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PRESS RELEASE

Santander Totta increases bank deposits by 10% and strengthens even further the core capital ratio which has reached 10.7%, and has resulted in recurring earnings of 129 million Euros.

Lisbon, 29th of July, 2011 – Santander Totta has, throughout the first half of 2011, continued to implement a set of measures aimed at adjusting its balance structure to a very adverse economic and financial framework, decreasing the loan-to-deposit ratio, which resulted in **an increase of approximately 10% of the customer's deposits**. Concurrently, there was a 3.8% pro forma decrease of the loans (10.8% when considering the portfolio withdrawal of approximately 2.5 billion Euros in the year's first quarter). Assets have decreased approximately 20%, also influenced by the sale of securities in the investment portfolio which occurred in the first half of the year. **The recurrent net income was of to 129.3 million Euros**, which corresponds to a 42.8% reduction.

According to Nuno Amado, Santander Totta's CEO, *"In the current macro-economic environment, the bank's main priorities are to **maintain its stability** - which is confirmed 'by the high Core Capital that reached 10.7%, **reinforce the good quality of its assets**, - reflected in the reduced level of non-performing loans which reached a 1.8% ratio - and **keep a restrained level of funding with the European Central Bank**, which remained below 3 billion Euros.*

This priority to reinforce the balance-sheet and maintain soundness implied lower business profitability, nevertheless it allowed the Bank to raise savings from households, an appropriate response to the current times of low liquidity due to the sovereign debt crisis for the benefit of our customers".

MAIN HIGHLIGHTS

- Santander Totta continues to present solid capital ratios, and has a Core Capital of 10.7%, which is clearly above the 9% demanded by the Bank of Portugal for the end of the year, and the Tier 1 reaching 11.5%.
- Despite the increase in levels of non-performing loans, the loan portfolio delinquency continues controlled and relatively below the banking system average, according to the last available data. In June, 2011, the non-performing and doubtful loans ratio was at 1.79% and the coverage ratio of the non-performing and doubtful loans by provisions was at 116.1%. The new “credit at risk” ratio aligned with the international practices, and which should be presented until the end of September, is 2.27% at the end of the first half of this year. The total of impairments, net provisions, and other results amounted to 91.7 million Euros at the end of June.
- The evolution of credit and on-balance resources allowed for the improvement of the balance structure with an annual 9.9% growth in client deposits and a pro forma decrease of 3.8% in the loans (10.8% when considering credit sales). In the current scope of liquidity shortage in the international markets, Santander Totta continues with a prudent management which is adapted to the evolution and conditions of the financial markets, possessing a portfolio of eligible assets worth 13.9 billion Euros at the end of June, 2011.
- The commercial revenue went down by 13.2% and reflected the evolution of the net interest income which fell to 309.8 million Euros at the end of June, corresponding to a 16.9% decrease. The decrease in assets by approximately 20% and the increase in financing costs, which put a higher pressure on the liability margins, were the main factors which conditioned the behaviour of the net interest income.
- The net commissions, 184.3 million Euros, aligned to the value obtained at the end of June 2010, and the results from insurance activity, registered a 34.6% decrease.
- As a consequence to the sale of loan portfolios and securities, which allowed for the reinforcement of the Bank’s capital ratio and resulted in less net gains, worth 56.7 million Euros, the net result reached 72.6 million Euros.
- Santander Totta has had a very important role in the PME Investe lines. It has placed more than twelve thousand operations, worth 1.2 billion Euros and equivalent to an 18% market share. In terms of corporate treasury support, the Bank has maintained its status as global market leader in factoring and confirming, with its 19.4% share.
- The net result (excluding the non-recurrent results) amounted to 129.3 million Euros in comparison to the 225.9 million Euros registered at the end of the first half of 2010. Such evolution essentially reflects the decrease in revenue. It should be noted that negative net gains in the amount of 56.7 million Euros were registered in the semester from the sale of assets, which aimed at the reduction of the balance sheet and the improvement of the loan-to-deposit ratio.
- Santander Totta Bank won the following awards in the first half of 2011: “Best Bank working in Portugal”, awarded by Global Finance, and “Best Bank in Portugal”, awarded by Euromoney. Santander Asset Management in Portugal won the “World Finance Pension Fund of the year 2011”, awarded by World Finance.

THE BUSINESS ENVIRONMENT

The negotiations between the Portuguese Government and the international institutions (European Commission, International Monetary Fund and European Central Bank) were concluded in May, with the signature of the Memorandum of Understanding, which specified the conditionality measures in the scope of the financial aid programme.

The plan is in-depth and has three big objectives: (i) Increase the growth potential of the Portuguese economy by the application of an ambitious structural reform programme, (ii) restore the sustainability of the public finances by reforming the public sector and introducing an extensive process of cutting public spending, (iii) strengthen the resilience of the financial sector by reinforcing equity and collateral in the scope of a financing and deleveraging process to be implemented until 2014.

In terms of structural reforms, reforms to the labour market are to be implemented until the end of the year, specifically the reduction of the severance pay and a revision of the unemployment benefits. The reduction of the Social Security Tax is to be defined and implemented in 2012.

The 2011 budgetary target was elevated to 5.9% of GDP, also partly due to the wider consolidation perimeter of the General Government, which now includes various state-owned companies and other public entities. However, new reductions in spending will be necessary, and a special tax on the Christmas bonus of individuals has been announced.

The financial sector benefited from the creation of a recapitalization fund in the amount of 12 billion Euros and the increase in the state guarantees to the issuance of debt to 35 billion Euros. On the other hand, it had to draw up a funding and deleveraging plan to be implemented until 2014. These plans are to be concluded until the end of the month of July.

The early parliamentary elections on the 5th of June allowed for the creation of a new government with a clear majority in parliamentary support. The PSD/CDS coalition has 134 MPs, in a total of 230. PS, which is now the biggest opposing party, also supports the measures of conditionality as expressed in the Memorandum of Understanding, which it signed while it was in Government.

Despite the conclusion of the negotiations and the existence of a clear majority (more than 80%) which support the measures of adjustment, the financial framework for the Republic and the financial sector remained quite tense.

The uncertainty related to a solution for the Greek case – which was only concluded at the Summit on the 21st of July with the approval of a new bail-out plan in the amount of 109 billion Euros, and the voluntary participation of the private sector – kept Ireland and Portugal in the lurch and, from the second half of

the month of June, caused an extent of deterioration in the risk perception for Italy and Spain.

Credit spreads went up to new maximum numbers, with the 3-year yield-to-maturity for the Portuguese public debt rising above 20%. Even so, the Treasury maintained the allotment of 3-months Treasury Bills with average yields of 5%.

Moody's, the credit rating agency, has lowered Portugal's rating to Ba2, which is equivalent to high yield, due to the contagion risk from Greece, as in local terms the developments were positive, with the approval of financing programme and the election of a parliamentary majority.

The financial sector was also subject to downward revision of the credit rating, with three institutions being rated Ba1, above the Republic but below the investment grade. Only two institutions maintained their ratings in this sector, Santander Totta being one, with a rating of Baa2.

Despite this more adverse environment, in the sense that the downgrades and the depreciation of the public debt reduce the value of the eligible assets, the sector was able to slightly reduce the financing obtained from the ECB to 43.9 billion Euros in June, against the 49 billion verified in April/May.

This reduction was obtained from the growth in deposits, also from individuals, as banks begin the deleveraging process, and also from the transfer of customer resources from mutual funds and unit-linked insurance to deposits.

Credit continued to slow down due to weaker demand associated to the economic recession, as well as by the imposition of more restrictive conditions in terms of supply, with credit spreads reflecting the more difficult conditions of access by the banking sector to the wholesale markets.

The quantitative and qualitative information available for the second quarter of 2011, points to the deepening of the economic downturn, especially in terms of domestic demand which accentuates the recessive movement.

Households continue to adjust their spending to the decrease in disposable income and the increase in unemployment, with retail sales dropping 7% in real terms in May. The recently announced special tax on the Christmas bonus should have an additional impact towards the reinforcement of savings due to precautionary reasons.

Public spending must have continued to decrease, although the general elections on the 5th of June may have contributed to a moderation of pace. Even so, the information available on the State's current primary expenditure confirms a decrease when compared to the levels in 2010.

Investment will have accentuated the fall in the second quarter, be it due to an increase in uncertainty associated to the request of an external bail-out, or to the

electoral calendar. On the other hand, the deterioration of the financial market conditions will have resulted in even more restrictive credit granting, which also contributes to the reduction in capital expenditure.

Foreign demand continues to evolve favourably, with exports increasing by 18%, in nominal terms in the first five months of 2011. The improvement is generalized between groups of products and exporting markets and confirms the benefits obtained by the restructuring of the corporate sector in the past few years.

Exports also reflect the dynamic scope of the world economy, although there have been signs of a slow-down which became more evident at the end of the quarter. Even so, the data is consistent with a growth in the euro zone around its potential, in other words, between 1.5% and 2.0%. Germany has also begun to show signs of slowing down, but continues to be the most dynamic economy in the euro zone.

On the other hand, the USA showed clearer signs of slowing down, which was especially evident in terms of the labour market, with the unemployment rate increasing once more. However, the Federal Reserve set aside expectations on a third round of exceptional measures ("QE3") to support the economy, albeit pointing out that the reference interest rates are to be maintained at the current historical minimum for a longer period of time.

The European Central Bank has continued the gradual removal of the expansionary stance of monetary policy with the new rise in the refinancing rate by 25 b.p. to 1.5%. Indications, from the ECB and market participants, are that the ECB may increase interest rates once more until the end of the year, albeit in a process which is expected to be gradual.

RESULTS

At the end of the 1st semester, 2011, Santander Totta's recurrent net income was 129.3 million Euros, compared to the 225.9 million Euros obtained during the same period the year before.

The growth of net income mirrored the increase in credit portfolio risk, meaning the reinforcement of levels of provisions and the decrease in income. On the other hand, operational costs continued to fall, with an increase of 2.8% in personnel costs being compensated by decreases of 5.6% and 5.2% in overheads and depreciations, respectively.

In the scope of the deleveraging process, Santander Totta has sold close to 4.3 billion Euros in credit and securities, having registered negative net gains in the amount of 56.7 million Euros.

Million Euros

	Jun-11	Jun-10	Var.
Commercial revenue	503.6	580.4	-13.2%
Operating income and insurance activity	513.9	628.7	-18.2%
Total operating expenses	(259.3)	(261.1)	-0.7%
Net operating income	254.7	367.6	-30.7%
Impairment, net provisions and other income	(91.7)	(91.2)	+0.6%
Income before taxes and MI	163.0	276.4	-41.0%
Consolidated net income (recurrent)	129.3	225.9	-42.8%

The net interest income reached 309.8 million Euros compared to 372.9 million Euros in June 2010. Despite the prudent management of spreads, the evolution of the net interest income reflects the decrease in credit portfolio and the increase in financing costs due to higher pressure in terms of liability margins.

The total amount of net commissions was 184.3 million Euros, aligned with the amount obtained at the end of the first semester last year, which reflects the lessened business volumes, specifically in terms of credit, mutual funds and asset management. The results obtained with insurances decreased 34.6%.

The results in financial transactions (excluding sales of assets) rose to 10.3 million Euros, which corresponds to a decrease of 78.5% in relation to the amount available at the end of June 2010.

As a result of the evolution described above, the operating income (recurrent) reached 513.9 million Euros, which represents an annual decrease of 18.2%.

Million Euros

	Jun-11	Jun-10	Var.
Net interest income (without dividends)	309.8	372.9	-16.9%
Net commissions	184.3	183.1	+0.7%
Other banking income	-5.2	-0.5	>200%
Insurance activity	13.5	20.6	-34.6%
Commercial revenue	503.6	580.4	-13.2%
Gain/loss on financial transactions (recurrent)	10.3	48.2	-78.5%
Operating income and insurance activity	513.9	628.7	-18.2%

Operational costs decreased 0.7%, reaching 259.3 million Euros. It should be noted the 5.6% decreases in general expenses and 5.2% in depreciation.

Million Euros

	Jun-11	Jun-10	Var.
Personnel expenses	(154.6)	(150.3)	+2.8%
General expenses	(73.9)	(78.3)	-5.6%
Operating expenses	(228.5)	(228.6)	-0.0%
Depreciation	(30.8)	(32.5)	-5.2%
Total operating expenses	(259.3)	(261.1)	-0.7%
Efficiency ratio (excl. depreciation)	44.5%	36.4%	+8.1 p.p.
Efficiency ratio (incl. depreciation)	50.4%	41.5%	+8.9 p.p.

The combined evolution of revenue and costs resulted in a net operating income of 254.7 million Euros, which represents a decrease of 30.7%, and an efficiency ratio (including depreciations) of 50.4%, which compares to 41.5% in June 2010.

The total of impairments, provisions and other results reached 91.7 million Euros. Santander Totta has a prudent policy when it comes to risk assessment and maintaining a coverage level suitable to the current situation we are facing. The total of impairments for credits, net of recoveries, represents 0.49% of the loan portfolio, 0.12 p.p. above the value verified in June, 2010.

The result before taxes and minority interests amounted to 163.0 million Euros, and the recurrent net income was set at 129.3 million Euros, which corresponds to a decrease of 42.8% when compared to the value of June, 2010.

BALANCE SHEET AND ACTIVITY

As a consequence of the liquidity restraints stemming from to more difficult access of Portuguese banks to international financial markets, Santander Totta's main priority is the deleveraging process.

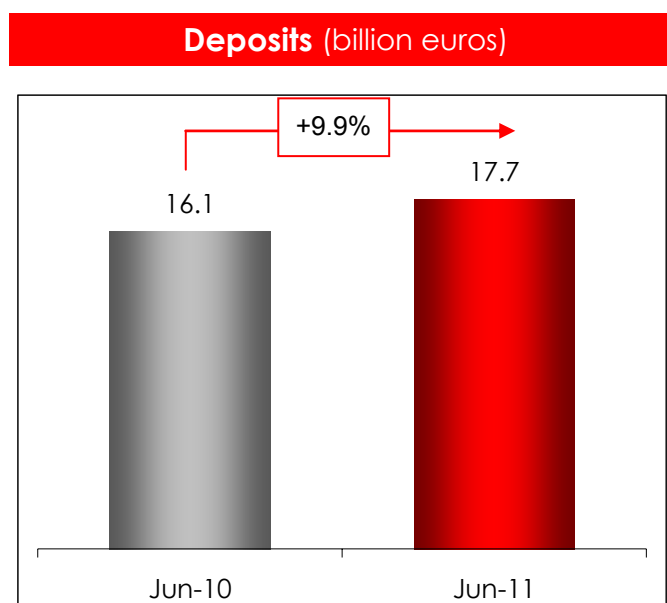
During the first semester of 2011 the credit portfolio was reduced substantially mainly due to the sale of credit in the amount of 2.5 billion Euros. On the other hand, deposits obtained increased by 9.9% in annual terms. The combined evolution of credits and deposits resulted in an improvement of the transformation ratio, which was at 157% at the end of June (the credit and deposit values referred to Santander Totta's banking activity and includes retail bonds).

The loans granted to small and medium sized companies amounted to 9.7 billion Euros, which corresponds to a decrease of 5.0%. Santander Totta has had a very important role in the PME Investe Lines, despite the strong restrictions in credit concession and has placed more than twelve thousand operations, worth 1.2 billion Euros and equivalent to an 18% market share.

Credit to Individuals amounted to 18.5 billion Euros, 1.2% below the value registered in June, 2010, with a -0.7% variation in mortgage loans, and -4.4% in consumer credit.

	Jun-11	Jun-10	Var.
Commercial Banking	28,191	28,925	-2.5%
Credit to Individuals	18,487	18,710	-1.2%
<i>from which</i>			
Mortgage	16,297	16,416	-0.7%
Consumer credit	1,575	1,648	-4.4%
Credit to SME's	9,704	10,215	-5.0%
Small business	3,974	4,095	-3.0%
Corporates	5,731	6,120	-6.4%
Large Corporates and Institutions	1,612	4,454	-63.8%
Guarantees, endorsements and other	1,806	2,048	-11.8%
Total Loans	31,610	35,428	-10.8%
Total Gross Loans (proforma-adjusted for the sell of assets)	34,084	35,428	-3.8%

In terms of liabilities, the increase in client deposits continued to be fundamental, with an 8.2% growth in Individuals and Small Businesses deposits, and a 38.4% growth in Corporate Network resources. It should be noted that the 2nd quarter saw a particularly strong growth in deposits, despite the political and economical uncertainty, a growth that reached an annual rate of 14%.



The evolution of mutual funds continues to be constrained by the instability in the financial markets and by the need to deleverage, which caused a 14.4% decrease in the portfolio.

The capitalization insurance and other resources went up to 5.0 billion Euros, indicating a positive evolution in relation to the same period of 2010.

Total client resources went up to 27.3 billion Euros, which represents an increase of 3.7% when compared to the amount at the end of June, 2010.

	Jun-11	Jun-10	Var.
Deposits	17,693	16,102	+9.9%
Securities issued (clients)	536	558	-3.9%
Balance sheet resources	18,230	16,660	+9.4%
Investment funds	4,077	4,761	-14.4%
Insurance and other	4,959	4,871	+1.8%
Customers' resources	27,265	26,292	+3.7%

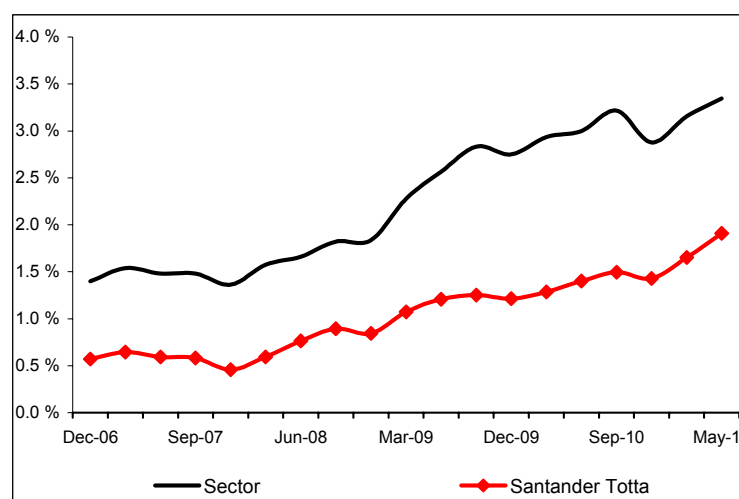
By segment

Commercial Banking Resources	23,843	22,659	+5.2%
Individuals and Small Businesses	22,077	21,383	+3.2%
Deposits	14,598	13,491	+8.2%
Securities issued (clients), Investment Funds and insurance	7,479	7,892	-5.2%
Corporates	1,766	1,276	+38.4%
Large Corporates, Institutionals and other	3,423	3,632	-5.8%

The economic and financial adjustment process that Portugal must implement in the next years, in addition to the increase in interest rates, will have an impact on the increase in impairments, which makes the maintenance of a prudent and very rigorous policy imperative when it comes to the management of credit risk, especially in terms of overdue loans by provisions. In this scope, Santander Totta has been pursuing a policy of an increase in appropriations for credit impairments, of which the cost in the first semester represented 0.49% of the loan portfolio in annual terms.

At the end of June, 2011, the non-performing and doubtful loans ratio amounted to 1.79%, which resulted in an increase of 0.48 p.p. in relation to the same period of 2010, clearly below the system average. The level of provisions represents approximately 2% of the loan portfolio and the non-performing and doubtful loans coverage ratio was 116.1%. According to the last available data, Santander Totta continues, despite the deterioration of the quality indicators for the loan portfolio, to maintain the default levels relatively below the banking system average.

NPL ratios



Source: Banco of Portugal

Note: As of Dec/10 ratios in the sector are influenced by the transfer of credits from BPN

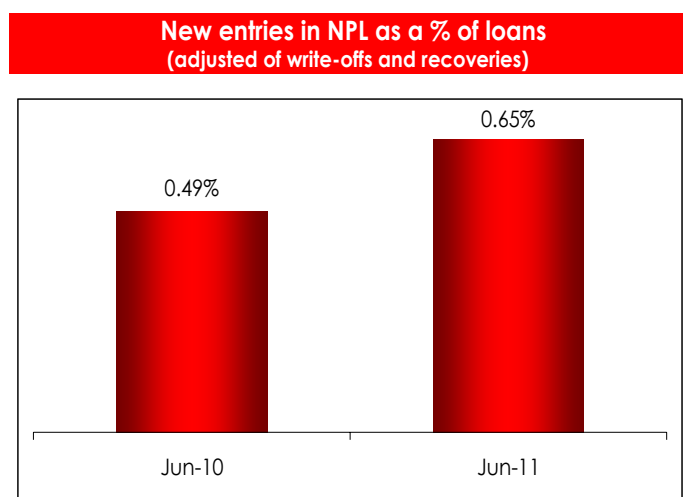
In accordance with the document "Memorandum of Understanding", the Portuguese banks will have to present, until the end of September, a new non-performing loan ratio aligned with international practices, not only covering overdue loans but also outstanding loans and restructured loans. In accordance with this methodology, Santander Totta presented a 2.27% ratio at the end of June, 2011 compared to the 1.61% ratio registered in the same period in 2010.

	Jun-11	Jun-10	Var.
NPL ratio (+ 90 days) (incl. securitization) *	1.77%	1.29%	+0.48 p.p.
NPL coverage ratio (+90 days)	117.2%	126.3%	-9.1 p.p.
NPL and doubtful loans ratio *	1.79%	1.31%	+0.48 p.p.
Net NPL and doubtful loans ratio	0.73%	0.65%	+0.08 p.p.
NPL and doubtful loans coverage ratio	116.1%	125.0%	-8.9 p.p.
NPL ratio (according to international standards)	2.27%	1.61%	+0.7 p.p.
Risk premium**	0.65%	0.49%	+0.16 p.p.

* If adjusted for loan sells, in Jun/11, the ratios would be 1.64% and 1.65%, respectively

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

The indicator that relates new overdue loans (above 90 days), net of recoveries, with an average loan portfolio was at 0.65% in annual terms, decreasing 0.16 p.p. in relation to the value obtained in June, 2010.



* More than 90 days. Annualized figures

LIQUIDITY, SOLVABILITY AND PROFITABILITY

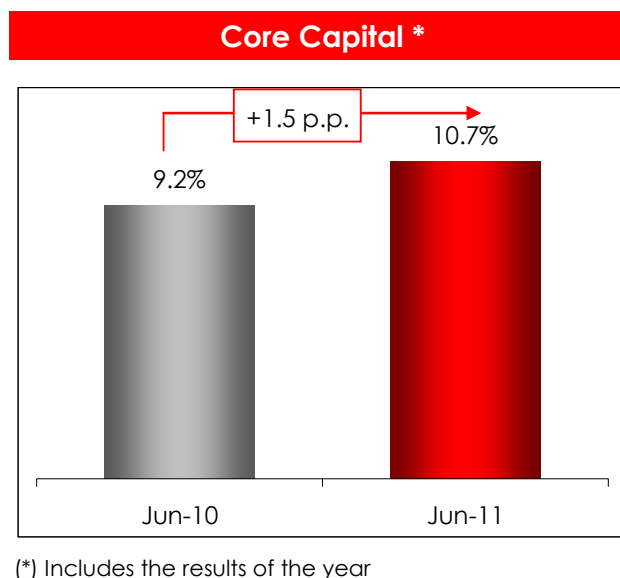
The tensions in the sovereign debt market have had a strong impact on the liquidity of the Portuguese banks. The implementation of the economic and financial adjustment programme for Portugal includes a set of reinforcement measures of the financial sector so as to ensure the economy's financing, specifically the increase in guarantees provided to the banks by the State, the setting of balance-sheet rebalancing objectives and reinforcement of core Tier I Capital ratio.

In this scope of the banking sector deleveraging, Santander Totta has, since 2010, implemented a policy based on the growth of client deposits, and 2011 sold some credits and other assets. Additionally, the financing with the ECB has been maintained at reduced levels (2.9 billion Euros).

In terms of capital ratios, Santander Totta continues to present capital ratios above those demanded in the economic and financial adjustment programme, with the adequacy ratio of own funds at 11.5% and the Core Capital ratio at 10.7%.

	Million Euros	
	Jun-11	Jun-10
Tier I capital	2,621	2,879
Tier II capital	-6	235
Total capital	2,615	3,114
Risk weighted assets	22,859	25,849
Core capital	10.7%	9.2%
Tier I	11.5%	11.1%

(*) Excluding results generated net of payout, Core Capital is 10,6% and Tier I is 11,4%



The evolution of the net result is reflected into a 4.7% ROE at the end of June, 2011.

COMMERCIAL BANKING

Santander Totta has, during the 1st semester of 2011, committed to a strategy mainly focused on obtaining and retaining resources, renegotiating credit spreads, and controlling the commercial gap and overdue loans.

There was a very competitive framework regarding the raising of deposits, and Santander Totta made a set of diverse products and solutions available, with special attention given to the campaigns “Soluções Integradas” (Integrated Solutions), “Soluções Poupança Strategic” (Strategic Savings Solutions), and “Poupança Crescimento Primavera” (Spring Savings Growth), all set up for the **Private and Corporate** segment.

The Integrated Solutions campaign, which was launched in 2010, is based on attractive savings products, such as the “PPR Triunfo” and the “Super Poupança Ídolos”, products based on the Bank’s sponsors with these television programmes. The “Soluções Poupança Strategic” was launched in 2011 (both in Euros and Dollars), and correspond to traditional savings products with various time lengths and payments, and are aimed at obtaining and retaining resources.

The 2nd quarter of 2011 saw the launch of the campaign “Poupança Crescimento Primavera”, which is made up of a set of traditional savings products for middle and long terms savings, and have different liquidity and payment characteristics, of which we can highlight the “Depósito Rendimento Premium” (High Interest Account), a 3-year fixed term deposit and the minimum NGAR of 4%, allowing for a higher return in the 2nd and 3rd year, depending on the Euribor evolution.

In terms of campaigns and activities for obtaining and binding clients, the Bank launched a campaign related to salaries and pensions, the “Soluções Ordenado” in January, which is based on the exemption from fees on the main, day-to-day services and the offer of a wide range of gifts from well-known brands. April saw

this campaign reinforced by a campaign in the media, including television and outdoors. Campaigns and accounts specifically directed towards other segments, namely Children/Teenagers (the campaign “Conta a Crescer”, “Já Cá Conta” and “DP Especial Jovem”) and for Residents Abroad were also launched.

Regarding the loans, the effort to deleverage the banking sector, the general increase of spreads and the decrease of consumer confidence resulted in a significant reduction in the production volumes of mortgage loans during the 1st quarter of 2011.

In this scope, various adjustments to the spreads were performed throughout the semester to the spread grids so as to not only reflect the bigger financing costs, but also the price difference in relation to the risk associated to each loan.

So as to prevent the increase in delinquency due to the progressive rise in interest rates and the deterioration of the economic conditions of the Portuguese families, new regulatory and renegotiating solutions were implemented in order to adequate the payment plan for each client.

The campaign “Credito E-Universidades” was relaunched with the aim of reinforcing the commitment made by the Bank in terms of supporting the educational system in Portugal. This is a credit line for the purchase of a laptop with a mutual guarantee, and is part of the protocol signed with Prológica/Toshiba, in the scope of the Government's innovation programme.

In the **Small Businesses** segment, a strategy with a high focus on attracting new clients was maintained, as well as enhancing the established relationship with existing clients and increasing turnover.

The Bank dedicated special attention to factoring and confirming, where it has a market share of approximately 20%, to batch salary payments, the credit line for the PME loan (small and medium sized companies), “Super Conta Negócios” (a super account for businesses) and the POS.

The campaign “Clientes Negócios 2011” was launched with special attention to the “Super Conta Negócios Plus”, “Conta Corrente Negócios Plus” (a Business Current Account), “Pagamento de Ordenados por Lotes” (batch salary payments), POS and PRM (Payments and Recoveries Management), with a gift for new or reactivated clients.

In the **Payment Systems** area, which includes payment cards and POS, the banking product grew 1.2% when compared to the same period in 2010. The number of cards in circulation rose 2.6%, and the total invoicing grew 4.2% against the same period in 2010.

In relation to the POS, the Bank is still focused, on the one hand, on the commercial proximity with the clients and, on the other hand, the search for big clients that have a large presence in the national market. This has allowed for the

raising of resources at the same time in which the market share is consolidated at 16% in terms of gross sales from POS.

The main priorities in terms of **Corporates** in the first semester of 2011 were to use our balance structure to increase the focus in this segment, specifically in the SMEs (small and medium sized companies), to continue adapting the credit to the liquidity shortage, and to narrow the gap between loans and resources, especially by raising deposits. It should also be noted that there is still a focus on the increase of new clients which further enrich the partnership with a bank such as Santander Totta.

The operating income in the corporate area registered an increase of 12.3% when compared to the same period in 2010, and the business volume augmented 2.2% against June, 2010.

In the **PME Investe lines** (a credit for small and medium sized companies), which has shown itself to be of growing importance in the last two years due to the world economic crisis and the strong loan restrictions on behalf of the banks, Santander Totta has maintained a support policy to the Portuguese corporate sector, which has been seen in the market share in the granting of these lines (approximately 18%) and the allocation of more than 12 thousand operations, with a total value of 12 billion Euros. It should also be noted that Santander Totta, alongside the official authorities, launched the Exporte Investe Line in the year's 2nd quarter, which is meant for the financial support for exporting, specifically the support of products which take a long time to make.

GLOBAL BANKING AND MARKETS

In the area of **Corporate Finance**, of specific highlight is the successful conclusion of the financial advice operation to Secil during the acquisition of Lafarge Betões and the conclusion of financial advice to the Grupo Impresa in the assessment of SIC, Medipress and AEIOU.

Also deserving attention is the ongoing assistance to Galp Energia in the alienation of a participation in Galp Gás Natural Distribuição, a holding that possesses the main companies with infra-structures for the distribution of natural gas in Portugal.

The operations portfolio for Mergers & Acquisitions was, during this semester, also reinforced, and the diverse assessment procedures for transactions are ongoing, to be concluded in the next months.

In the area of **Credit Markets**, the situation of uncertainty and the lack of liquidity of the Portuguese financial institutions due to the sovereign debt crisis has led to the suspension/postponing of various open tenders and public investments, as well as the delay of various private investments. In this scope, Santander Totta has reduced its activity in this area but continues to be one of the few institutions constantly present in the analysis for existing opportunities and in the support for

small promoters in the completion of the projects, specifically in terms of renewable energies.

Thus, one should give special attention to the Bank's participation in the first half of 2011 in the setting up and participation as Mandated Lead Arranger and Bookrunner for the financing of the acquisition of Betenca by Secil, which was concluded at the end of June after obtaining the authorization from the Competition Authority. Still in relation to the financing of acquisitions, the Bank led the structuring of a loan to EDP for the financing of the participation by EVE in Naturgás, this operation having been dealt with by another unit in the Santander group.

In terms of the support to small and medium sized companies, the financing of the Talarrubias da Cavalum Solar Park and the Serra da Boa Viagem Windfarm for Fomentinvest/Efacec were concluded.

In the **Fixed Income Sales** area, and in the context of high uncertainty, activity was characterized by the changing dynamics of strategies to the market's high volatility, with preference for simple risk management structures, with special attention given to the portfolio structures.

In terms of **Equity**, and despite the worsening of the financial crisis in the first half of 2011, the sale of structured products from the retail and private segment evolved favourably when compared to the same period in 2010, 6 structured products having been issued in Euros and Dollars, in the amount above 250 million Euros.

Regarding the **Cash Equities** activity, in the first six months of 2011 there was a clear slow-down of the market volumes. The national market saw a drop of 31% in the average daily volume transacted in terms of the PSI 20, to 121 million Euros. Even so, and in this adverse situation, the Bank managed to grow 5% in terms of gross fees when compared to the same period in 2010, essentially due to an expansion of the market share by 140 base points in the domestic market, and to a more dynamic volume in the international market.

The area of Santander Totta's **Institutional Custody** registered a slight increase in the total number of operations against the same period in 2010. However, the adverse situation in the financial markets had a negative pressure on the total volume of assets under custody.

ASSET MANAGEMENT

In line with the prudent policy which has guided the performance of the management company in the last years, Santander Asset Management has maintained its focus on the preservation of capital and the high and adequate levels of liquidity, notwithstanding the benefit from the opportunities that the market has offered.

Thus, at the end of the first half of 2011, positive profitability was registered in most Mutual Funds managed by Santander Asset management, specifically “Santander Multicrédito” (5.1% annual gross return), “Santander Multitaxa Fixa” (the best European fixed interest account at 3 to 5 years), “Santander Global” (8.5% annual gross return) and “Santander Acções Portugal” (the best national equity fund in 2011, at 2 and 10 years). Additionally, the “Santander Euro-Futuro Cíclico” funds and “Santander Acções USA” were highlighted as the best national mutual funds investments for a 12 month period.

The first half of 2011 was also marked by the launch of the “FEI Iberian Credit 2014” the fusion of the management funds “Santander Gestão Private” and “Santander Gestão Premium” (in a total of 30.4 million Euros), as well as for the dynamics of the current range of funds, in a total of 34 investment funds.

At the end of the semester, the mutual funds managed by Santander Asset Management represented a 16.4% market share.

Regarding the real estate investment funds, the profitability obtained reflected the economic crisis and the current difficulties in the real estate market in Portugal. Thus, the performance by the funds was eminently generated by the rents paid by the tenants, the active real estate investment funds having presented consistent profitability despite the market evolution. At the end of the semester, the real estate investment funds generated by Santander Asset Management totalled approximately 717 million Euros, which is equivalent to a 6.4% market share.

INSURANCE

Santander Totta Seguros continued to develop its activity with a distribution model that was better adapted to the client's segments, their needs, profiles and potentialities.

Apart from the availability of the simple range of life risk products, linked to loans and to other banking products, the offer of products for the preservation of life and the protection of loans marketed by the bank in “open market”, simultaneously with the adequacy of the sales model.

In relation to financial life insurance, it is important to highlight the monthly launch of financial insurance named “Planos de Rendimento” (Revenue Plans), under the form of non-normalized ICAE Insurances, divided into unit linked, which aim to offer a monthly and quarterly return (calculated on the amount subscribed and paid under the form of partial return), the total sales volume surpassing approximately 588 million Euros. At the end of May, the market share in premiums was 18%.

In the scope of life risk insurances marketed in open market, one should give special attention to the product “Salary Protection Plan” – a life insurance that covers unemployment for clients who have their salaries paid into their Santander Totta current account, and its sale rose to 9,300 plans in the first half of 2011. One

should also give special attention to “Plano Vida”, a product that is meant for the main market segment with over 21,100 plans sold in the first half of 2011.

The value of the premiums and fees issued for investment contracts reached 616 million Euros, which corresponds to a 65% increase in relation to the same period as 2010. In the risk and mixed insurances, the volume of premiums amounted to 58.9 million Euros (against 61 million in the same period in 2010), and the good performance in sales of products in open market, the life insurance connected to consumption and the reduction of life insurance linked to mortgages, due to less mortgage loans being produced, should be noted.

INSTITUTIONAL INFORMATION

Santander (SAN.MC, STD.N, BNC.LN) is a commercial bank with its headquarters in Spain and is present in 10 main markets. At the end of 2010, it was the first bank in the euro zone and the tenth in the world in terms of market capitalization. It was founded in 1857 and has € 1,362,289 million generated funds. Santander has more than 95 million clients, 14,082 branches – more than any other international bank – and 179,000 employees. It is the main financial Group in Spain and Latin American, and has important positions in the United Kingdom, Portugal, northeast USA and other European countries such as Germany and Poland, through its unit Santander Consumer Finance. In 2010, Santander registered a net result of 8,181 million Euros.

Santander Totta, SGPS
Indicators

Million Euros

	Jun-11	Jun-10	Var.
Total Gross Loans (adjusted by the sell of loans)	34,084	35,428	-3.8%
Total Gross Loans (*)	31,610	35,428	-10.8%
<i>from which</i>			
Commercial Banking	28,191	28,925	-2.5%
Credit to Individuals	18,487	18,710	-1.2%
<i>from which</i>			
Mortgage (includes securitization)	16,297	16,416	-0.7%
Consumer credit	1,575	1,648	-4.4%
Credit to Corporates	9,704	10,215	-5.0%
Small business	3,974	4,095	-3.0%
SME's	5,731	6,120	-6.4%
Large Corporates and Institutions	1,612	4,454	-63.8%
Resources	27,265	26,292	+3.7%
Commercial Banking	23,843	22,659	+5.2%
Individuals and Small Businesses	22,077	21,383	+3.2%
Deposits	14,598	13,491	+8.2%
Securities issued (clients), Inv. Funds, Insurance & Other	7,479	7,892	-5.2%
Corporates	1,766	1,276	+38.4%
Large Corporates, Institutionals and other	3,423	3,632	-5.8%
ROE	4.7%	17.8%	-13.1 p.p.
Efficiency ratio (excl. depreciation)	44.5%	36.4%	+8.1 p.p.
Efficiency ratio (incl. depreciation)	50.4%	41.5%	+8.9 p.p.

Santander Totta, SGPS

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

	Jun-11	Jun-10	Var.
Solvency ratios:			
Tier I	11.5%	11.1%	+0.3 p.p.
Solvency ratio	11.4%	12.0%	-0.6 p.p.
NPL and doubtful loans ratio	1.79%	1.31%	+0.48 p.p.
NPL and doubtful loans coverage ratio	116.1%	125.0%	-8.9 p.p.
Net NPL and doubtful loans ratio	0.73%	0.65%	+0.08 p.p.
Income before taxes and MI/Average net assets	0.7%	1.2%	-0.5 p.p.
Operating income/Average net assets	2.2%	2.6%	-0.4 p.p.
Income before taxes and MI/Average equity	10.8%	18.8%	-8.0 p.p.
Total operating expenses/Operating income	50.4%	41.5%	+8.9 p.p.
Personnel expenses/Operating income	30.1%	23.9%	+6.2 p.p.

Santander Totta, SGPS
Income Statement ^(*)

Million Euros

	Jun-11	Jun-10	Var.
Net interest income (without dividends)	309.8	372.9	-16.9%
Dividends	1.2	4.4	-71.6%
Net interest income	311.0	377.2	-17.6%
Net commissions	184.3	183.1	+0.7%
Other banking income	-5.2	-0.5	>200%
Insurance activity	13.5	20.6	-34.6%
Commercial revenue	503.6	580.4	-13.2%
Gain/loss on financial transactions	10.3	48.2	-78.5%
Operating income and insurance activity	513.9	628.7	-18.2%
Total operating expenses	(259.3)	(261.1)	-0.7%
Net operating income	254.7	367.6	-30.7%
Impairment, net provisions and other income	(91.7)	(91.2)	+0.6%
Income before taxes and MI	163.0	276.4	-41.0%
Taxes	(33.6)	(46.0)	-27.0%
Income after taxes	129.4	230.4	-43.9%
Minority interests	(0.1)	(4.5)	-98.2%
Consolidated net income (recurrent)	129.3	225.9	-42.8%
Gain/loss on the sale of assets	(56.7)	21.2	<-200%
Consolidated net income	72.6	247.1	-70.6%

(*) Not audited

Santander Totta, SGPS
Balance Sheet

Million Euros

Assets	Jun-11	Jun-10	Var.
Deposits at Central Banks	710	662	+7.2%
Cash, loans and advances to banks	1,390	2,868	-51.5%
Financial assets	8,007	13,411	-40.3%
Net loans	29,530	33,292	-11.3%
Hedging derivatives	50	292	-83.0%
Non current assets held to sell	121	95	+27.5%
Other tangible assets	457	486	-5.9%
Other assets	1,245	1,168	+6.5%
Total Assets	41,509	52,275	-20.6%
Liabilities and Equity	Jun-11	Jun-10	Var.
Resources from Central Banks	3,471	4,131	-16.0%
Resources from other institutions	4,702	8,642	-45.6%
Financial liabilities held for trading	1,171	1,750	-33.1%
Financial liabilities designated at fair value through profit and loss	4,148	4,329	-4.2%
Resources of customers and others	17,693	16,102	+9.9%
Debt securities issued	6,337	11,746	-46.1%
Hedging derivatives	149	316	-52.7%
Provisions	545	497	+9.7%
Subordinated liabilities	0	279	-100.0%
Other liabilities	563	1,364	-58.7%
Shareholder's equity	2,730	3,119	-12.5%
Total Liabilities and Equity	41,509	52,275	-20.6%