.4 million euro, corresponding to a decrease of 49.4% against the value entered for the same period 2010.

Within the scope of the balance sheet adjustment process, Santander Totta sold approximately 4.3 billion euro of credit and securities, registering net capital losses amounting to 55.3 million euro. In the third quarter, an allocation of extraordinary provisions in the amount of 25.8 million euro arising from an error in assets management activity, promptly detected by the Bank control system, originated an immediate correction by the same amount. Thus, at the end of September 2011, non recurrent values in the amount of -81.2 million euro were entered in the books against 75.3 million euro of capital gains registered in September 2010, referring to Unicre's valuation (21.2 million euro) and reduction of exposure to Banco Caixa Geral Totta de Angola (54,0 million euro).

BALANCE SHEET AND ACTIVITY

Taking into account strong restrictions relating to the Portuguese Banks access to international financing markets and the commitment undertaken in the context of the financial and economic adjustment programme, Santander Totta maintains as main priority the balance sheet deleveraging, by increasing the capture of deposits, asset sales and a slow down in granting new credits, without neglecting, however, support to economically feasible national small and medium sized companies.

Over the first nine months of 2011, deposits increased by 12.4% compared to September 2010, while the credit portfolio in the balance sheet decreased significantly, mainly as a result of a credit sale amounting to 2.5 billion euro, occurring in the first quarter of the year. The progress in customers' deposits along with the credit portfolio reduction determined an improvement in the commercial gap and in the loan to deposit ratio which, at the end of September 2011, stood at 144.8% (value obtained within the scope of the agreement with international entities).

Credit granted to Small and Medium Sized Companies (PME's) amounted to 9.3 billion euro, representing a drop of 10.4%. Notwithstanding strong liquidity restrictions, Santander Totta maintains an activity which is quite relevant with respect to PME Investe lines, with approximately 18% market share, by grants to these lines. Over 12 thousand operations in the approximate amount of 1.3 billion euro have been placed.

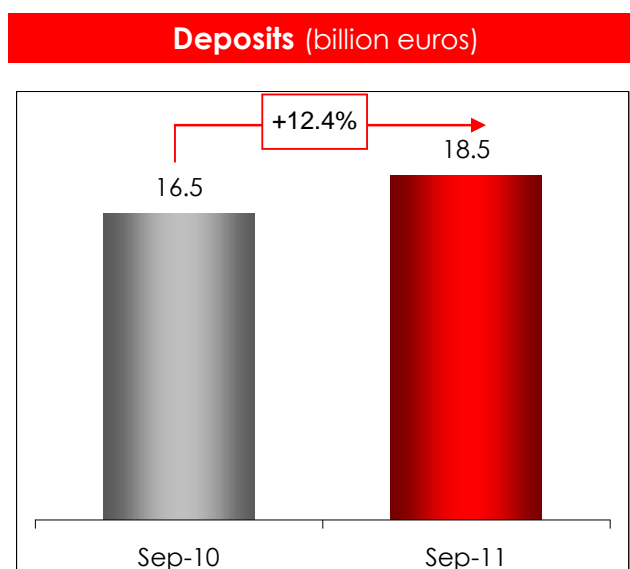
Credit to Individuals totalled 18.3 billion euro, a decrease by 2.3% against the value entered in September 2010. House loans decreased by 1.8%, expressing a strong slowdown in the amount of new loans granted and the portfolio for consumer credit registered an annual variation of -5.1%, these evolutions standing in line with the registered market trend.

Million Euros

	Sep-11	Sep-10	Var.
Commercial Banking	27,563	29,068	-5.2%
Credit to Individuals	18,313	18,739	-2.3%
<i>from which</i>			
Mortgage	16,160	16,456	-1.8%
Consumer credit	1,553	1,637	-5.1%
Credit to SME's	9,250	10,329	-10.4%
Small business	3,812	4,099	-7.0%
Corporates	5,439	6,230	-12.7%
Large Corporates and Institutions	1,637	4,576	-64.2%
Guarantees, endorsements and other	1,825	1,854	-1.5%
Total Loans	31,026	35,497	-12.6%

* Excluding the sell of loans the variation would be -7.0%

Under customers' resources, deposits continue to register a sustained growth, among which stand out the 12.8% increase under Individuals and Small Businesses and 5.8% under Companies Network resources. Under the present framework with a strong economic instability and the need for balance sheet deleveraging, deposits' trend to growth is particularly important and expresses investors' bigger aversion to risk. Year-to-date, total deposits increased by 8.7%.



Deposits evolution made up for investment funds (-31.6%) and financial insurance and other resources (-3.5%) negative performance, with clients total resources close to 27.0 billion euro, representing 1.0% increase against the value entered at the end of 2010.

Million Euros

	Sep-11	Sep-10	Var.
Deposits	18,499	16,455	+12.4%
Securities issued (clients)	485	562	-13.7%
Balance sheet resources	18,984	17,017	+11.6%
Investment funds	3,289	4,810	-31.6%
Insurance and other	4,742	4,916	-3.5%
Customers' resources	27,015	26,743	+1.0%
By segment			
Commercial Banking Resources	23,759	23,029	+3.2%
Individuals and Small Businesses	22,060	21,423	+3.0%
Deposits	15,256	13,531	+12.8%
Securities issued (clients), Investment Funds and insurance	6,804	7,893	-13.8%
Corporates	1,699	1,606	+5.8%
Large Corporates, Institutionals and other	3,256	3,713	-12.3%

In a context of credit portfolio quality deterioration, Santander Totta continues implementing a very cautious and strict policy with respect to risk management, particularly in terms of overdue credit covered by provisions, expressed mainly by the strengthening of allocations for credit impairments, the cost of which, during the first nine months of the year, represented 0.53% of the average credit portfolio, in annual terms.

Non-performing and doubtful loans ratio stood at 1.86%, corresponding to a worsening of 0.47 p.p. against the homologous period in the preceding year, and the non-performing and doubtful loans coverage ratio by provisions was established at 113.0%. According to last available data, and in spite of

deterioration of credit portfolio quality indicators, Santander Totta continues keeping non-performing levels significantly lower than the banking system average.

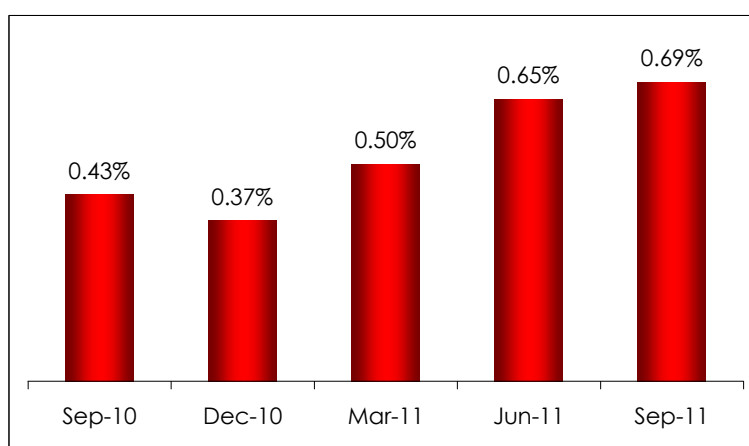
According to the “Memorandum of Understanding” specifications, later regulated in the Bank of Portugal’s Instruction nº 23/2011, the ratio for credit risk, which relates overdue credit and credit falling due and restructured credits with the total of Santander Totta’s credit portfolio was 2.34% by the end of September 2011, which compares with a ratio of 1.70% registered in the homologous period in the preceding year.

	Sep-11	Sep-10	Var.
NPL ratio (+ 90 days)	1.84%	1.38%	+0.46 p.p.
NPL coverage ratio (+90 days)	114.5%	126.8%	-12.3 p.p.
NPL and doubtful loans ratio	1.86%	1.39%	+0.47 p.p.
Net NPL and doubtful loans ratio	0.79%	0.63%	+0.16 p.p.
NPL and doubtful loans coverage ratio	113.0%	125.6%	-12.6 p.p.
"Credit at risk" ratio (according to Instruction nº 23/2011)	2.34%	1.70%	+0.64 p.p.
Risk premium*	0.69%	0.43%	+0.26 p.p.

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

The indicator which relates new entries in NPL (over 90 days), net of recoveries, with the average credit portfolio was established at 0.69% in annual terms, representing a deterioration of 0.26 p.p. by comparison to the value obtained in September 2010.

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



* More than 90 days. Annualized figures

LIQUIDITY, SOLVENCY AND PROFITABILITY

The economic and financial adjustment programme anticipates a gradual deleveraging process for the banks’ balance sheets, expressed by a ratio between credit and deposits which should converge to approximately 120% in

2014 and a reduction of funding with the ECB. In the present context, and as already previously referred, Santander Totta has been implementing, since the beginning of 2010, a policy based on the growth of customers' deposits and in 2011 has already sold credits and other assets. Additionally, financing with the ECB was kept at low levels (2.6 billion euro).

On the other hand, and still within the scope of the referred programme, requirements in terms of capital ratios were strengthened, a Core Tier 1 ratio with a minimum of 9% by the end of 2011 being imposed, and of 10% the latest by the end of 2012. Santander Totta continues showing capitalization levels above those required in the financial and economic adjustment programme with the capital adequacy ratio (Tier I) standing at 9.9% and the Core Tier I ratio established at 9.6%.

	Million Euros	
	Sep-11	Sep-10
Tier I capital	2,227	2,894
Tier II capital	-6	175
Total capital	2,221	3,070
Risk weighted assets	22,448	25,923
Core capital *	9.6%	9.6%
Tier I *	9.9%	11.2%

(*) Excluding results generated net of payout, Core Capital is 9.5% and Tier I is 9.9%

By the end of September 2011, net profit evolution expressed a ROE of 2.0%.

COMMERCIAL BANKING

During 2011, Santander Totta's commercial strategy has, essentially, kept a strong focus on the capture and retention of resources, credit spreads renegotiation, the commercial gap control and overdue credit.

A highly competitive framework persists in the Portuguese banking sector mainly with respect to traditional savings products. In this context, Banco Santander Totta made available a wide range of products integrated in the campaigns "Integrated Solutions" and "Spring Growing Savings", offering the possibility of diversifying customers' savings.

During the third quarter of the year, launching of the "Super Savings Protection" account stands out. This was the continuation of the "Idols Super Savings" account. It is an income and savings account to which, for its characteristics, customers strongly adhered to, with approximately 79 thousand accounts having been opened. This offer was complemented with assets diversification products with different profiles and temporary investment horizons: financial insurances and structured products.

Following the Bank's capture strategy and relationship with customers, various campaigns and initiatives were launched in order to capture and obtain customers' loyalty, trying to meet specific requirements in the different segments, namely: Youth/juniors - "Conta a Crescer", "Já Ká Konta" and "DP Especial Jovem"; University students - "Matrículas de Universitários"³ campaigns; and residents abroad - the focus falling on transactionality and capture of very attractive new resources and conditions in different currencies.

In the strategy defined for adjustment of supply and services devoted to the *Premium* segment, the bank adjusted these customers' segmentation criteria, favouring the increase of their satisfaction level. The *Premium* line was launched, a service line strictly dedicated to these customers, and was extended up to the end of 2011, the term for free adherence to non-financial services in *Premium* club and *Premium by Time Management*, thus privileging the increment of the global experience which a Premium customer enjoys with Banco Santander Totta.

With respect to credit granted, the banking sector deleveraging effort, the general increase of spreads and the drop in consumers trust levels were reflected by a strong drop in the production volumes for housing loans.

Under the circumstances, various adjustments to spread sets were carried out during the year, with the purpose of reflecting not only higher financing costs but also to increase price differences by reference to the risk associated to each loan.

In order to prevent an increase in default situations, as a result of the deterioration of Portuguese families' economic conditions, new regulations and renegotiation solutions for the pending debt, adapted to each customer's default level, were implemented.

In **Small Businesses** segment, a strategy greatly focusing on the engagement of new customers, securing fidelity of present customers and transactionality increase was maintained. The Bank paid special attention to *factoring* and *confirming*, where it holds a market share of approximately 20%, to salary payments in batches, Small and Medium Sized Companies PME Invest credit Line, Business Super Account and POS.

Santander Totta has been strengthening its position as a support Bank to Companies, the result of great dynamism in the segment, among which stands out the Bank's already usual participation in Expofarma, in the health sector.

In the **Payment Systems** area, which encompasses payment cards and POS, the operating income grew by 1.5% against the same period in the previous year and the number of cards in circulation increased by 2.7%. Market shares show a favourable evolution, the invoicing share standing at 10%. During the 3rd quarter of the year, the summer campaign, in partnership with Vila Galé Hotels, took

³ "Conta a Crescer" - Growing Account; "Já Ka Kanta" - Got it Account; "DP Especial Jovem" - Youth Special DP; "Matrículas de Universitários" - University Students Enrolments.

place, registering an invoicing increment in the order of 11%. This initiative aims at awarding prizes to customers for using the Santander Totta *Light* card.

With respect to POS, the bet remains centred, on the one hand, on the commercial proximity with customers and, on the other hand, the search for important customers with great representation in the domestic market. POS commissions increased by 2.1% against the homologous period and the market share in volume of invoicing stood at 16%.

Main priorities in the **Companies** area did not alter along the year, laying, basically, on the liquidity gap control /decrease and sustained increment of the profitability area. The credit price adjustment programme to scarcity of monetary liquidity remained and the rational capture of resources was intensified. It should also be mentioned that the bet on the growth of new customers pursues, who greatly value the relationship with a bank of Santander Totta's soundness.

The business area operating income increased by 12.3% against September 2010 and turnover registered a 16.0% increase during the same period.

PME Investe Lines, continue as the main financing mechanism for corporates. Santander Totta keeps an outstanding participation with a high market share in granting these lines (about 18%) and placed over 12 thousand operations in the approximate amount of 1.3 billion euro. It should be pointed out that at the end of the third quarter, Santander Totta made available to the companies, in association with official authorities, the possibility of an extension for a further 12 months, with a period of grace for operations contracted under cover of PME Investe Lines, thus allowing to ease pressure on the companies' treasuries.

Santander Totta has already formalised about 1,500 operations amounting to over 200 million euro under cover of Linha PME Investe VI Aditamento, allowing for a share in this line, of approximately 22%, to be reached, showing once more that even in a scenery of lack of liquidity in the market and strong restrictions to credit granting, Santander Totta continues to greatly support Portuguese Small and Medium Sized Companies.

GLOBAL BANKING AND MARKETS

In **Corporate Finance**, the successful conclusion of the financial consultancy operation to Secil involving the acquisition of Lafarge Betões and the conclusion of financial consultancy works for Grupo Impresa in the evaluation of SIC, Medipress and AEIOU stood out.

Also worth pointing out are the consultancy operations under way to Eletrobrás with respect to EDP's privatization and to Galp Energia concerning the transfer of a capital participation in Galp Gás Natural Distribuição, the holding company that holds the main regulated companies with infra-structure for natural gas distribution in Portugal.

During the current half year, the Merger & Acquisition operations portfolio was also reinforced. Different processes in transaction consultancy are under way, to be concluded within the next few months.

With respect to **Credit Markets**, and considering the uncertain situation and the Portuguese financial institutions lack of liquidity, Santander Totta has reduced its activity, but continues to be one of the few institutions with a constant presence in the analysis of existing opportunities and in the support to small promoters in the materialization of their projects, namely in the renewable energies field. The following financing operations were concluded: (i) Parque Solar Talarrubias da Cavalum, (ii) Parque Eólico da Serra da Boa Viagem held by Fomentinvest/Efacec and (iii) Parque Fotovoltaico Quinta do Anjo of JCD Energias.

In acquisitions financing field, the Bank remains active and, at the present moment, is analysing the financing of some opportunities for Portuguese and international corporate customers. Worth mentioning is the Banks' participation in the arrangement and participation as MLA (Mandate Lead Arranger) and Bookrunner for the financing of Secil's purchase of Betecna, the process having been concluded after obtaining authorization from the Competition Authorities.

The **Fixed Income Sales** area, due to the high uncertainty environment, and face to customers' little desire to take risk, has adopted a management strategy for the present derivatives portfolio and focus on low risk simple structures.

In the **Equity area**, and despite the worsening of the financial crisis and the financial markets uncertainty over the last few months, structured products commercialization in the retail and private segment registered a favourable evolution during the first nine months of the year, against the homologous period in the previous year. Ten structured products were issued in both Euro and USD, in an amount close to 500 million euro. It should be stressed that, in September, the Bank was awarded a prize by **Euromoney** and **www.StructuredRetailProducts.com** at the "**Euromoney Structured Retail Products Awards 2011**" in Portugal, for the categories of best distributor and sub-category of best distributor in performance for structured products.

Cash Equities reflected the rather adverse situation experienced in capital markets, as a result of the moment of crisis which is presently being experienced in Europe. In fact, the Portuguese Stock Exchange average volumes dropped by nearly 30% over the first nine months of the year and by comparison to the homologous period. However, the Bank managed to obtain a performance much better than could be anticipated in terms of market volumes, thus gross commissions dropped by just 7% due, mainly, to a market share increment of 70 basic points, against 2010.

Despite all financial market constraints and Portugal's economic situation, Santander Totta's **Institutional Custody** activity did not register significant changes

by comparison to the 2010 homologous period. Banco Santander Totta continues to rank 2nd among the domestic Custodians, close to 22.7% share of assets volume under custody, according to the latest data made available by CMVM⁴

ASSET MANAGEMENT

The third quarter of 2011 was characterized by the financial market strong instability, resulting from the great uncertainty connected with the debt crisis resolution in peripheral European countries, through the contamination effect to the remaining European economies and by the North American economy slowdown signs, after announcing weaker economic indicators.

In the period under analysis, Santander Asset Management tried to manage its funds by maintaining high and appropriate liquidity levels, taking advantage of opportunities that may arise in the market.

Thus, at the end of 3Q2011, some securities investment funds managed by SAM stood out among their competitors, namely **Santander Multitaxa Fixa** (with an effective net profitability of 5.5% in 2011) standing as the best euro fixed rate bond fund for the last 12 months, and it is also the best investment fund in the domestic market over the same period, according to APFIPP classification; **Santander Acções América**, the best North American share fund at 12 months in 2011; and **Santander Acções USA**, the best share fund in North America at 5 years. In this context, from a relative point of view, and in spite of the market instability, Santander Totta's range of products has shown good returns for 2011.

At the end of the quarter, the company shows a market share of 14.7%.

With respect to **Real Estate Investment Funds**, the quarter registered continued stability in the funds profitability taking into account the objectives established for 2011. The volume of redemptions also continued to increase, over 26 million euro against approximately 22 million euro registered in the previous quarter. With respect to the investment policy, Santander Asset Management maintained a selective sales policy for some assets, although at a lower pace than estimated as a result of the present market conditions. It must also be pointed out the evolution, according to expectations, registered in real estate projects, namely hire of premises to Chronopost in Valongo and Dia Portugal at Corroios.

INSURANCE

The life insurance activity, operated by Santander Totta Seguros - Companhia de Seguros de Vida S.A., continued to develop a distribution model better adapted to customers segments, their needs, profiles and potentialities.

⁴ CMVM : Comissão do Mercado de Valores Mobiliários – Portuguese Securities Market Commission (Stock Exchange)

Besides the availability of simple life risk products, attached to credit or other banking products, product supply directed to life protection and credit protection, commercialized by the bank in open market, simultaneously with the sales model adjustment, was maintained.

With respect to financial life insurance, the monthly launching of Financial Insurances under the name Profitability Plan (Plano Rendimento) continued taking place under the form of non standardized lcae Insurance, divided in participation units (unit linked), that intend providing a monthly and quarterly return (calculated on the basis of the subscribed and paid amount under the form of partial redemption). Total commercialized value amounted to approximately 795 million euro during the first nine months of 2011.

Within the scope of risk life insurance commercialised in open market, the product **Plano Protecção Ordenado** (Salary Protection Plan) – a life insurance covering unemployment, for customers with a domiciled salary account, whose commercialization, up to September 2011, reached 13,300 plans stood out. Also worth pointing out is **Plano Vida** (Life Plan), a product addressed to the mass market segment, with over 29,000 sold plans.

The value of issued premiums and contributions to investment contracts reached the amount of 916 million euro, an increment of 11.5% against the homologous period. In risk and mixed insurances, premium values totalled 85.8 million euro (against 89.7 million in the homologous period), and the good performance of products commercialized in the open market such as life insurances attached to consumption and decrease in production of life insurance connected to house loans arising from smaller contracted volumes, should be considered.

INSTITUTIONAL INFORMATION

Santander (SAN.MC, STD.N, BNC.LN) is a commercial bank with head office in Spain and is present in 10 main markets. Santander is the first Bank in the euro zone and ranks tenth worldwide based on stock market capitalization. It was incorporated in 1857 and holds € 1,374,028 million of managed funds. Santander has over 100 million customers, 14,679 agencies – more than any other international bank – and 190,000 employees. It is the main financial group in Spain and Latin America, with relevant positions in the United Kingdom, Portugal, Germany, Poland and the north-east area of the United States of America. Santander Consumer Finance operates in the Group's main markets and also in northern European countries. During the first half of 2011, Santander registered a net profit of 3,501 million euro.

Million Euros

	Sep-11	Sep-10	Var.
Total Gross Loans (*)	31,026	35,497	-12.6%
<i>from which</i>			
Commercial Banking	27,563	29,068	-5.2%
Credit to Individuals	18,313	18,739	-2.3%
<i>from which</i>			
Mortgage (includes securitization)	16,160	16,456	-1.8%
Consumer credit	1,553	1,637	-5.1%
Credit to Corporates	9,250	10,329	-10.4%
Small business	3,812	4,099	-7.0%
SME's	5,439	6,230	-12.7%
Large Corporates and Institutions	1,637	4,576	-64.2%
Resources	27,015	26,743	+1.0%
Commercial Banking	23,759	23,029	+3.2%
Individuals and Small Businesses	22,060	21,423	+3.0%
Deposits	15,256	13,531	+12.8%
Securities issued (clients), Inv. Funds, Insurance & Other	6,804	7,893	-13.8%
Corporates	1,699	1,606	+5.8%
Large Corporates, Institutionals and other	3,256	3,713	-12.3%
ROE	2.0%	16.8%	-14.8 p.p.
Efficiency ratio (excl. depreciation)	48.0%	38.5%	+9.5 p.p.
Efficiency ratio (incl. depreciation)	54.6%	43.9%	+10.7 p.p.

* Includes guarantees. Excluding the sell of credits the variation would be -7.0%

Santander Totta, SGPS

Ratios calculated in accordance with instructions n° 16/2004 and n° 23/2011 from the Bank of Portugal

	Sep-11	Sep-10	Var.
Solvency			
Core Tier I	9.6%	9.6%	-0.0 p.p.
Tier I	9.9%	11.2%	-1.3 p.p.
Solvency ratio	9.9%	11.8%	-1.9 p.p.
Credit Quality			
NPL and doubtful loans ratio	1.86%	1.39%	+0.47 p.p.
NPL and doubtful loans coverage ratio	113.0%	125.6%	-12.6 p.p.
Net NPL and doubtful loans ratio	0.79%	0.63%	+0.16 p.p.
"Credit at risk" ratio	2.34%	1.70%	+0.64 p.p.
"Credit at risk" ratio (net)	0.30%	0.02%	+0.28 p.p.
Profitability			
Income before taxes and MI/Average net assets	0.5%	1.1%	-0.6 p.p.
Operating income/Average net assets	2.1%	2.4%	-0.3 p.p.
Income before taxes and MI/Average equity	7.9%	18.0%	-10.1 p.p.
Efficiency			
Total operating expenses/Operating income	54.0%	43.8%	+10.2 p.p.
Personnel expenses/Operating income	32.2%	25.4%	+6.8 p.p.
Transformation			
Credit (net)/Deposits	157.5%	204.5%	-47.0 p.p.
"Leveraging ratio"*	144.8%	194.7%	-49.9 p.p.

* According the definitions in the "Memorandum of Understanding"

Santander Totta, SGPS
Income Statement - Proforma ^(*)

Million Euros

	Sep-11	Sep-10	Var.
Net interest income (without dividends)	436.9	549.1	-20.4%
Dividends	1.3	4.4	-71.3%
Net interest income	438.1	553.5	-20.8%
Net commissions	268.3	269.6	-0.5%
Other banking income	-7.0	-2.6	+174.4%
Insurance activity	14.6	30.2	-51.8%
Commercial revenue	714.0	850.7	-16.1%
Gain/loss on financial transactions	3.1	51.8	-93.9%
Operating income and insurance activity	717.1	902.5	-20.5%
Total operating expenses	(391.5)	(396.4)	-1.2%
Net operating income	325.6	506.2	-35.7%
Impairment, net provisions and other income	(152.8)	(149.3)	+2.4%
Income before taxes and MI	172.8	356.9	-51.6%
Taxes	(31.3)	(72.9)	-57.0%
Income after taxes	141.4	284.0	-50.2%
Minority interests	(0.1)	(4.6)	-98.6%
Consolidated net income (recurrent)	141.4	279.4	-49.4%
Gain/loss on the sale of assets	(81.2)	75.2	<-200%
Consolidated net income	60.2	354.7	-83.0%

(*) Not audited

Santander Totta, SGPS
Balance Sheet

Million Euros

Assets	Sep-11	Sep-10	Var.
Deposits at Central Banks	804	484	+66.2%
Cash, loans and advances to banks	1,330	2,447	-45.6%
Financial assets	8,444	13,183	-35.9%
Net loans	28,944	33,397	-13.3%
Hedging derivatives	114	292	-60.8%
Non current assets held to sell	138	93	+47.4%
Other tangible assets	451	471	-4.3%
Other assets	1,241	1,099	+12.9%
Total Assets	41,466	51,466	-19.4%

Liabilities and Equity	Sep-11	Sep-10	Var.
Resources from Central Banks	3,000	5,908	-49.2%
Resources from other institutions	4,279	8,016	-46.6%
Financial liabilities held for trading	1,566	1,771	-11.6%
Financial liabilities designated at fair value through profit and loss	4,015	4,400	-8.7%
Resources of customers and others	18,499	16,455	+12.4%
Debt securities issued	6,153	10,115	-39.2%
Hedging derivatives	238	385	-38.2%
Provisions	523	509	+2.8%
Subordinated liabilities	0	279	-100.0%
Other liabilities	498	504	-1.2%
Shareholder's equity	2,695	3,125	-13.8%
Total Liabilities and Equity	41,466	51,466	-19.4%